Section 7

Policies

Introduction

This section contains key Council policies related to our long-term planning, key financial matters and decision-making processes.

- **Significance and Engagement Policy**

  The Significance and Engagement Policy sets out how the Council assesses the importance of a matter requiring a decision and how the community will be involved in the decision-making process based on this assessment. This policy helps us determine the right level of public engagement and consultation for each issue the Council considers.

- **Revenue and Financing Policy**

  The Revenue and Financing Policy guides how the Council funds its activities and why it uses particular funding sources. It explains how each Council activity will be funded for both operating and capital expenditure and indicates which groups and/or individuals in the community the Council sees as receiving benefits from these activities.

- **Treasury Management Policy**

  The Treasury Management Policy guides the management of Council's investments, borrowing and funding activities. The policy provides a framework of policies, strategies and monitoring procedures to help ensure active risk management and statutory compliance.

- **Development and Financial Contributions Policy**

  The Development and Financial Contributions Policy explains how the New Plymouth District Council will use development contributions to recover from those persons undertaking development a fair, equitable and proportionate portion of the total cost of capital expenditure necessary to service growth in the district.

  The Council may charge development contributions to fund network infrastructure (including roads and other transport, water, wastewater and stormwater collection and management), community infrastructure (including community centres or halls and the land on which they will be situated, play equipment located on a neighbourhood reserve and public toilets) and reserves (including acquisition and development of land).

  The policy also summarises the Council's Financial Contributions Policy (FCP) which is a component of the New Plymouth District Plan. Under the FCP, developers are required to meet the full cost of on-site infrastructure demands of their developments. They will also be required to meet a fair and reasonable cost of the off-site infrastructure works required.

- **Remission and Postponement of Rates Policies**

  For some types of property and for people experiencing hardship the Council may remit rates, or postpone rates payments. This policy describes under what circumstances this will occur.

The full range of the Council's policies can be found at www.newplymouthnz.com.

Significance and Engagement Policy

Purpose

The purpose of this policy is to provide clarity to the New Plymouth District community on how they can expect to be engaged in New Plymouth District Council's decision-making processes.

Policy Statements

1. Community engagement is important to enable participation in decision making and to understand the views and preferences of people who are likely to be affected by or interested in an issue, proposal, decision or other matter.

2. New Plymouth District Council (the Council) considers issues, proposals, decisions, or other matters that are of varying levels of significance.

3. The significance of an issue, proposal, decision or other matter and the appropriate level of engagement will be determined by Council officers at an early stage of the decision-making process. Where the significance level is unclear, Council officers will recommend options regarding appropriate levels and techniques for engagement.

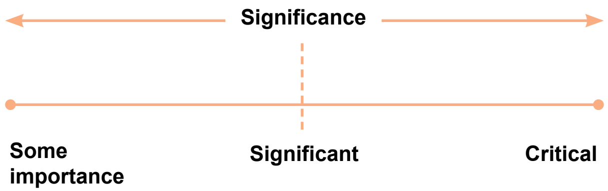
4. The following procedure will be used to determine the significance of an issue, proposal, decision or other matter and the appropriate level of engagement:

    - Identification of an issue, proposal, decision or other matter requiring a Council decision.
    - An assessment of significance using the matters to be considered as detailed in this policy.
    - An assessment to determine the appropriate form and type of engagement using the Engagement Guide included in this policy.
    - Council officer or other professional advice on significance and engagement.
    - Council consideration and final decision-making on the level of significance and the appropriate form and type of engagement.

    Advice from Council officers will, in normal circumstances, come via the Council report format which alerts elected members to the impacts and consequences of the issue, proposal, decision or other matter and the proposed form and type of engagement.

5. Generally, the greater the significance of an issue, proposal, decision or other matter, the more detailed the decision-making process must be and the greater the need for engagement.

6. The Council considers significance on a scale that ranges from issues, proposals, decisions, or other matters of some importance to those which are critical.



7. The Council will consider the following matters when assessing the degree of significance of an issue, proposal, decision or other matter:

    - The likely impact on, and consequences for:
        - The present and future interests of the district and the community, recognising the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna and other taonga.
        - Any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter.
        - The ability of the Council to meet its statutory purpose now and in the future.
        - The ability of the Council to meet its level of service as stated in the Council's Long-Term Plan (LTP).
        - The financial costs on the community and the Council.
    - The degree to which the issue, proposal, decision or other matter is reversible.
    - How the issue, proposal, decision or other matter aligns with historical Council decisions and whether the matter has previously generated wide public interest within the district.

8. If an issue, proposal, decision or other matter has impacts and consequences for several of the above considerations it is likely to have a higher level of significance.

9. Where an issue, proposal, decision or other matter has been determined to be significant or critical in accordance with this policy, the Council will ensure the appropriate level and form of engagement is undertaken. The Council will decide on the level of engagement by considering the Engagement Guide in Schedule 1.

10. As a minimum level of engagement, the Council will 'inform' the community on all issues, proposals, or other matters requiring a decision by the Council.

11. Different levels of engagement may be required for different stages of the decision-making process for an issue, proposal, decision or other matter.

12. The Council is required by several pieces of legislation to carry out consultation. Some pieces of legislation require the special consultative procedure (as described in section 83 of the Local Government Act 2002 (LGA)) to be used for consultation on certain matters. Further information on when the Council will use the special consultative procedure is provided in Schedule 1.

13. The Council is required to carry out consultation in accordance with or giving effect to the principles of consultation (as described in section 82 of the LGA) on certain matters irrespective of the significance of the matter. Further information on when the Council will consult in accordance to section 82 is provided in Schedule 1.

14. For all other matters requiring a decision by the Council, the level and type of engagement will be determined on a case by case basis to ensure the most appropriate engagement is used to meet the needs of a particular matter. The Council will decide on the level of engagement by considering the Engagement Guide in Schedule 1. The Engagement Guide includes examples of the types of engagement that can be used and also provides information on when the community can expect to be engaged.

15. The Council is committed to providing opportunities for Māori to contribute to its decision-making processes in a meaningful way. The engagement techniques used will depend on the nature and/ or significance of the decision.

16. Memorandum of Understandings, Joint Management Agreements, or other agreements may be used to guide meaningful engagement with Māori.

17. The Council will engage with Māori where any matter involves a significant decision in relation to land or a body of water to ensure that the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga is considered.

18. The Council may use a variety of engagement techniques which will be determined by considering a range of factors including but not limited to:

    - Stakeholder involvement.
    - Stakeholder demographics.
    - Community awareness and history of the matter.
    - Financial implications and constraints.
    - Timing of the engagement in relation to other engagement and activities.

19. There may be situations when engagement may be impractical, these include but are not limited to:

    - An issue, proposal, decision or other matter that is not significant
    - The Council considers that it has sufficient existing and up to date information to reflect the community's interests on the matter.

20. The LGA requires this policy to list the Council's strategic assets as defined in section 5 of the LGA. The Council's strategic assets are listed in Schedule 2 of this policy.

Schedule 1: Engagement guide

Special Consultative Procedure

The Council will use the special consultative procedure (as set out in section 83 of the LGA) where required to do so by law, including for the following matters:

- The adoption or amendment of a Long-Term Plan (in accordance with section 93A of the LGA).

- The adoption, amendment, or revocation of bylaws if required under section 156(1)(a) of the LGA.
- The adoption, amendment or revocation of a Local Alcohol Policy.
- The adoption or review of a Local Approved Products (Psychoactive Substances) Policy.
- The adoption or review of a class 4 venue policy under the Gambling Act 2003.
- The preparation, amendment or revocation of a waste management and minimisation plan.

Unless already explicitly provided for in the Long-Term Plan, the Council will seek to amend its Long-Term Plan using the special consultative procedure when it proposes to:

- Alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, including commencing or ceasing such an activity; or
- Transfer the ownership or control of strategic assets, as listed in this policy.

Consultation in accordance with section 82 of the LGA

The Council will consult in accordance with, or using a process or a manner that gives effect to the requirements of, section 82 of the LGA where required to do so by law, including for the following specific matters:

- Adopting or amending the annual plan if required under section 95 of the LGA.
- Transferring responsibilities to another local authority under section 17 of the LGA.
- Establishing or becoming a shareholder in a Council-Controlled Organisation.
- Adopting or amending any of the following policies; revenue and financing policy, development contributions policy, financial contributions policy, rates remission policy, rates postponement policy, or a policy on the remission or postponement of rates on Māori freehold land.

For such consultation, the Council will:

- Prepare information to meet the requirements of section 82A of the LGA.
- Make the information available to the public.
- Allow written submissions for a period of up to four weeks.
- Consider all submissions prior to making decisions.

Other engagement

For all other engagements, the table on the next page provides an example of the differing levels of engagement that might be considered appropriate, the types of tools and techniques that can be used for each level and the timing of the engagement generally associated with each level.

Level	Inform	Consult	Involve	Collaborate	Empower
Goal	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision-making in the hands of the public.
Example engagement	Water restrictions Council news	Rates review Policy review	New Plymouth District Plan	New Plymouth District Coastal Strategy	Election voting systems (STV or first past the post)
Tools and techniques the Council might use	Websites Letter/information flyer Fact sheets Public notices Newspapers	Public meetings Formal submissions and hearings Online/social media Focus groups Surveys	Workshops Focus groups Citizens panel Face to face	Advisory committees External stakeholder groups	Local body elections Binding referenda
When the community can expect to be involved	The community would generally be advised once a decision is made.	The community would be advised once a draft decision is made and would have the opportunity to participate and respond during a period of consultation.	The community would have a greater lead in time to be involved in the process.	The community would generally be involved at the following stages: • At the start to scope the issue. • After information has been collected. • When options are being considered.	The community would generally have a greater lead in time to be engaged in the process.

Schedule 2: Strategic assets

The LGA requires the Council's strategic assets to be listed in this policy. Section 5 of the LGA defines strategic assets to include:

- An asset or group of assets that the local authority needs to retain if the local authority is to maintain its capacity to achieve or promote any outcome that the local authority determines to be important to the current or future well-being of the community;
- Any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and
- Any equity securities held by the local authority in:
  - A port company within the meaning of the Port Companies Act 1988
  - An airport company within the meaning of the Airport Authorities Act 1966

The following is a list of assets or group of assets that the Council needs to retain if it is to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future well-being of the community.

- Govett-Brewster Art Gallery and Len Lye Centre.
- Housing for the elderly.
- New Plymouth Airport (50 per cent shareholder).
- Parks.
- Puke Ariki and district libraries.
- Recreation and event facilities.
- Road and footpath network.
- Solid waste infrastructure.
- Stormwater network, drainage, flood protection and control works.
- Water supply network.
- Wastewater system and treatment.

Revenue and Financing Policy

Overview

This policy explains how each activity will be funded for both operating and capital expenditure over the next 10 years. This is a requirement of the Local Government Act 2002 (LGA 2002).

Councils must consider for each activity (LGA 2002 Section 101(3)):

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

This policy gives some certainty to the community as to how the activities of the Council will be funded and indicates which groups and/or individuals in the community the Council sees as receiving benefits from these activities. The Revenue and Financing Policy is reviewed once every three years as part of the development of the Long-Term Plan (LTP).

Definitions of funding options for Council services

General rates

These are rates that are applied to the entire rating base of the district. In New Plymouth District general rates are calculated on the basis of cents per dollar of land value, levied differentially on the following classification of property:

- Residential.
- Commercial/industrial.
- Small holdings.
- Farmlands.

The rationale for the differential groups is discussed in the section on general funding policies. General rates also include the UAGC, a fixed charge levied on every separately used or inhabited part of a rating unit (SUIP) in the district. The level of the UAGC changes the incidence of value-based rates within and between differential rating groups.

SUIP

A SUIP is defined as a separately used or occupied part of a rating unit and includes any part of a rating unit that is used or occupied by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement, or any part or parts of a rating unit that are used or occupied by the ratepayer for more than one single use. Separately used or inhabited parts include:

- A residential, small holding, or farmland property that contains two or more separately occupiable units, flats or houses each of which is separately inhabited or is capable of separate inhabitation, i.e. has independent kitchen facilities.
- A commercial premises that contains separate shops, kiosks, other retail or wholesale outlets, or offices, each of which is operated as a separate business or is capable of operation as a separate business.

Targeted rates

The Council charges targeted rates in the form of uniform (flat rate) annual charges and demand-related charges. These are for the recovery of the cost of providing water, wastewater, swimming pool compliance, and refuse collection/disposal/recycling charges for households in serviced areas or receive this service. A roading targeted rate was introduced in 2010 in order to increase the transparency between the benefit the service delivers and the allocation of costs and is charged on a SUIP basis.

Voluntary targeted rates

The Council has a voluntary targeted rate to enable it to offer assistance to property owners to assist with particular capital projects (clean heat or insulation) on their respective properties. The targeted rate is levied on properties that received the assistance and will be used to recover the amount borrowed and administration costs.

Fees and charges

The Council levies over 1,000 fees and charges which are either full or part charges to recover the costs of services. Fees and charges are usually for services where the user has discretion on whether to use the service or not.

Interest and dividends from investments

The Council receives interest and dividends from its investments, as managed by Taranaki Investment Management Limited and short-term cash management.

Borrowing

Borrowing is the taking on of debt and usually only borrowed to fund long-life assets.

Proceeds from asset sales

These are the sums received when physical assets are sold.

Development contributions

Sums payable, in accordance with the Council's Development Contributions Policy, for reserves, community infrastructure and network infrastructure (as defined by section 197 of the LGA 2002), to provide for growth in demand for these services resulting from new development, as provided for in s198 of the LGA 2002. Development contributions can only be used for capital expenditure.

Financial contributions under the Resource Management Act

Financial contributions are sums payable, or assets transferred to the Council, by developers or new service users to enable mitigation, avoidance or remedying of adverse effects arising from subdivision or development as defined in the Council's Financial Contributions Policy.

Grants and subsidies

These are payments from external agencies and are usually for an agreed specified purpose. The major source of these is New Zealand Transport Agency (NZTA) subsidies for road maintenance, renewals and improvements.

Policy for funding operating expenditure

Operating expenditures are the day to day on-going expenses of providing the Council's activities. They cover costs of staff, energy, consumables such as paper, vehicle running costs and asset maintenance. Operating expenditures are funded from the following sources and for the following reasons.

Funding source for operating expenditure	Explanation of New Plymouth District Council funding methods for operating expenditure
General rates	General rates will be primarily used to fund those activities, or parts of activities, that benefit the community in general and where no identifiable individuals or groups benefit in a significantly different way to the rest of the community. General rates may also be used where the use of direct charging would discourage use, when encouraging use of the service is an explicit objective, or important to achieving the Community Outcome to which the activity is intended to contribute. General rates may also be used where it is impractical, or too administratively expensive, to fund the activity from other funding sources. New Plymouth District Council will apportion its general rates according to the land value and use of each property. Use of property is determined according to whether its primary use is residential, commercial/industrial, farms or small holdings. Each type of property pays different rates (cents per dollar of land value). These are called "differentials" and are designed to achieve an apportionment of rates that reflects the estimated value of services received by each classification of property, after significant modification by the use of the uniform annual general charge and uniform charges (targeted rates). The UAGC is a flat, per property component of the general rate. It funds the same activities as are funded by the general rate. The UAGC has a significant effect, in that it lowers rates on high value properties and raises rates on lower valued properties within each differential class of property. The Council considers the level of fixed charges and property value based general rates each year and is able to make adjustments through the annual plan process.
Targeted rates	The Council may use targeted rates to fund activities where identifiable classifications of rating units, or rating units in identifiable locations, receive benefits from the activity to be funded in a significantly different way from other ratepayers. Targeted rates may be assessed as a uniform annual charge, levied on the land value, capital value or any other legally permissible basis. Targeted rates may be assessed differentially between locations or classifications of rating units. The Council may assess targeted rates for the purpose of achieving a more fair, or efficient, or transparent allocation of costs across the community.
Fees and charges	The Council will generally use fees and charges for those services where the benefit is entirely, or in part, to the direct user of the service and where the use of the service is at the discretion of the user. This includes fees for various consents, licences, permits and property information. The user charge may recover all, including a market return on the value of the Council's investment, or part of the cost of the activity. Where the Council needs to ration the use of an activity, it may charge at a level above that which would be necessary to recover the costs of the activity. Fees and charges may be in the form of fines, penalties and like instruments and used where the Council wishes to modify the behaviours that impose costs, or inconvenience, on other members of the community.

Funding source for operating expenditure	Explanation of New Plymouth District Council funding methods for operating expenditure
Interest and dividends from investments	The Council treats ordinary budgeted interest and dividends, along with other investment income, as general revenue.
Borrowing	The Council will not borrow to fund operating costs unless there are short term reasons that justify this as an interim solution.
Proceeds from asset sales	Operating costs are not funded from asset sales.
Development contributions	Operating costs cannot be funded from development contributions.
Financial contributions under the Resource Management Act	Operating costs are not funded from financial contributions.
Grants and subsidies	Grants and subsidies will be used for operating expenses only when this is consistent with the purpose for which they were given.
Reserves	Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Revenue and Financing Policy

Policy for funding capital expenditure

Capital expenditure represents the purchase of assets that are held by the Council for use in the provision of its goods and services (for example bridges, libraries, swimming pools), for rental to others or for administration purposes, and may include items held for the maintenance or repair of such assets. Assets are defined as purchases that have service lives beyond one year.

Capital expenditure relating to the renewal or replacement of existing assets are usually funded from financial reserves built up from the revenue sources that fund the particular activity. Capital expenditure relating to new long life assets is funded from debt. The Council does however exercise discretion in debt funding new assets with service lives that are less than 10 years as in some cases it would be inappropriate to borrow for such purposes.

Funding source for capital expenditure	Explanation of New Plymouth District Council funding methods for capital expenditure
General rates	General rates may be used to retire debt. General rates may be used to purchase assets where the Council determines that funding the assets from debt is not the preferred option.
Targeted rates	Targeted rates may be used to retire debt, where the debt arose from the purchase of assets used for the activity funded by the targeted rate. Targeted rates may be used to purchase assets, where the Council determines that funding the assets from debt is not the preferred option, and the assets are to be used for the activity funded by the targeted rate.
Fees and charges	User charges may be used to retire debt, where the debt arose from the purchase of assets used for the activity funded by the user charge. User charges may be used to purchase assets, where the Council determines that funding the assets from debt is not the preferred option, and the assets are to be used for the activity funded by the user charge.
Interest and dividends from investments	Investment income may be used to retire debt, where that income has not been budgeted for other purposes.
Borrowing	The Council's preferred means of funding significant capital expenditures will be borrowing.
Proceeds from asset sales	Proceeds from asset sales are an appropriate source for purchasing or retiring debt as it has a neutral effect on the Council's financial position (assets versus liabilities).
Development contributions	Development contributions will be used to fund that proportion of new asset expenditure that is made necessary by increased demand as a result of growth in the number of users. Development contributions can only be used for certain types of capital projects by law.
Financial contributions under the Resource Management Act	Financial contributions will be used to fund that proportion of new asset expenditure that is required to avoid, remedy or mitigate the adverse environmental effects resulting from subdivision and development.
Grants and subsidies	Grants and subsidies will be used for capital expenses only when this is consistent with the purpose for which they were given.
Reserves	Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council. Reserves will generally be used for capital expenditure only when this is consistent with the purpose for which they were created.

Sources of funding

The following sources table shows how the operational and capital costs of each of the Council's activities are funded.

	General rates	Targeted rates	Fees, charges and other revenue	Interest and dividends	Borrowing	Grants and subsidies	Reserve funds and accounts (including asset sales)
Parks	√		√	√	√	√	√
Roads and Footpaths	√	√	√	√	√	√	√
Stormwater Drainage	√		√	√	√		√
Flood Protection and Control Works	√			√	√		√
Solid Waste and Refuse Collection		√	√		√		√
Water Supply		√	√		√		√
Wastewater Treatment		√	√		√		√
Emergency Management and Business Continuance	√		√	√			
Community Development	√		√	√	√	√	√
Govett-Brewster Art Gallery	√		√	√	√	√	√
Puke Ariki and District Libraries	√		√	√	√	√	√
Recreation and Events	√		√	√	√	√	√
Regulatory Services	√	√	√	√	√		√
Economic Development	√			√			
Civic and Democracy Services	√		√	√			√
Management of Investments and Funding			√	√*			√

* Management of Investments and Funding generates a surplus which is used as an offset against general rates.

Revenue and Financing Policy

General funding policies

Differential groups to apportion the general rate

The Council has four differential groups.

The rationale for this approach is that each group of properties will pay a fixed proportion of the total general rates required to fund activities. In this way each group will pay a fair and equitable amount that is related to the benefits received by each group and will not be subject to fluctuations caused by changing property values between each group. As property values change over time the Council will alter the group differentials (the amount of rates charged per dollar of value) to ensure that each differential group continues to pay the same overall proportion of general rates.

Within each differential group the rating valuations result in changes to the incidence of general rates. As an example the residential differential group contributed 54 per cent of value based general rates in 2009/10, the same as it did in 1995/96. All things being equal, some properties within the residential group however will generally be paying a higher share of those residential rates due to significantly higher valuation increases compared to the average residential property over recent years. The UAGC mitigates this to a certain extent.

