

# Contents

<b>Volume Two</b>	<b>Page</b>
<b>Prospective Financial Statements</b>	
Prospective Balance Sheet	4
Prospective Statement of Comprehensive Income	6
Prospective Movement in Public Equity	6
Prospective Cashflows	8
Prospective Revenue Summary	10
Prospective Analysis of Revenue	10
Prospective Rates Revenue	12
Prospective Cost of Service Summary Statement	14
Prospective Rate Requirements and Public Debt Balances	16
Significant Forecasting Assumptions and Risks	18
<b>Corporate and Financial Policies</b>	
Policy on Significance	25
Policy on Partnerships with the Private Sector	28
Policy on Development and Financial Contributions	30
Accounting Policies	31
Treasury Policies	47
Liability Management Policy	48
Investment Policy	54
Revenue and Financing Policy	57
Rating Policies	82
Funding Impact Statement	91

## **Fees and Charges - Annexed - not provided**

As a requirement of the Local Government Act 2002 this document has been audited by Audit New Zealand. Their full opinion can be found in Volume 1.



# **Prospective Financial Statements**

# Prospective Balance Sheet

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
<b>Assets</b>				
Property, Plant and Equipment	478,336	532,886	534,403	536,217
Other Financial Assets	4,296	5,146	6,073	7,073
Biological Assets (Forest Estate)	1,113	951	1,225	1,021
<b>Total Non-Current Assets</b>	<b>483,745</b>	<b>538,983</b>	<b>541,701</b>	<b>544,311</b>
<b>Working Capital</b>				
Cash and Bank Deposits	14,978	18,338	21,734	21,055
Receivables and Accrued Revenue	8,047	8,290	8,539	8,795
Current Investment Balances	-	-	-	-
<b>Total Current Assets</b>	<b>23,025</b>	<b>26,628</b>	<b>30,273</b>	<b>29,850</b>
<b>Less</b>				
Payables and Staff Entitlements	9,018	9,289	13,121	12,053
Current Portion of Term Debt	460	-	-	-
<b>Total Current Liabilities</b>	<b>9,478</b>	<b>9,289</b>	<b>13,121</b>	<b>12,053</b>
<b>Net Working Capital</b>	<b>13,547</b>	<b>17,339</b>	<b>17,152</b>	<b>17,797</b>
<b>Net Assets</b>	<b>497,292</b>	<b>556,322</b>	<b>558,853</b>	<b>562,108</b>
<b>Represented By</b>				
Accumulated Funds	296,191	307,853	307,892	309,022
Asset Revaluation Reserves	111,581	155,734	155,734	155,734
Restricted Reserves	5,496	5,661	5,831	6,006
Council Created Reserves	5,235	5,287	5,340	5,393
<b>Public Equity</b>	<b>418,503</b>	<b>474,535</b>	<b>474,797</b>	<b>476,155</b>
<b>Non Current Liabilities</b>				
Public Debt (gross)	78,789	81,787	84,056	85,953
	78,789	81,787	84,056	85,953
<b>Net Liabilities and Equity</b>	<b>497,292</b>	<b>556,322</b>	<b>558,853</b>	<b>562,108</b>

# Prospective Balance Sheet

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
578,657	579,393	581,300	624,643	623,739	625,277
8,228	9,450	10,742	12,110	13,557	15,088
905	960	1,232	1,572	1,951	2,230
<u>587,790</u>	<u>589,803</u>	<u>593,274</u>	<u>638,325</u>	<u>639,247</u>	<u>642,595</u>
22,587	20,648	19,079	17,739	15,824	17,044
9,643	10,971	10,900	11,118	11,452	11,794
-	-	-	-	-	-
<u>32,230</u>	<u>31,619</u>	<u>29,979</u>	<u>28,857</u>	<u>27,276</u>	<u>28,838</u>
12,373	12,744	14,627	13,695	12,283	13,184
763	927	942	1,013	1,089	1,171
<u>13,136</u>	<u>13,671</u>	<u>15,569</u>	<u>14,708</u>	<u>13,372</u>	<u>14,355</u>
<u>19,094</u>	<u>17,948</u>	<u>14,410</u>	<u>14,149</u>	<u>13,904</u>	<u>14,483</u>
<u>606,884</u>	<u>607,751</u>	<u>607,684</u>	<u>652,474</u>	<u>653,151</u>	<u>657,078</u>
310,829	311,649	311,654	313,425	314,166	316,932
194,510	194,510	194,510	237,571	237,571	237,571
6,186	6,371	6,562	6,759	6,962	7,170
5,447	5,501	5,556	5,611	5,667	5,724
<u>516,972</u>	<u>518,031</u>	<u>518,282</u>	<u>563,366</u>	<u>564,366</u>	<u>567,397</u>
89,912	89,720	89,402	89,108	88,785	89,681
<u>89,912</u>	<u>89,720</u>	<u>89,402</u>	<u>89,108</u>	<u>88,785</u>	<u>89,681</u>
<u>606,884</u>	<u>607,751</u>	<u>607,684</u>	<u>652,474</u>	<u>653,151</u>	<u>657,078</u>

# Prospective Statement of Comprehensive Income

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
<b>Revenue</b>				
Activity Revenue	7,392	8,152	6,881	9,036
Contributions	7,650	6,032	738	899
Investment Income	932	1,205	1,447	1,572
Subsidies	13,608	13,743	14,905	15,367
Rates	18,360	25,374	20,070	20,900
Assets Vested	490	-	-	230
Gain/(Loss) on revaluation of forestry	41	(162)	274	(204)
<b>Total Revenue</b>	<b>48,473</b>	<b>54,344</b>	<b>44,315</b>	<b>47,800</b>
<b>Expenditure</b>				
Depreciation	13,051	13,854	14,415	14,704
Employee Benefits	2,900	2,979	3,059	3,136
Finance Costs	3,845	3,596	3,701	3,878
Other Direct Operating Costs	20,529	22,036	22,878	24,724
<b>Total Expenditure</b>	<b>40,325</b>	<b>42,465</b>	<b>44,053</b>	<b>46,442</b>
<b>Net Surplus (Deficit)</b>	<b>8,148</b>	<b>11,879</b>	<b>262</b>	<b>1,358</b>
<b>Other Comprehensive Income</b>				
Gains/(Loss) on infrastructure revaluation	-	44,153	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>44,153</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the year</b>	<b>8,148</b>	<b>56,032</b>	<b>262</b>	<b>1,358</b>

## Comment

Projected operating revenues have been set each year at levels sufficient to meet projected operating costs. The high surplus in 2009/10 and 2010/11 both arise from anticipated receipts of the 'one-off' EcoCare targeted rate at the commencement of the scheme.

# Prospective Movement in Public Equity

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
Equity at 1 July	410,355	418,503	474,535	474,797
Total Comprehensive Income for Year	8,148	56,032	262	1,358
Total Recognised Revenue and Expenses	8,148	56,032	262	1,358
Equity at 30 June	<b>418,503</b>	<b>474,535</b>	<b>474,797</b>	<b>476,155</b>

## Prospective Statement of Comprehensive Income

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
8,560	8,471	8,036	8,246	8,438	8,684
1,177	1,321	1,287	1,443	1,480	1,822
1,645	1,682	1,630	1,598	1,557	1,594
14,007	14,424	14,319	14,692	15,043	15,368
21,622	22,285	23,137	23,880	24,681	25,446
501	512	524	535	546	557
(116)	55	272	340	379	279
<u>47,396</u>	<u>48,750</u>	<u>49,205</u>	<u>50,734</u>	<u>52,124</u>	<u>53,750</u>
14,974	15,239	15,515	15,765	16,017	16,298
3,214	3,294	3,380	3,488	3,582	3,693
4,049	5,622	5,784	5,774	5,755	5,729
23,118	23,536	24,275	23,684	25,770	24,999
<u>45,355</u>	<u>47,691</u>	<u>48,954</u>	<u>48,711</u>	<u>51,124</u>	<u>50,719</u>
2,041	1,059	251	2,023	1,000	3,031
<u>38,776</u>	-	-	43,061	-	-
<u>38,776</u>	-	-	43,061	-	-
<u>40,817</u>	<u>1,059</u>	<u>251</u>	<u>45,084</u>	<u>1,000</u>	<u>3,031</u>

## Prospective Movement in Public Equity

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
476,155	516,972	518,031	518,282	563,366	564,366
<u>40,817</u>	<u>1,059</u>	<u>251</u>	<u>45,084</u>	<u>1,000</u>	<u>3,031</u>
<u>40,817</u>	<u>1,059</u>	<u>251</u>	<u>45,084</u>	<u>1,000</u>	<u>3,031</u>
<u>516,972</u>	<u>518,031</u>	<u>518,282</u>	<u>563,366</u>	<u>564,366</u>	<u>567,397</u>

# Prospective Cashflows

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
<b>Operating Activities</b>				
<i>Cash to be provided from:</i>				
Rates	17,442	25,010	18,063	20,800
Fees, Charges and Other	14,983	13,583	10,268	10,060
Grants and Subsidies	13,328	13,740	13,414	14,706
Interest Received	918	1,195	1,437	1,562
	<u>46,671</u>	<u>53,528</u>	<u>43,182</u>	<u>47,128</u>
<i>Cash to be applied to:</i>				
Suppliers and Employees	23,765	24,328	21,862	28,738
Interest Expense	3,424	3,137	3,217	3,356
Taxes Including Net GST	(61)	(62)	(63)	(64)
	<u>27,128</u>	<u>27,403</u>	<u>25,016</u>	<u>32,030</u>
<b>Net Cash From/(To) Operating Activities</b>	<u>19,543</u>	<u>26,125</u>	<u>18,166</u>	<u>15,098</u>
<b>Investing Activities</b>				
<i>Cash to be provided from:</i>				
Sale of Assets	-	-	-	-
Sinking Fund Withdrawal	-	-	-	-
Mortgage receipts	18	19	23	35
	<u>18</u>	<u>19</u>	<u>23</u>	<u>35</u>
<i>Cash to be applied to:</i>				
Fixed Asset Purchases	(67,385)	(24,251)	(15,932)	(16,518)
Loans and Advances	-	-	-	-
Sinking Fund Instalments	(567)	(627)	(657)	(687)
	<u>(67,952)</u>	<u>(24,878)</u>	<u>(16,589)</u>	<u>(17,205)</u>
<b>Net Cash From/(To) Investing Activities</b>	<u>(67,934)</u>	<u>(24,859)</u>	<u>(16,566)</u>	<u>(17,170)</u>
<b>Financing Activities</b>				
Loans Raised	53,277	2,554	1,796	1,393
Loan Repayments	(250)	(460)	-	-
<b>Net Cash From/(To) Financing Activities</b>	<u>53,027</u>	<u>2,094</u>	<u>1,796</u>	<u>1,393</u>
<b>Net Increase (Decrease) in Cash Held</b>	<u>4,636</u>	<u>3,360</u>	<u>3,396</u>	<u>(679)</u>
<b>Cash as at 1 July</b>	<u>10,342</u>	<u>14,978</u>	<u>18,338</u>	<u>21,734</u>
<b>Cash Resources at 30 June</b>	<u>14,978</u>	<u>18,338</u>	<u>21,734</u>	<u>21,055</u>

## Prospective Cashflows

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
21,400	22,026	23,206	23,911	24,820	25,215
11,576	11,047	12,167	11,609	11,181	13,621
12,603	12,981	13,603	14,040	14,461	14,967
1,632	1,664	1,608	1,571	1,534	1,565
<u>47,211</u>	<u>47,718</u>	<u>50,584</u>	<u>51,131</u>	<u>51,996</u>	<u>55,368</u>
26,317	27,218	28,043	29,858	32,175	30,948
3,464	5,019	5,081	4,946	4,932	4,848
(65)	(66)	(67)	(68)	(69)	(70)
<u>29,716</u>	<u>32,171</u>	<u>33,057</u>	<u>34,736</u>	<u>37,038</u>	<u>35,726</u>
<u>17,495</u>	<u>15,547</u>	<u>17,527</u>	<u>16,395</u>	<u>14,958</u>	<u>19,642</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(18,638)	(15,976)	(17,422)	(16,046)	(15,113)	(17,836)
(747)	(747)	(747)	(747)	(747)	(747)
<u>(19,385)</u>	<u>(16,723)</u>	<u>(18,169)</u>	<u>(16,793)</u>	<u>(15,860)</u>	<u>(18,583)</u>
<u>(19,385)</u>	<u>(16,723)</u>	<u>(18,169)</u>	<u>(16,793)</u>	<u>(15,860)</u>	<u>(18,583)</u>
3,422	-	-	-	-	1250
-	(763)	(927)	(942)	(1,013)	(1,089)
<u>3,422</u>	<u>(763)</u>	<u>(927)</u>	<u>(942)</u>	<u>(1,013)</u>	<u>161</u>
<u>1,532</u>	<u>(1,939)</u>	<u>(1,569)</u>	<u>(1,340)</u>	<u>(1,915)</u>	<u>1,220</u>
<u>21,055</u>	<u>22,587</u>	<u>20,648</u>	<u>19,079</u>	<u>17,739</u>	<u>15,824</u>
<u>22,587</u>	<u>20,648</u>	<u>19,079</u>	<u>17,739</u>	<u>15,824</u>	<u>17,044</u>

## Prospective Revenue Summary

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
<b>Revenue - Significant Activities</b>				
Roading	14,088	14,175	15,531	16,040
Wastewater	7,423	5,811	332	450
Water Supply	1,975	2,104	2,269	2,400
Stormwater	2	2	2	2
Land Drainage	3	3	3	3
Refuse	150	155	158	162
Community Spaces	588	601	616	629
Economic Development	-	-	-	-
Development Management	1,888	2,061	2,164	2,218
Social Development	476	489	501	515
Democracy	-	-	-	-
Policy and Planning	-	-	-	-
Emergency Management	49	50	52	53
Forestry	1,096	1,555	-	1,909
Property	366	376	386	396
Miscellaneous	1,478	1,750	1,957	2,097
<b>Total External Revenue</b>	<b>29,582</b>	<b>29,132</b>	<b>23,971</b>	<b>26,874</b>

## Prospective Analysis of Revenue

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
Activity Revenue	7,392	8,152	6,881	9,036
Contributions	7,650	6,032	738	899
Investment Income	932	1,205	1,447	1,572
Subsidies	13,608	13,743	14,905	15,367
	<b>29,582</b>	<b>29,132</b>	<b>23,971</b>	<b>26,874</b>

## Prospective Revenue Summary

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
14,836	15,268	14,994	15,379	15,741	16,077
577	710	850	997	1,027	1,363
2,619	2,724	2,929	2,990	3,049	3,140
2	2	2	2	2	2
3	3	3	3	3	3
166	173	178	183	188	194
643	658	673	692	709	729
-	-	-	-	-	-
2,274	2,330	2,391	2,468	2,534	2,613
529	545	561	576	588	602
-	-	-	-	-	-
-	-	-	-	-	-
54	56	57	59	60	62
1,093	771	-	-	-	-
408	420	432	443	453	464
2,185	2,238	2,202	2,187	2,164	2,219
<u>25,389</u>	<u>25,898</u>	<u>25,272</u>	<u>25,979</u>	<u>26,518</u>	<u>27,468</u>

## Prospective Analysis of Revenue

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
8,560	8,471	8,036	8,246	8,438	8,684
1,177	1,321	1,287	1,443	1,480	1,822
1,645	1,682	1,630	1,598	1,557	1,594
14,007	14,424	14,319	14,692	15,043	15,368
<u>25,389</u>	<u>25,898</u>	<u>25,272</u>	<u>25,979</u>	<u>26,518</u>	<u>27,468</u>

## Prospective Rates Revenue

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
General Rates	11,876	12,466	12,964	13,483
Targeted Rates				
▪ Water	96	103	109	115
▪ Wastewater	4,595	10,860	4,991	5,214
▪ Stormwater	852	992	1,040	1,107
▪ Land Drainage	472	484	497	504
▪ Mangawhai Harbour Restoration	257	257	257	265
▪ Dargaville Development	90	90	90	90
▪ Dargaville Town Hall	28	28	28	28
▪ Dargaville Pool	94	94	94	94
Targeted Rates	6,484	12,908	7,106	7,417
<b>Total Council Rates</b>	<b>18,360</b>	<b>25,374</b>	<b>20,070</b>	<b>20,900</b>

Annual rates of \$40,400 will be paid in 2009/10 by Council on behalf of ratepayers, and thereafter the \$40,400 will increase in line with inflation. These remissions are in respect of the rate liabilities of a number of community, sporting and other non-profit making organisations within the District. The remissions comply with both the Local Government (Rating) Act 2002, and Council's own rates remission policies. There is expected to be no remissions made under the Extreme Financial Hardship Policy. Council is not expected to postpone rates.