District-wide funding: The One Bucket Policy

New Plymouth District Council has adopted a "one bucket" policy for community facilities, and a combined network pricing policy for refuse collection, the wastewater and water supply networks, and kerbside recycling.

The Council assesses the priorities of the district as a whole. This policy ensures that funds are provided on the basis of district-wide priority and is intended to:

- Promote a unified commitment to the long-term future of the district.
- Provide all urban communities across the district with an acceptable minimum standard of service for water, wastewater, refuse collection and kerbside recycling.
- Provide integrated management.
- Spread the risk associated with operating assets and intensive network services.
- Ensure funds are available to upgrade the networks and complete projects at the optimal time.
- Avoid any sudden changes in the level of funding required from specific groups of ratepayers.

The priorities are assessed on a needs basis as opposed to the amount of rates sourced from each locality. For community facilities the Council does apply the general rate differentials to attribute costs and benefits to the appropriate rating group. For refuse collection, kerbside recycling, water and wastewater a standard fixed charge for each service is applied to all urban areas within the district that receive these services.

Voluntary targeted rates

The Council has a voluntary targeted rate to enable the Council to offer assistance to ratepayers to fund some or all of the cost for certain capital works for their properties such as the installation of solar heating or retrofitting a house for insulation. The voluntary targeted rate is collected from a rating unit that has been provided with assistance for the approved capital work.

Rest home accommodation

There has been an increase in the number, size and make-up of rest homes in recent years to cater for the growing demand and numbers of older people requiring these facilities. The original rest homes were small in nature containing between five to twenty-eight rooms, none of which were self-contained and the residents were catered for on a communal basis. This situation fitted neatly into the commercial differential and also for the various targeted rates that applied.

This situation has changed in recent years where these facilities provide a mixture of self-contained units, serviced rooms and hospital facilities. The self contained units are generally sold as a 'licence to occupy' so while they do not have a separate title, they are little different to a dwelling in the community. The Council has recognised the changes in the sector and will now rate rest home properties on the following basis:

- The hospital, office, common area and non-self contained rooms are to be rated as commercial/industrial.

- Any self contained units, flats or town houses including licence to occupy are to be rated on the residential differential as a Separately Used or Inhabited Part of a Rating Unit (SUIP). A SUIP is defined as a separately used or occupied part of a rating unit.

The changes noted above will be phased in over five years commencing 1 July 2012.

Multi-use units on a single title

The Council does not allow remissions for when multiple units on a single title have fewer residents than a single unit property.

Bed and breakfast accommodation

The Council will allow smaller bed and breakfast operators (one to five bedrooms) to be rated as residential. Operators that have six or more bedrooms will be rated as commercial/industrial with the owners living accommodation rated as residential. This provides the Council with the tools to correctly allocate the activity without the need for additional resource. This rating treatment will also apply to farm stay properties.

Impact of allocation of Council costs on community well-being

Sustainability of rates funding

The Council is aware that the level of rates can have negative impacts on property owners with low incomes. Rates have an uneven distribution based on income as rates are based on land value of property rather than any metric of the ability of the ratepayer to pay the rates (such as income).

The Council promotes the use of the rates rebate scheme for people on low incomes to help mitigate the costs. The Council also allows rates to be paid by quarterly instalment.

The Council's community outcomes

The Council has a strategic community outcome framework that can be used to assess the impact of rates funding on the community.

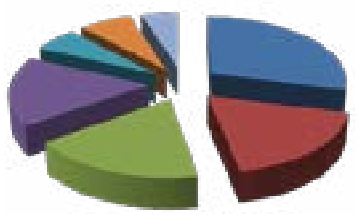
The economic outcomes for the community is taken into account by ensuring that direct beneficiaries of services pay for them whenever it is desirable to do so. This enables users to make choices about how much of the service they use, so that the Council does not provide more of it than the community wants. Rates are used wherever it is considered fair that all should make a contribution to an activity and where funding from voluntary user charges would lead to under provision of the activity. To ensure that the costs of infrastructure are placed on current as well as future users, these costs are generally spread over time via borrowing.

The environmental outcomes for the community is enhanced by making those whose actions bring about the need for regulation or enforcement pay for the costs they place on the community wherever possible. The Council funds activities that benefit the whole community, through creating a better environment, via rates so that these activities are funded to a degree that reflects the wider community benefits.

The community outcomes are promoted by making a wide range of cultural events and experiences available to the community. Due to the non-economic nature of many of these events and the wider community benefits that flow from them, they are often funded in part from rates. It is also promoted by providing a wide range of safe and accessible facilities and opportunities for people in the community to build social capital. Social capital is an important component of strong cohesive communities; it is defined by Statistics New Zealand as “relationships among actors (individuals, groups and/or organisations) that create a capacity to act for mutual benefit or a common purpose”. Access to social capital helps people process information, assess risk, opportunities, situations, individuals and agencies. Opportunities to build social capital helps to build trust, shared values and shared sense of identity in a community.

New Plymouth District citizens benefit from the investment income that the Council receives to offset general rates. This allows the Council to provide higher levels of service and better facilities than would normally be available in a district of this size, while keeping the impact on the ratepayer low. Investments are carefully managed to ensure that the benefit that the community enjoys from these funds is maintained or improved.

The following graph illustrates the budgeted allocation of funds for the 2015/16 financial year.



Assessment of benefit allocation across the community

Introduction

Identifying who benefits from an activity provided by New Plymouth District Council is important when considering who should pay for the service. Usually, if only individuals receive the benefits of an activity (private benefits), some type of user-pays system is considered. Alternatively if the benefits of an activity are shared by the whole community or by a large group within the community (public benefits) then an appropriate funding option for that activity would be the general rate or a targeted rate respectively. If a person (or persons) creates a problem which generates cost for the Council and the community, then that person should bear some or all of that cost (exacerbator pays). This is not always practical however, as identifying and charging the offender is not always possible.

Definitions

Public benefits arising from benefits distributed across the whole community, rather than to identifiable groups and individuals, or where the use of payment would dissuade participation.

Private benefits arising from the distribution of benefits predominantly going to identifiable individuals, groups of properties or specific areas within the district using the service.

Exacerbator pays arising from the need to control the negative consequences of individual, or group, actions on the rest of the community.

Benefit assessments

For a more in-depth description of the services, contribution to Community Outcomes and the rationale for each service refer to Section 4 Council Services.

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Parks Public open spaces, including streetscapes	An environment that is liveable for our community. A community that enjoys the great Taranaki lifestyle.	The benefits from expenditure on parks and gardens are generally a public benefit.	General rates Borrowing	Benefits are ongoing	80-100%	0-20%	
Parks Cemeteries and crematorium	A community that fosters pride and a collective sense of identity.	The benefits from expenditure on cemeteries and the crematorium are a combination of public and mainly private benefits. Family members of the deceased benefit from the cemetery and cremation services. Public health and sanitation is a public benefit provided by having access to these facilities.	General rates Fees and charges Borrowing	Benefits are ongoing	20-40%	60-80%	
Parks Sports parks	A community that enjoys the great Taranaki lifestyle. An environment that is liveable for our community.	The benefits from expenditure on sports parks are a combination of public and private. The public derive benefit from having access to sports grounds for recreation other than organised sport. The availability of sports grounds and facilities for use by sporting groups, clubs and associations is a significant private benefit to those groups.	Fees and charges Borrowing	Benefits are ongoing	80-100%	0-20%	
Parks Camping grounds	An environment that is liveable for our community. An economy supported by a diverse range of industry. A community that enjoys the great Taranaki lifestyle.	The campgrounds provide private benefits that cater for the holiday makers who visit the district or residents who use it for recreation.	General rates Fees and charges Reserves Borrowing	Benefits are ongoing	30-70%	30-70%	

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Parks Public halls	A community that fosters pride and a collective sense of identity. A community that is strong, resilient, safe and values diversity.	The people and groups who use the public halls receive a clear and direct benefit as only one group can use the facility at time. However the provision of the community facilities help bring people together. The groups that use the facilities often make significant voluntary contributions to community well-being.	General rates Fees and charges Reserves Grants and subsidies	Benefits are ongoing	80-100%	0-20%	
Roads and Footpaths	An economy built on sustainable management of economic resources. An environment that is liveable for our community.	The benefits from expenditure on roads are a combination of private and public. The public derive benefit from having access to the roading network. Individual properties gain varying benefits attributed to roading.	General rates Targeted rates Fees and charges Reserves Grants and subsidies Borrowings	Benefits are ongoing	40-60%	50-60%	
Stormwater Drainage **Flood Protection and Control Works**	An environment where future challenges are recognised and planned for. An environment supported by the sustainable management and protection of natural resources. An environment that is liveable for our community.	All properties within the serviced areas benefit from management of stormwater. Stormwater is managed on a catchment basis. Benefits apply to all.	Reserves General rates Fees and charges Borrowings	Benefits are ongoing	100%		

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Solid Waste Disposal	An environment supported by the sustainable management and protection of natural resources. An environment that is liveable for our community.	The benefits from expenditure on solid waste management are for every household within collection areas and further public benefit arises from transfer station operations and landfill as these activities promote public health and sanitation and control pollution.	Fees and charges Targeted rates Reserves	Benefits are ongoing		100%	
Solid Waste Refuse collection	An environment supported by the sustainable management and protection of natural resources. An environment that is liveable for our community.	The benefits from expenditure on solid waste management are for every household within collection areas and further public benefit arises from transfer station operations and landfill as these activities promote public health and sanitation and control pollution.	Fees and charges Targeted rates Reserves	Benefits are ongoing	60-80%	20-40%	
Water Supply	An environment supported by the sustainable management and protection of natural resources. An environment that is liveable for our community. An environment where future challenges are recognised and planned for. An economy support by a diverse range of industry. An economy built on sustainable management of economic resources.	The benefits from expenditure on water supply services are mainly private. However, there are public health advantages that arise from access to a continuous supply of safe drinking water and the assured availability of water for firefighting purposes.	Fees and charges Targeted rates Reserves Borrowings	Benefits are ongoing		100%	

Revenue and Financing Policy

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Wastewater Treatment	An environment supported by the sustainable management and protection of natural resources. An environment that is liveable for our community. An environment where future challenges are recognised and planned for.	The benefits from wastewater are a degree of direct uniform benefit for every household within sewage disposal areas. Other commercial and industrial users benefit based on their activity levels.	Fees and charges Targeted rates Reserves Borrowings	Benefits are ongoing		100%	
Emergency Management and Business Continuance	An environment where future challenges are recognised and planned for. A community that is strong, resilient, safe and values diversity.	The benefits are attributable to the whole community and seen as a public benefit. In some cases individuals have private benefit for value added services.	General rates	Benefits are ongoing	100%		
Community Development	A community that fosters pride and a collective sense of identity. A community that is strong, resilient, safe and values diversity. An environment that is liveable for our community.	Community Development provides initiatives on behalf of the community at large. By distribution of grants beneficiaries are those receiving grant aid.	General rates Grants and subsidies Fees and charges Reserves	Benefits are ongoing	60-80%	20-40%	

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Govett-Brewster Art Gallery	A community that fosters pride and a collective sense of identity. A community that enjoys the great Taranaki lifestyle. An economy supported by a diverse range of industry.	Govett-Brewster Art Gallery provides exhibitions and gallery services that cater for the needs of residents at large and build a collection of materials which are a community asset for the future. The private benefit accrues to individuals who use the service.	General rates Fees and charges Reserves Grants and subsidies	Benefits are ongoing	80-100%	0-20%	
Puke Ariki and District Libraries	A community that fosters pride and a collective sense of identity. A community that enjoys the great Taranaki lifestyle. An economy supported by a diverse range of industry.	Libraries and museums provide information and education services that cater for the needs of residents at large and build a collection of materials which are a community asset for the future. The visitor information centre supports the local economy by promoting local businesses and encouraging visitors to make the most of their stay in the district. The private benefit accrues to individuals who borrow books or materials or who use the information centre to plan and book their visit.	General rates Fees and charges Reserves Grants and subsidies	Benefits are ongoing	80-100%	0-20%	
Recreation and Events Pools	A community that enjoys the great Taranaki lifestyle. An environment that is liveable for our community.	The pools provide private benefits that cater for the needs of swimmers and other patrons who use the pools, hydroslides and gym facilities. The public derive benefit from education in water safety and from provision of recreational resources that encourage community health and social well-being.	General rates Fees and charges Reserves Grants and subsidies Borrowings	Benefits are ongoing	60-80%	20-40%	

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Recreation and Events Programmes and events	A community that fosters pride and a collective sense of identity. A community that enjoys the great Taranaki lifestyle. An economy supported by a diverse range of industry.	Programmes and events provide private benefits to those who attend special programmes. The public derive benefit from provision of programmes such as Festival of Lights which are open to the general public.	General rates Fees and charges Reserves Grants and subsidies	Benefits are ongoing	60-80%	20-40%	
Recreation and Events Event venues	A community that fosters pride and a collective sense of identity. A community that enjoys the great Taranaki lifestyle. An economy supported by a diverse range of industry.	The benefits from expenditure on event venues are mainly private. The availability of grounds and facilities for use by sporting groups, teams, clubs and associations is a significant private benefit to those groups and their members. The public derive benefit from having access to sports grounds for recreation other than sport.	General rates Fees and charges Reserves Grants and subsidies	Benefits are ongoing	60-80%	20-40%	
Regulatory Services Animal control	An environment that is liveable for our community.	The benefits from animal control are mainly private in which the user pays. There is also a degree of public measurable benefit for everyone.	Fees and charges General rates Reserves	Benefits are ongoing	10-30%	70-90%	Dangerous dog owners, other dangerous pet owners
Regulatory Services Building consents	An economy supported by a diverse range of industry.	The benefits from building consents can be directly related to the individuals or organisations that apply for the building consent. Full cost recovery is not always possible because some fees are set by law or regulation and the fee needs to be weighed against the cost of fee avoidance.	Fees and charges General rates Reserves	Benefits are ongoing	0-20%	80-100%	

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Regulatory Services District planning	An environment where future challenges are recognised and planned for. An environment supported by the sustainable management and protection of natural resources. An environment that is liveable for our community. An economy built on sustainable management of economic resources. An economy supported by a diverse range of industry. An economy that encourages and builds on innovation and creativity.	The benefits are attributable to the whole community and are therefore seen as mainly a public benefit. In cases where there is non-compliance with the District Plan the exacerbator pays.	General rates Fees and charges	Benefits are ongoing	100%		

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Regulatory Services Resource consents and monitoring	An environment supported by the sustainable management and protection of natural resources. An environment where future challenges are recognised and planned for. An environment that is liveable for our community. An economy built on sustainable management of economic resources. An economy that encourages and builds on innovation and creativity. An economy supported by a diverse range of industry.	The benefits are attributable to the individual in order to control the negative effects of an individual or group.	Fees and charges	Benefits are ongoing	20-40%	60-80%	
Regulatory Services Environmental health	An environment that is liveable for our community.	The benefits of expenditure on environmental health services are a mixture of public and private. The public benefits arise from the general community health and safety welfare that results from enforcement of bylaws and statutory requirements. There is a private benefit arising from individual licenses that certify individuals or owners of premises.	General rates Fees and charges	Benefits are ongoing	40-60%	40-60%	

Council service	Community Outcomes contributed to	Distribution of benefits assessment	Funding sources	Period of benefit	Benefit proportions		
					Public	Private	Exacerbator
Regulatory Services Parking	An economy built on sustainable management of economic resources.	The benefits are attributable to the individual therefore is seen as a private benefit.	Fees and charges	Benefits are ongoing		100%	
Economic Development	An economy supported by a diverse range of industry. An economy that encourages and builds on innovation and creativity. An economy built on sustainable management of economic resources. A community that enjoys the great Taranaki lifestyle. An environment supported by the sustainable management and protection of natural resources.	The benefits are attributable to the whole community and seen as a public benefit. In some cases individuals have private benefit for value added services.	General rates	Benefits are ongoing	100%		
Civic and Democracy Services	A community that fosters pride and a collective sense of identity. A community that is strong, resilient, safe and values diversity.	The benefit of expenditure on civic and democracy is a public benefit. This service means the public has the opportunity to be part of the democratic process and be represented.	General rates Fees and charges	Benefits are ongoing	100%		
Management of Investments and Funding	An economy built on sustainable management of economic resources.	The benefits are attributable to the whole community and seen as a public benefit.	Fees and charges Dividends and interest Borrowings Reserves	Benefits are ongoing	100%		

Treasury Management Policy

Encompassing Liability Management Policy and Investment Policy

1. Philosophy

The Council's broad financial philosophy is based on compliance with the obligations imposed on local authorities in terms of the Local Government Act 2002. The key financial management responsibilities incorporated in the Act that have a direct bearing on the Council's treasury management activities are as follows:

- To ensure **prudent stewardship and the efficient and effective use of resources** in the interests of its district (Section 14(g)).
- That all revenue, expenses, assets, liabilities, and investments and general financial dealings **are managed prudently**, in a manner that promotes the **current and future interests** of the community (Section 101(1)).
- That **adequate and effective provision is made for the expenditure needs** of the local authority, as identified in the Long-Term Plan(LTP) and Annual Plan (Section 101(2)).
- That any commercial transactions be undertaken in accordance with **sound business practice** (Section 14(f)).
- The funding needs are met from those sources the Council **determines to be appropriate** based on the specified considerations (Section 101(3)).
- That in order to provide predictability and certainty about sources and levels of funding, the Council adopt (inter alia) a **liability management policy and an investment policy** (Section 102(1)).
- The Financial Strategy must specify the Council's policy on the **giving of securities for its borrowing**, and also its **objectives** for holding and managing financial investments and equity securities and its **quantified targets for returns** on those investments and equity securities (Section 101A).

The Council therefore has the overriding obligation to manage its affairs prudently and in the interests of its community.

Accordingly the Council's philosophy on the conduct of its treasury activities is to ensure that the risks associated with such activity are properly identified, quantified and managed to ensure it meets the above obligations and that there is minimal negative impact on the Council arising from such risks.

This Treasury Management Policy (TMP) document sets out the Council's objectives, policies, strategies and monitoring procedures to ensure that its responsibilities in terms of the Liability Management Policy and Investment Policy are carried out in accordance with its statutory obligations.

2. Objectives

The objectives of the Council in respect to the TMP are essentially in three parts – the Council's Perpetual Investment Fund, its other pure commercial and semi-commercial investments and its normal treasury management involved in its borrowing, short term investment and financial market risk management activity (this part in total referred to in this document as other treasury activity).

2.1 Objectives for Perpetual Investment Fund (PIF)

The Council's broad objectives in relation to the basis for and management of the PIF are:

The Founding Principle of the PIF

The founding principle of the PIF is to at least maintain the real capital of the PIF as a sustainable perpetual investment fund.

PIF Investment Style

The PIF investment style shall operate as:

1. A pure investment style – the investments are made on purely commercial terms;
2. A direct investment style – the Council chooses to mandate a commercially focussed board to undertake the investment management role;

3. A prudent, commercial, diversified portfolio investment style and asset allocation, which manages risk to meet the obligations under the founding principle.

PIF Goals

1. The key measurable goal of Taranaki Investment Management Limited (TIML) is to at least maintain the real value of the initial settled capital of the PIF over a perpetual timeframe.
2. TIML seeks to deliver a return to meet the obligations of the founding principle and a sustainable release to the shareholder.

Management of the PIF

1. TIML shall undertake the investment and management of the PIF.
2. TIML shall provide services required under a contract between the parties.
3. TIML will recommend and the PIF will provide release payments per the contract and as calculated in the release rule adopted by the Council and based on recognised and evolving best practice models (currently the “Yale” model).
4. TIML will operate as an independent, commercial and accountable body based in New Plymouth that:
   a) Takes a direct investment role.
   b) Has regard to the maintenance of the Council’s credit rating.
   c) Manages its ongoing management costs within a level not exceeding 0.6 per cent of the PIF value, plus direct investing costs.

The Council has contractually mandated Taranaki Investment Management Limited (TIML) to manage the PIF in accordance with the above broad objectives and to make investment decisions and determine investment policy in the best interests of the PIF, including the exercise of all rights in respect of any voting securities that form part of the PIF.

2.2 Objectives for other pure commercial and semi-commercial investments

1. To manage the investments, and enhancing the returns and the value of the investments over the long term.
2. To identify, quantify and manage the risks associated with the investments.
3. To regularly review the investments, and determine whether the value of any investment has been maximised, or could potentially reduce, and if appropriate, to dispose of the investment in the most cost effective and efficient manner.
4. For the semi-commercial investments to modify the pure commercial rationale with broader community outcomes (if applicable) that could be contributed to by holding the investment in question.

2.3 Objectives for treasury activity

1. To prudently, effectively and efficiently manage all risks associated with treasury activity.
2. To fully comply with the Council’s statutory obligations set out in Section 1 above.
3. To ensure that appropriate funding is in place to meet current and ongoing commitments of the Council.
4. To ensure that the Council receives and maintains the highest possible credit rating commensurate with its financial strength and nature of its operations.
5. To develop and maintain professional relationships with financial institutions, Local Government Funding Agency (LGFA), investors and rating agencies.
6. To manage such investments within the Council’s strategic objectives; invest surplus cash in liquid and creditworthy investments.
7. To arrange and structure external long term funding at the lowest achievable funding margin while also optimising flexibility and spread of debt maturities.
8. To minimise the Council’s exposure to adverse interest rate movements.