## Prospective Rates Revenue

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
13,887	14,304	14,733	15,175	15,630	16,099
121	127	133	139	147	153
5,466	5,651	6,013	6,224	6,448	6,649
1,145	1,181	1,216	1,278	1,369	1,436
518	529	541	553	567	580
273	281	289	299	308	317
90	90	90	90	90	90
28	28	28	28	28	28
94	94	94	94	94	94
<u>7,735</u>	<u>7,981</u>	<u>8,404</u>	<u>8,705</u>	<u>9,051</u>	<u>9,347</u>
<u>21,622</u>	<u>22,285</u>	<u>23,137</u>	<u>23,880</u>	<u>24,681</u>	<u>25,446</u>

# Prospective Cost of Service Summary Statement

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
<b>Expenditure</b>				
Roading	21,108	23,522	25,523	26,138
Wastewater	6,613	6,279	6,695	6,762
Water Supply	1,873	1,945	2,072	2,160
Stormwater	711	852	899	967
Land Drainage	480	492	505	513
Refuse	821	750	757	827
Community Spaces	2,311	2,292	2,354	2,399
Economic Development	100	103	106	108
Development Management	2,283	2,333	2,400	2,442
Social Development	648	663	680	699
Democracy	647	661	680	692
Policy and Planning	746	327	329	283
Emergency Management	315	321	331	336
Forestry	1,145	1,393	176	1,555
Property	524	532	546	561
Miscellaneous	-	-	-	-
<b>Total Expenditure</b>	<b>40,325</b>	<b>42,465</b>	<b>44,053</b>	<b>46,442</b>

# Prospective Cost of Service Summary Statement

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
25,013	25,760	27,081	26,442	28,447	27,625
6,847	8,331	8,407	8,466	8,520	8,567
2,333	2,388	2,529	2,569	2,613	2,654
1,004	1,040	1,076	1,137	1,177	1,242
527	539	547	559	573	586
849	869	885	902	920	939
2,464	2,527	2,587	2,660	2,734	2,798
111	115	118	121	124	127
2,516	2,578	2,643	2,723	2,798	2,897
719	739	762	781	799	817
713	727	741	756	772	787
302	318	314	327	328	347
347	355	364	375	385	397
1,033	813	289	286	293	298
577	592	611	607	641	638
-	-	-	-	-	-
<u>45,355</u>	<u>47,691</u>	<u>48,954</u>	<u>48,711</u>	<u>51,124</u>	<u>50,719</u>

# Prospective Rate Requirement and Public Debt Balances

	Prospective 2009/10 \$000	Prospective 2010/11 \$000	Prospective 2011/12 \$000	Prospective 2012/13 \$000
Public Debt – Net Balance (\$000) see Note	74,611	76,740	78,059	78,921
Targeted Rates (\$000)	6,484	5,793	7,106	7,417
General Rate Including GUAC (\$000)	11,876	12,466	12,964	13,483
District Population <sup>1</sup>	18,370	18,370	18,370	18,420
Rateable Properties	12,310	12,310	12,310	12,340
Public Debt Per Resident (\$)	4,062	4,177	4,249	4,284
Average General Rate Per Property (\$)	965	1,013	1,052	1,093

## Note

Net debt is gross debt, minus any funded investment reserves (sinking funds) set aside to repay loans maturing in the future.

<sup>1</sup> Refer Significance Forecasting Assumptions and Risks page 13

## Prospective Rate Requirement and Public Debt Balances

Prospective 2013/14 \$000	Prospective 2014/15 \$000	Prospective 2015/16 \$000	Prospective 2016/17 \$000	Prospective 2017/18 \$000	Prospective 2018/19 \$000
81,753	80,312	78,701	77,039	75,269	74,634
7,735	7,981	8,404	8,703	9,051	9,347
13,887	14,304	14,733	15,175	15,630	16,099
18,470	18,520	18,570	18,620	18,670	18,720
12,370	12,400	12,430	12,460	12,490	12,520
4,426	4,336	4,238	4,137	4,032	3,987
1,123	1,153	1,185	1,218	1,251	1,286

# Significant Forecasting Assumptions and Risks

## Significant Forecasting Assumptions and Risks

Legislation requires us to state all significant forecasting assumptions and risks underlying the financial estimates<sup>2</sup>. A number of assumptions have been made when preparing this Long Term Council Community Plan (LTCCP), and those assumptions were agreed to by Council on 11 March 2009.

Those assumptions include:

Assumption	Level of Uncertainty	Financial Significance
<ul style="list-style-type: none"> <li>The principal assumption made for the ten-year period between 2009 and 2019 is that annual inflation will occur at rates broadly in line with the average of the cost indexing estimates collected for local government use by the Society of Local Government Managers, thus</li> </ul>	Medium	Medium

### BERL Adjustors: Index June 2008 = 1000

Year ending	Road	Property	Water	Energy	Staff	Other
June 2006	918	928	941	912	932	910
June 2007	963	964	925	874	959	940
June 2008	1000	1000	1000	1000	1000	1000
June 2009	1050	1022	1089	1098	1028	1061
June 2010	1084	1050	1130	1121	1055	1098
June 2011	1116	1082	1164	1147	1083	1134
June 2012	1148	1111	1197	1177	1113	1160
June 2013	1175	1142	1229	1213	1140	1188
June 2014	1203	1174	1269	1248	1169	1213
June 2015	1230	1208	1306	1289	1198	1239
June 2016	1258	1245	1351	1331	1229	1267
June 2017	1288	1277	1393	1376	1268	1297
June 2018	1319	1306	1438	1422	1303	1328
June 2019	1349	1336	1486	1472	1343	1362

<ul style="list-style-type: none"> <li>Cost factors will mirror the inflation indices referred to in the above assumption</li> </ul>	Medium	Medium
<ul style="list-style-type: none"> <li>The Plan has been based on 2008 conditions. Council borrowings are competitively tendered at each interest reset date</li> </ul>	Low	Medium
<ul style="list-style-type: none"> <li>The activities and levels of service provided by Council will not be subject to major change within the term of the document, with the exception of the provision of reticulated wastewater at Baylys and three Kaipara Harbour communities, and stormwater services at Mangawhai</li> </ul>	Medium	High
<ul style="list-style-type: none"> <li>The District's population is projected to remain the same<sup>3</sup> between census periods</li> </ul>	Medium	Low

<sup>2</sup> Local Government Act (LGA) 2002, Schedule 10

<sup>3</sup> NZ Statistics, Resident Population Projections 2006-2031

# Significant Forecasting Assumptions and Risks

<ul style="list-style-type: none"> <li>The present method of operating and funding the costs and operation of the roading network within the District during the period covered by the document will remain constant except for results of development contributions (roading) and the targeted rate for forestry which is subject to the level of regional development funding received from government</li> </ul>	Low	High
<ul style="list-style-type: none"> <li>Council will continue to exist in its current form, activities and geographic area for the period covered by the document</li> </ul>	Medium	Low
<ul style="list-style-type: none"> <li>No major natural event will affect the District or the infrastructure and other assets of the Council and its activities</li> </ul>	Medium	High
<ul style="list-style-type: none"> <li>Estimates of assets which vest in Council have been based on historical trends, and expected subdivisional growth</li> </ul>	Medium	Medium
<ul style="list-style-type: none"> <li>Useful lives of significant assets – refer to Accounting Policies - Property, Plant and Equipment. Depreciation calculations on additions, in this Plan, have been based on best estimates of the average useful lives of the various categories of assets</li> </ul>	Low	Medium
<ul style="list-style-type: none"> <li>The infrastructural assets will continue to be revalued every three years in accordance with Council's revaluation cycle, and that all revaluation increments will broadly align with the BERL inflation indicators. Council will assess annually its assets against fair value for any material variance that may trigger revaluation between the revaluation cycle</li> </ul>	Low	Low
<ul style="list-style-type: none"> <li>Sources of funds for future replacement of significant assets – refer to Revenue and Financing Policy, Capital Expenditure</li> </ul>	Medium	Medium
<ul style="list-style-type: none"> <li>The principal assumption made for 2009-2019 in respect of New Zealand Transport Agency Financial Assistance Rates is that they will continue at 2008 levels</li> </ul>	Medium	Medium
<ul style="list-style-type: none"> <li>The assumption made in respect of the split of roading expenditure between operating cost, and capital cost, was applied consistently for each year, and was based on the methodology prescribed in the NAMM's manual</li> </ul>	Low	Low
<ul style="list-style-type: none"> <li>The Council owns a Biological Asset - its forestry estate. This asset is independently re-valued annually. The assumption underpinning this Plan is that net annual values will mirror those in 2008</li> </ul>	Medium	Medium
<ul style="list-style-type: none"> <li>The interest earned on cash funds invested will be 5.8%</li> </ul>	Medium	Medium
<ul style="list-style-type: none"> <li>The interest rates on new loans raised during the year will be 6.5%</li> </ul>	Medium	Medium

# Significant Forecasting Assumptions and Risks

<ul style="list-style-type: none"> <li>• Depreciation rates on planned asset acquisitions – refer Accounting Policies - Property, Plant and Equipment. In the first year of asset acquisition, the period of asset use is assumed to be an average six months</li> </ul>	Low	Medium
<ul style="list-style-type: none"> <li>• Council will obtain and comply with the required resource consents for its existing and proposed infrastructure</li> </ul>	Low	Medium
<ul style="list-style-type: none"> <li>• Currency risk is the risk exposure to foreign currency financial instruments. As New Zealand law prohibits councils from dealing in foreign currency, it is assumed that this Council has no currency risk exposure</li> </ul>	Low	Low
<ul style="list-style-type: none"> <li>• The principal assumption as to renewability of external funding is that the face value of any existing or future loan, at its interest rate reset date, will be refinanced in full. Repayment of loan will occur when the loan sinking fund balance builds to equal the face value of the loan</li> </ul>	Low	High
<ul style="list-style-type: none"> <li>• The Council is having constructed on its behalf a new wastewater scheme in Mangawhai (EcoCare). The underlying assumption for this Plan is that the construction will meet the commercial acceptance criteria, and ownership will pass to Council by 30 June 2010. The scheme will be funded in the first instance by an external loan, which loan will be on an interest-only basis for the first five years, so the Prospective Balance Sheet therefore reflects no current portion of the EcoCare debt during those initial years</li> </ul>	Medium	High

## Statement of Prospective Financial Information

The financial information contained within this document is prospective financial information in terms of Financial Reporting Standard 42. The purpose for which it has been prepared is to enable the public to participate in the decision-making processes as to the services to be provided by the Kaipara District Council to the Kaipara community over the 2009/19 financial years. It is also intended to provide a broad accountability mechanism of the Council to the community. It must be noted that the information provided may not be appropriate for purposes other than as defined above.

In relation to the standard, the financial information presented in this Long Term Council Community Plan is considered to be a 'forecast'. A forecast is based on assumptions which Councillors and staff reasonably expect to occur.

The principle assumptions made for 2009/19 are detailed in the bullet points above.

## **Significant Forecasting Assumptions and Risks**

No actual financial results have been used within these statements, as they have been prepared before the completion of prior financial period results. Where required for opening balance values, forecasts of the final values for the 2008/09 year have been utilised.

The actual results for the financial years 2009/19 are likely to vary from the information presented and may vary materially depending upon circumstances that arise during the ten-year period.

Loans will be raised when needed throughout the period. Sensitivity to changes to interest rates on the borrowed funds will therefore depend both upon the interest rates actually achieved and the proportion of the period still to run when the loans are raised.

### **Borrowing Programme**

The Local Government Act requires Council to include in the Long Term Council Community Plan its borrowing needs and borrowing programme, in detail for years 1, 2 and 3 of the Plan and in general terms for the following seven years.

Total borrowing programmed for the 2009/12 financial years, after netting off existing local government stock roll-overs but including the new Mangawhai EcoCare loan, is \$57.495 million. The borrowings are for essential infrastructure expenditure requirements and will supplement, for existing infrastructure, the funding provided through the infrastructural depreciation component of separate rates and user charges.

The Forecast annual borrowings reflect in the Prospective Statement of Cash Flows.



# **Corporate and Financial Policies**

**as required by the Local Government Act 2002**



# Policy on Significance

## Introduction

The Local Government Act 2002 (LGA 02), pursuant to section 90, requires councils to adopt a “policy on significance”.

Once a decision is determined as significant the “decision-making” provisions beginning in section 76 of the Act must be complied with. Particular reference needs to be paid to section 76 (3)(b). Section (3)(b) requires that the Council ensures sub-section 1 of section 76 has been appropriately observed. Given this policy is relatively concise, it is considered to be a 'summary' for the purposes of LGA 02 (Schedule 10 clause 7).

This policy requires Council to act in accordance with the provisions of:

- Section 77 - requirements in relation to decision and the assessment of options
- Section 78 - community views in relation to decisions
- Section 80 - identification of inconsistent decisions
- Section 81 - contributions to decision-making by Maori
- Section 82 - principles of consultation
- Section 97 - certain decisions to be taken only if provided for in the LTCCP
- Schedule 10 - Council plans and reports

## Kaipara District Council Approach

The Kaipara District Council Policy on Significance is to provide a guide as to the type of matters considered to be significant by the Council and how they may be handled. This is not a detailed policy and is not designed to restrict the Council's ability to make decisions. It is an enabling policy that ensures that items of significance are appropriately dealt with. In particular it ensures that special attention is paid to sections 77, 78, 80, 81 and 82 as required by section 76 (3)(b) of the Act.

The Kaipara District Council will determine the significance of issues requiring a decision by making judgements according to the likely impact of the decision on:-

- Current and future social, economic, environmental and cultural well-being of the District
- Council's Long Term Council Community Plan
- Council's ability to achieve its strategic outcomes as contained in:-
  - Community Outcomes
  - Local Governance Statement
  - Long Term Council Community Plan
- Impacts on Memorandum of Understanding and other working relationships with Maori
- Persons likely to be affected by or interested in the issue, proposal, decision or matter
- The capacity of the Kaipara District Council to perform its role and carry out its functions, both now and in the future
- The benefits and costs, of all types, of the decision.

# Policy on Significance

## Thresholds, Criteria and Procedures

The Act requires that any thresholds, criteria and procedures used for assessing the significance of a matter must be included as part of the policy on significance.