9. To borrow funds and transact risk management instruments within an environment of control and compliance under the Council approved policy so as to protect the Council's financial assets and manage costs.
10. To monitor, evaluate and report treasury performance.
11. To monitor and report on financing/borrowing covenants and ratios under the obligations of security/lending arrangements.
12. To monitor and report on financial ratios and limits stated within this policy.
13. To ensure adequate internal controls exist to protect the Council's financial assets and to prevent unauthorised transactions.

In meeting the above objectives for other treasury activity, the Council is a risk averse entity, and does not wish to seek risk from these activities. Interest rate risk, liquidity risk, funding risk and credit risk are risks the Council seeks to manage, not capitalise on. Accordingly activity that may be construed as speculative in nature is expressly forbidden.

3. Division of responsibilities

3.1 Treasury Management Policy

Council

- Approve Treasury Management Policy document (incorporating Liability Management and Investment Policies).
- Approve any amendments to Treasury Management Policy, including various control limits, the level of bank and other loan facilities and approved instruments.
- Approve Annual Borrowing Programme (as part of the LTP and/or adopted Annual Plan).
- Review the treasury management process through regular reporting.
- Review formally on a three yearly basis, the Treasury Management Policy document.
- Approve acquisition and disposition of investments other than financial investments.
- Authorise approval for charging assets as security over borrowing.
- Approve transactions outside policy.

3.2 Perpetual Investment Fund

The key responsibilities of the parties involved in the management of the PIF are firstly based on a contract between the Council and TIML which essentially mandates TIML to manage the PIF in accordance with the objectives in Section 2.

TIML directly employs its own staff, supplemented where agreed with contracted support from the Council. In accordance with its mandate, TIML controls the relevant authorities and delegations made to affected staff of the Council in respect of the management of the PIF.

Under the contract between the Council and TIML, TIML has the following obligations:

- The establishment and adherence to a Statement of Investment Policies, standards, and procedures for the PIF that is consistent with its duty to invest the PIF in accordance with the founding principle. In meeting its investment mandate, TIML sets the basis for the division of responsibilities and authorities to act within this Statement;
- The review of that Statement at least annually;
- The inclusion in the Statement of at least the following matters:

  a) The release rule to apply to the PIF in terms of a sustainable income flow to the Council; and

  b) The classes of investments in which the PIF is to be invested and the selection criteria for investments within those classes; and

c) The determination of benchmarks or standards against which the performance of the PIF as a whole, classes of investment, and individual investments will be assessed; and

d) Standards for reporting the investment performance of the PIF; and

e) The balance between risk and return in the overall PIF portfolio; and

f) The PIF management structure; and

g) The management of credit, liquidity, operational, currency, market, and other financial risks; and

h) The retention, exercise or delegation of voting rights acquired through investments; and

i) The method of, and basis for, valuation of investments including those not regularly traded at a public exchange.

3.3 Other pure commercial or semi-commercial investments

The Council also contracts to TIML for advice as required on these investments but TIML does not have a decision-making role. Recommendations are made through the Finance Subcommittee to the Council.

3.4 Other treasury activities

The key responsibilities of the parties involved in its other treasury activities are as follows:

Treasury Management Group (TMG)

- The objective of the TMG is to overview the other treasury risk management functions and develop the strategic framework for managing the treasury risks of the Council.
- The TMG will consist of the Chief Executive, Chief Financial Officer, and the Manager Financial Services.
- A quorum is two of the above.
- The TMG is to meet on a regular basis, in any case at least quarterly, to develop and review the overall risk management framework for borrowing and investments.
- Report treasury activity to the Executive Leadership Team and the Council.

Chief Executive

- Be a member of the TMG.
- Overall responsibility for all activities relating to implementation of approved Treasury Management Policy.

Executive Leadership Team

- Review the monthly treasury reports to monitor compliance by treasury with policy, procedures and risk limits.
- Review and approve hedging strategies above the Chief Financial Officer's discretionary authority.

Chief Financial Officer

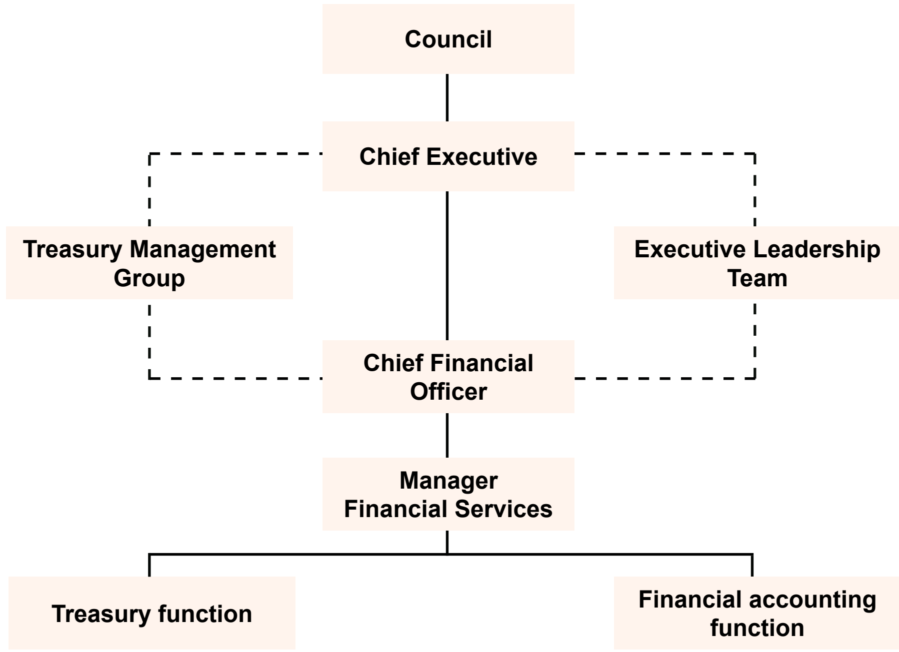
- Be a member of the TMG.
- Executive responsibility for the management and execution of the Treasury Management Policy, reviewing such policy on a regular basis, and submitting recommended changes to the policy to the Executive Leadership Team, for onward submission to the Council.
- Review monthly treasury report and any exceptions to policies.
- Report treasury activities to Chief Executive.
- Review performance of the treasury function within the Financial Services Team.

Manager Financial Services

- Be a member of the TMG.
- Manage the Council's relationship with financial institutions, LGFA, investors and rating agencies.
- Approve borrowing, investment and risk management execution within policy guidelines.
- Determine most appropriate source of borrowing, and approve/ seek approval per delegation of authority.

- Negotiate borrowing facilities with bankers, appoint brokers/ arrangers/managers.
- Approve bids and pricing for stock issuance/ and bank borrowing.
- Approve amendments to Council records arising from follow-up of any transaction or bank reconciliation discrepancies.
- Employment of appropriate staff as per approved establishment to carry out day to day treasury activities:
  : Cash flow forecasting, liquidity management, debt raising and investment of surplus funds – all within policy guidelines.
  : Assist Manager Financial Services in recommending investment, borrowing and risk management strategy.
  : Responsible for keeping Manager Financial Services informed of significant treasury activity and market trends.
  : Jointly manage the Council's relationship with financial institutions and investors.
  : Liaise with brokers/arrangers for issue of debt.
  : Liaise and transact with relationship banks for debt drawdown, repayment, rollover, treasury investments, and risk management activities.
  : Confirmation and settlement of treasury transactions.
  : Review credit standing of banks/issuers/issues on a regular basis.
  : Produce reports and work papers on treasury activity.

The organisation structure of the treasury function is set out below.



4. *Liability Management Policy*

The Liability Management Policy must state the Council's policies in respect of the management of both borrowing and other liabilities, including:

- Specific borrowing limits and the giving of securities.
- Liquidity risk.
- Interest rate risk.
- Credit risk.
- Debt repayment.

In accordance with best practice, the policy also includes coverage of funding risk, foreign exchange risk and operational risk.

Treasury Management Policy

4.1 Philosophy

The Council's policies on liability management are based on the following key elements:

- Liabilities must be maintained at a 'prudent' level.
- Raise specific debt associated with projects and capital expenditures.
- Borrowings provide a basis to achieve intergenerational equity.
- Borrowings must be undertaken efficiently and in accordance with the Council's Liability Management Policy.

The Council borrows as it considers appropriate. The Council approves external borrowing in general terms during the LTP and annual planning processes. Projected debt levels are ascertained from cash flow forecasts prepared during the LTP and annual planning process. The Council delegates its borrowing powers to the Chief Executive and management of the Council as set out in the "Delegated Authorities", attached hereto as Appendix I.

4.1.1 Basis for borrowing

As noted in 4.1 the Council borrows to help achieve a degree of intergenerational equity. To achieve this the Council generally borrows for assets which are expected to last more than 10 years. This generally relates to new infrastructure assets relating to growth or service level improvement.

4.1.2 Investment to drive efficiency

Where there are opportunities to make long term sustainable savings from either capital or operating projects the council may use short term borrowing to initially fund the project.

To be considered for funding a project must have a robust business case and produce 10 per cent Internal Rate of Return (IRR) or better which will give a payback of initial project funding within 10 years.

The initial borrowing will be paid back from the project savings and the project benefits will reduce rating requirements once loan repayments are completed.

All project borrowing must be within council's borrowing limits. Projects up to a value of $500k can be authorised by the CEO. Projects over $500k must be approved by the Council.

4.2 Limits on borrowing and giving of security

The Council's borrowings shall be managed within the following limits:

Net External Debt[1] not to exceed	135% of total revenues[2]
Pre-tax Funds Flow from Operations (FFO)[3] to exceed Net Interest Expense by at least	2.5 times
Net Interest Expense on External Debt (debt secured under debenture) as a percentage of total revenue to be less than	10%
Net Interest Expense on External Debt as a percentage of total annual rates income (debt secured under debenture) to be less than	20%
Liquidity[4] (term debt plus committed loan facilities plus cash or cash equivalents) over existing external debt to be greater than	110%

[1] Net External Debt = Gross Debt (aggregate borrowings of the Council, including any capitalised finance leases, and financial guarantees provided to third parties) less any cash or near cash treasury investments held from time to time.

[2] Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets). For the purposes of the limits above total revenues do not include realised or unrealised gains/losses arising from the PIF, as the revenue flow to the Council from that Fund is managed through a Release Rule that smoothes the revenue impact of such value-based variations over time, therefore making such variations less relevant to the ratios being measured. The revenue released to the Council under the Release Rule is included in total revenues.

[3] FFO = Total revenues, less capital receipts and other non recurring revenues; less total expenditure net of any capital payments and non recurring expenditure; plus depreciation and increase in provisions.

[4] Liquidity ratio = does not include cash held by the PIF.

4.2.1 Security for Lenders

It is noted that the Council has a debenture trust deed dated 31 May 2009, registered in favour of Corporate Trust Limited, representing the interests of all lenders to/ investors in the Council. The security is a floating debenture but provides the lenders/ investors with a specific charge over the rates (levied under the Rating Act) revenue of the Council.

4.2.2 Sustainable Debt Policy

Total borrowings are to be reviewed and recalibrated annually. The recalibrated borrowings balance is to be repaid on a straight line basis over 20 to 30 years, except for an element of Core Debt (CD) which will remain on the balance sheet for a longer period. The CD will represent debt against our very long life assets (80 years plus) and will help to achieve some degree of intergenerational equity (fairness between generations). CD will be based on a conservative formula where the interest on CD as a percentage of rates income will be equal to or less than five per cent. The parameters of this Policy will be reviewed triennially in line with the LTP process to ensure prudency.

4.2.3 Types of Borrowing

The Council has a variety of borrowing sources available, and will utilise the most appropriate and cost effective source from time to time, as determined by management.

It is noted that these sources include:

- Short term and medium term committed funding facilities from the banking sector.
- Leasing, and hire-purchase of certain assets (including sale and leaseback where appropriate and cost effective).
- Issue of fixed and floating rate Local Authority Stock/bonds to both the wholesale/ retail market.
- Issue of Commercial Paper.
- Issue of ordinary shares, redeemable preference shares and other hybrid equity instruments by Council-controlled Organisations (CCO's) owned by the Council.
- The Local Government Funding Agency (LGFA).

It is also noted that the Council has a formal Standard and Poor's (or equivalent) credit rating (see below), to facilitate access to the bank, and wholesale and retail investor markets.

Other sources of financing will from time to time be offered to the Council. Management is authorised to assess, and utilise such financing sources as it so determines, but within the general constraints laid down in terms of the Treasury Management Policy.

4.2.4 Credit Rating

A formal credit rating provides the Council with several advantages:

- It broadens the Council's sources of financing. Having a credit rating allows the Council to gain direct access to the New Zealand Debt Capital Market. As such it serves to support the Council's liquidity and funding risk management objectives, and enhance its cost of financing.
- Has established the Council as a highly rated entity, which will facilitate its contractual dealings with third parties, potentially placing it in a stronger negotiating position. The current very strong rating reinforces this advantage.
- Has exposed the Council's financial management disciplines and performance to the scrutiny of the credit rating agency and the wider debt capital markets. As such it provides a very useful 'monitoring' service to supplement the Council's own internal due diligence and reporting.

4.2.5 Guarantees and Underwriting

The Council may from time to time provide financial guarantees to third parties. Management must ensure that the business plan of the guaranteed party furthers the strategic objectives of the Council and that financial statements are received on a regular basis. Should the guarantee be called up, the Council must take immediate action to recover the money.

Any such amounts guaranteed if material are to be included in the definition of 'Gross Debt' for the purpose of determining compliance with the Borrowing Limits set out above.

As set out in Section 62 of the Act, Council does not give any guarantee, indemnity or security in respect of the performance of any obligation by a Council Community Trading Organisation (CCTO).

4.2.6 Centralised borrowing and capital charge

All borrowing for activities funded from general rates is centralised for the purpose of internal accounting. Interest and principal repayment costs which will be incurred at the corporate level and will be charged to each activity on the basis of the proportion of long term assets held by that operating unit, to the total long term assets of such activities.

Borrowing for activities funded from targeted rates will be "ring-fenced" to each activity based on the actual capital expenditure involved and the chosen debt/rate funding required for each activity.

The Council uses a capital charge mechanism to reflect the cost of long term capital employed within affected activities. The charge reflects both the interest costs and the provision for the repayment of principal.

4.2.7 Internal Borrowing

As Council manages all funding and liquidity as a centralised function ensuring cash and borrowing resources are used in an optimal manner, there is an element of funding per activity which at times, is effectively internally borrowed as excess reserve funds are sometimes used instead of borrowing externally. The capital charge mechanism is applied to activities in the same manner for both internal and external borrowings.

4.2.8 New Zealand Local Government Funding Agency Limited

Despite anything earlier in this policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

4.3 Liquidity risk

Liquidity risk is the risk that the Council will not be in a position to meet its day to day commitments, including debt maturities, due to unforeseen events or circumstances, resulting in a loss of reputation, and/ or an actual financial loss arising from the need to liquidate assets at a net cost to the Council.

4.3.1 Objective

The Council's objective is to always be in a position to meet its day-to-day commitments, to maintain its reputation and prevent any financial loss occurring, whilst ensuring that the minimum possible cash balances are held in interest earning accounts.

The Council maintains multiple access to committed bank funding and short term treasury investments ensuring minimal impact arising from either any systemic deterioration in the markets, or lack of access to a particular part or sector of the market.

4.3.2 *Strategy*

The Council's liquidity management will be based on the following elements:

1. The Council implements a dynamic cash flow forecasting procedure, to ensure that adequate and timely arrangements are made to meet anticipated expenditure and maturing debt. The latest Cash Flow forecast is to be included in the Quarterly Performance Report.

2. It is accepted that the Council is a highly credit rated borrower and should always be in a position to raise additional funds if and when required, given only the time necessary to negotiate and secure such additional funding. Accordingly the greatest risk deemed to face the Council is that of a major disruption, either to the financial markets as a whole leading to a temporary lack of access to additional funds, or a natural disaster affecting the Taranaki region which results in a severe disruption to the Council's day to day revenues. To manage this risk, the Council will undertake the following:

   a) Maintain a Disaster Recovery Fund in an amount not less than $600,000.

   b) Retain membership of Local Authority Protection Programme (LAPP). (LAPP is a mutual pool created by local authorities to provide a contribution to the replacement of infrastructure following catastrophic damage caused by a natural disaster).

   c) External term debt and committed debt facilities together with cash and cash equivalents must be maintained at an amount greater than 110 per cent over existing external debt. The Council is not permitted to have borrowings from uncommitted bank facilities greater than unutilised committed bank facilities at any time.

   d) Liquid investments (i.e. cash or cash equivalents) have a maturity of no more than six months. Term deposits are limited to no more than six months unless linked to a pre-funding strategy.

The Council's Treasury Investments should only be made with the institutions detailed in the Investment Policy. The policy parameters are outlined in section 5.6.

4.3.3 *Measure*

Compliance with each one of the above criteria. Any breaches to be noted in quarterly performance report.

4.4 Interest rate risk

Interest rate risk is the risk that interest costs (due to adverse movements in wholesale market interest rates) will materially exceed adopted annual plans and strategic 10 year plan cost projections. This may adversely impact cost control, capital investment decisions/returns/and feasibilities.

4.4.1 *Objective*

The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of wholesale market interest rates, thereby protecting investment returns and funding costs. Both objectives are to be achieved through the active management of underlying interest rate exposures.

The interest rate management objectives and approach of the PIF are consistent with the founding principle of the fund and are outlined in section 5.2.

4.4.2 *Interest rate risk management (hedging)*

The Council's external core debt/borrowings should be within the following fixed/floating interest rate risk control limit.

Risk Control Limit Master Fixed/Floating	
Minimum fixed rate	**Maximum fixed rate**
55%	**90%**

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

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

The percentages are calculated on the rolling 12 month projected net external core debt level calculated by the Manager Financial Services (signed off by the Chief Financial Officer).

Core debt is to be reviewed by the TMG as part of the ongoing strategic risk management process, and the specific levels of core debt deemed to be that which is not seasonal or working capital related.

Net External Core Debt is the amount of total external debt less liquid cash or cash equivalents. This allows for prefixing in advance of projected physical draw downs of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to comply with the policy minimums and maximums.

The fixed rate (i.e. maturity profile) amount at any point in time must be within the following maturity bands.

Fixed Interest Rate Maturity Profile Limit		
Period	**Minimum hedge**	**Maximum hedge**
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	15%	60%

A fixed interest rate maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this policy. However, maintaining a maturity profile beyond 90 days requires specific approval by the Council.

- Fixed interest rate hedging cover cannot exceed 10 years unless authorised by the Council.
- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.

The TMG has ultimate discretion with regard to hedging parameters within the above limits. Council approval will be sought if the TMG believe that hedging outside of these parameters is warranted.

4.4.3 Measure

Compliance with the policy guidelines set out above.

4.5 Credit risk

Credit risk arises in the following circumstances:

1. A deterioration of the credit rating of the entity with which the Council places its investments.
2. A deterioration in the credit rating of a counterparty with whom the Council may conclude financial derivative contracts.
3. A deterioration in the credit rating of a contractual counterparty with whom the Council may have concluded major supply, construction or service contracts.

In the circumstances described above it is possible that the credit deterioration of a counterparty could lead to a default, and ultimately loss by the Council in respect of anticipated interest payments, repayment of principal, non payment of contracted financial obligations or non-performance in terms of major contracts.

4.5.1 Objective

The Council seeks to limit its risk in the above areas and the extent of any financial loss that could occur.

4.5.2 Strategy

The following standards and procedures are to be followed at all times:

1. Investments are only to be placed with those entities/issuers as outlined in section 5.6.
2. Financial derivative contracts are only to be concluded with registered banks with a minimum credit rating of AA- (Standard and Poor's or equivalent). The maximum exposure to any one counterparty is set out in Appendix III.
3. All parties with whom the Council intends to conclude a major contract[5] will be subject to formal credit approval. Credit approval will be based on:
    a) Tenderers qualifying in terms of the pre-tender selection process; and

[5] Major contract. A contract for the construction of a facility of any description, the supply of services or materials for an amount which exceeds $1,000,000.

b) The appropriate amount of contract insurance, and/or performance guarantees being provided; and

c) When the contract is for an amount in excess of $5,000,000, a credit review by CFO.

Credit approval may only be granted by the Chief Operating Officer if the contract value is less than $3m; and the Chief Executive Officer of the Council and the Chief Financial Officer, acting jointly, if the contract value is in excess of $3m.

4.5.3 Measure

Compliance by the Council of the procedures set out above.

4.6 Funding risk

Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing facilities/loans.

Managing the Council's funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:

1. Local Government risk is priced to a higher fee and margin level.
2. The Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
3. A large individual lender to the Council experiences their own financial/ exposure difficulties resulting in the Council not being able to manage their debt portfolio as optimally as desired.
4. New Zealand investment community experiences a substantial "over supply" of Council investment assets.
5. Financial market shocks from domestic or global events.

4.6.1 Objective

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

4.6.2 Strategy

The Council will manage its funding risk on the following basis:

1. The Council currently relies on three primary sources of debt funding – the LGFA, banking sector and wholesale/ retail investors in the local authority stock market. To ameliorate this risk the Council has obtained a formal credit rating from Standard and Poor's.