It is noted that thresholds and criteria are difficult to define given the wide range of issues facing local government. Therefore Council will base its decisions on the following procedure:-

- 1 Identification of any issue requiring a Council decision - no existing policy on which to base a decision.
- 2 Council to Consider:
  - Current and future social, economic, environmental and cultural well-being of the district.
  - Council's Long Term Council Community Plan
  - Council's ability to achieve its strategic outcomes as contained in:-
    - Community Outcomes
    - Local Governance Statement
    - Long Term Council Community Plan
  - Impacts on Memorandum of Understanding and other working relationships with Maori
  - Persons likely to be affected by or interested in the issue, proposal, decision or matter
  - The capacity of the Kaipara District Council to perform its role and carry out its functions, both now and in the future
  - The benefits and costs, of all types, of the decision
- 3 Obtain staff or other professional advice on significance and options (this issue will need to be addressed in all reports to Council with recommendations as to significance included).
- 4 Council consideration and decision, based on the assessment of the impacts, effects and ability of Council along with the benefits and costs, on:-
  - Degree of significance
  - Level and type of consultation to be undertaken

## Strategic Assets

Section 90 (2) requires that this policy must contain a list of those Council-owned assets deemed by Council to be strategic.

Council's policy is:-

***Council is a service provider to the community and will retain control of its important assets.***

*Council looks after community assets valued at \$400 million. These include roads, wastewater and stormwater systems, water supplies, reserves and facilities such as public toilets and cemeteries.*

# Policy on Significance

*Services such as refuse disposal and recycling are also provided. We will continue to be involved in the maintenance and renewal of community assets and, as demand grows, the development of new services and facilities.*

## **Service Delivery - Asset Management**

*Ownership of Assets:*

*Council will continue in its historic role of infrastructure owner and service provider while it is legally able to do so.*

*In any reforms the Council will advocate on behalf of its District to retain ownership of its strategic assets. Council will consult as to the nature and standard of infrastructure asset service delivery.*

Council's 'Service Delivery' functions include the following assets:-

- *Roading infrastructure*
- *Water, wastewater and stormwater infrastructure*
- *Land drainage infrastructure*
- *Recreation reserves*

*Council will retain only those properties that are essential to the carrying out of core activities.*

The Act also requires that the Council's interest in housing for the elderly is included as a strategic asset.

Given the above, Council's strategic assets are therefore:-

- Roding network and infrastructure
- Wastewater networks and treatment
- Water treatment storage and supply network
- Mangawhai EcoCare Wastewater Treatment Scheme
- Stormwater networks
- Recreation and reserves
- Housing for the elderly

The Kaipara District Council considers all asset classes listed above as single whole assets. This is because the asset class as a whole delivers the service. Strategic decisions, therefore only concern the whole asset class and not individual components, unless that component substantially affects the ability of Council to deliver the service, or would be deemed significant and strategic under the procedure in 3 above.

## **Certain Decisions**

Council will comply with section 97 of the LGA 2002 when making certain decisions.

# **Policy on Partnerships With the Private Sector**

## **Introduction**

This policy is part of the Funding and Financial Policies set out in Section 102 of the Local Government Act 2002 that Council must adopt. Section 107 of the Act sets out the requirements of this policy.

The purpose of this policy is to provide predictability and certainty about sources and levels of funding.

## **Kaipara District Council Approach**

Partnerships must help the Council to achieve its strategic outcomes as defined in its Long Term Council Community Plan and Local Governance Statement while meeting the outcomes sought by the community and outlined in the Long Term Council Community Plan. The establishment of a partnership must enable Council and the community to achieve those outcomes in a manner acceptable to both. This policy is viewed as an enabling document.

## **Policy**

### **Circumstances and Conditions**

The Council will consider partnerships with the private sector where:-

- It will assist the achievement of Council's strategies and outcomes included in the Council's Community Outcomes, Long Term Council Community Plan or Annual Plan, and Local Governance Statement
- It can be clearly demonstrated that there are no alternative sources of funding or resourcing available to achieve the outcome sought
- The partners are able to demonstrate ability to meet any terms and conditions imposed by Council
- The benefits to the District exceed the costs of Council's input
- The project has priority from the community through the Long Term Council Community Plan or Annual Plan consultation processes
- The project is lawful and all consents, approvals, and permits have been obtained
- Council has sufficient funding or resources to ensure its contribution contributes to the success of the project
- Any other condition that Council considers appropriate

## **Consultation**

Consultation will be undertaken as part of Council's Long Term Council Community Plan or Annual Plan. The proposed creation of a partnership will be drawn to the attention of those to whom Council considers it will directly affect to ensure they are able to submit on the partnership proposed.

# Policy on Partnerships With the Private Sector

## **Risk Management and Assessment**

On setting up a partnership the potential risks to the Kaipara District Council will be detailed. If the risks are considered significant, in terms of probability and potential effect, a risk management strategy will be put in place to minimise or provide cover for that risk to the satisfaction of Council.

Risk will be assessed by calculating the probability of an adverse outcome multiplied by the cost/impact of that adverse outcome while taking into account any mitigating strategies and associated costs.

Risk factors that will be considered will be:-

- Safety
- Risk of reputation of the Council and the Kaipara District
- Financial Risk
- Risk to the capacity of Council to carry out its activities now and in the future
- Risk to property
- Protection of any intellectual property
- Any other potential loss

## **Monitoring and Reporting**

Monitoring and reporting requirements will be appropriate to the significance of the proposal and the amount of resources allocated to the partnership. Monitoring and reporting will include the following where applicable:-

- 1 Monthly business plan reporting, quarterly financial reports.
- 2 Annual financial reports and their associated performance reports on the achievement of community outcomes including any impacts on the community well-being in terms of the social, economic, environmental and cultural aspects.
- 3 Specific agreed reports on outcomes and objectives.

# **Policy on Development and Financial Contributions**

The Local Government Act 2002 (LGA) requires Council to have a policy outlining how it intends to fund additional or new infrastructure which is required by growth.

Development contributions under the LGA consider the wider impacts of multiple developments on the infrastructure of the district (cumulative effect). Financial contributions under the Resource Management Act 1991, mainly consider the marginal impact of developments based primarily on environment effects assessments.

## **Financial Contributions**

Council's Policy on Financial Contributions is set out in its District Plan which was prepared under the Resource Management Act 1991. The financial contribution provisions under the District Plan mainly focus on reserves, and roading in limited circumstances.

The District Plan describes the issue of increased demand for infrastructure and community facilities resulting from growth in sections 3.3.8, 3.3.8A, 4.3.8, and 11.3.4-11.3.8B. In addition the objectives, policies and methods of implementation relating to financial contributions and the reasons for requiring financial contributions are set out in section 11.4.2(4).

The Plan also contains rules that directly relate to financial contributions, including the circumstances under which contribution may be required and method of calculation.

## **Development Contributions**

Development contributions under the Local Government Act 2002 (LGA) are in addition to, and separate from, financial contributions. The development contributions and financial contributions cannot be taken for the same purpose (refer to s.200 of the LGA).

The only development contributions policy under the LGA that is required in this Long Term Council Community Plan relates to the funding of the Mangawhai EcoCare Wastewater Treatment Scheme ('the Scheme') and Mangawhai Roothing Contributions. The full details follow. For the Mangawhai EcoCare Scheme refer to the Schedules in the 2006/16 *Kaipara's Future - Working Together* Plan.

It is Council's intention to further investigate development contributions for other infrastructure requirements for the next 10 to 25 years that are likely to be generated by new growth. In particular, investigations will focus on infrastructure requirements relating to roading, wastewater, stormwater, water supply and other community infrastructure.

# Accounting Policies

## Reporting Entity

Kaipara District Council is a territorial local authority governed by the Local Government Act 2002.

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

## Basis of Preparation

### *Statement of Compliance*

The financial statements of Kaipara District Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

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

### *Measurement Base*

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

### *Functional and Presentation Currency*

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of Kaipara District Council is New Zealand dollars.

### **Standards, amendments and interpretations issues that are not yet effective and have not been early adopted.**

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council include:

- NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives Council the option of presenting items of income and expense and components of

# Accounting Policies

other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Council intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

- NZ IAS 23 *Borrowing Costs (revised 2007)* replaces NZ IAS 23 *Borrowing Costs (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a quality asset. The revised standard will also require borrowing costs to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense. Council intends to adopt this standard for the year ending 30 June 2010 and has not yet quantified the potential impact of the new standard.
- NZ IFRS 3 *Business Combinations (revised 2008)* and the amended NZ IAS 27 *Consolidated and Separate Financial Statements* are effective for reporting periods beginning on or after 1 July 2009 and must be applied prospectively from that date. The main changes the revised NZ IFRS 3 and amended NZ IAS 27 will make to existing requirements or practice are:
  - Partial acquisitions - Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original NZ IFRS 3 requirement) or at fair value.
  - Step acquisitions - The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.
  - Acquisition-related costs - Acquisition-related costs are generally recognised as expenses (rather than included in the cost of acquisition).
  - Contingent consideration - Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other NZ IFRSs, usually in profit or loss (rather than by adjusting the cost of acquisition).

Council will adopt the revised NZ IFRS 3 and amended NZ IAS 27 for the year ended 30 June 2010, which will impact on business combinations that occur on or after 1 July 2009.

# Accounting Policies

## **Significant Accounting Policies**

### **Revenue**

Revenue is measured at the fair value of consideration received, or receivable.

#### ***Rates Revenue***

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

#### ***Grants Revenue***

Kaipara District Council receives government grants from Land Transport New Zealand, which subsidises part of Kaipara District Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

#### ***Other Revenue***

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sales of goods are recognised when a product is sold to the customer. Sales are all in cash. The recorded revenue is the gross amount of the sale.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Kaipara District Council are recognised as revenue when control over the asset is obtained.

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

#### ***Development Contributions***

The revenue recognition point for development and financial contributions is at the later of the point when Kaipara District Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Development contributions are classified as part of "Income from Significant Activities".

# Accounting Policies

## Construction Contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the income statement.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

## Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

## Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Kaipara District Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Kaipara District Council's decision.

## Income Tax

Kaipara District Council is a Public Benefit Entity under Income Tax legislation, and is consequently exempt from Income Tax. Therefore no charge for income tax is provided for in the financial statements.

## Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

# Accounting Policies

## Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

## Trade and other Receivables

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

Loans, including loans to community organisations made by Kaipara District Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the income statement as a grant.

A provision for impairment of receivables is established when there is objective evidence that Kaipara District Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

## Financial Assets

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

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the income statement.

Purchases and sales of investments are recognised on trade-date, the date on which Kaipara District Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Kaipara District Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Kaipara District Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

# Accounting Policies

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

- Financial assets at fair value through profit or loss.

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the income statement.

Financial assets in this category include:

Currently, Kaipara District Council does not hold any financial assets in this category.

- Loans and receivables.

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the income statement. Loans and receivables are classified as “trade and other receivables” in the balance sheet. Cash and cash equivalents are held at fair value.

- Held to maturity investments.

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that Kaipara District Council has the positive intention and ability to hold to maturity.

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

Investments in this category include:

Sinking Funds

- Financial assets at fair value through equity.

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

# Accounting Policies

This category encompasses:

- Investments that Kaipara District Council intends to hold long-term but which may be realised before maturity; and
- Shareholdings that Kaipara District Council holds for strategic purposes.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the income statement. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the income statement even though the asset has not been derecognised.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the income statement.

## Impairment of Financial Assets

At each balance sheet date Kaipara District Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the income statement. The impairment test is applied to loans and other receivables, and quoted and unquoted equity investments, as follows.

### Loans and Other Receivables

Impairment of a loan or a receivable is established when there is objective evidence that Kaipara District Council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (ie not past due). For term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instruments carrying amount.

Impairment of term deposits, local authority, government stock, and related party and community loans is established when there is objective evidence that the Council will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

# Accounting Policies

## *Quoted and Unquoted Equity Investments*

For equity investments classified as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement) is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity investments are not reversed through the Income Statement.

## **Accounting for Derivative Financial Instruments and Hedging Activities**

Kaipara District Council does not use derivative financial instruments.

## **Non-current Assets held for Sale**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the income statement.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

## **Property, Plant and Equipment**

Property, plant and equipment consist of:

### ***Operational Assets***

These include land, buildings, plant and equipment, and motor vehicles.

### ***Restricted assets***

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

### ***Infrastructure assets***

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

# Accounting Policies

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

## ***Additions***

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

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

## ***Disposals***

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

## ***Subsequent costs***

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

## **Assets Under Construction**

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is disclosed in Note 7.

## **Revaluation**

Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

# Accounting Policies

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

	Expected Life Years	Depreciation Straight Line %
Roading		
Top Surface (seal)	9-8	10.2
Pavement (basecourse)		
- Urban Sealed	35	2.9
- Rural Sealed	35	2.9
- Unsealed	6	16.7
Foundation and Unsealed Subgrade	n/a <sup>4</sup>	-
Culverts	50	2.0
Kerb and Channel	50	2.0
Bridges	100	1.0
Signs	14	7.1
Lights	26	3.8
Footpaths	50	2.0
Water	60	1.7
Wastewater	40-60	1.7
Stormwater	60	1.7
Landfills and Transfer Stations	33.3	3.0
Halls	50	2
Elderly Persons Housing	50	2
Swimming Baths	50	2
Plant, Equipment and Motor Vehicles	5 - 10	10 - 20
Buildings	50	2
Building Contents	10	10
Other Plant	5	20
Computer and Office Equipment	5	20

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

<sup>4</sup>Not depreciated

# Accounting Policies

## ***Infrastructural asset classes: roads, land under roads, water reticulation, sewerage reticulation and stormwater systems***

At fair value determined on a depreciated replacement cost basis by an independent valuer. At balance date Kaipara District Council assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. The most recent valuation was performed by Duffill Watts Valuations and the valuation is effective as at 1 July 2007. All infrastructural asset classes carried at valuation were valued.

## ***Accounting for revaluations***

Kaipara District Council accounts for revaluations of property, plant and equipment on a class of asset basis.

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

## ***Intangible Assets***

### **Software Acquisition and Development**

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

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by Kaipara District Council, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

### **Easements**

Easements are recognised at cost, being the costs directly attributable in bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

### **Amortisation**

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

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

Computer software	3 years	33%
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# Accounting Policies

## Forestry assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the income statement.

The costs to maintain the forestry assets are included in the income statement.

## Impairment of non-financial assets

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

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

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

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount.

For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the income statement.

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

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

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the income statement.

## Creditors and Other Payables

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

# Accounting Policies

## Employee Benefits

### *Short-term benefits*

Employee benefits that Kaipara District Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date and sick leave.

Kaipara District Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Kaipara District Council anticipates it will be used by staff to cover those future absences.

## Superannuation Schemes

### *Defined contribution schemes*

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

## Provisions

Kaipara District Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

## Financial Guarantee Contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arms length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting at fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if Council assessed that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

# Accounting Policies

## **Borrowings**

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

Council finances new infrastructure over a twenty-year timeframe, but in five-yearly bites. At five years, the original loan is repaid in full, and an identical sum re-borrowed, at a new rate of interest. Loans are all long-term in nature, and are only re-classified as current in year twenty.

## **Equity**

Equity is the community's interest in Kaipara District Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves. The components of equity are:

- Retained earnings
- Restricted reserves
- Council created reserves
- Asset revaluation reserves

## **Restricted and Council Created Reserves**

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Kaipara District Council.

Restricted reserves are those subject to specific conditions accepted as binding by Kaipara District Council and which may not be revised by Kaipara District Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

## **Good and Service Tax (GST)**

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

# Accounting Policies

## **Budget Figures**

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Kaipara District Council for the preparation of the financial statements.

## **Cost Allocation**

Kaipara District Council has derived the cost of service for each significant activity of Kaipara District Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

## **Critical Accounting Estimates and Assumptions**

In preparing these financial statements Kaipara District Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## **Closure and Post-Closure Provisions**

Landfill closure and post-closure provisions were first established by Kaipara District Council in 2002 as a result of the introduction of New Zealand Financial Reporting Standard Number 15: Provisions, Contingent Liabilities and Contingent Assets (FRS-15). At the time of adoption, in accordance with FRS-15 and Generally Accepted Accounting Principles (GAAP) and with reference to additional authoritative support from other landfill operators in New Zealand, costs, deferred closure and post closure costs and the resulting provisions were assessed and valued as at the date of adoption (June 2002) and recognised in the accounts on that basis.

Provision has been made for the future costs of closing the Dargaville landfill at the end of its economic or consented life and for the associated post-closure costs, being the aftercare of the landfill for the prescribed period. Estimated costs, adjusted for inflation, have been built up on an item by item basis. The provision held, at each balance date, represents the net present value of the estimated future costs. A detailed reassessment and the anticipated remaining lives of the landfills is performed regularly. The impact of changes to the provision arising from the reassessment of the life of the landfill and estimated future costs are capitalised to deferred closure and post-closure costs within property, plant and equipment in the balance sheet. The annual change in the net present value of the provision due to the passage of time is recorded as the time value adjustment of provisions in the income statement.

# Accounting Policies

Financial reporting standards require this to be disclosed as an interest cost in the income statement.

The transition to NZ IFRS did not require any adjustment to be made to the provision, including the valuation date of June 2002 used on initial recognition of the provisions as discussed above.

## Infrastructural assets

There are a number of assumptions and estimates used when performing Discounted Replacement Cost valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Kaipara District Council could be over or under estimating the annual depreciation charge recognised as an expense in the income statement. To minimise this risk Kaipara District Council's infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Kaipara District Council's asset management planning activities, which gives Kaipara District Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

## Critical Judgements in applying Kaipara District Council's Accounting Policies

Management has exercised the following critical judgements in applying the Kaipara District Council's accounting policies for the periods of this Plan.

### Classification of property

Kaipara District Council owns a number of properties, which are maintained primarily to provide housing to pensioners.

The receipt of market-based rental from these properties is incidental to holding these properties.

These properties are held for service delivery objectives as part of the Kaipara District Council's social development policy. These properties are accounted for as property, plant and equipment.

# Treasury Policies

During 2005 Council undertook a comprehensive review of the Borrowing Limits section of its Treasury Policies. Council, at that time, was about to enter a new debt-raising environment, requiring the development of new methods of managing higher debt levels arising from proposed capital works programmes of large significance such as the Mangawhai EcoCare wastewater treatment scheme. The new policy involved the classification of debt over two broad tiers, those of 'Core' debt and 'Segmented' debt. The 2005 Borrowing Limits policy has been reconfirmed by Council for the 2009/2019 *Kaipara's Future - Working Together Plan*.

This section contains policy relating to Council's investments and liability management (borrowings and cash management) activities - generally referred to as 'treasury operations'. The policy has been prepared to:

- meet the requirements of the Local Government Act 2002
- set out best practice procedures for Council's treasury operations

## 1 Objectives

The main objectives of the Treasury Policies are as follows:

- Prudence: Ensuring decisions are made by people with appropriate skills and levels of responsibility and with full consideration of all information
- Flexibility: To take advantage of the full flexibility offered by the legislation and provide principles and limits giving those responsible the opportunity to select the most appropriate options
- Minimisation of Risk: To minimise exposure to wide market variations and credit risk
- Liquidity Management: Council must be able to meet its obligations as they fall due
- Intergenerational Equity: Matches the costs of a project against the benefits
- Cost Minimisation: To minimise the cost to Council

In meeting these objectives, Council has adopted certain positions which will apply to all treasury management. They reflect Council's prudent and cautious stance in relation to these practices. The 'axioms' for treasury management are:

- Council is not a commercial entity, it seeks to avoid risk
- it will not involve itself in speculative activities
- treasury operations are service based with no motivation for trading or profit generally
- all Council activities should bear the cost and share the rewards of treasury operations in an equitable manner

# Treasury Policies

## 2 Operating Policies

As required by legislation, treasury policies are set to separately cover borrowing and investment.

### 2.1 Liability Management Policy

#### 2.1.1 Interest Rate Exposure on Borrowings

- (a) The total amount of debt should, insofar as possible and practical, be spread evenly across the range of possible maturities. The relevant financial parameter set for this is that no more than 30 percent of total term debt should be scheduled for repayment in any one financial year.
- (b) Council will seek to minimise the costs of borrowing in respect of any particular transaction by making appropriate inquiries about currently available cost structures and selecting the option with the lowest total costs.  
With existing borrowing, Council will review currently available total costs of borrowing to see if significant savings are possible. Any refinancing of debt must comply with all borrowing management policies.
- (c) A passive approach will be taken to borrowing.  
Attempts to identify advantageous interest rate trends and committing the borrowing programme to forecasted rates will be avoided. Trading and or speculative operations will be avoided, reliance being placed on risk management within available market strategies.
- (d) When it is appropriate to do so, borrowing exposures may be hedged. Before resolving to hedge an exposure, or to delegate the authority to hedge a transaction or a specific series of linked transactions, Council must:
  - obtain specific advice from expert advisers independent from those who are recommending the transaction
  - be satisfied that the risk to the Council of not proceeding with the hedge is greater than the existing transaction without the hedge
  - be satisfied that the reduction in risk is sufficient to justify the cost of the hedging instrument

#### 2.1.2 Liquidity Policy

Council will ensure that it has at all times, sufficient liquid funds available to meet all of its obligations as they fall due. Sources of such funds are to include cash deposits, committed but undrawn lines of credit (provided these are used as required where they are subject to any restriction of use) and short-term lending of an appropriate and properly approved nature.

Pursuant to Part 6, Subpart 3 of the Local Government Act 2002, Council may borrow funds on a short-term basis to provide for efficient and effective cash management. Such

# Treasury Policies

borrowing shall be used only for the purpose of meeting temporary shortfalls in available liquid funds and will not be used as a permanent source of funds.

Council may delegate responsibility for establishing short-term debt and/or overdraft facilities and the day to day management of these facilities to the Chief Executive. The levels of exposure that may be established in any year must be set within the Long Term Council Community Plan or Annual Plan process for that period having regard to the financing plans and requirements of the planning period.

The specific (liquidity) ratio set for compliance with this policy is a current asset to current liabilities ratio (the quick asset ratio) of 1.5:1.

## **2.1.3 Credit Exposure Policy**

Council will, by appropriate investigation, satisfy itself in all borrowing transactions, that counter-parties:

- are financially adequate
- have appropriate industry experience and standing
- have an appropriate track record in the transactions to be undertaken
- will provide, in sufficient degree, reasonable certainty that obligations under proposed contracts will be performed

## **2.1.4 Debt Repayment Policy**

Loan terms for any borrowing transactions shall be established to ensure that the overall borrowings are consistent with an even spread of debt maturities.

Costs of refinancing will be considered along with the benefits arising from the setting of debt maturities.

In considering debt maturity terms, the use of sinking funds or loan repayment reserves may be used and, if so, must provide sufficient funds to enable repayment of the borrowings at the projected completion of the loan.

## **2.1.5 Policy on Provision of Security**

Council will, in general, secure its borrowings against its rates revenue.

There must, however, be recognition of existing charges against specific assets. These may be retained during the life of the investments to which they relate. Further charges against specific assets, may, subject to the provisions of the Local Government Act, be considered by Council if such would provide more advantageous borrowing terms. Such charges must be subject to Council resolution. The Council will carefully assess its future

# Treasury Policies

plans before giving security or any priority to lenders over any of the specific or general securities available to it.

Borrowing by way of hire purchase is not approved.

## **2.1.6 Policy of Giving Loan Guarantees**

Council may act as guarantor to bank loans for an incorporated organisation, which will provide, improve or develop assets or amenities for the benefit of the District or communities within the District.

The organisation for which the loan guarantee is to be provided shall be a properly registered incorporated society.

The total combined amount Council may guarantee at any one time shall not exceed ten percent of the total rates levied in any year.

Each organisation for which Council has provided a loan guarantee shall provide:

- a six monthly unaudited financial report within three months of the first six months of the financial year
- an annual audited financial report within four months of the balance date of the organisation
- the bank lending the money to the organisation shall be required to provide to the Council a financial statement each year showing the payments made during the year and the principal balance outstanding at the end of that year together with details of any accrued or outstanding charges

It is hereby noted that, as is required by law, Council is not permitted to provide security by way of guarantee for any Local Authority Trading Enterprise, which it controls.

## **2.1.7 Internal Borrowing**

Council may advance reserve funds between different activities as an alternative to seeking external funding where such funds have been created by Council operations. Full records shall be maintained of the amounts so advanced and the finance charges to be made between the borrowing and lending sections of Council's operations.

Determination of an appropriate rate of interest for these transactions shall be based on a review of the ruling market rates for borrowing and deposit at six monthly intervals. The rate to be adopted shall be at the mid-point between such rates to achieve an equitable position for both the borrowing and the lending activity.

# Treasury Policies

## 2.1.8 Borrowing Limits Policy<sup>5</sup>

The Council has, in 2005, as part of a review of its borrowing policies established two tiers of Council borrowing, as detailed further (below). This policy should be read in conjunction with clause 9, (Debt) of the Revenue and Financing Policy.

This separation of debt into two broad tiers or categories, (those of 'Core' debt and 'Segmented' debt) has become necessary due to the significant increases of Council borrowing proposed to finance local (sub-District) infrastructural water and wastewater asset development schemes such as 'Mangawhai EcoCare'.

To prudently and properly manage these new and very large sums of borrowing, a set of 'Rules for Segmented Debt' raising have been developed. These rules will cater for the management of additional 'Segmented' debt, debt that is directly attributable to the financing of these schemes.

In future, in addition to EcoCare, other similar local sub-District asset development schemes such as those currently mooted for various Kaipara Harbour coastal communities and Baylys and in the longer term other local communities will require additional and significant amounts of new borrowing. All such schemes if they qualify under the terms of the 'Provisions' will have their debt funding managed in the manner outlined in this policy document.

Total Council borrowing with the inclusion of the local scheme funding then becomes:

- Existing debt ...that is, current Council 'Core' debt which will continue to be managed using existing debt management policies (ratios and debt parameters); plus
- The borrowings associated with the EcoCare scheme, managed using the 'Provisions of Debt Segmentation'; plus in future
- Other qualifying local area scheme borrowings utilising their own segmented borrowing capacity. This will be added to the total of Council segmented debt, that is added to that of the already committed EcoCare finance within a revised 'two- tiered' debt management borrowing regime.

## 2.1.9 Two tiers of Council managed Debt

### 2.1.9.1 First tier ... Core debt management

The first tier of Council debt obligations, liabilities, referred to as 'Core' financial debt, comprises the normal and customary level of Council borrowing (loans), that is debt which as at present and in future will continue to be governed by the existing Treasury debt management policies.

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<sup>5</sup> Note that this policy 'development' in fact amounts to a 'Change' of financial policies, not as may have earlier been intimated a change of accounting policy. If it had been the latter, this situation would have involved (involved is right!) discussions with audit, a need to seek their approval etc. In the event, the changes of financial policy and the judgements concerned are those of the KDC ... their views of what they consider to be prudent is largely for the Council alone to judge without other intervention or approvals necessary as pre-conditions of their adoption.

# Treasury Policies

## 2.1.9.2 Second tier ... Segmented debt

The second tier of debt is the so termed qualifying 'Segmented' Council debt, that is, debt identified using strict definitions and criteria that meet the tests as set under 'the Provisions of Segmented Debt'.

Segmented debt is funding – finance, that has been raised to fund the development of local sub-District level infrastructural utility assets. There will be specific arrangements made to ensure that all future repayments of this 'local' debt will be met from targeted rates sourced from a local community and development contributions where appropriate, from their 'area of benefit'. That is, repayments will be made by identifiable parts of the local community (which may include development contributions) following consultation and meeting the requirements of the LGA 2002 will be required to repay the (their segment of) debt necessary to fund the infrastructural assets from which their local community will benefit.

## 2.1.10 The two-tier borrowing policies

In addition to debt management policies that cater for existing 'Core' Council debt, as described (above) the Council has developed policies to cater for 'Segmented' debt ... the added and significant levels of debt raised for infrastructure developments at Mangawhai, and for those proposed at other locations.

The Council's borrowing debt policies and their limits are now identified within the two distinct policy areas.

## 2.1.11 Existing first tier 'Core' Council debt policies

The first borrowing policy area (tier) relates to existing (2003-2005) debt levels. The financial debt management policies to manage this tier of debt remain in place and cover the existing and any future additional 'Core' debt of Council raised in the normal course of Council business and not qualifying under the 'Segmented debt' arrangements.

Existing, so termed 'Core' Council debt is covered by the policies set first in 2003 and described as follows:

*Net debt must not exceed more than half the total of normal annual operating income on a recurrent and sustainable basis (i.e. Income to Debt Ratio of 2:1).*

*Total Council debt, excluding third party funded Council-sponsored schemes, should be maintained so that a minimum of 65 percent of all such debt is fully performing.*

*Fully-performing debt is debt where 'user pays' revenue derived from associated revenue earning asset categories or classes is sufficient to fully recover all costs including the debt servicing costs, principal repayments of the debt attached that is associated with the relevant asset classes.*

# Treasury Policies

## 2.1.12 Proposed second tier of borrowing ... 'Segmented' debt policies

The second borrowing policy area (tier) relates to the debt raised by Council in terms of its 'Segmented Debt' policies, 'the Provisions of Segmented Debt'.

Segmented debt that qualifies under these 'Provisions' comprises the added and significant levels of debt raised for infrastructural asset developments at Mangawhai, (EcoCare) and for those similar asset developments proposed at other locations.

Qualifying segmented debt is covered by the segmented debt 'Provisions' and is 'self funding', (also termed 'performing' debt,<sup>6</sup>) and is debt that the local (sub-District) community will be required to repay, that is its 'Segment' of debt. The affected community will be solely responsible for this debt's servicing without reference to the taxing and borrowing base of the District at large, (District-wide).

Council's Policy on Significance will identify these large capital works and associated debt, eg Mangawhai EcoCare, as a 'Strategic Asset' to ensure the certainty and continuity of these separate locally-based funding schemes (debt repayment principally) so that in all but exceptional circumstances the arrangements are intended to remain in place over the term of repayment of the segmented loans. The LGA 2002 contains more onerous decision-making provisions for 'Strategic Assets'.

Local targeted rates and development contributions, where appropriate, will be set so as to fund all local asset development costs including debt servicing costs, both interest and principal repayments, appropriate provisions for depreciation, maintenance costs and all other costs of service of these assets over their scheduled useful life. No District-wide or general ratepayer contributions to this separate funding are contemplated within these strictly local 'area of benefit' financial arrangements.

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<sup>6</sup> Performing - self funding, these terms refer to the fact that principally the assets funded by so termed 'performing' debt produce revenue streams, usually from the associated service charges that will be sufficient to all intents and purposes that will meet the costs of servicing the interest and principal of the associated debt.

# Treasury Policies

## 3 Investment Policy

### 3.1 Default on Credit Risks

- (a) The risk of default in respect of any individual investment will be minimised by the selection of quality investments. For the purposes of this policy, this means that investments will generally only be made in the senior debt of issuers that are rated 'A' or better by Standard and Poors or Moodys. An approved officer of Council, having regard to the risk of default in determining whether to make any investment, may make other investments with the delegated authority of Council. In considering such investment, consideration shall also be given to the security that may be offered for the investment by the counter-party and the availability of recovery from that security.
- (b) Council may, in its discretion, depart from this policy where it considers that the departure would advance its broader social or other policy objectives. Such departure must be by resolution of the Council, noting that the proposed advance departs from Council's Investment Policy and the reasons justifying that departure.