   The Council has committed bank cash advance facilities with more than one bank, allowing the Council to develop a spread of funding relationships, and ensuring access to funds in the event of an unforeseen circumstance affecting a single bank relationship.

3. It is noted that investments that had been previously earmarked for certain Special Funds, are now to be utilised to meet maturing debt commitments, or avoid the need to raise additional debt. Only those investments that have been received by the Council as a result of a bequest, or Trust, or where there is a clearly identified obligation to a third party will be retained in a separately identified investment account for that purpose.
4. The Council has the ability to pre-fund up to 12 months of forecast debt requirements including re-financings.
5. The Council's funding facilities should have a spread of maturity dates to mitigate the risk that the Council is not able to raise required funding at acceptable credit margins due to a change in specific conditions relating to the Council or a generalised change in overall market credit conditions. The following parameters have been formulated taking into account the Council's goal of maintaining a suitable Standard and Poor's rating. If the Council's credit rating falls below AA- then these parameters must be formally reviewed by the TMG and any changes recommended to the Council. The parameters are as follows:

The maturity profile of the total committed funding in respect to all loans and committed facilities is to be controlled by the following system.

Period	Minimum hedge	Maximum hedge
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	40%

With regard to calculating the funding profile, total committed bank facility amounts are recognised as maturing at the facility's legal maturity date.

Compliance with the above criteria at all times.

4.6.3 Approved financial instruments

Approved financial instruments are as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft. Committed cash advance and bank accepted bill facilities (short term and long term loan facilities). Uncommitted money market facilities. Retail and Wholesale Bond and Floating Rate Note (FRN) issuance. Commercial paper (CP) Promissory notes.
Interest risk management	Forward rate agreements (FRAs) on: • Bank bills. • Government bonds. Interest rate swaps including: • Forward start swaps. • Amortising swaps (whereby notional principal amount reduces). • Swap extensions and shortenings. Interest rate options on: • Bank bills (purchased caps and one for one collars). • Government bonds (purchased only). • Interest rate swaps (purchased swaptions and one for one collars).
Investments (term <180 days)	Call and short term bank deposits (less than six months unless linked to prefunding strategy). Bank registered certificates of deposit (RCDs). Treasury bills.
Investments	LGFA borrower notes/CP/bills/bonds.

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved.

All unsecured investment securities must be senior in ranking. The following types of investment instruments are expressly excluded:

- Structured debt where issuing entities are not a primary borrower/ issuer
- Subordinated debt, junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.
- Any interest rate swaps with a maturity beyond 10 years must be approved by Council.
- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out in isolation (i.e. repurchased) otherwise both sides must be closed out simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Purchased borrower swaptions mature within 18 months.
- The forward start period on swap/collar strategies to be no more than 24 months, unless the forward start swap/collar starts on the expiry date of an existing swap/ collar and has a notional amount which is no more than that of the existing swap/ collar.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than two per cent above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.

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

4.7 Foreign exchange and commodity risk

Foreign exchange risk arises when the cost of a product, service, material or equipment sourced offshore rises as a result of a deterioration in the exchange rate between the New Zealand dollar and the foreign currency in question between the time a commitment is made to incur the expenditure (see below) and the time payment is actually made.

Commodity risk arises where certain areas of the Council's operations are subject to the impact of commodity price fluctuations. The most significant activities affected are those involved in construction within the Community Assets Group. In particular roading is affected due to the fluctuation of the Bitumen price which is driven by the price of oil and the movement in the NZ dollar.

4.7.1 Objectives

Foreign Exchange

The Council's objective is to ensure that there are no material unhedged foreign exchange risks either;

- From the time a tender is accepted (which tender includes a foreign exchange exposure for the Council, either directly, or in terms of the ability of the contractor to vary prices should exchange rates vary), or,
- From the time an approved purchase order is placed on an overseas supplier (collectively, "Foreign Exchange Commitments").

Exposures are hedged, within two days of the commitment being recognised once the expenditure is approved, and the currency amount and timing are known.

Commodity Prices

Where appropriate and to provide certainty of commodity prices the council may hedge commodities using recognised hedging instruments.

Commodity hedges should match budgeted expenditure or specific contracts.

4.7.2 Risk management

Foreign Exchange

All recognised Foreign Exchange Commitments in excess of the equivalent of NZ$100,000 that will entail the purchase of foreign currency will be hedged using the following approved financial instruments:

- Foreign currency deposits.
- Spot foreign exchange.
- Forward foreign exchange contracts.
- Purchased currency options.

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

Commodity Prices

Where commodity price hedging is available and where the applicable commodity component exceeds $100,000, the use of hedging may be considered.

Approved commodity hedge instruments include:

- BPI (Bitumen Price Index) Swaps.
- Other indices that apply to affected commodities.

4.7.3 Use of foreign exchange and commodity instruments

- Financial instruments other than those stipulated in section 4.7.2 require one-off Council approval prior to transacting.
- Foreign exchange options can not be sold outright.
- Simple commodity hedges (e.g. swaps) can be entered into by the applicable General Manager provided they are reported in the next available quarterly performance report. More complex hedging must also be approved by the Chief Executive.

4.7.4 Measure

All risks to be matched by FX contracts of the same currency, equal value and term. (Record of any foreign exchange commitments to be maintained, together with a record of forward exchange contracts undertaken to hedge the risks concerned).

4.7.5 Emissions Trading Scheme (ETS)

The objective of the ETS carbon credit policy is to minimise the financial impact of movements in the carbon credit prices on Council. The objective requires balancing Council's need for price stability with the benefit of realising market opportunities to reduce costs as they arise.

ETS is risk managed under the following risk control limits. Given the uncertainty of the scheme, it is not considered appropriate to have minimum hedge percentages above zero per cent at this time (2014).

All Kyoto Protocol units (e.g. CERs, ERUs and RMUs) will be restricted from surrender in New Zealand from 1 June 2015. This means that NZ ETS participants are able to use Kyoto Protocol units for NZ surrender obligations up until 31 May 2015.

NZUs and NZAAUs are the only units available to participants for surrender from 1 June 2015.

Period	Minimum	Maximum
Committed*	80%	100%
Forecast		
0-1 years	0%	80%
1-2 years	0%	50%
2-3 years	0%	30%

*Exposures become committed January to March (quarter following emission period as the Council must report emissions from previous calendar year).

Forward price transactions are limited to NZ registered banks per approved counterparties.

Formal performance to benchmarking is based at every 31 May, on the New Zealand Unit (NZU) of carbon. Prices of actual against the weighted Policy mid-point (40 per cent) and spot (60 per cent).

Approved carbon hedge instruments include (from 1 June 2015):

- NZU, forwards/spot.
- NZ-AAU, forwards/spot.

4.8 Operational risk

Operational risk arises as a result of the nature of treasury operations, being principally financial transactions of often large denominations, and regularly initiated verbally and sometimes comprising complex instruments (such as Interest Rate Swaps) and where simple mistakes can lead to significant loss. Often the knowledge and experience of Treasury transactions is contained within a very small operational unit.

4.8.1 Objective

The Council's objective is to minimise losses arising from mistakes, errors and lack of adherence to policies.

4.8.2 Strategy

There are five fundamental aspects to the Council's operational risk management:

- Appropriate and clear cut delegation of authority to specified individuals within the organisation. (See Appendix I).
- Adequate segregation of duties across deal execution, confirmation, settling and accounting/reporting. There are a small number of people involved in treasury activity and accordingly strict segregation of duties is not always achievable.
- Appropriate and sound reporting systems and procedures enabling management and senior executive to identify, manage and monitor risk, actual transactions concluded and any exceptions to policy, in the knowledge that treasury transactions are bona fide and properly authorised, checks are in place to ensure systems are robust enough to ensure that such reports are complete, timely and accurate. (See Section 7)
- Triennial reviews of the Treasury Management Policy, coupled with an annual internal audit of Treasury operations.
- The TMG is responsible for preparing a set of operating guidelines and reviewing these on a regular basis, in any case at least annually.

4.8.3 Measure

Compliance with the relevant operating guidelines prepared by the TMG, and monitoring of any errors or losses arising from Treasury activities.

5. Investment Policy

The Investment Policy must state the Council's policies on investments, including:

- The mix of investments.
- The acquisition of new investments.
- An outline of the procedures by which investments are managed and reported on to the Council.
- An outline of how risks associated with investments are assessed and managed.

5.1 Mix of Investments

The Council categorises its investments into four relatively distinct areas, the first three being long term in nature and the fourth more short term:

1. **Perpetual Investment Fund** (referred to elsewhere as the PIF), a long term pure commercial investment fund set up by the Council and containing the proceeds of sale of the Council's former shareholding in Powerco Limited. The PIF is managed on behalf of the Council by its 100 per cent-owned investment management company – Taranaki Investment Management Limited (TIML).
2. **Other Pure Commercial Investments**, made and/or held in the context of the Council's general strategic objectives purely for the commercial return received from them. The Council's investments in the four Joint Forestry Ventures and surplus property holdings fall within this category. Such investments may be subjected to a broader range of active commercial reviews e.g. regular hold/sell reviews, portfolio analysis, comprehensive monitoring.
3. **Semi-Commercial Investments**, where the pure commercial return rationale is modified by other strategic objectives or broader community outcomes. The Joint Venture Airport, the Council's forestry estates and other miscellaneous properties and equities (LGFA, Civic Assurance) fall into this category. Such investments are subjected to a narrower range of active commercial reviews given their infrastructural or financial relationships e.g. business monitoring and long term planning appropriate to the scale and complexity of each business.
4. **Treasury Investments**, made from the short term general surplus funds available to the Council from time to time, restricted funds and bequests. Typically made in the form of financial instruments issued by approved counterparties.

All investments will be made strictly in accordance with the policies and parameters approved by the Council from time to time, and as set out in this document. These policies and parameters are set below.

5.1.1 Expected return on investments

1. The Council's most significant investments are held within the PIF. The long term target return for the PIF overall is an annual average gross return of 7.6 per cent. The PIF holds a number of different asset categories and the target return on these are as follows.

   PIF estimated asset class returns are lifted from Melville Jessup Weaver (actuaries), and updated annually.

Sector	Net of fees per annum Annual return percentage
NZ shares	5.81
Australian shares	5.82
Global shares unhedged	7.35
Global shares hedged	9.35
NZ private equity	9.00
Tasmanian dairy farm	8.00
Australian distressed private equity	10.00
Pan Asia private equity	10.00
NZ direct property	5.80
NZ listed property	5.62
Global listed property hedged	6.20
NZ bonds (aggregate)	4.60
Global bonds (sovereign)	4.35
Global bonds (credit)	4.85
NZ cash	3.15

2. The PIF's Strategic Asset Allocation is detailed in the table below and reviewed in accordance with the PIF Investment Policy.

Debt Asset Class	Minimum	Target	Maximum
Cash and short term deposits	0.0%	5.0%	30.0%
Fixed interest securities	0.0%	5.0%	20.0%
Total Debt Asset Class	**0.0%**	**10.0%**	**50.0%**
Equity Asset Class	**Minimum**	**Target**	**Maximum**
NZ equities	2.5%	5.0%	10.0%
Australian equities	2.5%	5.0%	10.0%
US equities	5.0%	10.0%	15.0%
European equities	5.0%	10.0%	10.0%
BRIC and emerging market equities	5.0%	10.0%	15.0%
Total Equity Asset Class	**20.0%**	**40.0%**	**60.0%**
Property and Alternative Asset Class	**Minimum**	**Target**	**Maximum**
Property	0.0%	20.0%	25.0%
Other alternative assets	25.0%	30.0%	35.0%
Total Property and Alternative Asset Class	**25.0%**	**50.0%**	**60.0%**

3. The Council's other investments include the following:
   a) Production forestry on Council owned land and other joint Venture Forests operations. The main aim of the forest investments is to help supply the local timber industry with available logs as well as other objectives ancillary to the primary use of the land, e.g. recreation, screening. While the forests are professionally managed, no specific target return has been set.
   b) The Council is a 50 per cent joint venture partner with the Crown in the New Plymouth Airport. The Airport runs on a break even basis.
   c) The Council holds varying amounts of cash as working capital and to help cover reserve balances. Cash is generally invested in Term Deposits with a maturity less than six months. Target returns vary but are between three and five per cent.
   d) Other Council properties and leasehold properties are managed to achieve a market return where appropriate.

5.2 Perpetual Investment Fund (PIF)

The Council created the PIF by resolution on 14 December 2004. The PIF contains the full proceeds of sale of the Council's shareholding in Powerco Limited ($259.43m). The objectives in Section 2 were established as a basis for the contractual relationship with TIML in fulfilling its investment management role on behalf of the Council.

The key goals for the PIF as per section 2 are:

1. The key measurable goal of Taranaki Investment Management Limited (TIML) is to at least maintain the real value of the initial settled capital of the PIF over a perpetual timeframe;
2. TIML seeks to deliver a return to meet the obligations of the founding principle and a sustainable release to the shareholder.

The Council has contractually mandated TIML to manage the PIF on the following basis:

1. To establish and adhere to, investment policies, standards, and procedures for the PIF that are consistent with its duty to invest the PIF on a prudent, commercial basis. Such policy standards and procedures are to be consistent with the Council's policies and decisions.

2. To review those investment policies, standards, and procedures for the PIF at least annually.

3. On a triennial basis in line with the LTP process, review the release rule to ensure it is meeting the needs of the Council and the objectives of the fund.

   To ensure the sustainability of the PIF the release rule has been further reviewed by the TIML Board in preparation for the development of the LTP 2015-2025.

   The revised release rule is to adopt a five year interim release which changes the current release rule as detailed below effective from FY2016:

   - Removal of the "glide path" smoothing formula from the release formula for five years.
   - Set 3.3 per cent (inflation adjusted) as the base release level for the next five years.
   - Review the release rule again in five years as to the reasonableness of moving back to the original formula.

   The interim release formula is described below:

   Interim Release Payment$_t$ = PIF Closing Value$_{t-1}$ x (1+CPI$_{t-1}$) x 3.30%.

   Based on the closing value of the fund at 30 June 2014 the expected returns and releases excluding costs are noted in the following table.

Financial Year	Open Balance NZ$m	Growth Rate % p.a.	Before Release Costs NZ$m	Release NZ$m	TIML Cost NZ$m	Close NZ$m	Inflation % p.a.	Remarks
2015	217.97	6.00	231.04	9.07	1.42	220.56	2.00	
2016	220.56	6.00	233.79	7.34	1.45	225.01	2.00	
2017	225.01	6.00	238.51	7.42	1.47	229.61	2.00	
2018	229.61	6.00	243.38	7.57	1.50	234.31	2.00	
2019	234.31	6.00	248.37	7.73	1.53	239.10	2.00	
2020	239.10	7.60	257.28	7.89	1.56	247.82	2.00	Change of expected return
2021	247.82	7.60	266.66	8.05	1.60	257.02	2.00	Change of rule
2022	257.02	7.60	276.55	8.23	1.63	266.69	2.00	
2023	266.69	7.60	286.96	8.45	1.66	276.85	2.00	
2024	276.85	7.60	297.89	8.69	1.69	287.51	2.00	
2025	287.51	7.60	309.36	8.95	1.73	298.68	2.00	

The release covers the direct costs of TIML as well as providing the direct offset to general rates.

4. To cover in the statement of investment policies, standards, and procedures (but not limited to):

   - The release rule to apply to the PIF in terms of a sustainable income flow to the Council; and
   - The classes of investments in which the PIF is to be invested and the selection criteria for investments within those classes; and
   - The determination of benchmarks or standards against which the performance of the PIF as a whole, classes of investment, and individual investments will be assessed; and
   - Standards for reporting the investment performance of the PIF; and
   - The balance between risk and return in the overall PIF portfolio; and
   - The PIF management structure; and

- The management of credit, liquidity, operational, currency, market, and other financial risks; and
- The retention, exercise or delegation of voting rights acquired through investments; and
- The method of, and basis for, valuation of investments including those not regularly traded at a public exchange.

5. To manage the PIF, meeting the Council's overall objectives and mandate to TIML, namely to manage the PIF through a clearly defined portfolio of financial investments managed by an independent body (TIML) with explicit commercial objectives and clear accountability in accordance with relevant legislation. TIML is to make investment decisions and determine investment policy in the best interests of the PIF, including the exercise of all rights in respect of any voting securities that form part of the PIF.

The investment model under this policy clearly determines TIML as the independent, commercial decision-making body in respect of the PIF investment strategy, risk management and implementation. All authorities within current legal constraints and requirements for investment are to be exercised by TIML in meeting its mandate under the founding principle for the PIF. Matters such as the asset allocations for different types of investments and their location, short term and longer investment strategy and implementation, risk management and operations are clearly within TIML's decision-making mandate.

Should investment circumstances change to such a degree that the achievement of the objectives in Section 2 is unlikely TIML also has an obligation to advise the Council on its options at that time.

The only matters where the Council has an expectation of prior advice from TIML are over the following matters:

- The use of derivatives/synthetics as a primary investment option.

  Note. TIML has developed a policy on hedging (or other incidental arrangements) ancillary to normal commercial investments made, where such arrangements would be seen as commercial and prudent to mitigate overall investment risk. TIML has informed the Council of this policy.

- Where TIML intends to take a more active role in leveraging its investment in particular assets to better achieve its portfolio management objectives, taking into account the need to not adversely effect the Council's Standard and Poor's credit rating.

In giving effect to the management of the PIF and subject always to the requirements of the Council's Liability Management Policy and the restrictions of the Local Government Act, access may be required to the Council's short-term funding facilities to satisfy the short-term cash flow needs of the PIF. The Council accepts this position provided that all costs associated with such access are charged to the PIF.

5.3 Other pure commercial and semi-commercial investments

The Council's position on other pure investments is similar to that applying to the PIF except that TIML has a contracted advisory role rather than a decision-making role. Given these investments are already currently held by the Council, the issues revolve principally around active review of the hold/sell/buy decision and ensuring such investments deliver on expectation while held.

The Council's philosophy on semi-commercial investments broadly follows that for other pure investments but may be modified by broader community or financial outcomes (if applicable) that could be contributed to by the investment in question.

5.3.1 Acquisition/addition/disposal of other pure commercial investments and semi - commercial investments

All new investments of these types, additions to existing investments, and/or disposals of existing investments must be approved by the Council.

The Council will only make new investments, and/or retain existing investments if all the following criteria are met:

- The investment has clear long term benefits for the community of New Plymouth District.
- The risks associated with the investment can be managed within acceptable levels.
- Making or retaining the investment would not result in a breach of the borrowing limitations embodied in the Liability Management Policy of the Council. However, see below for instances where the Council acts with urgency and is satisfied any breach is either not material or is still within acceptable liability risk management parameters.
- The overall value of any single investment does not exceed 30 per cent of the total consolidated assets of the Council at any time.
- Total Investments shall not exceed 35 per cent of the total consolidated assets of the Council.

If the Council/Finance Subcommittee receives a recommendation from TIML to dispose of all or part of its other pure commercial investment (as listed in the policy), the Council may act on that advice without further consultation with the public.

If the Council/Finance Subcommittee receives a recommendation from TIML to dispose of all or part of a semi-commercial investment (as listed in the policy), the Council may consult with the public on the disposal, depending on the significance of the disposal and the intended use of funds from that disposal.

The current policy positions of the Council with respect to its other pure or semi-commercial investments are as follows:

- **Joint venture forestry.** Harvest at maturity and not renew any joint venture agreements, or sell its interest if the joint venture partner or other party wishes to purchase at a commercial price.
- **Council forestry.** Retain the investment and continue to harvest on a rotational basis where commercially feasible (the land is generally retained for other Council purposes unless it is classified as surplus to those purposes. It would then be classified as a pure investment for eventual disposal along with other surplus property).
- **New Plymouth Airport joint venture.** Aim to achieve a break-even operating position without recourse to direct operational financial support from the joint venture partners and maximise any additional or ancillary opportunities as they arise to improve the financial sustainability of the overall operation. The joint venture is currently unable to make a return on capital given its limited revenue opportunities.
- **Surplus properties**. The Council has an existing process for declaring properties surplus to operational or future requirements and a review process for properties listed on the surplus list but not yet disposed of or able to be disposed of (due to other legal or process constraints).

These policy positions are reviewable by the Council outside of this policy document (after considering any advice requested from TIML) – as such this document merely records those individual policy positions for information.

5.3.2 Management of other pure commercial investments and semi-commercial investments

The Council will manage these investments in a manner which is dependent upon the size and nature of the investment.

The Council has delegated authority to the Finance Subcommittee to manage its commercial investments where there is urgency required. The Finance Subcommittee monitors the performance of the investments and receives advice on its future position on such investments through TIML. On major decisions such as the holding or selling of such investments, the Finance Sub-Committee would normally make recommendations to the Council.

The relationship between the Council and TIML is encompassed in a contract document approved by both parties.

Under this management model the Council exercises decision-making power on the following types of investment issues:

- Participating in the appointment of directors or other investor representatives as applicable;
- Monitoring developments in the particular industry and the economy generally;
- Monitoring the entity's performance and actively commenting on Statements of Intent where these are required;
- Acting to protect and enhance the value of and returns from the Council's investments.