### 3.2 Expected Return

Within the constraints of the different types of investment risk scheduled later in this policy, the expected return on all funds invested should be commensurate with the risk involved, according to the following rules:

- If a potential investment carried a greater risk than is consistent with Council's risk then an investment will not be made, irrespective of the expected returns
- Where there are two investments of equivalent risk, within the Council's risk constraints, the investment with the higher expected return shall be accepted
- If there are two investments of different risks, but both are within the Council's risk constraints, an assessment will be made of the trade-off between the risks and expected returns of the two options. The investment that is considered to be the most attractive for Council, having regard to prudence, the risks and the expected returns, will be selected

### 3.3 Liquidity

Council's portfolio shall be arranged to provide sufficient funds for planned expenditures and to otherwise allow the payment of obligations as they fall due. Individual investments shall be chosen with regard to:

- the period of time for which the funds will be surplus to requirements
- maturity term of the investment
- ability and the cost to liquidate the investment before its maturity
- extent to which the portfolio already provides funds as required
- market conditions

# Treasury Policies

- the use of fund accounting and the nomination of separate reserve funds will only be approved if the reasons given are sufficient to warrant the additional costs of such separate accounting
- the current ratio will be maintained at or about the 1.5:1 level

## 3.4 Portfolio Diversification

### (a) Classes of Investment

The following will be classes of investments for the purpose of this investment policy:

- Risk-free and near risk-free investment: securities issued or guaranteed by the New Zealand Government and local authority stock secured by rates
- Low-risk investments: the senior debt of issuers with ratings equivalent to a Standard and Poors rating of 'A' or better

### (b) Investment by Class

Limits on investment in any of the above classes of investment shall be as follows.

- Near risk-free to risk-free investments: in any one class, up to 100 percent of the total assets available for investment.
- Low-risk investments: up to 40 percent of the total assets available for investment.
- Medium to high-risk investments: nil exposure, subject to specific Council authorisation.

### (c) Limits on any one investment shall be as follows.

- Risk-free investments: up to 100 percent of the total assets available for investment.
- Near-risk-free investments: no more than 75 percent of the total assets available for investment.
- Low-risk investments: no more than 40 percent of the total assets available for investment. Provided that the amount invested with Council's banker, may from time-to-time, exceed this ratio for up to 60 days.
- Medium to high-risk investments: nil exposure, subject to Council's direction.

## 3.5 Disposition of Revenue and Proceeds

Returns from investments, after deduction of relevant expenses, will be applied according to the following priority:

- 1 in accordance with the terms of the disposition that originally provided the funds for the investment, or which established the fund from which the funds came, if any
- 2 in accordance with any resolution of Council
- 3 to Council's general operating revenues.

# Treasury Policies

## **3.6 Management and Reporting**

The Chief Executive shall have delegated authority to negotiate and authorise any investment transaction within the approved policy, except for any advances made under Investment Policy 3.1(b) which requires specific Council approval.

The Chief Executive shall have delegated authority to manage all Council investments. With regard to reporting to Council, all quarterly and annual financial reports are to disclose the total of investments separately within the statement of financial position, and also separate out within that total any investments which are in arrears.

## **3.7 Application of Policies to New and Existing Investments**

Council's existing investments will be reviewed to determine whether, as a whole, they comply with this investment policy. As far as is possible, existing investments will be altered to ensure that:

- they comply with this investment policy, or
- where adjustment to comply with the policy is not possible, Council has by resolution entered into the investment with clear knowledge of the reasons for the investment, and having due consideration of the divergence of the form and substance of the investment from the policy.

Any future investment will be made only if, after adoption of this policy, they comply with this investment policy.

## **3.8 Internal Advances**

Council may advance reserve funds between different activities as an alternative to seeking external funding where such funds have been created by Council operations. Full records shall be maintained of the amounts advanced and the finance charges to be made between the borrowing and lending sections of the Council's operations.

Determination of an appropriate rate of interest for these transactions shall be based on a review of the ruling market rates for borrowing and deposit at six monthly intervals. The rate to be adopted shall be at the mid-point between such rates to achieve an equitable position for both the borrowing and the lending activity.

## **4 Other Statements of Policy**

### **4.1 Foreign Exchange Dealing**

Foreign exchange dealing will be confined to minor transactions not involving borrowing and/or incidental trading arrangements.

# Revenue and Financing Policy

During September 2008 Council undertook a comprehensive review and analysis process of its Revenue and Financing Policy.

The Policy detail which follows reflects the revised Revenue and Financing Policy.

# Revenue and Financing Policy

Under the Local Government Act 2002, the Council is required to prepare financial policies appropriate to the manner in which its activities are financed. Revenue and Financing Policies (Section 103, LGA 02) encompass all sources of Council Funding. These sources include the usual rating, user charges, fees etc but also involve consideration of all forms of funding, (debt raising) and include financial and development contributions.

## 1 Identification of Beneficiaries

Preparation of the Revenue & Financing Policies and the identification of the numerous sources of Council funding, in each case requires identification of the beneficiaries from the expenditures made upon Council's activities.

Beneficiaries can be individuals, groups, a specific local area of benefit (sub-District) or those within the whole of the District area, (District-wide).

In addition, users of services can be asked to pay for the services that they directly enjoy (benefit from) either in total or in part. Similarly so termed 'exacerbators', (those persons who create the need for a service such as commercial refuse disposal or dangerous goods handling costs) can be identified and asked to contribute or to fully pay for these costs.

Councils must also determine the extent of the benefit received, taking into consideration factors such as fairness, equity and practicability. Having carried out this analysis, Councils then decide and select the appropriate financing mechanism ('tool') for financing each activity.

## 2 Concepts of Prudent and Proper Financial Management

The framework used for developing and reviewing the Revenue and Financing Policies has been guided by the underlying financial management criteria as set down in section 101 'Financial management' provisions of the 2002 Local Government Act.

This provision of the Act requires, as an all pervasive and overarching principle, for financial prudence to be exercised in the management of financial affairs and the promotion of the current and future interests of the community.

Council's are free to judge and implement what they consider to be prudent financial management practice and policies that meet these criteria. The Kaipara District Council has undertaken a comprehensive review and analysis of its Revenue & Financing policies, at all times adhering to what it considers will constitute sound, fair and above all else prudent best practice.

# Revenue and Financing Policy

## 3 Revenue and Financing Review Process

As stated, the Kaipara District Council has undertaken a comprehensive review and analysis process of its Revenue & Financing policies

The following details of the actions taken are provided to:

- describe the legislative steps that have been and must be followed when developing revenue and financing policies, the 'two-step' process and to
- document the manner in which the Kaipara District Council has undertaken these steps.

The Act gives to Councils a wide discretion for revenue raising of both operational and capital requirements. The following section describes the policies that relate to each funding source and commences with operational funding requirements.

### **'Two-Step' Revenue and Financing Review Process**

Prior to determining an appropriate means of raising its revenues, the Council is required to identify, assess and analyse its proposed expenditures on a separate 'activity-by-activity' basis, (i.e. roading, community amenities, etc.).

To properly complete 'the LGA 02 S. 103' Revenue & Financing ('Rating') Policy Development process and meet the S 101 'Funding - Financial Management' criteria, it is mandatory for all Councils to follow a documented legislated process, that is, to follow a process that will achieve the best, transparent and accountable decision-making process as set down within LGA 02, (s 76 'Decision-making, s 77 'Requirements in relation to decisions and others).

The process outlined is intended to lead to informed, rational, fair, defensible and documented decisions of Councils that also meet the S 82 'Principles of Consultation' criteria, such as meeting the information needs and conducting the community engagements that will result ultimately in the adoption of their (the community's) consulted-upon decisions within Council plans, (LGA 02 Schedule 10 Part 1 and the 2009-2019 KDC LTCCP).

The S 101 'Funding' process involves two decision-making 'Steps'. These are:

- Step 1: 'Consideration and Apportionment decisions' and
- Step 2: 'Modification' decisions

The manner in which these decision-making processes are handled is now described.

All of these processes and every required (mandated and mandatory) part of the decision-making provisions as required by the Act, were followed by the Council in its conduct of the comprehensive review of its Revenue and Financing policies. Detailed documentation of these decisions is audited and is held within Council permanent records.

# Revenue and Financing Policy

## Step 1 'Consideration and Apportionment decisions' S 101 (3)

This step of the process initially requires assembling the following information to fully inform the funding decisions to be made.

The information 'to be assembled' ... (*for consideration' S 101 (3)*) is required:

- On an activity-by-activity basis,
- Giving meaningful, useful information about each activity and
- Giving reasons for conducting this activity

The Act then requires a process to be followed that leads to an apportionment of costs and benefits by 'determining appropriate' funding sources, including consideration of the funding that is linked to each activity.

This part of the process requires apportionment funding decisions to be made (*appropriate funding needs S 101 (3) (i) to (v)*) including consideration of:

- The 'primary' Community outcome the activity contributes to
- The benefit distribution for each activity either district-wide or for a more localized identifiable 'community'
- The time period of the benefit
- Others, (agencies or organizations) actions/inactions that contribute to the need to undertake the activity and
- The costs and benefits of funding the activity from other activities

## Step 2 'Modification' decisions S 101 (b)

Following the conduct of the principled process described (above, Step1) the Act requires:

- 'Consideration', (mandatory again) to be given to
- 'the overall impact of an allocation of a liability (activity cost) for revenue needs' upon the 'four community well-beings'.

This second step provides authority for initial decision modifications to be made involving equity and fairness and other considerations. This allows Councils a wide discretion and permits the exercise of judgements (subject to good administrative law and practice) in moderating, as they see fit, the impact of funding decisions.

# Revenue and Financing Policy

## **4 Consultative Processes that the Kaipara District Council has Followed**

The processes used to give effect to the consultative provisions of the Act (principally section 82, specifically section 84 and others) involves the use of judgements and the exercise of legitimate discretions. It is appropriate therefore that these decisions be widely consulted upon before they are finally adopted and put into effect.

The consultative processes, used for the LTCCP (or Annual Plan) are followed. This includes the calling for submissions and the holding of hearings so that the public are consulted prior to adoption of the final plans.

Council has been careful to follow all steps and to document (using specially designed legislatively compliant 'two-step templates') for all processes. It has fully documented the decisions reached, providing in full the reasons for the determinations reached.

A total of two Council Workshops were held in September 2008 to carry out the Revenue and Financing review processes and these were completed in all respects and were attended by all elected members. Details of the processes followed and the decisions made are available on request from the Council.

## **5 Kaipara Revenue and Financing Techniques and Concepts**

This section identifies a number of matters relating to the manner in which the Kaipara District Council has applied its Revenue and Financing policies. The first part of the following section 'techniques' is entitled 'Revenue and Financing Tools' which describes the existing and proposed techniques (tools) for raising revenue within the District.

The following parts of this section briefly consider the related issues ('concepts') of 'debt' and 'intergenerational equity' as they impact upon the Kaipara District.

## **6 The Selection of Appropriate Financing Mechanisms (Tools)**

The financing review process involves selecting an appropriate method for financing/funding each activity both for capital and revenue purposes. The following factors will influence the choice of a particular tool or mechanism for raising the revenue and include:

- The practicality of any particular method
- The costs and the efficiencies of the method of financing/charging
- Use of separate or single tools
- Transparency.

# Revenue and Financing Policy

The results of these deliberations (the selection of funding sources/tools) are recorded and are included in detail as required by S 103, 'Revenue and Financing Policies 'sources'. This list of sources of funding includes rates of all kinds, including targeted rates, local community rates, user charges and financial and development contributions.

## 7 The Basis - Principles for Setting Rates

Council has discussed the basis that it has adopted for setting rates, in particular, general rates, the use of differentials and general uniform annual charges.

In doing so particular note was taken of the following principles:

- The Role of Rates, Charges and Proxies

It is important that funding choices by local authorities are made which approximate as closely as possible the prices that would apply in competitive markets, and it is essential that financing decisions are transparent.

- Public Benefits

Markets do not generally produce public benefits. According to public finance theory, the closest proxy for price for public benefits is a rating type tax. In the local authority context, public benefits should be funded from taxes levied on property values, local community rates and general rates.

- Private Benefits

Charging prices directly to consumers ideally funds private benefits. Where direct pricing is not feasible because collection methods are too expensive, an approximation of price (a proxy) is desirable. Uniform annual charges often make suitable proxies. Other suitable proxies can include pan charges for wastewater, charges per separately inhabitable unit for water or charges for water based on consumption through a meter. Sometimes, even rates levied on property value can be a suitable proxy for private benefits when, for instance, the benefit provided is land drainage/flood protection.

Sometimes, there is no suitable proxy for a particular private benefit. An example of this is roading. In this case pricing can only be determined through the exercise of judgement that is inherently subjective.

The Council has made its rating decisions guided by the manner in which benefits have in its view been shared. This analysis is summarised in the Funding Mechanism table.

# Revenue and Financing Policy

## 8 Rating Philosophy and Systems

### 8.1 Introduction

In order to provide the funding for much of a Council's services, a charge is levied over all properties of the District (with some exceptions). The mechanisms available for deciding the amount each property should pay is determined by the system chosen by the local authority.

There are three basic types of rates that are based on property values.

- General rates are used for general purposes and are levied over the whole rating area. They have been the main source of revenue for administration and general purposes.
- Targeted rates are used to provide specific services such as water and stormwater. They may be levied over any part of the district that is deemed to have a benefit from the service.
- Special targeted rates are levied to secure the repayment of certain loans.
- Differentials may also be applied to the above rates. They enable councils to lessen the reliance on valuations by classifying properties and applying a varying percentage to the rate in the dollar.

Uniform charges are a standard charge applying to all properties in the district ensuring that all property owners pay a fixed amount toward activities and services. While independent of property values, uniform charges are limited by the legislation in terms of the relationship of their yield to that of total rates and charges.

### 8.2 General Rates

As noted above, the general rate is a charge over properties. The value attached to those properties determines the rates a particular property will pay. There are three main valuation bases available.

- Land Value: This is the value, as determined by Quotable Value, of the land of a property.
- Capital Value: This value is the sum of land value plus any improvements. It is the amount which might be expected to be realised, at the time of valuation, if the property were sold in an arms-length transaction (i.e. market value).
- Annual Value: Annual value is an amount equal to an estimate of the rent at which a property could be let from year to year. This method is now only used by Auckland City Council.

# Revenue and Financing Policy

## 8.3 Targeted Rates

Local authorities may, for the purpose of undertaking any specified function or work make and levy a targeted rate. The rate can be over all or part of the district. It can be rated as a uniform amount in the dollar or on a differential basis.

For water or wastewater purposes, Council may resolve to charge only serviced and serviceable properties, and may resolve that serviceable properties are charged a half rate or less.

In recent times targeted rates have taken on added significance as they are increasingly being used to fund new and costly infrastructure, in the main water and wastewater asset developments. Targeted rates are used by the Council to directly attribute the charges for such developments including all debt servicing costs to an identified group or community, those who benefit from the expenditures associated with the service levels they enjoy. The alternative, District-wide charging for such services using general rating tools has not been implemented. Use of targeted rates has been applied to the Mangawhai EcoCare project and this method of funding is also intended to be used for other smaller community water and wastewater development schemes, if they arise.

## 8.4 Uniform Charges

Council may make the following charges instead of levying rates based on valuations.

### (a) Uniform Annual General Charge

This charge can be used to ensure that all properties within the district, or a defined area within the district:

- Pay a minimum amount toward the general rate; or
- Pay the same amount toward the provision of certain specified services.
- Contribute to the availability of an unspecified 'basket' of services which the ratepayer may use to a greater or lesser degree.

The advantage of such a charge is that the proceeds become part of the general rate, thus the use of such funds is not restricted for specific purposes (unless specified) as is the case of the other uniform charges mentioned below.

The disadvantage of this charge is that it cannot be targeted at individual households if there is more than one individual occupying a property.

### (b) Targeted Uniform Annual Charge

These can be made by resolution to cover the cost of any specified function or work. The charge may be over all or part of the district.

# Revenue and Financing Policy

Generally, these charges should be applied when it is considered that the use or benefit obtained from a service is not related to value, but relates to being a user of the service. A good example is the wastewater rate, which is for a separate service but used equally by residents. It is therefore fair to charge each user the same amount, as indeed, a commercial operator would do.

Targeted uniform annual charges cannot be levied on a differential basis.

(c) Effect of Uniform Annual General Charge

As stated above, a Uniform Annual General Charge is frequently used to provide a minimum general rate payable by every separately rateable property throughout the district. Without this minimum, many small low-value properties would not even contribute enough to cover the costs of levying the rates. This is particularly noticeable in some of the lower valued rural settlements.

The effect of the Uniform Annual General Charge is to reduce the amount that is rated for on a land value basis thus transferring some of the rating burdens from high valued properties to the lower valued ones. The effect of varying the Uniform Annual General Charge therefore is to alter the incidence of rating between these differently valued areas. This means that a reduction in the charge would create a consequential increase in the rate in the dollar and thus an increase to the higher valued properties.

(d) Limitation on Maximum Uniform Charges

Total uniform annual charges may not exceed 30 percent of total rate revenue excluding charges levied for water and wastewater. Council is currently below that maximum.

## 8.5 Differential Rates

This option enables a local authority to lessen the reliance on valuations by classifying properties and applying a varying percentage to the rate in the dollar.

Common objectives for using differential rating include the following:

- Enabling the amalgamation of an area without greatly altering the incidence of rating. This was part of the rationale for the introduction of general rate differentials in Mangawhai and Dargaville. These have now been phased out.
- Allowing the status quo to remain after revaluation with regard to the share of rates paid by different classes of property. While this may be reasonable in the short term, at some stage it will become necessary to re-examine the concept of equity in the rates structure as the mix of property types and the range of services changes.

# Revenue and Financing Policy

- Allowing a greater share of the rates to be collected from certain classes of property. This has commonly been directed against commercial, industrial and multi-unit residential properties. In the case of the commercial/industrial sector, it is sometimes argued that they receive benefits greater than the residential sector (eg. parking facilities) or that they are able to deduct the rates for taxation purposes. Any charge on these grounds must take account of the possible incentive to this sector to relocate out of the area. This only applies to the Dargaville Stormwater Rate where Council considered it was inappropriate to charge the same rate to the urban and rural parts of the community based on their differing usage requirements.
- To circumvent the legislation relating to minimum rates by allowing a greater minimum to be set. It is also possible to set differentials to achieve minimum rates for specific classes of ratepayers. This type of differential has not been used in this district.

## **8.6 Development and Financial Contributions**

Development contributions under the LGA consider the wider impacts of multiple developments on the infrastructure of the district (cumulative effect). Financial contributions under the Resource Management Act 1991 mainly consider the marginal impact of developments based primarily on environment effects assessments. These contributions are triggered by development consent requirements.

## **8.7 Kaipara District Rating System**

The present system of rating is the Land Value system as set out in The Order in Council – The Local Government Northland Reorganisation Order 1989. Differentials were established in 1990 to address the anomalies that existed between the valuations in Mangawhai and Dargaville and the level of services these communities received. These differentials have now been phased out.

All ratepayers of the District should share the costs of services that have been identified as having a public benefit. District costs are funded firstly by the uniform annual general charge. The balance is then funded on the basis of the land value. Due to the way rates are calculated, the use of uniform annual charges and the allocation ratio depends on three factors:

- Number of rateable properties (Uniform Annual General Charge)
- Land value
- Size of the general uniform annual charge.

# Revenue and Financing Policy

## 9 Debt

Council has developed detailed debt policies as part of its Treasury Policies.

The Council entered a new debt-raising environment prior to the Revenue and Finance Policy review in 2005. This led to the development of new methods of managing higher debt levels which has been made necessary for the following reasons:

- New infrastructure asset developments (for example the Mangawhai 'EcoCare' scheme) that involve very large capital requirements and result in major increases in Council debt.
- Existing Kaipara District Council debt level maxima are exceeded with the inclusion of these added debt-funded developments.

### 9.1 History of the use of Debt Segmentation

*In 2005 Council reviewed its Treasury Policies, and implemented the new concept of debt segmentation. Debt segmentation enabled Council to increase its borrowings for specified projects.*

*Fully-performing debt is debt where 'user pays' revenue derived from associated revenue earning asset categories or classes is sufficient to fully recover all costs including the debt servicing costs, principal repayments of the debt attached/associated with the relevant asset classes.*

### 9.2 Subsequent Developments

Currently the Council is close to a point where the large sums associated with the local area, Mangawhai 'EcoCare' scheme, will be borrowed.

The Council, in 2005, approved a method of future debt raising, termed 'Debt Segmentation' to deal with these new levels of debt by adopting a set of 'Provisions of Segmented Debt', the purpose of which is to ensure that prudent debt management practice is followed.

Essentially, the Provisions address two key matters, those relating to the 'Circumstances' which would warrant their application and the need for 'certainty' of the process.

The present (2005) Revenue and Financing Policy developments within the Council's Treasury borrowing policies, involve the implementation of the specific requirements of the 'Provisions' to cover the proposed (LTCCP 2009-2019) increases of Council debt levels.<sup>7</sup>

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<sup>7</sup> Many of the terms used below, (such as 'Core' Council Debt) are fully defined elsewhere in other policy statements ... principally in the Liability Management Policy.

# Revenue and Financing Policy

## **9.3 The first 'Provision' ... the Circumstances that qualify for segmentation of debt**

The circumstances that should, with reasonable certainty prevail to allow for the application of the provisions for the segmentation of debt include:

- a proposal to borrow significant sums above the total that normally would come within the Council's 'Core' debt levels and which comprise an identifiable 'Segment of Debt'
- decision-making provisions of the LGA 2002 followed. This is likely to include the Special Consultative Procedure
- asset(s) of the scheme that have been developed, that are capable of and are expected to earn an identifiable, definable and quantifiable level of future Council revenue
- the revenue earned from asset-related 'service' charges, that is sufficient to meet all scheme funding and servicing costs and is available directly to the Council, as a full recovery of all of the costs of development capital funding as well as costs related to the asset, including depreciation and the costs of debt servicing associated with the asset

## **9.4 'And' Provision two ... levels of Certainty**

In the circumstances prevailing, (detailed above), before allowing the exemption and the higher debt levels permitted by the 'Segmented Debt Provisions', it is necessary to achieve the desired level of certainty associated with the (local scheme) segmented debt.

To achieve the required certainty, both present and future circumstances should continue to prevail. The following considerations concerned with certainty will have to be taken into account. These include criteria that are associated with the quarantining or so termed 'ring fencing' of the (local scheme) debt and include:

- the need for demonstrably accurate budgeting of all associated (scheme or project) costs and revenues, sufficient testing and verification to prove the accuracy and reasonableness of the assumptions of the projections, and sufficient valid representations, comfort or assurances upon the issues and uncertainties of a particular scheme received from those (external) parties concerned with managing the financial arrangements.
- the satisfactory nature of the security and assurances gained over expected costs and revenues, following the satisfactory completion of assessments of the local scheme's relevant financial and contractual terms, decision-making provisions of the LGA 2002 followed including consideration of the development's costs, funding mechanisms, the ability to pay of the affected community including this determination at a whole of District, sub-District or affected local area level, as appropriate

# Revenue and Financing Policy

- assurances (reasonably flexible ones) that the terms and conditions of the segmentation of debt will not be altered over the term of the arrangement with the inclusion of these (above) terms within both the Councils adopted Significance Policies and also its Governance policies. This is to ensure that the agreement is sufficiently permanent in nature due to its inclusion within the Council's Significance Policy for all future alterations affecting the local schemes' financial arrangements.

## 9.5 Outcome of Compliance with the rules

Only following compliance with all of the terms of these two Provisions would it be considered prudent and appropriate to treat any local scheme debt as a standalone, quarantined segment of performing debt.

The local scheme debt can, if it meets the terms of the 'Provisions', be excluded from application of the more restrictive Council 'core' debt parameters, as the local scheme asset and the debt associated with it is demonstrably and directly associated with the revenues necessary to service all of the debt-related costs, (the notion of performing debt)

The standard of compliance with these Provisions may vary as a matter of judgement. In some critical circumstances compliance should be very high, somewhat analogous to meeting the requirements of lenders under terms of a commercial debenture trust deed and the pledged assets associated with such arrangements.

In New Zealand Council's circumstances, these more rigorous cases will arise where parties to a scheme, including possibly third party financiers will have committed the financial arrangements to a detailed contractual context. The Council's own disclosures and policy framework should reflect a comparable degree of rigour and certainty

## 10 Inter-generational Equity

The concept of inter-generational equity is that all the users, both current and future, of an asset should fund its development. For example, if Council were to introduce a reticulated wastewater system for a community and the projected life of the system was 50 years, the funding of this should be spread over the full life of the asset so that the ratepayers, who enjoyed the use of the system, pay for its development.

Frequently, in local government, assets have been developed using current revenue or reserves and there has been no financial impact upon future users of the cost to develop the system. This certainly applies to some parts of this District. This is compounded by the lack of provision of depreciation or 'loss of service potential'. This latter term refers to the concept that if an asset is not maintained at its original design standard, it deteriorates at a rate faster than depreciation

# Revenue and Financing Policy

would allow for. This has been very common in local government so that many councils are facing substantial accumulated costs for the replacement of failing assets.

Proper asset management concerned with the 'loss of service potential' requires that the current users of an asset maintain it at appropriate levels. This will involve including maintenance costs in the user charges. If user charges including estimated loss of service potential are, in any year, not spent, the amounts are held in a reserve account until needed for current maintenance. This means that the current users of the asset do not build up a large unfounded liability for future users.

Combined with these practices the idea of intergenerational equity is to ensure that all users of an asset pay their fair share of the cost of its development and maintenance.

The Council has adopted this practice and considers its assets costs and charges do provide adequately for intergenerational equity.

## 11 Policy

In reviewing its policy Council has adopted the following principles relating to the funding of public and private goods. These are:

- Public benefits will be funded by rates levied on property value
- Private benefits will be funded by user charges where this is feasible or by suitable proxies where this is more efficient.

Council reconfirmed that it will implement a Forest Owners' Targeted Rate to fund roading impacts from forest harvesting. Applicable formula =  $(4 - 1) \times \text{Exotic Forest Land-Values Rates}$  less the equivalent Council share of any Regional Development Funding. If resultant answer is zero or negative, no targeted rate will be set for that particular year.

### 11.1 Funding Mechanisms - Summary

The following table summarises Council's revised Revenue and Financing Policy and shows how Council intends to finance each of its activities.

# Revenue and Financing Policy

Operating Expenditure	General Rate	General Rate	Targeted Rate	Targeted Rate	Targeted Community Rate	Fees and Other User Charges	Rents and Leases
	Land Value %	UAGC <sup>8</sup> %	Land Value %	UAC <sup>9</sup> %	UAC <sup>31</sup> %	%	%
Economic Development		100					
Social Development - Grants - Social Housing - Community Halls/Sundry		100			100		100
Roading <sup>10</sup> (excluding bridge replacement)	100		-				
Water Supply - Existing schemes - New Investigations (Opex portion)	100					100 <sup>32</sup>	
Wastewater - Existing schemes - EcoCare and possible new schemes <sup>11</sup> - New Investigations (Opex portion)	100			100			
Stormwater			100				
Land Drainage			100				
Refuse - Closed Landfills - Collection - Disposal - Litter Control		100 50 100				100 50	
Community Amenities - Cemeteries - Public Toilets		100				100	
Recreation - Library - Parks and Reserves - Camping Grounds - Dargaville Pool		97 95			100	3	5 100 -
Policy and Planning	100						
Development Management - Building Services - Dog Control - Enforcement - Environmental Health - Liquor Licensing - Resource Management		15 20 100 20 20 20				85 80 80 80 80	
Democracy		100					
Rural Firefighting	100						

## Capital Expenditure

Capital expenditure, including bridge replacement, water supply and wastewater investigations, will be financed from the most appropriate of the following:

From utilisation of depreciation funds available annually via user charge and targeted rate revenue.

Where applicable, from available central government subsidies such as the Sanitary Water Subsidy Scheme (SWSS), Capital Assistance Programme (CAP's) and New Zealand Transport Agency for roading. From Development Contributions, Capital Works Contributions, and Financial Contributions, where applicable. By loan raising.

<sup>8</sup> Uniform Annual General Charge

<sup>9</sup> Uniform Annual Charge

<sup>10</sup> Council finances part of this activity with the balance paid by New Zealand Transport Agency. The percentage split of Council share will alter when central government Regional Development funding ceases, at which time targeted rating of forest owners will commence, requiring a lower percentage than 100% to be funded by the general rate.

<sup>11</sup> A uniform annual wastewater charge, plus a one-off uniform targeted rate.

# Revenue and Financing Policy

## Activities

The following tables provide more detailed information on Council's analysis of its activities and selection of financing mechanisms for each activity.

### Economic Development

**Economic Growth:** Fostering and supporting economic growth and development in the District.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	0%	0%	0%
Reason for Decision	-	-	-
Public	100%	0%	100%
Reason for Decision	To create employment, growth of business, increase in the value of the District, and growth in population of the District	-	Public good created by increase in rating land value of the District - uniform annual general charge

### Social Development

**Social Development:** To communicate and work with the community (including participation in community events and making grants).

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	0%	0%	0%
Reason for Decision	-	-	-
Public	100%	100%	100%
Reason for Decision	Council has acknowledged it has a role in facilitation and co-operation with youth groups, elderly and Maori.	-	Uniform annual general charge

# Revenue and Financing Policy

## Roading, Walking and Cycling (Transportation)

**Roading:** Provision of transportation and communication networks, property access and community linkages.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b>  <b>Reason for Decision</b>	50%  Private benefits attributable to roading expenditures arise because of amenity values, access to and increased values of serviced private properties and usage by commercial interests including forestry to facilitate economic activities.	0%	50%  -
<b>Public</b>  <b>Reason for Decision</b>	50%  Public good as road network facilitates District-wide economic activities.	0%	50%  To be advised – other sources of financing will be pursued for maintaining roads impacted by forestry harvesting.

## Bridge Replacement

**Bridge Replacement:** Provision of bridges, for a sustainable economy, and property access community linkages.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b>  <b>Reason for Decision</b>	50%  Private benefits attributable to bridging expenditures arise because of amenity values, access, and usage by commercial interests to facilitate economic activities.	0%	50%  -
<b>Public</b>  <b>Reason for Decision</b>	50%  Public good as bridge network facilitates District-wide economic activities.	0%	50%

# Revenue and Financing Policy

## Water Supply

**Water Supply:** Provision of safe, drinkable, reticulated water.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b> Reason for Decision	100% Provision of potable water.	0% Community usage	100% Funded by usage charges through meter, Maungaturoto and Glinks Gully uniform annual charge.
<b>Public</b> Reason for Decision	0% Public health issues.	0% The beneficiaries of the improved public health are the water consumers.	0% -

## Wastewater - Existing Schemes

**Wastewater:** Reticulation, treatment and disposal of wastewater.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b> Reason for Decision	90% Private individuals are exacerbators or beneficiaries of wastewater services.	90% No adjustment	100% Annual uniform wastewater charge is levied on properties serviced for wastewater.
<b>Public</b> Reason for Decision	10% Perceived benefit to public health of proper disposal and treatment of wastewater.	10% -	0% Separate uniform charges adequately recovers public benefit.