Subject always to the need to consider each opportunity on its own specific merits the Council, in considering its option to further invest, may need to borrow funds to assist in funding its participation. To the extent that such borrowing would be outside the parameters and policies set out in this document, a submission will be made to the Council to approve the additional borrowing.

5.3.3 Management of excess renewal funding

Renewal funding is rated for to ensure the Council has the necessary funds to renew existing assets. Given that such funding is proposed to be increasingly deferred (based on better judgements around asset lives) it would be prudent to have a level of renewal reserves in place with a balance between three per cent of the long life depreciable asset base of approximately $800m. If the reserve balance climbs above this threshold and this also creates a reserve balance that is equal to or greater than 1.5 times the annual average of the last five years actual renewals and the next five years forecasted renewals, then any excess renewal funding requirements may reduce/defer accordingly. Any benefits from a reduction in renewal funding must fit with the financial strategy as outlined in the LTP, but could be applied to reducing reliance on the PIF release, repaying debt or reducing rates.

5.4 Treatment of surplus funds

From time to time the Council may generate surplus funds. Such surpluses could be generated from a number of circumstances including the following:

1. From operating surpluses which could arise due to a reduction in expenses or an increase in revenue against the planned budget.
2. From the sale of Council assets.
3. Other one-off sources, e.g. a bequest.

Where there is no specific planned or approved purpose for the use of surplus funds, given the objective to return the PIF release to a sustainable position within 20 years, such surpluses should be applied to further reducing the release required from or alternatively applied to repaying debt, or applied against rates requirements for any one or all of the first three financial years of the Long-Term Plan.

5.5 Reporting procedures

Reporting on all investments being managed or advised on by TIML will take place quarterly through to the Finance subcommittee and then the Council.

5.6 Treasury investments

Treasury investments comprise short term surplus general funds that are held by the Council from time to time, and moneys held as restricted funds and bequests where the Council has resolved to maintain a separate fund for the benefit of the specific parties or activity covered by the funds in question.

5.6.1 Policy

The investment of treasury instruments shall only be made in NZD denominated treasury instruments.

The guidelines for restricted funds and bequests are outlined in Appendix II.

Short term surplus general funds are invested in approved treasury investments which include;

- Call and short term bank money market deposits.
- Bank registered certificates of deposit (RCD's).
- Treasury bills.
- LGFA financial instruments.

Investments are held in strongly credit rated banks (Standard and Poor's (or equivalent)) of no worse than short-term A-1+ / long-term AA-, and for terms of up to six months. For liquidity management purposes RCD's are generally preferred to bank term deposits.

Bank term deposits are limited to a term of no more than six months unless linked to a debt pre-funding strategy.

To diversify counterparty credit risk investments are spread amongst the Council's relationship banks with no more than $15m with any one bank.

An approved exception to the above is other treasury investments made with TSB Bank Limited, currently with a BBB+/A-2 rating. Such investments shall be limited to a term of 12 months or less, and be for not more than $15m in aggregate, and never more than five per cent of TSB Bank's net shareholders funds.

These guidelines limit the maximum amount of investment in any one entity, the maximum term of such investments and the minimum credit quality of the investees.

5.6.2 *Levels of Authority*

Authorisation of new investments or the sale of any Treasury Investments ahead of the stipulated maturity date shall only be made by those individuals stipulated in the "Powers to Invest - in Treasury Investments" schedule approved by the Council, and attached to this document as Appendix I.

5.6.3 Reporting

A quarterly report on all Treasury Investments will be submitted to the Council in the format determined by the TMG.

5.6.4 Loan advances

The Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic purposes only. New loan advances are by Council resolution only.

As outlined in Section 63 of the Act, the Council does not lend money, or provide any other financial accommodation, to a CCTO on terms and conditions that are more favourable to the CCTO than those that would apply if the Council were (without charging any rate or rate revenue as security) borrowing the money or obtaining the financial accommodation.

Interest income from loan advances is included in the consolidated rating account or special activity account.

The Council reviews performance of these loans on a regular basis to ensure strategic and economic objectives are being achieved. The Council ensures that interest and principal repayments are being made in accordance with the loan agreement.

The Manager Financial Services reports on loan advances to the Council on a quarterly basis.

5.6.5 New Zealand Local Government Funding Agency Limited (LGFA)

Despite anything earlier in this policy, the Council may invest in shares and other financial instruments of the LGFA and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

- Obtain a return on the investment.
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council.

Because of these dual objectives, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA and be a guarantor.

6. Cash management

From time to time, the Council has daily cash flow surpluses and borrowing requirements, due to the mismatch of daily receipts and payments. All cash inflows and expenses pass through bank accounts controlled by the Finance Team.

The Council maintains a daily cash position report, and a yearly cashflow projection is prepared during the annual planning process. These reports determine the Council's borrowing requirements and surpluses for investment for the year.

Cash management activities must be undertaken within the following parameters:

- Cash management instruments are limited to:
  - Money market call deposits with New Zealand registered banks.
  - Negotiable instruments such as registered certificates of deposit (RCDs) with a maturity no more than six months.
  - Term deposits with registered banks. Maturities are staggered to provide day-to-day cash flow requirements and to avoid early break penalties with a maturity no more than three months.
- Overdraft facilities are utilised as little as practical.
- Speculative interest rate risk management activity on cash management balances is not permitted.
- Cash may be invested only with approved counterparties as detailed in Appendix II.

7. *Performance measurement*

The performance of the PIF and other pure and semi-commercial investments is principally measured through the following means:

- The PIF – TIML meeting the requirements of its contract with the Council, its Statement of Intent and appropriate benchmarks for fund performance.
- Other investments – statements of intent and appropriate benchmarks for investment performance.

Measuring the effectiveness of the Council's other treasury activities is achieved through a mixture of subjective and objective measures. The predominant subjective measures are as follows:

- Adherence to Treasury Management Policy guidelines.
- The overall quality of treasury management information.
- The quality of relationships with the banking sector, and key participants in the debt-capital markets.

The CFO has prime responsibility for determining performance in respect of these aspects.

Objective measures are as follows:

- Specific exceptions to policies and guidelines which have not been authorised.
- Compliance with policy control limits.
- Average daily balance for liquidity management purposes to be less than $100,000.
- Treasury investments invested in approved counterparties and maturity term.
- Management of debt and interest rate risk.

Since executive management is granted discretion by the Council to manage debt and interest rate risk within specified limits, the actual funding rate achieved must be compared against an appropriate external benchmark interest rate that assumes a risk neutral position within the existing policy. Note: in this respect, a risk neutral position is one that is always precisely at the mid-point of the minimum and maximum percentage limits specified within the policy.

Given fixed/floating risk control limits and fixed rate maturity profile limits as defined in section 4 of this policy, the market benchmark (composite) indicator rate will be calculated as follows:

Composite Benchmark Indicator Rate	
Weighting	**Rate**
25%	Average 90 day bank bill bid-rate for the reporting month
15%	Five year interest rate swap bid-rate, 1 year ago
15%	Five year interest rate swap bid-rate, 2 years ago
15%	Five year interest rate swap bid-rate, 3 years ago
15%	Five year interest rate swap bid-rate, 4 years ago
15%	Five year interest rate swap bid-rate, 5 years ago
100%	

The benchmark rate used to measure performance is the aggregate of the composite benchmark indicator rate calculated above and the margin that applies to existing loans and funding facilities.

A margin representative of the actual weighted average term of the Council's funding portfolio (for the reporting month) is used. The market benchmark margin (representing where a an equivalent credit rated the Council funds at the equivalent funding term) is added to the benchmark interest rate to provide a correct comparison to actual all-up borrowing costs.

As an example, if the Council is AA rated with an average term of funding of five years, then the five-year rolling average market benchmark rate for AA rated councils using the five-year margin is applied for the month. If at the next month, the Council's average term increases to seven years, then the seven-year rolling average market benchmark rate for AA rated councils using the seven-year margin is applied for that month.

The appropriate market benchmark is the established local government credit curve (via LGFA/relevant debt capital market placement).

Accordingly, the actual weighted average all-up cost of borrowing for the financial year to date (which incorporates all issuance margins and derivative settlements) must be compared against the market benchmark rate on a monthly basis, with historical comparison reported graphically over the previous 12 months.

8. Reporting

TIML will report on a quarterly basis to the Council through the Finance Subcommittee on the PIF and other pure commercial and semi-commercial investments. The following reports will be produced for other treasury activities:

Report Name	Frequency	Prepared by	Recipient
Daily cash position report	Daily	Treasury/financial accounting function	Manager Financial Services (MFS)
Weekly cash flow forecast	As required - minimum weekly	Treasury/financial accounting function	MFS Chief Financial Officer (CFO)
Current debt and current investment spreadsheets	As required	Treasury/financial accounting function	MFS
Monthly treasury report incorporating: • Investment management: - Limits report. • Liability management: - Policy compliance. - Borrowing limits compliance. - Funding and interest rate position. - Funding facility - New treasury transactions. - Liquidity risk. - Counterparty credit guarantees and underwriting. • Statement of public debt.	Monthly	Treasury/financial accounting function	MFS CFO Chief Executive (CE) Executive Leadership Team (quarterly)
Treasury exception report	Monthly Quarterly	Treasury/financial accounting function/ MFS MFS	CFO CE Council
Revaluation of derivative instruments Treasury performance - cash flow forecast	Annually	Treasury/financial accounting function/ MFS	CFO CE
Treasury report	As required by the trustee	Treasury/financial accounting function	Trustee company

9. Delegated authorities

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

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

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

Activity	Responsibility
Approve policy document	Council
Alter policy document	Council
Approval of external borrowing programme for the year as set out in the Annual Plan/Long-Term Plan	Council
Approval for charging assets as security over borrowing	Council
Arrange new loans, borrowing facilities in accordance with the Council general resolution	As set out in 'Delegated Authorities - Powers to Borrow' (see Appendix I)
Refinancing of existing debt	CE (delegated by the Council) CFO
Make other treasury investments	As set out in 'Delegated Authorities - Powers to Borrow' (see Appendix I)
Conclude derivative contracts (borrowing and investments)	As set out in 'Delegated Authorities - Powers to Borrow' (see Appendix I)
Approving borrowing and interest rate transactions outside policy	Council
Open/close bank accounts	CE
Approve authorised cheque/electronic signatory positions	CE (delegated by the Council)
Transfers of stock/register new debt issues	Seal register signatories
Borrowing management activity	CE (delegated by the Council) CFO
Interest rate risk management activity	CE (delegated by the Council) CFO
Approving allowable risk management instruments	Council
Adjust borrowing interest rate risk profile	CE (delegated by the Council General Manager Business CFO Per risk control limits
Managing funding maturities	CE (delegated by the Council) CFO Per risk control limits
Ensuring compliance with policy	CE (delegated by the Council) CFO
Triennial review of policy	CE (delegated by the Council) CFO

10. Internal controls

Sound treasury procedures with appropriate controls are required to minimise risks the Council may experience through unauthorised treasury activity or unintentional error. A set of operating guidelines is prepared by the TMG and reviewed at least annually, incorporating relevant internal controls.

10.1 Legal risk

Legal risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Council may be exposed to such risks.

The Council will seek to minimise this risk by adopting policy regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

10.2 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with the Council. All ISDA Master Agreements for financial instruments and carbon units must be approved by the Council.

10.3 Financial covenants and other obligations

The Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

The Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

11. Accounting treatment of financial instruments

The Council uses financial arrangements ("derivatives") for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate the Council's accounting treatment of derivatives in a broad sense. Further detail of accounting treatment is contained within the appropriate operations and procedures manual.

Under New Zealand Public Benefit Entity (PBE) International Public Sector Accounting Standards (IPSAS) changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.

The Council's principal objective is to actively manage the Council's interest rate risks within approved limits and chooses not to hedge account. The Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in the Council's annual accounts.

The Manager Financial Services is responsible for advising the CE of any changes to relevant New Zealand Public Sector PBE Standards which may result in a change to the accounting treatment of any financial derivative product.

All treasury financial instruments must be revalued (marked-to-market) at least every six months for risk management purposes.

12. Policy review

The policy is to be formally reviewed on a triennial basis, and annually for internal purposes.

The Manager Financial Services has the responsibility to prepare the annual review report that is presented to the Council. The report will include:

- Recommendation as to changes, deletions and additions to the policy.
- Overview of the treasury function in achieving the stated treasury objectives and performance benchmarks.
- Summary of breaches of policy and one-off approvals outside policy.

The Council receives the report, approves policy changes and/or rejects recommendations for policy changes.

Appendices

Appendix I

Delegation of Authority

Position	Authority level
Powers to borrow	
Council	Approve annual borrowing programme; approve new loans to be raised outside of borrowing programme.
Chief Executive	Approve any new borrowing raised, or to be repaid in terms of annual borrowing programme approved by the Council; execute any necessary documentation within policy limits.
Chief Financial Officer	Approve any new borrowing to be raised as part of annual borrowing programme, up to a maximum daily level of $30,000,000; execute any documentation in respect of such within policy limits.
Manager Financial Services	Approve any new borrowing to be raised as part of annual borrowing programme, up to a maximum daily level of $10,000,000; execute any documentation in respect of such. Maximum term of any loan within policy limits.
Powers to invest in other treasury investments	
Council	Approve Investment Policy, and delegation of authorities.
Chief Executive	Approve any investment, or liquidation of any investment, that meets the criteria laid by the Council in terms of the Treasury Management Policy, execute any necessary documentation within policy limits.
Chief Financial Officer	Approve any investment, or liquidation of any investment, that meets the criteria laid by the Council in terms of the Treasury Management Policy, up to a maximum daily amount of $10,000,000 and execute any necessary documentation within policy limits.
Manager Financial Services	Approve any investment, or liquidation of any investment, that meets the criteria laid by the Council in terms of the Treasury Management Policy, up to a maximum daily amount of $5,000,000 and with a maximum term of six months, and execute any necessary documentation within policy limits.

Position	Authority level
Powers to conclude derivative contracts in respect of other treasury investments	
Council	Unlimited.
Chief Executive	Any single transaction, or series of related transactions, resulting in a daily notional amount of not more than $50,000,000 within policy limits.
Chief Financial Officer	Any single transaction, or series of related transactions, resulting in a daily notional amount of not more than $30,000,000 within policy limits.
Manager Financial Services	Any single transaction, or series of related transactions, resulting in a daily notional amount of not more than $10,000,000 within policy limits.

Note: Provided always that aggregate derivative exposure to any single counterparty is within maximum exposure limit as per Appendix III.

Appendix II

Other Treasury Investments - Restricted Funds and Bequests, Prudential Guidelines

(refer Section 5.6 Investment Policy)

Issuers	Approved instruments	Minimum issuer credit rating	Maximum investment per issuer	Maximum investment as percentage of Treasury
Banks registered with the Reserve Bank*	Money market deposits, RCDs, bonds	A-1+/AA-	$15m	100%
New Zealand Government	Treasury Bills New Zealand Government stock (bonds)	N/A	Unlimited	100%
Local Government Funding Agency (LGFA)	LGFA borrower notes	A-1+/AA-	$15m	100%

* An approved exception to the above is other treasury investments made with TSB Bank Limited, currently with a BBB+/A-2 rating. Such investments shall be limited to a term of 12 months or less, and be for not more than $15m in aggregate, and never more than five per cent of TSB Bank's net shareholders funds.

Appendix III

Other Treasury Investments - Derivative Contracts

1. **Calculation of credit exposure arising from derivative contracts** (refer Section 4 Credit Risk)

Financial Instrument	Calculation of Deemed Exposure
Interest rate swaps	Notional principal x interest rate movement factor of 3% per annum for each year of unexpired portion of contract, or part thereof.
Interest rate options (purchased options)	Notional principal x an interest rate movement factor of 3% for each year of unexpired portion of contract, or part thereof.
Foreign exchange contracts - forwards and options (*bought*)/carbon units	Credit exposure on foreign exchange/ carbon units is computed by multiplying the face value amount by the (square root of the maturity (years) x 15%).
Foreign exchange options *sold*	Not to be utilised.
Commodity contracts - swaps	Credit exposure on commodity swaps is computed by multiplying the face value amount by the (square root of the maturity (years) x 30%).

2. **Counterparty Exposure Limits for Derivative Contracts** (refer Section 4 Credit Risk)

Counterparties	Limited to those registered banks with a Standard and Poor's (or equivalent) long term rating of not less than AA-.
Counterparty Limits	The aggregate derivative exposure, based on the calculation above, is not to exceed $20,000,000 for any one counterparty.

Appendix IV

Approved Instruments for Other Treasury Investments

Issuer	Instrument
New Zealand Government	**Treasury Bills.** Registered securities issued by the Debt Management Office (DMO) on behalf of the Government. They are usually available for terms up to a year but generally preferred by investors for 90 day or 180 day terms. They are discounted instruments, and are readily negotiable in the secondary market.
	Government stock/bonds. Registered securities issued by the RBNZ on behalf of the Government. They are available for terms ranging from one year to twelve year maturities. Government bonds have fixed coupon payments payable by the RBNZ every six months. They are priced on a semi-annual yield basis and are issued at a discount to face value. They are negotiable in the secondary market although liquidity can be patchy.
Local Government Funding Agency (LGFA)	**Borrower Notes.** On occasion when the Council borrows from the LGFA it will be required to contribute part of that borrowing back as equity in the form of "Borrower Notes". A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the Council) at a future date (in this instance upon the maturity of the loan). A return is paid on the Borrower Notes on maturity and can take the form of a dividend if the Borrower Notes are converted to redeemable preference shares.

Issuer	Instrument
	LGFA Bonds. With a medium term note (MTN) a fixed coupon payment is made semi-annually to the holder of the security. They are priced on a semi-annual yield basis and are issued at a par/premium or discount to face value. Floating rate notes (FRN) are bonds where interest is paid quarterly at a margin over the bank bill bid rate. LGFA bonds are negotiable and can be bought and sold in the secondary market.
Local authorities	**Local Authority Stock**. Registered securities issued by a wide range of local government bodies. They are usually available for maturities ranging from one to 10 years. A fixed coupon payment is made semi-annually to the holder of the security. They are negotiable and can be bought and sold in the secondary market but lack liquidity.
Registered banks	**Call and term deposits.** Funds accepted by the bank on an overnight basis (on call) or for a fixed term. Interest is usually calculated on a simple interest formula. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments. Termination prior to maturity date can often involve penalty costs.
	Certificates of Deposits. Securities issued by banks for their borrowing needs or to meet investor demand. Transferable certificates of deposits (TCDs) are non-bearer securities in that the name of the investor, face value and maturity date are recorded on the certificate. They are able to be transferred by registered transfer only. Negotiable certificates of deposits (NCDs) on the other hand, are bearer securities and are able to be transferred immediately. Registered Certificates of Deposit (RCD), are registered at the RBNZ or held 'on behalf of' by the dealing bank. Ownership can only be transferred by electronic transfer. CDs are priced on a yield basis and issued at a discount to face value or on a grossed up basis. They are generally preferred over term deposits because investors can sell them prior to maturity without suffering the penalty interest costs common to term deposits.
	Bills of exchange drawn or issued, usually by a corporate borrower and accepted or endorsed by a bank. The investor is exposed to bank credit risk when investing in such instruments. Bank bills are readily available for any maturity up to 180 days, although 30 to 90 day terms are more common. They are priced on a yield basis and issued at a discount to face value. Investors in bank bills can sell the bills prior to maturity date.
	Promissory Notes and Commercial Paper. Short term paper issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the notes to be issued without endorsement or acceptance by a bank. The notes are supported by a liquidity facility provided by a financial institution to ensure that the borrower obtains the desired amount of funds. Promissory notes are issued with maturities ranging from seven days to over one year. The common maturities are for 30 and 90 days. The face value of the note is repaid in full to the bearer on maturity.

Appendix V

Glossary of Terms

Amortising swap. An interest rate swap contract that has a reducing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an amortising swap is the weighted average maturity, not the final maturity date.

Arbitrage. A method or action that allows the securing of a profit (with no market risk) by taking advantage of a miss pricing of one financial instrument between two markets/time-zones.

Asset/liability management. The management process a bank uses to ensure its assets (loan made to customers) matches its liabilities (deposits taken from customers).

Average rate forward. A series of forward exchange contracts to different dates for the same amount, but at different rates. The series of contracts is re-stated as one contract at the one average rate. Also called a “par forward”.

Balloon payment. The repayment terms of a loan being the full principal amount due for repayment in one amount on the final maturity date. Also called a “bullet” payment.

Bank Bill. A “bill of exchange” security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquefy itself with cash. Normally for terms of 30, 60, 90 or 180 days.

Barrier option. An option that will come into existence or cease to exist if the underlying asset, currency, commodity price trades at a pre-determined price prior to expiration.

Base rate. Normally a lending bank’s cost of funds/interest rate for a particular funding period. The base or “prime” rate will be changed by the bank from time to time, but not every day like market rates.

Basis point(s). In financial markets it is normal market practice to quote interest rates to two decimal places, e.g. 6.25 per cent - one basis point is the change from 6.25 per cent to 6.26 per cent, one hundred basis points is the change from 6.25 per cent to 7.25 per cent.

Basis Risk. The risk that the interest rate difference between the current physical debt instrument (say, a bank bill) market interest rate and the interest rate quoted for that debt instrument’s future price (say, a bank bill futures price) changes over the period to the date of the future price.