## Wastewater - EcoCare, and Possible Other Proposed Schemes

**Wastewater:** Reticulation, treatment and disposal of wastewater.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b> Reason for Decision	90% Private individuals are exacerbators or beneficiaries of wastewater services.	90% No adjustment	100% Annual uniform wastewater charge is levied on properties serviced for wastewater plus a one-off Uniform Targeted Rate, and Development Contribution where applicable.
<b>Public</b> Reason for Decision	10% Perceived benefit to public health of proper disposal and treatment of wastewater.	10% -	0% Development Contributions, Uniform Targeted Rate, and separate uniform charges adequately recovers public benefit.

# Revenue and Financing Policy

## Stormwater

**Stormwater:** Prevention and mitigation of the effects of urban stormwater.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b> Reason for Decision	10% Protection of private property.	0% No adjustment	10% Paid by area benefiting.
<b>Public</b> Reason for Decision	90% Benefits of environmental effects.	0% -	90% Targeted land value based rate

NB: The property owners and the community are the same funders.

## Land Drainage

**Land Drainage:** Maintenance of parts of three river systems, manage the Raupo Drainage District, oversee the management of 27 operative drainage districts.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b> Reason for Decision	100% Benefits are identified as attached to productive land use	0% No adjustment	100% Raupo Drainage District classified areas. Other districts rated on land values
<b>Public</b> Reason for Decision	0% -	0% -	0% -

## Refuse

**Closed Landfills:** Maintenance of closed landfill sites.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b> Reason for Decision	0% -	0% No adjustment	0% -
<b>Public</b> Reason for Decision	100% Provision of environmentally acceptable, low risk closed landfill facilities.	0% No adjustment	100% Uniform Annual General Charge

# Revenue and Financing Policy

## Refuse

**Collection:** Collection of Refuse

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private Reason for Decision	50% -	- No adjustment required to reflect fairness and equity.	50% User Charges
Public Reason for Decision	50% Provision of environmentally acceptable disposal facilities, including litter.	- No adjustment required to reflect fairness and equity.	50% Uniform Annual General Charge

**Disposal:** Provision for the sanitary disposal of refuse.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private Reason for Decision	50% Cost of disposal	- No adjustment required to reflect fairness and equity issues.	50% Funded by landfill fees
Public Reason for Decision	50% Provision of environmentally acceptable, low risk landfill facilities.	40% As above	50% Uniform Annual General Charge

## Community Amenities

**Cemeteries:** Provision and maintenance of appropriate burial sites as required by legislation.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private Reason for Decision	100% Individual benefits relate to interments and genealogical function	- Acknowledges need for a realistic level of private fees	100% Recovered by burial fees and plot sales
Public Reason for Decision	- -	- -	-

# Revenue and Financing Policy

**Public Toilets:** Provision of sanitary facilities for community use and for the use of visitors to the District.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	0%	0%	0%
<b>Reason for Decision</b>			
Public	100%	100%	100%
<b>Reason for Decision</b>	Public health and the support of tourism	-	Uniform Annual General Charge

## Recreation

**Library:** Provision of library services.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	38%	3%	3%
<b>Reason for Decision</b>	Acknowledges the benefit and enjoyment of individuals and groups	-	-
Public	62%	97%	97%
<b>Reason for Decision</b>	Recognises the promotion of education, culture and the well-being of residents	-	Uniform Annual General Charge

**Parks and Reserves:** Provision of parks, reserves and coastal facilities for recreation purposes.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	38%	5%	5%
<b>Reason for Decision</b>	Acknowledges the use and enjoyment of individuals and groups.	-	-
Public	62%	95%	95%
<b>Reason for Decision</b>	Recognises the promotion of good health and the well-being of residents.	-	Uniform Annual General Charge

# Revenue and Financing Policy

**Camping Grounds:** Provision of camping grounds for recreation purposes.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	38%	5%	100%
Reason for Decision	Acknowledges the use and enjoyment of individuals and groups.	-	Camp fees, and camp ground lease income
Public	62%	95%	0%
Reason for Decision	Recognises the promotion of good health and the well-being of residents.	-	

**Swimming Pool** Provision of a new pool at Dargaville.

**Dargaville:**

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	38%	38%	NYK
Reason for Decision		-	User charges by Swimming Club
Public	62%	62%	100% of debt servicing
Reason for Decision			Targeted Rate - Dargaville Township, plus general rate.

## Policy and Planning

**Policy and Planning:** Developing, changing, reviewing and monitoring Council's District Plan, bylaws and other policies.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	0%	0%	0%
Reason for Decision	-	-	-
Public	100%	0%	100%
Reason for Decision	Provision of a District Plan, bylaws, policies and the monitoring of policies and plans are for the public good with no identifiable individual beneficiaries.	No adjustment is required to address fairness and equity issues.	General rate

# Revenue and Financing Policy

## Development Management

**Building Services:** Administration of the Building Act 1991, and amendments.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	85%	-	85%
Reason for Decision	Benefit from building control is principally a private benefit	-	Building Consent Fees and Charges
Public	15%	-	15%
Reason for Decision	Protection and public safety from dangerous buildings	No adjustment is required to address fairness and equity issues.	Uniform Annual General Charge

**Enforcement:** Public protection from excessive noise, wandering stock, dangerous goods, civil defence emergencies, and natural.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	0%	0%	0%
Reason for Decision			
Public	100%	0%	100%
Reason for Decision	Primary benefit to public health and safety	-	Uniform Annual General Charge

**Dog Control:** Exercise of Council functions under the Dog Control Act 1996.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private	80%	0%	80%
Reason for Decision	Most of the benefits are for the owners of dogs	-	Registration fees
Public	20%	0%	20%
Reason for Decision	Public benefit from protection from wandering, dangerous, fouling and barking dogs	No adjustment required to address fairness and equity	Uniform Annual General Charge

# Revenue and Financing Policy

**Environmental Health:** Administration of the Health Act 1956 and associated regulations.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b>  <b>Reason for Decision</b>	80%  Much of the benefit of holding a health licence is private	-  Fees and charges are set by regulation	80%  Licence fees and charges
<b>Public</b>  <b>Reason for Decision</b>	20%  Health licensing of premises and conditions is for the protection of the public good	-  No adjustment required to address fairness and equity.	20%  General rate

**Liquor Licensing:** Administration of the Sale of Liquor Act 1989 in the capacity of the District Licensing Agency.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b>  <b>Reason for Decision</b>	80%  Much of the benefit of holding a liquor licence is private	0%  Fees and charges are set by regulation	80%  Licence fees and charges. The level of fees that can currently be charged
<b>Public</b>  <b>Reason for Decision</b>	20%  Licensing of Liquor premises and conditions is for the protection of the public good	%  No adjustment required to address fairness and equity.	20%  General rate

**Resource Management:** Administration of the Resource Management Act 1991.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
<b>Private</b>  <b>Reason for Decision</b>	80%  The benefit from the holding of a resource consent is private	0%  No adjustment is required to address fairness and equity issues	80%  Resource consent fees and charges and monitoring fees. Charges are to be of actual costs.
<b>Public</b>  <b>Reason for Decision</b>	20%  Resource management requires the protection of the public good	0%  No adjustment is required to address fairness and equity issues	20%  General rate

# Revenue and Financing Policy

## Democracy

**Democracy:** Representation of residents and ratepayers of the Kaipara District.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private Reason for Decision	0%	0%	0%
Public Reason for Decision	100% The benefits are identified to the District as a whole in the development of policies for the District and in the stewardship of all Council assets and operations.	100% No adjustment is necessary on the grounds of fairness and equity. The benefits of democracy fall evenly across all sectors of the District.	100% Uniform annual general charge.

**Rural Firefighting** Public protection from rural fire disasters.

User Group	Economic Allocation	Fairness and Equity Adjustment	Final Financing Mechanism
Private Reason for Decision	0% Licenses are generally for the benefit of individuals	0% -	0% No Application fees can be levied
Public Reason for Decision	100% Elements of the activities have District-wide benefits	0% No adjustment required to address fairness and equity.	100% General rate

# Rating Policies

**These policies must be read in conjunction with Rating Philosophy and Systems, which is found in Section 8 of the Revenue and Financing Policy.**

The policies applicable to the Local Government (Rating) Act 2002 are as follows:

Policy 1	Differentials on Land-based General Rates
Policy 2	Early Payment of Rates
Policy 3	Instalments
Policy 4	Method of Payment
Policy 5	Penalties
Policy 6	Place of Payment
Policy 7	Postponement for Financial Hardship
Policy 8	Rates Remission – Extreme Financial Hardship
Policy 9	Rates Remission – Multiple Uniform Annual Charges
Policy 10	Rates Remission – Multiply Owned Maori Land
Policy 11	Rates Remission – Community, Sporting and Other Organisations
Policy 12	Rates Remission - Penalties
Policy 13	Rates Remission - School Sewerage Charges
Policy 14	Rating of Subdivided Properties in Drainage Districts
Policy 15	Targeted Rates
Policy 16	Uniform Annual Charges on Properties Only Partly Within the Kaipara District

## **Policy 1      Differentials on Land Based General Rates**

The land based general rates of Kaipara District Council are undifferentiated.

# Rating Policies

## **Policy 2      Early Payment of Rates**

In accordance with Sections 54 and 56 of the Local Government (Rating) Act 2002, which empowers Councils to accept early payment of rates, Council will accept payment in full of all rates assessed in the current or future year on or before the due date for the first instalment of the year. Early payment of rates will attract neither a discount, nor interest on the sum paid.

## **Policy 3      Instalments**

Rates are payable in six instalments. The due dates (which in future will also be the penalty dates) are as follows:

<b>Instalment No</b>	<b>Due Date</b>
One	20th August
Two	20th October
Three	20th December
Four	20th February
Five	20th April
Six	20th June

## **Policy 4      Method of Payment**

Payment of rates will be accepted in the following ways:

1 By hand (refer Policy 6 - Place of Payment)

2 By mail to:

The Chief Executive  
Kaipara District Council  
Private Bag 92201  
Auckland 1020

The Chief Executive  
Kaipara District Council  
Private Bag 1001  
Dargaville

The Chief Executive  
Kaipara District Council  
State Highway 1  
Kaiwaka

3 By telephone banking

4 By automatic payment

5 By direct debit

6 By eftpos

# Rating Policies

## **Policy 5 Penalties**

In accordance with Section 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10% will be added by Council to each instalment or part thereof which is unpaid after the due date for payment. Previous years' rates which remain unpaid will have a further 10 per cent added on 10 July each year, and again on 10 January each year.

## **Policy 6 Place of Payment**

Payment of rates by hand will be accepted during normal business hours at either of the following two Council offices –

42 Hokianga Road  
Dargaville

State Highway 1  
Kaiwaka

## **Policy 7 Postponement for Financial Hardship**

### **Objective**

The objective of this policy is to assist ratepayers (including Maori freehold land ratepayers) experiencing financial hardship which affects their ability to pay rates.

### **Conditions and Criteria**

Only rating units used solely for residential purposes (as defined by Council) will be eligible for consideration for rates postponement for financial hardship.

Only the person entered as the ratepayer, or their authorised agent, may make an application for rates postponement for financial hardship. The ratepayer must be the current owner of, and have owned for not less than 5 years, the rating unit which is the subject of the application. The person entered on the Council's rating information database as the "ratepayer" must not own any other rating units or investment properties (whether in the district or in another district).

The ratepayer (or authorised agent) must make an application to Council on the prescribed form (copies can be obtained from the Council Offices, at either Dargaville or Kaiwaka).

The Council will consider, on a case-by-case basis, all applications received that meet the criteria described in the first two paragraphs under this section. The Council will delegate authority to approve applications for rates postponement to the Chief Executive.

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, proper provision for

## Rating Policies

maintenance of his/her home and chattels at an adequate standard as well as making provision for normal day-to-day living expenses.

Council reserves the full right to have the question of hardship addressed by any outside agency with relevant expertise eg budget advisors or the like.

Where the Council decides to postpone rates the ratepayer must first make acceptable arrangements for payment of future rates, for example by setting up a system for regular payments.

Any postponed rates will be postponed until:

- the death of the ratepayer(s); or
- until the ratepayer(s) ceases to be the owner or occupier of the rating unit; or
- until the ratepayer(s) ceases to use the property as his/her residence; or
- until a date specified by Council.

The Council will charge an annual fee on postponed rates for the period between the due date and the date they are paid. This fee is designed to cover the Council's administrative and financial costs and may vary from year-to-year.

Council reserves the full right to levy additional penalties on a half-yearly basis, on the amount postponed.

The policy will apply from the beginning of the rating year in which the application is made although the Council may consider backdating past the rating year in which the application is made depending on the circumstances.

The postponed rates or any part thereof may be paid at anytime. The applicant may elect to postpone the payment of a lesser sum than that which they would be entitled to have postponed pursuant to this policy.

Postponed rates will be registered as a statutory land charge on the rating unit title. This means that the Council will have first call on the proceeds of any revenue from the sale or lease of the rating unit.

### **Policy 8 Rates Remission - Extreme Financial Hardship**

#### **Objective**

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

#### **Conditions and Criteria**

Remission may be given in cases of extreme financial hardship.

# Rating Policies

Extreme financial hardship occurs when the ratepayer has no assets except a low value property which will not realise sufficient funds to pay at least 50 percent of the outstanding rates, and where the ratepayer relies on supplementary benefits and food banks for day-to-day living. Written confirmation must also be provided from the ratepayer's budget advisor.

Only rating units used solely for residential purposes (as defined by Council) will be eligible for consideration for rates remission for extreme financial hardship.

Only the person entered as the ratepayer, or their authorised agent, may make an application for rates remission for extreme financial hardship. The ratepayer must be the current owner of, and have owned for not less than 5 years, the rating unit which is the subject of the application.

The ratepayer (or authorised agent) must make a statutory declaration to Council as to their financial circumstances.

The Council will consider, on a case by case basis, all applications received that meet the criteria described in the first five paragraphs under this section. The Council will delegate authority to approve applications for rates remission to the Chief Executive.

## **Policy 9      Rates Remission - Multiple Uniform Annual Charges**

### **Objective**

To enable Council to act fairly and equitably with respect to the imposition of uniform charges on two or more separate rating units that are contiguous, and used jointly for a single residential or farming use.

### **Conditions and Criteria**

The Council will apply a rates remission policy to remit multiple sets of Uniform Annual General Charges (UAGC's) and Targeted Charges in the following circumstances:

- 1      Where a residential ratepayer owns and resides on two separate rating units that are used jointly as a single residential property.
- 2      Where a farming operation consists of a number of separate certificates of title or rating units that are contiguous and which are owned by a number of separate owners, subject to the following conditions:
  - Each rating unit must be operated by the owners of the land.
  - The owner of the farm must supply to Council a written declaration confirming that each unit will be operated jointly as a single farm.
- 3      Where a subdivision has taken place and the individual lots remain in the ownership of the original subdivider, and the land use prior to the subdivision remains unchanged.

# Rating Policies

## **Policy 10 Rates Remission – Multiply Owned Maori Freehold Land**

### **Objective**

To recognise the impediment to productive use of the land by not providing remission relief, albeit that very strict qualifying criteria applying to remission, in particular to the payment of all future rates and to recognise the requirements of Schedule 11 of the Local Government Act 2002.

### **Conditions and Criteria**

Council will write off arrears of rates and penalty subject to the following conditions:

- 1 The land is multiply owned Maori freehold land.
- 2 The land has been unoccupied for the period for which the write-off is requested.
- 3 The occupier for the period for which the write-off was requested is unknown or cannot be located.
- 4 The occupier will contract to Council to keep all future rates paid in full.