Basis Swap. A variation of an interest rate swap whereby interest payments are exchanged on a floating to floating basis to change the timing of interest payments on a bank loan, i.e. quarterly payments swapped to monthly basis.

Benchmark. An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.

Bid–offer spread. The exchange points (FX) or basis points (interest rates) difference between the bid and offer rate when quoted by a bank is known as the “bid-offer spread”. Banks make their profits from dealing at their own bid and offer prices, thus earning the spread.

Bid rate. Exchange rates and interest rate securities/instruments that are traded between banks are always quoted as a two-way price. One rate is where the quoting bank will buy – the bid rate, the second rate or price where the bank will sell at – the offer rate.

Bond. The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond’s interest rate is always fixed.

Bond FRA. A tailored contract to buy or sell a bond (Government or Corporate) at a fixed interest rate at some specified future date. The Bond FRA contract rate will differ from the current physical market bond yield, depending on the slope of the interest rate yield curve.

Bond option. The right, but not the obligation by the owner/holder of the option to buy or sell bonds (Government or Corporate) at a pre-determined interest rate at a specified future date. The buyer pays a “premium” in cash up-front to reduce risk and have insurance-type protection, the

Call option. The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/currency/commodity at the price stated in the option contract.

Cap. A series or string of interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the "capped rate." A cap is normally for more than one 90-day funding period. Also called a "ceiling".

Caplet. A series of call options (caplets) which exist for each period the cap agreement is in existence.

Certificate of Deposit (CD). A debt instrument (normally short term) issued by a bank to borrow funds from other banks.

Collateralised debt obligations (CDOs). A type of asset-backed security and structured credit product. CDOs are constructed from a portfolio of fixed-income assets. These assets are divided into different tranches: senior tranches (rated AAA), mezzanine tranches (AA to BB), and equity tranches (unrated). Losses are applied in reverse order of seniority and so junior tranches offer higher coupons (interest rates) to compensate for the added default risk. CDOs serve as an important funding vehicle for fixed-income assets.

Closing-out. The cancellation/termination of a financial instrument or contract before its maturity date, resulting in a realised gain/loss as the current market rate differs from the contract rate.

Collar. Two option contracts linked together into the one transaction or contract. A borrower's collar is normally a "cap" above current market rates and a "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a "cylinder".

Collateral. A legal term, means "security".

Commercial Paper. The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called "one-name paper" and "promissory notes" issued by competitive public tender to investors, or by private treaty to one investor.

Commoditised. When a financial market or instrument becomes so popular and "plain vanilla" that there is no longer any difference in the prices quoted by participants in the market.

Compound option. An option contract on the premium of an option i.e. the right, but not the obligation, to enter an option contract at a pre-determined premium amount.

Convexity. A measure of the degree of curve or slope in an interest rate yield curve.

Convertible Bonds. A debt instrument issued to investors by a borrower that has a fixed interest rate for a period and then converts (under a strict pricing formula) to shares in the issuing company.

Coupon. The interest rate and amount that will be paid on the interest due dates of a bond. The coupon will normally differ from the purchase or issue yield/interest rate on a bond instrument.

Counterparty. The contracting party to a financial transaction or financial instrument.

Covenants. Special conditions and financial ratios required to be met or maintained by a borrower for a lender under the legal security documents.

Cover. A term used to describe any action of entering financial instruments that reduces risk or puts protection in place against adverse future price movements.

Credit Default Swap (CDS). A CDS is a credit derivative between two counterparties, whereby one makes periodic payments to the other and receives the promise of a payoff if a third party defaults. The former party receives credit protection and is said to be the "buyer" while the other party provides credit protection and is said to be the "seller". The third party is known as the "reference entity". CDS resemble an insurance policy, as they can be used by debt owners to hedge, or insure against credit events such as a default on a debt obligation. However, because there is no requirement to actually hold any asset or suffer a loss, credit default swaps can also be used for speculative purposes.

Credit rating. The credit rating of a Corporation/ Council is a financial indicator to potential investors of debt securities such as bonds. These are assigned by credit rating agencies such as Standard and Poor's, Moody's or Fitch Ratings and have letter designations such as AAA, B, CC. A poor credit rating indicates a high risk of defaulting, therefore constitutes a higher level of interest rates.

Credit risk. The risk that the other party to a financial transaction (bank deposit, interest rate swap contract) will default on or before the maturity date and not be able to fulfil their contractual obligations.

Credit spread. The interest rate difference (expressed as basis points) between two types of debt securities. The credit spread being a reflection of the difference in credit quality, size, and liquidity between the two securities, e.g. five year corporate bonds may be at a credit spread of 200 basis points above Government bonds.

Cross currency interest rate swap. A borrower exchanges (swaps) one set of interest payments. From a loan in one currency for another set of interest payments in a second currency. Interest payments are swapped from fixed to floating and vice verse. See “Interest Rate Swaps”.

Debenture. A debt instrument similar to a bond whereby a borrower (normally a finance company) borrowers for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.

Delta. “Greek” letter that measures how the price of an option (premium) changes given a movement in the price of the underlying asset/ instrument.

Derivative(s). A “paper” contract whose value depends on the value of some “underlying” asset, e.g. sharemarket stocks, bank bills, bonds or foreign currency. Also called a “synthetic.” The value of the assets will change as its market price changes, the derivative instrument will correspondingly change its value.

Digital option. An option contract that provides a predetermined payout based on an agreed and contracted market price path.

Discount. A bond or bank bill is discounted when the interest rate is applied to the face value of the security and the net proceeds after deducting the interest is paid out to the borrower. Investors pay for the discounted (NPV) value at the commencement of the investment and receive the interest coupon payments along the way and the full face value at the maturity date.

Duration. Not the simple average maturity term of a debt or investment portfolio, but a measure of the interest rate risk in a portfolio at a particular point in time. The duration of a portfolio is the term (measured in years and months) if the total portfolio of bonds/fixed interest investments was revalued at market rates and expressed as one single bond. The profit/loss on revaluation of a one basis point movement being the same in both cases.

Earmarking. Purchased options on foreign exchange may be entered for short periods, but “earmarked” as cover related to longer periods and reported as such against risk control limits. The options being used as an entry tactic to longer dated forward cover.

Embedded option. An option arrangement that may be exercised by or on a borrower at a future date, but the determining conditions are buried or “embedded” in a separate debt or financial instrument.

Eurobond. A fixed rate bond issued by a non-resident borrower in a European country.

Eurodollar. The borrowing and depositing of a currency outside its domestic financial markets.

Event risk. The risk of a major/unforeseen catastrophe, e.g. earthquake, Y2K, political elections, adversely affecting a company’s financial position or performance.

Exchange - traded. A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.

Exercise date/price. The day and fixed price that an option contract is enforced/actioned or “exercised” because it is in the interests of one of the parties to the contract to do so.

Fair value. The current market value of an off-balance sheet financial instrument should it be sold or closed-out on the market rates ruling at the balance date.

Federal Reserve. The US Government’s central bank and/or monetary authority.

Fixed rate. The interest rate on a debt of financial instrument is fixed and does not change from the commencement date to the maturity date.

Floating rate. The interest rate on a loan or debt instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90 days).

Floor. The opposite of a "cap." An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards.

Floorlet. A series or string of floor options which exist for each period the floor agreement is in existence.

Forward Exchange Contract. A contract to buy and sell one currency against another at a fixed price for delivery at some specified future date.

Forward forwards. A forward exchange contract on the forward points for foreign exchange forward contracts i.e. a hedge on the forward points which are determined by the two separate interest rates of the currencies involved.

Forward points. The difference in interest rates between two currencies expressed as the exchange rate points i.e. 152 forward points is a 0.0152 adjustment to the 0.5500 NZ$/US$ exchange spot rate.

Forward Rate Agreement. A contract ("FRA") whereby a borrower or investor in Bank Bills agrees to borrow or invest for an agreed term (normally 90 days) at a fixed rate at some specified future date. A FRA is an "over-the-counter" contract as the amount and maturity date is tailored by the bank to the specific requirements of the borrower/investor.

Forward starting swap. An interest rate swap contract that commences at a future specified date. The rate for the forward starting swap will differ from the current market rate for swaps by the shape and slope of the yield curve.

Funding risk. The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due the company's own credit worthiness, industry trends or banking market conditions.

Futures. Exchange-traded financial and commodity markets which provide forward prices for the underlying asset, instrument or commodity. Futures contracts are standardised in amount, term and specifications. Futures markets are cash-based, transacting parties do not take any counter-party credit risk on each other. Deposits and margin-calls are critical requirements of all futures markets.

Gamma. "Greek" letter used in option pricing that measures how rapidly the delta of an option changes given a change in the price of the underlying asset/instrument.

Hedging. The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.

High-yield bonds. Corporate bonds issued by borrowing companies that are non-prime i.e. have a low or no credit rating. The margin or credit spread above Government bond yields is high (>300 basis points) to compensate the investor into the bond for the higher credit and liquidity risk.

Implied volatility. Used in option pricing. To estimate the future volatility of the underlying asset or instrument, the option pricing models use historical volatility (expressed as a percentage) as a key variable to calculate the option premium amount. The movement in option prices is therefore a good indicator of future market volatility, as volatility is "implied" in the option price.

Index linked bonds. Debt instruments that pay an interest coupon or return that is wholly or partially governed by the performance of another separate index e.g. a sharemarket index, or the gold price.

Indirect FX risk. A company has indirect foreign exchange risk where their costs, revenues or profits can be adversely affected by exchange rates that they are not directly paying or receiving. The prices they pay or receive in the domestic currency are influenced by the exchange rate movements.

Interest rate swaps. A binding, paper contract where one party exchanges, or swaps, its interest payment obligations from fixed to floating basis, or floating to fixed basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.

International Swaps and Derivatives Association (ISDA). A governing body that determines legal documentation/standards for over-the-counter swaps/options/FRAs and other derivative instruments for interest rates, currencies, commodities etc. Corporate users of such instruments sign an ISDA Master Agreement with banking counterparties that covers all transactions.

"In-the-Money" option. An option contract that has a strike price/rate that is more favourable or valuable than the current market spot or forward rate for the underlying currency/instrument.

Inverse yield curve. The slope of the interest rate yield curve (90 days to 10 years) is "inverse" when the short-term rates are higher than the long-term rates. The opposite, when short-term rates are lower than long-term interest rates is a normal curve or "upward sloping." In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates, hence they are higher to build in this extra risk premium.

Junk bonds. High yield bonds at the bottom-end of the credit quality spectrum.

Knock-in/knock-out options. Option contracts for currencies or interest rates that are either activated or de-activated on pre-determined **market rates being achieved.**

Liability management. The policy, strategy and process of actively managing a portfolio of debt.

Limit(s).The maximum or minimum amount or percentage a price or exposure may move to before some action or limitation is instigated. Also called "risk control limits".

Liquidity risk. The risk that a company cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.

London Inter-bank Offered Rate (LIBOR). The average of five to six banks quote for Eurodollar deposits in London at 11am each day. The accepted interest rate-fixing benchmark for most offshore loans.

"Long" position. Holding an asset or purchased financial instrument in anticipation that the price will increase to sell later at a profit.

Look-back option. An option structure where the strike price is selected and the premium paid at the end of the option period.

Marked-to-market. Financial instruments and forward contracts are revalued at current market rates, producing an unrealised gain or loss compared to the book or carrying value.

Margin. The lending bank or institution's interest margin added to the market base rate, normally expressed as a number of basis points.

Medium Term Notes (MTN). A continuous program whereby a prime corporate borrower has issuance documentation permanently in place and can issue fixed rate bonds at short notice under standard terms.

Multi-currency facility. A committed banking facility that allows the borrowing of several alternative currencies to the NZ dollar.

Netting.- Method of subtracting currency receivables from currency payables (and vice versa) over the same time period to arrive at a net exposure position.

Open market operations. The means of implementing monetary policy by which a central bank controls its national money supply by buying and selling government securities, or other financial instruments. Monetary targets, such as interest rates or exchange rates, are used to guide this implementation.

Open position. Where a company has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.

Option premium. The value of an option, normally paid in cash at the commencement of the option contract, similar to an insurance premium.

Order. The placement of an instruction to a bank to buy or sell a currency or financial instrument at a pre-set and pre-determined level and to transact the deal if and when the market rates reach this level. Orders are normally placed for a specific time period, or “good till cancelled.” The bank must deal at the first price available to them once the market level is reached. Some banks will only take orders above a minimum dollar amount.

“Out-of-the-money” option. An option contract which has a strike price/rate that is unfavourable or has less value than the underlying current spot market rate for the instrument.

Over-the-counter. Financial and derivative instruments that are tailored and packaged by the bank to meet the very specific needs of the corporate client in terms of amount, term, price and structure. Such financial products are non-standard and not traded on official exchanges.

Path dependent options. Are characterised by payoffs that are a function of the particular path that asset prices follow over the life of the relevant option. The path of the underlying asset price is used to determine the payoff or the structure of the option. Path dependent options are driven primarily by the ability to reduce option premiums, increase the probability of gain and match underlying assets and liabilities.

Perpetual issue. A loan or bond that has no final maturity date.

Pre-hedging. Entering forward or option contracts in advance of an exposure being officially recognised or booked in the records of the company.

Primary market. The market for new issues of bonds or MTNs.

Proxy hedge. Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation or price movements between the two underlying prices to justify using a proxy hedge.

Put option. The right, but not the obligation to sell a debt security/currency/commodity at the contract price in the option agreement.

‘Real’ option. Real option analysis applies put option and call option valuation techniques to capital budgeting decisions. A real option is the right, but not the obligation, to undertake some business decision, typically the option to make a capital investment. For example, the opportunity to invest in the expansion of a firm’s factory is a real option. In contrast to financial options, a real option is not often tradeable, e.g. the factory owner cannot sell the right to extend his factory to another party, only he can make this decision; however, some real options can be sold, e.g., ownership of a vacant lot of land is a real option to develop that land in the future. Some real options are proprietary (owned or exercisable by a single individual or a company); others are shared (can be exercised by many parties). Therefore, a project may have a portfolio of embedded real options; some of them can be mutually exclusive.

Repurchase Agreement (Repo). A sale and repurchase agreement has a borrower sell securities for cash to a lender and agrees to repurchase those securities at a later date for more cash. The repo rate is the difference between borrowed and paid back cash expressed as a percentage. For example, The RBNZ in open market operations buys securities from financial institutions who agree to buy them back at a cost of OCR plus margin.

Reverse Repo. The same repurchase agreement from the buyers’ perspective, i.e. the seller executing the transaction would describe it as a ‘repo’, while the buyer in the same transaction would describe it as a ‘reverse repo’.

Revaluation. The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counterparty at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.

Roll-over. The maturity date for a funding period, where a new interest rate is reset and the debt re-advanced for another funding period.

Secondary market. The market for securities or financial instruments that develops after the period of the new issue.

"Short" position. Selling of an asset or financial instrument in anticipation that the price will decrease or fall in value to buy later at a profit.

Spot rate. The current market rate for currencies, interest rates for immediate delivery/settlement, normally two business days after the transaction is agreed.

Stop loss. Bank traders use a "stop-loss order" placed in the market to automatically closeout an open position at a pre-determined maximum loss.

Stop profit. The opposite of a "stop-loss order" where a "stop-profit order" is placed in the market to automatically closeout an open position at a pre-determined maximum gain/profit.

Strike price. The rate or price that is selected and agreed as the rate at which an option is exercised.

Strip. A series of short-term interest rate FRAs for a one or two year period, normally expressed as one average rate.

Swap spread. The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.

Swaption. An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.

Swaption collar. The simultaneous position of entering into two option contracts on two interest rate swaps linked together into one transaction. A swaption collar performs similarly to a 'collar' where from a borrower's perspective a top-side position above current market rates and a bottom-side position below current market rates are entered into. On maturity of the options and depending on current interest rates relative to the strike levels on the swaps will determine if either swap is transacted.

Time value. Option contracts taken for longer-term periods may still have some time value left even though the market rate is a long way from the strike rate of the option and the option is unlikely to be exercised.

Tranches. A loan may be borrowed in a series of partial drawdowns from the facility, each part borrowing is called a tranche.

Treasury. Generic term to describe the activities of the financial function within a company that is responsible for managing the cash resources, debt, foreign exchange risk, and sometimes the commodity price and energy price risk.

Treasury Bill. A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding programme.

Vega. Another "Greek" letter that is the name given to the measure of the sensitivity of the change in option prices to small changes in the implied volatility of the underlying asset or instrument price.

Volatility. The degree of movement or fluctuation (expressed as a percentage) of an asset, currency, commodity or financial instrument price over time. The percentage is calculated using mean and standard deviation mathematical techniques.

Yankee bond. A non-resident US borrower issuing a corporate bond in the domestic US bond market.

Yield - read. Interest rate, always expressed as a percentage.

Yield curve. The plotting of market interest rate levels from short term (90 days) to long term on a graph i.e. the difference in market interest rates from one term (maturity) to another.

Yield to Maturity (YTD). The YTM or redemption yield is the yield promised by the bondholder on the assumption that the bond or other fixed-interest security such as gilts will be held to maturity, that all coupon and principal payments will be made and coupon payments are reinvested at the bond's promised yield at the same rate as invested. It is a measure of the return of the bond.

Zero coupon bond. A bond that is issued with the coupon interest rate being zero i.e. no cash payments of interest made during the term of the bond, all interest paid on the final maturity date. In effect the borrower accrues interest on interest during the term, increasing the total interest cost.

Development and Financial Contributions Policy

Purpose

This policy explains how New Plymouth District Council will use development contributions to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth in the district.

Legislative requirements

Section 102 of the Local Government Act 2002 (LGA 2002) requires the Council to adopt a policy on development contributions or financial contributions. This policy covers development contributions and summarises the provisions that relate to financial contributions as required by section 106(2)(f) LGA 2002.

Introduction

Current projections for New Plymouth District indicate a population growth of 19 per cent over the next 30 years. The new development associated with a growing community increases demands on community facilities which include network infrastructure, community infrastructure and reserves. This demand can apply whether growth takes the form of greenfields development, renewal development (which changes the types of land use), or infill development (which can increase the intensity and scale of development).

The challenge for the Council is how to expand its network of community facilities to cater for increased demand resulting from growth. There is usually a significant cost associated with expanding these networks both in terms of new capital expenditure, including finance costs (interest costs on borrowing), and consequential operating expenditure and funding for renewals. Funding this expansion solely through rates is considered inequitable as existing ratepayers are not the primary cause or primary beneficiaries of these works. It is considered fairer for the costs of increased demand from growth resulting from development to be allocated proportionately between those who create the need for the work as well as those who will benefit from the work. The use of development contributions are considered a suitable funding mechanism to ensure that developers pay a fair share of the costs of increased demand from growth resulting from development.

Summary of Financial Contributions Policy

The Council's Financial Contributions Policy is a component of the New Plymouth District Plan. Under the LGA 2002, this policy is required to summarise the financial contribution provisions in the District Plan.

The Financial Contributions Policy was formulated pursuant to the Resource Management Act 1991 and is focussed on avoiding, remedying and mitigating the adverse environmental effects resulting from particular developments. The circumstances under which financial contributions may be required are:

- For the impacts on network infrastructure resulting from subdivision and/or development and/or other land use.
- Requirements for areas of new open space in growth areas resulting from subdivision and/or development and/or other land use (Plan Change 42 became operative 17 August 2015).

Under the Financial Contributions Policy, developers are required to meet the full cost of on-site infrastructure demands of their developments, e.g. water pipes required to connect to the water network. They will also be required to meet a fair and reasonable cost of the off-site infrastructure works required.

The Financial Contributions Policy has a provision to require financial contributions for community facilities (as defined in the District Plan). This provision is not currently applied and will be reviewed as part of the District Plan review to commence in 2015.

Development Contributions Policy Statements

Policy to seek development contributions

1. The Council's policy is to seek funding for community facilities using development contributions. This policy sets out the matters required to be covered by the LGA 2002 as a result of the Council's decision to collect development contributions.

When development contributions will be required

2. Development contributions may be required in relation to developments if the effects (including cumulative effects) of the development are to require new or additional

assets or assets of increased capacity and, as a consequence the Council incurs capital expenditure to provide those assets.

3. Development contributions can also be required for capital expenditure already incurred by the Council in anticipation of development.

Use of development contributions

4. Development contributions must be used:
    - For or towards the purpose of the activity or the group of activities for which the contributions were required; and
    - For the benefit of the district or the part of the district that is identified in the policy in which the development contributions were required.

Development agreements

5. The Council may seek to initiate direct negotiations with a developer to enter into a development agreement which would be a voluntary contractual agreement for the provision, supply or exchange of infrastructure, land, or money to provide community facilities.

6. Any development agreement between the Council and a developer must be consistent with the provisions and requirements for development agreements under sections 207A-F LGA 2002.

7. If there is any conflict between the content of a development agreement and the application of this policy in relation to that agreement, the content of the development agreement prevails.

Restrictions on requiring development contributions

8. Development contributions cannot be required for the provision of any reserve if the development is non-residential in nature, or for the non-residential component of a development that is a mixture of residential and non-residential. In this context, reserve does not include land for road or stormwater management purposes.