## **Policy 11 Rates Remission - Community, Sporting and Other Organisations**

### **Objective**

To assist in facilitating the provision of non-commercial (business) community services, and non-commercial (business) recreational opportunities for the residents of Kaipara District.

### **Conditions and Criteria**

<b>Basis of Remission</b>	<b>Full Remission /50% Remission</b>
Public halls, libraries, museums	Full
Wildlife Management Reserve	50%
Sports Clubs	50%
Community health	Full
Recreation, health, education	50%
A & P Society	50%
The Arts	50%

### **Specific Criteria**

#### **Public Halls, Libraries, Museums**

Land owned or occupied by or in trust for any society or association of persons, whether incorporated or not, and used for the purposes of a public hall, library, athenaeum, museum, art gallery, or other similar

# Rating Policies

institution, or, not being Maori land within the meaning of the Maori Affairs Act 1958, is land on which a Maori meeting house is erected:

## **Wildlife Management Reserve**

Any lands of the Crown that comprise a wildlife management reserve, wildlife refuge, or wildlife sanctuary within the meaning of the Wildlife Act 1953.

## **Sports Clubs**

Land owned or occupied by or in trust for any society or association of persons, whether incorporated or not, and used principally for games or sports other than horse racing, trotting, and dog racing.

## **Community Health**

Land owned or occupied by or in trust for any society or association or persons, whether incorporated or not, the object or principal object of which is to conduct crèches or to conserve the health or well-being of the community or to tend the sick or injured.

## **Recreation, Health, Education**

Land classified under the Reserves Act 1977 as an historic reserve, a nature reserve, a recreation reserve, a scenic reserve, a scientific reserve, Government purpose reserve, or any other type of reserve within the meaning of the Reserves Act 1977, any land being managed pursuant to sections 61 and 62 of the Conservation Act 1987.

## **A & P Society**

Land owned or occupied by or in trust for or under the control of a society incorporated under the Agricultural and Pastoral Societies Act 1908 and used by that society as a showground or place of meeting.

## **The Arts**

Land owned or occupied by or in trust for any society or association of persons, whether incorporated or not, and used for the purpose of any branch of the arts, being land that is not used for the private pecuniary profit of any members of the society or association.

## **Policy 12 Rates Remission - Penalties**

### **Objective**

To provide incentive to those property owners with rates arrears, to eliminate those arrears.

### **Conditions and Criteria**

The Council will grant delegated authority to the management team to waive all accumulative 10% penalties applied on a six monthly basis in cases where the ratepayer is under budgetary control and/or

## Rating Policies

has entered into an agreement with Council for payment of rates where the budgetary control and/or agreement is being satisfactorily maintained.

### **Policy 13 Rates Remission - School Sewerage Charges**

#### **Objective**

Compliance with Central Government legislation.

#### **Conditions and Criteria**

Council will adopt as its Policy compliance with the provisions of the Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendment Act 2001, and any future amending or repealing legislation in respect of that Act. The Act presently provides for the following remissions:

- (i) All toilet pans in excess of a notionally calculated one pan per 20 pupils/teaching and/or part thereof, support staff, will attract no charge.
- (ii) Only the first four toilet pans will attract the full 100% price paid by normal residential/commercial ratepayers. The next six will be discounted by 25%, and all thereafter will be discounted by 50%.

### **Policy 14 Rating of Subdivided Properties in Drainage Districts**

The Council grants delegated authority to the Chief Executive to refund rates and remove the subdivided property outside the catchment area from the drainage district where anomalies are created in the rating of properties by subdivision.

### **Policy 15 Targeted Rates**

Targeted rates, which replace the previous range of separate and special rates, will be levied by Council as follows:

- (a) **Water Supply** – metered usage in all six Water Supply Areas, all differentiated by location, and with an additional uniform charge per separately rateable property at Glinks Gully, and at Maungaturoto (excluding Maungaturoto Station Village Area). A non-connection fee of \$20 will apply annually to properties to which water can be provided, but which are not connected.
- (b) **Wastewater Disposal**
  - (i) A uniform annual connection charge per separately occupied or inhabited residential property, differentiated by location. A uniform non-connection charge, being 50% of the full connection charge per separately unoccupied or uninhabited residential property capable of being effectively connected to a public sewerage drain, differentiated by area.

## Rating Policies

- (ii) A uniform annual pan charge per commercial wc or urinal, other than specified educational establishments, and differentiated by area.
- (iii) A graduated scale of pan charges, based on a notional one pan per 20 pupils/staff members, for certain schools and educational establishments (paying sewerage charges) as defined in the Rating Powers (Special Provision for certain Rates for Educational Establishments) Amendment Act 2001, and any amending or repealing legislation in respect of that Act.
- (c) **Stormwater disposal** – an annual charge calculated on the basis of rateable land value, and differentiated by area.
- (d) **Land Drainage** – an annual charge calculated on the basis of land value, and differentiated by area.
- (e) **Mangawhai Harbour Restoration** – a uniform annual charge on every separately rateable property within the Mangawhai Harbour Restoration Rating Area.
- (f) **Dargaville Development** – an annual charge calculated on the basis of land value within the Dargaville Rating Area, and differentiated between Urban and Rural.
- (g) **Dargaville Town Hall Development Loan** – a uniform annual charge on every rateable property within the former Dargaville Borough, and the former Hobson County, and differentiated between those two Rating Areas.
- (h) **Forest Owners' Targeted Rate** – To fund roading impacts from forest harvesting. Applicable formula =  $(4 - 1) \times \text{Exotic Forest Land-Values Rates}$  less the equivalent Council share of any Regional Development Funding. If resultant answer is zero or negative, no targeted rate will be set for that particular year.

### **Policy 16      Uniform Annual Charges on Properties Only Partly Within the Kaipara District**

That Council levy the full general uniform annual charge on all properties, or part thereof, within the Kaipara District Council.

# **Funding Impact Statement**

# Funding Impact Statement

## 1 Introduction

The Funding Impact Statement should be read in conjunction with Council's Revenue and Financing Policy.

The Local Government Act 2002 requires the inclusion of the information which follows:

## 2 Revenue and Funding Mechanisms

Council proposes that the following revenue and financing sources be used to cover estimated expenditure levels –

- General rates
- A uniform annual general charge
- Targeted rates for water supply, wastewater disposal, stormwater disposal, land drainage, Forest Owners, Mangawhai harbour restoration, Dargaville development, Dargaville swimming pool and Dargaville town hall loan servicing.
- Fees, charges and sales
- Subsidies and grants
- Sundry income and interest
- Working capital
- Depreciation funds
- Loan funds
- Development Contributions
- Financial Contributions

## 3 General Rates

### 3.1 Valuation System on which the General Rates will be assessed

Council proposes to set a general rate based on the land value of each rating unit in the District.

### 3.2 A Uniform Annual General Charge (UAGC) will be set

Council proposes to set a uniform annual general charge. The UAGC is calculated as one fixed amount per rating unit.

### 3.3 Is the General Rate set Differentially?

No. Council now sets the general rate based on land value, and wholly undifferentiated across the District.

# Funding Impact Statement

## 4 Targeted Rates

Council proposes to set targeted rates as follows:

- (a) **Water Supply** – water will be charged by quantity consumed in all six Water Supply Areas, all differentiated by location, and with an additional uniform charge per separately rateable property at Glinks Gully, and at Maungaturoto (excluding Maungaturoto Station Village Area). A non-connection fee of \$20 will apply annually to properties to which water can be provided, but which are not connected.
- (b) **Wastewater Disposal**
  - (i) A uniform annual connection charge per separately occupied or inhabited residential property, differentiated by location. A uniform non-connection charge, being 50% of the full connection charge per separately unoccupied or uninhabited residential property capable of being effectively connected to a public sewerage drain, differentiated by area.
  - (ii) A uniform annual pan charge per commercial wc or urinal, other than specified educational establishments, and differentiated by area.
  - (iii) A graduated scale of pan charges, based on a notional one pan per 20 pupils/staff members, for certain schools and educational establishments (paying sewerage charges) as defined in the Rating Powers (Special Provision for certain Rates for Educational Establishments) Amendment Act 2001, and any amending or repealing legislation in respect of that Act.
- (c) **Stormwater disposal** – an annual charge calculated on the basis of rateable land value, and differentiated by area.
- (d) **Land Drainage** – an annual charge calculated on the basis of land value, and differentiated by area.
- (e) **Mangawhai Harbour Restoration** – a uniform annual charge on every separately rateable property within the Mangawhai Harbour Restoration Rating Area.
- (f) **Dargaville Development** - an annual charge calculated on the basis of land value within the Dargaville Rating Area, and differentiated between Urban and Rural.
- (g) **Dargaville Town Hall Development Loan** - a uniform annual charge on every rateable property within the former Dargaville Borough, and the former Hobson County, and differentiated between those two Rating Areas.
- (h) **Dargaville Swimming Pool Development Loan** - a uniform annual charge on each rateable property within the former Dargaville Borough.

## 5 Funding Forecast Statement

The table which follows sets out the revenue and financing mechanisms proposed to be used, and the quantum of revenue forecast to be produced by each mechanism.

## Funding Impact Statement

<b>Funding for Operating Expenditure</b>	2009/10 \$000	2010/11 \$000	2011/12 \$000
General Rates	8,101	8,691	9,189
Uniform Annual General Charge	3,775	3,775	3,775
Targeted Rates	6,484	5,793	7,106
Development Contributions	2,021	3,314	739
Fees, Charges and Sales	5,520	6,309	7,475
Subsidies and Grants	13,608	13,743	14,905
Sundry Income	816	840	865
<b>Total Forecast Operating Expenditure</b>	<u>40,325</u>	<u>42,465</u>	<u>44,053</u>

## Funding Impact Statement

2012/13 \$000	2013/14 \$000	2014/15 \$000	2015/16 \$000	2016/17 \$000	2017/18 \$000	2018/19 \$000
9,683	10,072	10,414	10,888	11,315	11,755	12,209
3,800	3,815	3,830	3,845	3,860	3,875	3,890
7,417	7,735	7,981	8,404	8,705	9,051	9,347
899	1,177	1,321	1,287	1,443	1,480	1,822
8,385	7,632	8,717	9,239	7,695	8,889	7,021
15,367	14,007	14,424	14,319	14,692	15,043	15,368
891	917	944	972	1,001	1,031	1,062
<u>46,442</u>	<u>45,355</u>	<u>47,691</u>	<u>48,954</u>	<u>48,711</u>	<u>51,124</u>	<u>50,719</u>

# Funding Impact Statement

## Indicative Rating Levels for 2009/2010

The estimates below are indicative only, and will be recalculated on updated rating information database figures, and other relevant data, at the time of actually assessing the rates (approximately in early July).

### Income From Rates

	2008/09 \$000	2006/10 \$000	Increase/ (Decrease) %
<b>General Rates</b>			
Land Rate	8,097	8,101	-%
Uniform Annual General Charge (UAGC)	3,541	3,775	6.6%
<b>Total General Rates</b>	<b>11,638</b>	<b>11,876</b>	<b>2.0%</b>
<b>Targeted Rates</b>			
Land Drainage	541	472	(12.7%)
Stormwater	705	852	20.8%
Water	90	96	6.7%
Wastewater	1,703	4,595	169.8%
Mangawhai Harbour Restoration	225	257	14.2%
Dargaville Town Hall Loan	28	28	-
Dargaville Development	90	90	-
Dargaville Pool	94	94	-
Forest Owners - Roading impacts (see note below)	-	-	-
<b>Total Targeted Rates</b>	<b>3,476</b>	<b>6,484</b>	<b>86.5%</b>
<b>Total Rates (excluding GST)</b>	<b>15,130</b>	<b>18,360</b>	<b>21.3%</b>
<b>plus GST</b>	<b>1,891</b>	<b>2,295</b>	<b>21.3%</b>
	<b>17,021</b>	<b>20,655</b>	<b>21.3%</b>

**Note:** This estimate is premised on the expectation that Regional Development Fund will be made available by NZ Transport Agency in 2009/10. Should that not occur or the allocation be insufficient, this targeted rate will be levied.

# Funding Impact Statement

## Rates and Charges (incl GST)

	Annual Plan 2008/09 \$000	LTCCP 2009/10 \$000	Increase/ (Decrease) %
<b>General Rates</b>			
Land Rate (cents in \$)	0.2877	0.1990	(30.8%)*
UAGC (flat charge)	\$337.00	\$345.00	2.4%

\* Reflects new District Revaluation (higher land values)

## Targeted Rates

	Fee Sought \$	Fee Sought \$	Increase/ (Decrease) %
<b>Wastewater connection fees - (non school users)</b>			
- Dargaville	271.00	297.00	9.6%
- Te Kopuru	399.00	417.00	4.4%
Maungaturoto	720.00	720.00	-
Kaiwaka	549.00	594.00	8.2%
Glinks Gully	611.00	637.00	4.29
<b>Water-metered rates per cubic metre</b>			
Dargaville	1.48	1.63	10.1%
Glinks Gully	3.07	3.32	8.1%
Ruawai	4.24	4.47	5.4%
Maungaturoto			
- Station Village <sup>12</sup>	1.85	1.94	4.8%
- Other Users <sup>13</sup>	1.22	1.28	4.8%
<b>Water - Uniform annual charges</b>			
Glinks Gully	274.00	296.00	8.1%
Maungaturoto	176.00	183.00	4.8%
<b>Mangawhai Harbour Restoration</b>	78.80	78.80	-
<b>Dargaville Town Hall Loan -</b>			
- Urban	10.20	10.20	-
- Rural	3.40	3.40	-
<b>Dargaville Swimming Pool</b>	-	50.00	100%

<sup>12</sup> Annual minimum is \$155.00.

<sup>13</sup> The free quantity remains unchanged at 100 m<sup>3</sup>

# Funding Impact Statement

<b>Land Drainage (based on land values)</b>	<b>Annual Plan 2008/09 Revenue Sought \$000</b>	<b>LTCCP 2009/10 Revenue Sought \$000</b>	<b>Increase/ (Decrease) \$000</b>
1 Raupo Drainage District			
- Rural A	244	244	-
- Rural B	1	1	-
- Township	12	12	-
2 Other Drainage Districts (Hobson Area)			
Aoroa	3	3	-
Arapohue No 1	8	8	-
Arapohue No 2	7	7	-
Aratapu Swamp	30	30	-
Awakino Point	10	10	-
Awakino Valley	33	33	-
Greenhill	2	2	-
Hoanga	66	34	(32)
Horehore	27	27	-
Kaihu	26	26	-
Kopuru Swamp	11	11	-
Koremoa	3	3	-
Manganui	8	8	-
Mangatara	14	14	-
Mititai	10	10	-
Notorious	18	18	-
Oruariki	16	16	-
Otiria	3	3	-
Owairangi	5	5	-
Tangowahine No 1	9	9	-
Tangowahine No 2	13	13	-
Tangowahine Valley	9	9	-
Tatarariki No 1	6	6	-
Tatarariki No 2	7	7	-
Tatarariki No 3	7	7	-
Tikinui	7	7	-
Whakahara	6	6	-

## Funding Impact Statement

<b>Urban Stormwater (based on land values)</b>	Annual Plan 2008/09 Revenue Sought \$000	LTCCP 2009/10 Revenue Sought \$000	Increase/ (Decrease) \$000
Dargaville – urban differential area	475	503	5.9%
Dargaville – rural differential area	35	37	5.9%
Te Kopuru	16	17	6.4%
Baylys	32	33	3.8%
Mangawhai	294	312	6.0%
Kaiwaka	13	14	6.3%
<b>Dargaville Development (based on land values)</b>			
Urban differential	99	99	-
Rural differential	2	2	-