Types of community facilities that may be funded by development contributions

9. The Council may charge development contributions to fund:
    - Network infrastructure - including roads and other transport, water, wastewater and stormwater collection and management (including flood protection and control).
    - Community infrastructure - including community centres or halls (including the land on which they will be situated), play equipment located on a neighbourhood reserve and public toilets.
    - Reserves - including acquisition and development of land.

Financial management consideration of identified activities (application of s101 (3) LGA 2002)

10. This section of the policy explains, in terms of the matters required to be considered under section 101(3) of the LGA 2002, why the Council has determined to use development contributions to meet the expected capital expenditure for community facilities resulting from growth.

Community outcomes

11. The growth-related capital expenditure of activities to be funded by development contributions or financial contributions, contributes both directly and indirectly to the following community outcomes as set out in the Council's Long-Term Plan 2015-2025:

    Our Economy: A strong and resilient economy.
    - *Sustainable management of economic resources.*
    - *Innovation and creativity.*
    - *Industry diversification.*

    Our Environment: A clean, green, liveable environment.
    - *Sustainable management and protection of natural resources.*
    - *Liveable environments.*
    - *Forward planning for future challenges.*

Our Community: An inclusive and connected community.

- *Foster pride and collective sense of identity.*
- *Celebrate vibrant Taranaki lifestyle.*
- *Strong, resilient and safe communities that value diversity.*

Distribution of benefits

Community facilities within a development or immediately off-site of a development

12. The need for new community facilities (including roads, water supply, wastewater, stormwater and flood protection, parks, and community infrastructure) within a development or the demand for improvements to existing community facilities immediately off-site of a development is primarily generated by those groups or individuals that have created the demand. The most reasonable and fair means to recover this type of capital expenditure is directly from those groups or individuals.

13. Where a community facility within a development has a wider benefit than just to the development, the most reasonable and fair means to recover this type of capital expenditure is from those groups or individuals who receive the benefit, including the entire district.

Roads

14. The roading network is available to the whole community as it enables people, goods and services to be moved throughout the district, therefore the provision of a roading network benefits the entire community.

15. Where new or additional capacity or improvements are required to the roading network that have been generated from growth driven demand, the most efficient and fair means to recover the costs of providing this infrastructure is to require development contributions on all developments in the district. Improvements to the roading network benefit the whole district and the cost allocation to development contributions is proportionate between the current demand in the district and the future demand from growth.

Water supply

16. Benefits of the water supply network are predominantly identifiable for individuals and properties that are connected or are able to connect to the network and not the whole community. This is because there are no obvious significant direct or indirect benefits of the supply network to those who are not able to connect to it.

17. Where new or additional capacity or improvements to the water supply network are generated from growth driven demand, the most efficient and fair way to recover these costs is to require development contributions on all developments in the district. In such cases, the cost allocation to development contributions is proportionate between the cost to provide for growth and the cost to provide any additional benefit to existing recipients of the service. Such benefits can include improved resilience of the network.

Wastewater treatment

18. Benefits of the wastewater network are identifiable to individuals and properties that are connected to the network and not the whole community. This is because there are no obvious significant direct or indirect benefits of the network to those who are not connected to it.

19. While the whole community may benefit from the absence of wastewater pollution, this is seen as the prevention of a negative effect, rather than the activity causing positive benefits.

20. Where new or additional capacity or improvements to the wastewater network are required that have been generated from growth driven demand, the most efficient and fair means to levy these costs is to require development contributions on all developments in the district. In such cases, the cost allocation to development contributions will be split proportionately between all developments and not the current demand on the network as current connections will not receive any additional benefit from growth related works.

Stormwater drainage and flood protection and control works

21. Stormwater drainage and flood protection and control works (stormwater and flood protection) tend to primarily benefit those people and properties within hydrological catchment areas. Most catchments, however, contain infrastructure and other services that are used more widely across the community. The topography of North Taranaki means that the majority of the district's people and properties reside within a catchment.

22. Benefits accrue through the protection of property and improvements to that protection. Properties with a large proportion of their area covered in impervious materials (e.g. buildings and concrete) cause more stormwater run-off than those where the ground is uncovered or covered in natural foliage. For this reason an assessment is made on the area covered by impervious materials for the purposes of calculating development contributions.

23. Where a development is adding to the burden of existing or future stormwater and flood protection infrastructure, these costs are recovered via development contributions.

24. Where new or additional capacity or improvements to stormwater and flood protection are required that has been generated from growth driven demand, the most efficient and fair means to levy these costs is to require development contributions on all developments in the district. In such cases, the cost allocation to development contributions will be split proportionately between all developments and not the current demand on the network as current connections will not receive any additional benefit from growth related works.

Parks

25. The Council's parks portfolio is distributed across the whole district and includes open space, natural reserves, botanical gardens, accessways, walkways and sports parks. The direct beneficiaries of this diverse portfolio are difficult to identify because access to most parks is not limited or monitored. As a result, the provision of parks is considered to benefit the entire community. There are also indirect beneficiaries, for example, the benefit to people living near parks is usually reflected in their property values.

26. Where a development is adding to the burden of existing or future parks capacity, these costs are recovered via development contributions.

27. Where new or additional capacity or improvements to parks are required that have been generated from growth driven demand, the most efficient and fair means to levy these costs is to require development contributions on all developments in the district. In such cases, the cost allocation to development contributions is proportionate between the current demand in the district and the future demand from growth as improvements to parks benefit the whole district.

Community infrastructure

28. Community infrastructure, namely local community centres or halls, play equipment for a neighbourhood reserve and public toilets are provided to benefit those communities which they are intended to service as well as the whole community as the ability to use these facilities is not restricted to any individuals or groups.

29. Where a development is adding to the burden of existing or future community infrastructure capacity, these costs are recovered via development contributions.

30. Where new or additional capacity or improvements to community infrastructure are required that have been generated from growth driven demand, the most efficient and fair means to levy these costs is to require development contributions on all developments in the district. In such cases, the cost allocation to development contributions is proportionate between the current demand in the local community or in the district and the future demand from growth.

Period of benefits

31. Development contributions should be determined in a manner that is generally consistent with the capacity life of the assets for which they are intended to be used and in a way that achieves proportionate recovery of costs from development contributions.

32. Growth related capital expenditure can have benefits that extend beyond the ten-year period of the Long-Term Plan. Where possible, the period of time over which the capacity of an asset provides a benefit has been determined and development contribution charges have been spread proportionately over that time.

33. The growth allocation of each asset of capital expenditure undergoes an assessment to determine the period of time over which the capacity of an asset provides a benefit for growth.

34. Where the period of benefit is uncertain, a ten-year period of benefit has been used to align with the ten-year period of the Long-Term Plan. A maximum period of benefit of 30 years has been used to ensure intergenerational equity is achieved.

Need to undertake activity

35. Development related growth pressures are a key driver of capital works funded by development contributions and financial contributions. Requiring the growth community to contribute to the funding of such capital works ensures that those individuals and groups who have created the need for the works pay a proportionate amount.

Distinct funding from other activities

36. Using development and financial contributions to fund the cost of providing additional community facilities improves equity and also provides greater transparency and accountability. It leads the Council to allocate costs of capital works between various project drivers and to recover those costs accordingly. The benefits of this approach are deemed to exceed the costs of assessing and determining development and financial contributions.

Cost allocation methodology

37. Cost allocations used to establish development contributions should be determined according to, and be proportional to, the persons who will benefit from the assets to be provided (including the community as a whole) as well as those who create the need for those assets.

38. Development contributions can only be levied and applied to fund the total cost of capital expenditure which includes finance costs (interest costs on borrowing) of new or additional assets or assets of increased capacity to service growth. Operations and maintenance costs (opex) have been separated out before other cost drivers have been considered.

    To ensure those persons undertaking development pay a fair, equitable and proportionate portion of the total cost of capital expenditure necessary to service growth, finance costs including interest on loans taken by the Council to provide community facilities will be recovered through contributions. The finance costs will be included in the total cost of capital expenditure for each project and included in the contribution charge.

39. Each item of capital expenditure undergoes a cost driver analysis to define the benefit and share of the cost attributed to both the current recipients and the anticipated growth. The analysis considers one or more of the following cost drivers:
    - Renewal.
    - Level of service.
    - Growth

    The growth costs provide for new or additional assets or assets of increased capacity to meet the demand on community facilities resulting from growth.

40. Where it is difficult to identify the costs of providing a project for growth compared to current beneficiaries and where the benefits of the project are considered to be equal to all, then the cost allocation is proportionately split between current beneficiaries and anticipated growth that will use the asset.

41. The growth allocation of each asset of capital expenditure then undergoes an assessment to determine the period of benefit over which the asset will provide for growth.

Table 1: Growth related capital expenditure and revenue

Activity and project no.	Estimated capital costs	NZTA subsidies	Estimated finance costs	Total cost of capital expenditure less NZTA subsidies	Development contributions		Financial Contributions		Other funding*	Estimated HUE demand using each asset type	Estimated annualised HUE demand	Development contribution charge per HUE (excluding GST)
	[A]	[B]	[C]	[A] + [B] + [C]	Proportion	$	Proportion	$				
Roads										100%		
R2 Road surface improvements	4,640,000	(2,320,000)	2,784,200	5,104,200	14%	(714,600)	0%	0	(4,389,600)		710	100.65
R5 Road network land purchase and widening	1,500,000	(750,000)	900,100	1,650,100	14%	(231,000)	0%	0	(1,419,100)		710	32.54
R6 Road network land purchase and widening - Bell Block	480,000	(240,000)	288,000	528,000	0%	0	65%	(343,200)	(184,800)		710	0.00
Total Roads	6,620,000	(3,310,000)	3,972,300	7,282,300		(945,600)		(343,200)	(5,993,500)		710	133.19
Water Supply										90%		
W1 Henwood Road additional reservoir	1,800,000		2,160,100	3,960,100	85%	(3,366,100)	0%	0	(594,000)		639	175.59
W2 New connection between Western Feeder and Mangorei reservoirs	2,000,000		2,400,100	4,400,100	20%	(880,000)	0%	0	(3,520,100)		639	45.91
W4 New reservoir Mountain Road	1,960,000		2,352,100	4,312,100	50%	(2,156,100)	0%	0	(2,156,000)		639	112.47
W5 New pipe to Henwood Road and Mountain Road reservoirs	9,900,000		11,880,700	21,780,700	85%	(18,513,600)	0%	0	(3,267,100)		639	965.76
W6 New trunk main - Lepperton to Faull Road	7,250,000		8,700,500	15,950,500	85%	(13,557,900)	0%	0	(2,392,600)		639	707.25
W7(part) Water Treatment Plant upgrades	550,000		660,000	1,210,000	85%	(1,028,500)	0%	0	(181,500)		639	53.65
W8 Extend water to Barrett Road	100,000		120,000	220,000	25%	(55,000)	0%	0	(165,000)		639	2.87
Total Water	23,560,000	0	28,273,500	51,833,500		(39,557,200)		0	(12,276,300)		639	2,063.50
Wastewater										80%		
WW1 New Plymouth Wastewater Treatment Plant (NPWWTP) upgrade	9,450,000		11,340,600	20,790,600	34%	(7,068,800)	0%	0	(13,721,800)		568	497.80
WW2 NPWWTP thermal drier upgrade and renewal	7,000,000		8,400,500	15,400,500	30%	(4,620,200)	0%	0	(10,780,300)		568	271.14
WW3 NPWWTP bioreactor aeration system upgrade	230,000		276,000	506,000	43%	(217,600)	0%	0	(288,400)		568	15.32
WW5 Bell Block growth area watewater services projects	1,967,000		2,360,500	4,327,500	0%	0	67%	(2,899,400)	(1,428,100)		568	0.00
WW6 Dillion Drive sewer upgrade	200,000		240,000	440,000	19%	(83,600)	0%	0	(356,400)		568	14.72
Total Wastewater	18,847,000	0	22,617,600	41,464,600		(11,990,200)		(2,899,400)	(26,575,000)		568	798.98
Stormwater Drainage and Flood Protection and Control Works										80%		
No projects planned requiring development/financial contributions												
Total Stormwater Drainage and Flood Protection and Control Works	0	0	0	0		0		0	0		0	0.00

Activity and project no.	Estimated capital costs	NZTA subsidies	Estimated finance costs	Total cost of capital expenditure less NZTA subsidies	Development contributions		Financial Contributions		Other funding*	Estimated HUE demand using each asset type	Estimated annualised HUE demand	Development contribution charge per HUE (excluding GST)
	[A]	[B]	[C]	[A] + [B] + [C]	Proportion	$	Proportion	$				
Parks										100% of residential, 0% of non-residential		
P1 New parks for our growing areas in Bell Block	1,901,000		2,281,300	4,182,300	0%	0	100%	(4,182,300)	0		350	0.00
P2 New parks for our growing areas in Bell Block	86,000		103,200	189,200	0%	0	100%	(189,200)	0		350	0.00
P3 New parks for our growing areas in Oakura	744,000		892,900	1,636,900	0%	0	100%	(1,636,900)	0		350	0.00
P4 Reserves along waterways Inglewood	96,000		115,200	211,200	14%	(29,600)	0%	0	(181,600)		350	8.46
P5 Reserves along waterways district wide	659,200		791,100	1,450,300	14%	(203,000)	0%	0	(1,247,300)		350	58.00
Total Parks	3,486,200	0	4,183,700	7,669,900		(232,600)		(6,008,400)	(1,428,900)		350	66.46
Community Infrastructure										100% of residential, 0% of non-residential		
No projects planned requiring development/financial contributions												
Total Community Infrastructure	0	0		0		0		0	0		0	0.00
Total	**52,513,200**	**(3,310,000)**	**59,047,100**	**108,250,300**		**(52,725,600)**		**(9,251,000)**	**(46,273,700)**			**3,062.13**

* Includes subsidies (excluding NZTA), reserves, loans and rates funding.

42. Table 1 shows the total cost of capital expenditure (in 2015/16 dollars) expected to be incurred to meet the increased demand for community facilities resulting from growth over the life of the Long-Term Plan 2015-2025. The table also shows the NZTA subsidies and estimated finance costs applied to the financing of the projects.The table also includes the amount of the total cost of capital expenditure that will be funded from development contributions, financial contributions and other funding (including subsidies, reserves, loans and rates funding). The development contributions charges specified in Table 1 take effect from 1 December 2015.

Geographic areas for contributions

43. The geographic area for development contributions is the entire district with the requirement for contributions based on the availability of community facility networks in that area. Where a service is not available, the development contribution will not be required.
44. In order to forecast the demand for each service, it has been estimated that roading will be provided to 100 per cent of new developments, water will be provided to 90 per cent of new developments, while wastewater, stormwater and flood protection will be provided to 80 per cent of new developments. Parks and community infrastructure are estimated to be provided to 100 per cent of residential developments and zero per cent of non-residential developments, as non-residential developments do not create significant demand for these types of facilities. This has been converted to HUE demand in table 1.
45. This approach to the geographic areas for contributions is considered to balance practical and administrative efficiencies with considerations of fairness and equity as contributions are only charged on the community facilities that are available to a development.
46. The Council utilises the resource consent process under the Resource Management Act 1991 to require provision of community facilities within a development and immediately off-site of a development. This includes developer led

infrastructure and/or the requirement for financial contributions to cover Council provided community facilities. This replaces the need for a focussed catchment approach to the use of development contributions for the same growth related total cost of capital expenditure within developments and immediately off-site of developments.

47. The Council is currently developing a spatial Blueprint for the district which will guide growth and development in the district over the next 30 years. The Blueprint will inform the review of the New Plymouth District Plan to commence in 2015. During this review the Council will be reviewing and testing potential future growth areas in the district and reviewing the financial contribution provisions of the District Plan. The outcomes of this review may lead to a more detailed catchment based approach to requiring development contributions.

Units of demand

48. The household unit equivalent (HUE) has been established as the basic unit of demand, and is the equivalent of one average residential dwelling. Development contributions have been calculated according to the number of HUEs in a development. One new residential dwelling, subdivision or building consent is generally considered as one HUE, while non-residential developments are proportions or multiples of that. The following values represent typical levels of demand for a dwelling in the district.

Activity	Units	Demand per HUE	Comments
Roads	Vehicle trips per day	10	
Water supply	Litres per household per day	806	310 litres per person per day at 2.6 people per household
Wastewater	Litres per household per day	650	250 litres per person per day at 2.6 people per household
Stormwater drainage and flood protection and control works	Impervious area (m^2)	400	Sample average per dwelling

49. For non-residential developments, development contributions for water supply, wastewater, stormwater drainage, flood protection and control works, and roads can be converted to HUEs based on a combination of accepted industry standards and assessment of information provided by the developer on the demand they expect to generate.

50. For planning purposes, one non-residential building is generally considered as nine HUE and is based on the previous five year average HUE per non-residential development.

51. Developments that do not generate any demand for infrastructure will not be charged a development contribution. Developments that only place low demand on infrastructure capacity will typically be assessed in percentages of HUEs, rather than whole HUEs.

Significant assumptions for calculation of development contributions

52. The capital expenditure identified in the Long-Term Plan 2015-2025 is the amount required to meet the demand generated from growth over the 10 year period of the plan. This expenditure is based on the Council's asset management, activity management, and financial plans, as well as incorporating community priorities and outcomes.

The finance cost attributed to the net capital expenditure (after subsidies) identified as growth is calculated by applying the Council's forecast interest cost of borrowing rate in the Long-Term Plan 2015-2025 on a 30 year table loan basis.

53. Population of New Plymouth District is predicted to grow from 75,100 in 2015 to approximately 83,400 in 2025 and to over 88,000 by 2045.

54. The rate of new residential dwellings and subdivided lots is predicted to be approximately 350 per year over the next 10 years to meet demand from population growth. This is supported by historical data showing an annual average of 308 new dwellings per year over the last five years and

328 over a 10-year period. Accepting that the economic climate may fluctuate but will over the long-term (2015-2025) remain balanced it is forecast that the rate of new dwellings will settle at around 350 per year to meet demand from population growth. To be consistent with the Council's Infrastructure Strategy, for longer-term planning purposes this rate is assumed to remain constant for the next 30 years out to 2045.

55. The rate of new non-residential development is predicted to be approximately 40 per year over the next 10 years. This is supported by a historical five year average of 39.4 new developments per year. The demand per year for this new non-residential development is predicted to be 360 HUE based on an historical average HUE per development.

56. The total demand per year from new residential and non-residential development is predicted to be 710 HUE. This is made up of 350 HUE for residential and 360 for non-residential.

Calculation of development contributions

57. The development contributions charge per unit of demand for each activity area is calculated using the following process:

Total cost of capital expenditure (including finance cost) to be collected in development contributions for each growth related project

÷

Period of benefit of the project

=

Total amount to be collected annually in development contributions for each growth related project

÷

The forecast average annual growth in demand (HUEs)

=

Contribution per HUE

58. The total development contribution for each new residential section or dwelling is then calculated by adding together the individual contributions for each service or activity for which a development contribution is required. For urban developments this would normally include water supply, wastewater, stormwater drainage, flood protection and control works, roads, community infrastructure and parks. For rural developments, where certain services may not be available only contributions for services that are available may be collected.

59. The total development contribution for non-residential developments will be analysed on a case by case basis by assessing demand for infrastructure and converting it to HUEs and the development contributions individually calculated. The Council requires the developer to provide information on the demand that will be generated by their development. The Council assesses the information provided and determines the number of units of demand of the proposed development.

Inflation

60. Development contribution charges will be increased annually under the provisions of section 106 (2C) ensuring that the increase does not exceed the result of multiplying together:

a) The rate of increase (if any), in the Producers Price Index Outputs for Construction provided by Statistics New Zealand since the development contribution was last set or increased; and

b) The proportion of the total costs of capital expenditure to which the development contribution will be applied that does not relate to interest and other financing costs.

Development contributions reconsideration process

61. Section 202A of the LGA 2002 requires the Council to include a reconsideration process in its development contributions policy. The reconsideration process sets out how a request for reconsideration of a development contribution requirement can be lodged with the Council and the steps in the process the Council will apply when reconsidering the requirement to make a development contribution.

Right to reconsideration of requirement for development contributions

62. Any person required by the Council to make a development contribution may request the Council to reconsider the requirement if the person has grounds to believe that:

- The development contribution has been incorrectly calculated or assessed under the Council's Development Contributions Policy, or;

- The Council has incorrectly applied its Development Contributions Policy, or;
- The information used to assess the person's development against the Development Contributions Policy, or the way the Council has recorded or used it when requiring a development contribution, is incomplete or contains errors.

Lodging a request for reconsideration

63. Any request for reconsideration must be lodged by completing the Council's 'Request for Reconsideration of Development Contributions' application form.

64. A request for reconsideration must be made within 10 working days after the date on which the person lodging the request receives notice from the Council of the level of development contribution required.

Reconsideration process

65. The Council will undertake the following process to reconsider a requirement to make a development contribution:

Step 1: Receiving the request for reconsideration

- Council officers will assess the request to ensure that it is made on one or more of the statutory grounds for reconsideration and that the application form has been completed in full.
- Requests that are not made on one or more of the statutory grounds for reconsideration will be rejected.
- Incomplete application forms may be rejected.
- Council officers will contact the applicant to confirm receipt and acceptance or rejection of the request.

Step 2: Assessing the request for reconsideration

- Council officers will assess the request for reconsideration against the relevant provisions in the Council's Development Contributions Policy.
- Council officers may require further information from the applicant to fully assess the request for reconsideration. In such cases, the Council will contact the applicant and provide details of the further information required.

Step 3: Outcome of assessment of request for reconsideration

- The outcome of the assessment of a request for reconsideration will be one of the following:
  - Grant the request in full.
  - Grant the request in part.
  - Decline the request.
- The applicant will be informed in writing of the outcome and the reasons for the outcome within 15 working days after the date on which the Council receives all required information to assess the request for reconsideration.
- Council officers will liaise with the applicant to determine the arrangements of any repayments required to be paid to the applicant as a result of the reconsideration.

Policy review

66. The Development Contributions Policy and schedules are to be reviewed at least once every three years to meet the requirements of s106(6) LGA 2002.

67. Future policy reviews may be prompted by, and will consider various factors including the following:
    - Changes to the significant assumptions underlying this policy.
    - Changes to the capital expenditure allocated to growth.
    - Changes to the financial contribution provisions in the New Plymouth District Plan.
    - Changes to the numbers, types and locations of new subdivision, land use, and building consents.
    - Any change to legislation, or its interpretation, due to legislative amendments, repeals or new case law.
    - Whether any unforeseen impacts on the rate of growth or its location have arisen as a result of the implementation of the Development Contributions Policy.

Schedule 1: Schedule in accordance with s202 LGA 2002

Events that will give rise to the requirement for a development contribution and method of payment

68. When deciding whether a development contribution will be required the Council will first assess whether the proposed development is a subdivision or other development as defined in section 197 of the LGA 2002 which generates a demand for reserves, network infrastructure, or community infrastructure and secondly, whether the proposed development is one that, on its own or cumulatively with other developments, will require the Council to incur capital expenditure on new assets or assets of increased capacity (as required by section 197, 198 and 199 of the LGA 2002) and thirdly, whether a contribution is required under this policy.

69. If following the above assessment it is decided that a contribution is required, the development will be assessed according to the demand generated for each type of service, as measured in whole, or percentages of, HUE. The assessment will be undertaken using the methodology mentioned previously in this policy.

70. Contributions will be assessed under this policy when granting:
    - A resource consent under the Resource Management Act 1991 for a development or subdivision within New Plymouth District.
    - A building consent under the Building Act 2004 for building work situated in New Plymouth District.

71. In respect of subdivision consents, payment is to be made prior to granting of a certificate under section 224(c) of the RMA 1991. In respect of land use consent, payment is to be made prior to commencement of consent, or within 180 days of consent being granted, whichever occurs first. In respect of building consents payment is to be made within 180 days of granting consent, or prior to the code of compliance certificate being issued under section 43 of the Building Act, whichever occurs first.

72. As the sequence of development is not always consistent, development contributions will be required to be paid at the first available opportunity. At each and every subsequent opportunity the development will also be reviewed and additional contributions required if the units of demand assessed for the development exceed those previously paid. This would occur, for example, if the number of dwellings or HUEs had increased during the life of the proposal.

73. Homeowners carrying out renovations or extensions to their dwellings will not be subject to development contributions, unless the matters in statement 67 of this policy are triggered.

74. This Development Contributions Policy does not apply where a resource or building consent is required for a development which is the development of community facilities. This decision is made on the basis that applying the Development Contributions Policy to such developments would merely result in an internal transfer of budget from one account to another and would not generate any additional funding.

Method of calculation of contributions

75. Only the total cost of capital expenditure, including finance costs, is considered in this methodology. All operational expenditure is excluded. Capital expenditure has been identified from asset management, activity management, and financial plans and approved via the Long-Term Plan process together with a share of the finance costs.

76. The methodology for determining the development contribution for each individual development proposal has been outlined in the Development Contributions Policy and calculated in accordance with Schedule 13 of the LGA 2002. Some additional notes and worked examples are provided below.

Parks

77. Development contributions for parks will be used for development of existing and acquisition of new parkland and open space and for the capital development cost of new parks where these are not funded by financial contributions.

78. Section 203 of the LGA 2002 establishes a maximum contribution for reserves as follows:

"Development contributions for reserves must not exceed the greater of:
a) 7.5 per cent of the value of the additional allotments created by a subdivision; and
b) The value equivalent of 20 square metres of land for each additional household unit created by the development".

79. The development contribution for parks of $66.46 is less than the values above when assessed against the average land value of an urban housing lot as determined by government valuation. This will be checked for each proposed development to ensure it does not exceed the statutory maximum. It is noted that the development contribution will be in addition to any financial contribution towards Parks under the Financial Contributions Policy.

Community infrastructure

80. A community infrastructure contribution is required based on future projected demand for facilities such as a community centre or hall, play equipment located on a neighbourhood reserve, or public toilets.

Network infrastructure

81. Under the existing Financial Contributions Policy, the provisions for water supply, wastewater collection and treatment, stormwater disposal (including flood protection and control) and roading all require the applicant to meet the full cost of all land and works necessary to provide any subdivision or development with these services. This is achieved by requiring the applicant to meet all on-site costs associated with these services and to meet the fair and reasonable costs off-site necessary to service the development proposal in question where they have not been accounted for by development contributions.

Land or money

82. Under this Development Contributions Policy the contribution shall in every case be money, unless at the sole discretion of the Council, a piece of land offered by a developer would adequately suit the purposes for which the contribution is sought.

83. A developer agreement can override the above requirement for the type of contribution.

Enforcement

84. As a means of ensuring development contributions are made, the Council may withhold Resource Management Act 1991 section 224(c) subdivision certificates, Building Act section 43 compliance certificates or land use consents. Finally, the Council may register an unpaid development contribution under the Statutory Land Charges Registration Act 1928 as a charge on the title of the land, as provided for by section 208(d) of the LGA 2002.

Remissions, reductions and refunds

85. The Council may decide to allow remissions for particular community infrastructure works, such as that undertaken by schools, charitable organisations or trusts. Each application for a remission will be considered on a case-by-case basis.

86. The Council's policy is not to consider any requests to postpone a requirement to pay a development contribution(s).

87. A refund of development contributions paid or a return of land set aside for a development contribution (except a development contribution required for a specified reserve purpose) will be made in accordance with the relevant provisions of the Local Government Act 2002 upon written request from the consent holder where:

- The resource consent lapses or is surrendered.
- The building consent lapses.
- The development or building for which the consent was granted does not proceed.
- The Council does not provide the reserve, network infrastructure or community infrastructure for which the contribution was required.

88. A refund of development contributions paid or a return of land set aside for a specified reserve purpose will be made in accordance with the relevant provisions of the Local Government Act 2002 where:

- The money is not applied to that purpose within 10 years after the Council receives the money; and
- The Council does not use the land for that purpose within 10 years after the Council acquires the land (or other period agreed by the Council and the person who paid the development contribution).

89. The Council will also take into consideration that while a current property owner might not wish to connect to Council infrastructure,

prudence may require that the Council take the development into consideration when determining infrastructure capacity because some future property owner might wish to connect. This may mean that a development contribution is payable, even though the current owner does not want to connect to Council infrastructure.

Significant financial and administrative assumptions

90. This Development Contributions Policy is based on the following administrative and financial assumptions.
    - Contributions for growth in water, wastewater, stormwater drainage, and flood protection and control systems are only collected in those areas or catchments where that service is provided.
    - For projects meeting New Zealand Transport Agency (NZTA) criteria, NZTA subsidies will fund increased capacity alongside development contributions.
    - The current level (quality) of service has been applied to new developments as the basis for calculating development contributions for this policy.
    - Development contributions will be used towards the capital expenditure for increasing the capacity of network or community infrastructure or parks for which the contribution has been sought.
    - Income generated from rates and other operating revenue will be sufficient to meet the increase in operating costs generated by the increasing level of capital expenditure into the future.

Schedule 2: Schedule of assets for which development contributions are required

91. Section 201A of the LGA 2002 requires the Council to include in its Development Contributions Policy, a schedule of assets for which development contributions will be used.

92. This schedule lists the assets and programmes of work for which the development contributions requirements set out in this policy are intended to be used or have already been used. For each asset or programme of works the proportion of the capital cost proposed to be recovered through development contributions is provided as well as through other funding sources.

Name of project	Proportion of capital cost to be recovered through development contributions	Proportion of capital cost to be recovered through other funding
Roads		
R2 Road surface improvements	14%	86%
R5 Road network land purchase and widening	14%	86%
Water		
W1 Henwood Road additional reservoir	85%	15%
W2 New connection between Western Feeder and Mangorei reservoirs	20%	80%
W4 New reservoir Mountain Road	50%	50%
W5 New pipe to Henwood Road and Mountain Road reservoirs	85%	15%
W6 New trunk main Lepperton to Faull Road	85%	15%
W7 (part) Water treatment Plant upgrades	85%	15%
W8 Extend water to Barrett Road	25%	75%
Wastewater		
WW1 New Plymouth Wastewater Treatment Plant (NPWWTP) upgrade	34%	66%
WW2 NPWWTP thermal drier upgrade and renewal	30%	70%
WW3 NPWWTP bioreactor aeration system upgrade	43%	57%
WW6 Dillon Drive sewer upgrade	19%	81%
Parks		
P4 Reserves along waterways Inglewood	14%	86%
P5 Reserves along waterways district wide	14%	86%

Note: Amendments made by Council resolution 2 November 2015

Remission and Postponement of Rates Policies

Rates Policy 1

Rating of community, sporting and other organisations

Section 85 of the Local Government (Rating) Act 2002.

Objectives of the policy

The Council reaffirms its commitment to assist, where practicable, community clubs and organisations in recognition of the valuable 'Public Good' contribution made by such organisations to the character and well-being of the district.

Conditions and criteria

1. The Council may remit all rates on any rating unit that is owned or occupied by a charitable organisation, and is used exclusively or principally for sporting, recreation, or community purposes.
2. The policy will not apply to organisations operated for private pecuniary profit, or which charge commercial tuition fees.
3. All applications must be received in writing using New Plymouth District Council 'Application for Remission' form.
4. Any applications received during a rating year will be applicable from the commencement of the following rating year. No applications will be backdated.
5. Organisations making application should include the following documents in support of their application:
   a) Statement of objectives.
   b) Full financial accounts.
   c) Information on activities and programmes.
   d) Details of membership or clients.
6. The policy shall apply to such organisations as approved by the Manager Financial Services and the Manager Revenue and Expenditure as meeting the relevant criteria and the extent of any remission will be determined by those officers.
7. In respect of those rates referred to in sections 16 and 19 of the Local Government (Rating) Act 2002 (i.e. targeted rates), only one uniform annual sewer charge will apply and all other targeted rates will be charged at the applicable rate.
8. Any appeals against the decisions of the Manager Financial Services and Manager Revenue and Expenditure will be referred to the Monitoring Committee for final determination.
9. A summary of remissions must be supplied to the Council on an annual basis.

Rates Policy 2

Remission of penalties

Section 85 of the Local Government (Rating) Act 2002.

Objectives of the policy

The objective of this policy is to enable the Council to act fairly and reasonably in its consideration of rates which have not been received by the Council by the penalty date due to circumstances outside the ratepayer's control; or

In order to ensure the settlement of outstanding rates and the ratepayer has made an arrangement to pay over an extended period.

Conditions and criteria

1. Automatic remission of the penalties will apply to those ratepayers that have an automatic payment or direct debit in place as approved by the Manager Revenue and Expenditure.
2. Automatic remission of the penalties will apply to those ratepayers that pay their rates in full by the second instalment due date.
3. Remission of the penalty will be granted if the ratepayer is able to provide evidence that their payment has gone astray in the post or the late payment has otherwise resulted from matters outside their control.
4. Application will be considered on its merits and remission will be granted where it is considered just and equitable to do so.

5. Application for a penalty remission is required in writing however under some circumstances approved by either the Manager Financial Services or Manager Revenue and Expenditure, verbal applications will be accepted.
6. The Council may remit small balances due to cash rounding.
7. The Manager Financial Services and the Manager Revenue and Expenditure have delegated authority to grant or refuse remissions under this policy.
8. Any appeals against the decision will be referred to the Monitoring Committee for final determination.
9. If an arrangement to pay rates and/or clear outstandings is not adhered to, the Council may reinstate future penalty charges.

Rates Policy 3

Postponement or remission of rates for financial hardship

Sections 85 and 87 of the Local Government (Rating) Act 2002.

Objectives of the policy

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

A. Postponement – Owner/Ratepayer

Conditions and criteria

1. Only rating units used solely for residential purposes (as defined by the Council) will be eligible for consideration for rates postponement for extreme financial hardship.
2. Only the person entered as the ratepayer, or their authorised agent, may make an application for rates postponement for extreme financial hardship on 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).
3. The Council will consider, on a case by case basis, all applications received that meet the criteria described in the two paragraphs above.
4. When considering whether extreme financial hardship exists, all of the ratepayer's personal circumstances will be relevant including, but not limited to, the following factors: age, physical or mental disability, injury, illness and family circumstances.
5. 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 maintenance of his or her home and chattels at an adequate standard as well as making provision for normal day to day living expenses.
6. The ratepayer must make application to the Council on the prescribed form.
7. The ratepayer must make acceptable arrangements for payment of future rates, for example by setting up a system for regular payments.
8. The Council may add a postponement fee to the postponed rates for the period between the due date and the date they are paid. This fee will not exceed an amount which covers the Council's administration and financial costs.
9. 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.

10. The postponement will continue to apply until:
    - The ratepayer ceases to be the owner or occupier of the rating unit; or
    - The ratepayer ceases to use the property as their residence; or
    - A date specified by the Council;

    whichever is the sooner.
11. The postponed rates will remain a charge against the property and must be paid either at the end of the postponement term or when the property is sold. Postponed rates may include rate arrears owing from a previous financial year.
12. A rating charge will be registered on the certificate of title and will be removed when the postponed amount has been repaid.

B. Remission - Near Ownership Situations

Conditions and criteria

1. Licence to Occupy in a Retirement Village
    - The amount of the remission will be equal to the Council's Uniform Annual General Charge.
    - The licensee must be the registered occupier and occupy the unit from 1st July of that rating year.
    - The licensee's sole income is from a Central Government benefit.
    - The licensee may have savings up to a maximum of $10,000 for the purpose of funeral expenses.
    - The licensee to provide proof of benefit.
    - The licensee to provide proof of rates payable to the Operator.
    - The licensee to provide explanation and proof of hardship.
    - The Council will annually advise the Operator of those residents that have had the remission approved and the amount of the rates remission.
    - The Operator will credit without deduction the amount of the remission attributable to each such Resident against any amount payable by the Resident to the Operator.
    - The Operator will provide proof to the Council that the remissions have been applied to those Residents.
2. Property Held in Trust
    - The amount of the remission will be equal to the Council's Uniform Annual General Charge.
    - The applicants sole income is from a Central Government benefit.
    - The applicant may have savings up to a maximum of $10,000 for the purpose of funeral expenses.
    - The applicant must be the ratepayer and supply proof from the Trust Deed.
    - The applicant must not be a financial beneficiary of the Trust.
    - The applicant must not be eligible for a rates rebate.
    - The applicant must provide an explanation and proof of hardship.
    - The Rating Unit must be rated as Residential.
    - The applicant must reside at the property.
3. Habitat for Humanity
    - The amount of the remission will be equal to the Council's Uniform Annual General Charge.
    - The applicant must provide proof of the long term sale and purchase agreement for the property with Habitat for Humanity.
    - The applicant's sole income is from a Central Government benefit or their income is at or below the Central Government equivalent benefit and proof of income is supplied.
    - The property must not be eligible for a rates rebate.
    - The applicant must provide an explanation and proof of hardship.
    - The Rating Unit must be rated as Residential.
    - The applicant must reside at the property.

The application will be determined by the Manager Financial Services and the Manager Revenue and Expenditure.

Any appeals against the decision will be referred to the Monitoring Committee for final determination.

Rates Policy 4

Rates remission on Māori freehold land

Sections 85 and 108 of the Local Government (Rating) Act 2002.

The Council only remits rates on Mâori freehold land, it does not allow postponements. In determining this policy the Council has taken account of those matters set out in Schedule 11 of the Local Government (Rating) Act 2002.

Objectives of the policy

To recognise situations where there is no occupier or no economic or financial benefit being derived from the land.

Where the owners cannot be found, to take into account the statutory limitation of time for the recovery of unpaid rates.

Conditions and criteria

1. The land must be multiple-owned and unoccupied Mâori freehold land that does not produce any income.
2. A request for rates remission by the owners must include:
   a) Details of the land;
   b) Documentation that shows the ownership of the land; and
   c) Reasons why remission is sought.
3. Where after due enquiry the owners of an unoccupied block cannot be found, the Council may apply a remission without the need for a request.
4. If circumstances change in respect of the land, the Council will review whether this remission policy is still appropriate to the land.
5. The Manager Financial Services and the Manager Revenue and Expenditure have delegated authority to grant or refuse remissions under this policy.
6. Any appeals against the decision will be referred to the Monitoring Committee for final determination.
7. A summary of remissions must be supplied to the Council on an annual basis.

Rates Policy 5

Rates remission in miscellaneous circumstances

Section 85 of the Local Government (Rating) Act 2002.

Objectives of the policy

It is recognised that not all situations in which the Council may wish to remit rates will necessarily be known about in advance and provided for in the Council's specific policies.

Conditions and criteria

1. The Council may remit all rates on a rating unit where it considers it just and equitable to do so because:
   a) Extraordinary circumstances have arisen by virtue of the transition from the Rating Powers Act 1988 to the Local Government (Rating) Act 2002 that meant it would be fair and equitable to grant relief.
   b) The application does not meet the circumstances provided for in any of the Council's other remission policies.
2. The application will be determined by the Manager Financial Services and the Manager Revenue and Expenditure.
3. Any appeals against the decision will be referred to the Monitoring Committee for final determination.

Rate Policy 6

Rates remission for land protected for natural historical or cultural purposes

Section 85 of the Local Government (Rating) Act 2002.

Objectives of the policy

The objective of this policy is to encourage the protection of significant natural areas by providing rates relief for privately owned land that contains special features voluntarily protected for natural, historic, cultural or conservation purposes.

Basis of remission

The remission will be based on the proportion the area protected bears to the total area of the property. Where the protected area is covenanted, the remission will be 100 per cent of the general rate pro-rata as per this proportion; where the protected area is protected by virtue of inclusion in the District Plan but not covenanted, the remission will be 50 per cent of the general rate pro-rata as per this proportion.

Note. Remissions granted under this policy do not include targeted rates.

Conditions and criteria

1. The area of land containing the special features is readily identified and able to be measured.
2. The special features are significant in terms of the loss of use or value of the property sustained in retaining the feature.
3. The area of land containing the feature is protected to the extent that economic utilisation is at least restricted or the value of the property is significantly affected by the existence of the feature being protected.
4. A heritage building is protected by a legal instrument or agreement.
5. The application will be determined by the Manager Financial Services and the Manager Revenue and Expenditure.
6. Any appeals against the decision will be referred to the Monitoring Committee for final determination.
7. Remissions granted under this policy will be reported to the Council on an annual basis.

Rates Policy 7

Remission of uniform annual general charges on rating units which are used for residential purposes and which include a separately inhabited part occupied by a dependent member of the family of the owner of the rating unit

Section 85 of the Local Government (Rating) Act 2002.

Objectives of the policy

The policy is to provide for the possibility of rates remission where more than one uniform annual general charge is assessed on a rating unit because that rating unit comprises more than one separately used or inhabited part and where the rating unit is used for residential purposes and includes a separately inhabited part occupied by a dependent member of the family of the owner of the rating unit.

Conditions and criteria

The Council may remit the specified rates where the application meets the following criteria:

1. The rating units above must be used as the owner's residence but also contain a minor flat or other residential accommodation unit which is inhabited by a member of the owner's family who is dependent on the owner or financial support and occupies the accommodation on a non paying basis (e.g. granny flat).

2. The owner(s) of the rating unit must complete and provide to the council a statutory declaration. Such a declaration will be effective for three years or until the conditions cease to be met, whichever is earlier. A fresh declaration must be completed and provided in order to qualify for consideration for remission beyond the first three year period.

3. The Manager Financial Services and Manager Revenue and Expenditure have delegated authority to grant or refuse remissions under this policy.

4. Any appeals against the decision will be referred to the Monitoring Committee for final determination.

Rates Pollcy 8

Rates remission of uniform annual refuse charge

Section 85 of the Local Government (Rating) Act 2002.

Objectives of the policy

To recognise that some multi-unit complexes may have commercial arrangements for collection and disposal of refuse.

Conditions and criteria

1. The uniform targeted rate for refuse collection and disposal may be waived where an apartment house or other group of residential units has a private arrangement for the collection and disposal of refuse to the satisfaction of the Council's Solid Waste Officer, and where the owner(s) of the residential unit(s) have confirmed, in writing, that they have accepted total responsibility for the removal and disposal of refuse from their property.

2. The Manager Financial Services has the delegated authority to waive refuse collection charges as detailed in this policy.

3. The imposition of charges on newly occupied residences and any waiving of charges under this policy may apply from the month that the service is provided, or ceased respectively.

4. Any appeals against the decision will be referred to the Monitoring Committee for final determination.