Kāpiti Coast
DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

LONG TERM PLAN 2012 – 2032

PART TWO

LTP POLICIES: Revenue & Financing, Significance, Rating
OTHER POLICIES: Treasury Management, Local Government Funding Agency, Development Contributions

THE LONG TERM PLAN IS DIVIDED INTO THREE VOLUMES OR PARTS:

PART ONE:

COUNCIL DIRECTION
LEADERSHIP STATEMENT | FINANCIAL STRATEGY | ACTIVITIES

PART TWO:

LONG TERM PLAN POLICIES: Revenue and Financing, Significance, Rating
OTHER POLICIES: Treasury Management, Local Government Funding Agency, Development Contributions

PART THREE:

RATES | FEES | CHARGES: Funding Statement, Capital Expenditure Schedule, Financial Statement, Fees and Charges

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REVENUE AND FINANCING POLICY

BACKGROUND

The 2012 Revenue and Financing Policy:

- is structured by activity and shows a summary of the funding considerations for each activity.
- has been updated to clarify the distinctions between:
  - the nature of the activity;
  - who benefits from the activity; and
  - how the activity is funded.

The process of developing this policy involved the Elected Members considering the following funding principles.

WHY ARE THE FUNDING PRINCIPLES AND PROCESS IMPORTANT?

When making funding policy the Council must work through the process and matters set out in section 101(3) of the Local Government Act 2002 (LGA), while having regard to the section 101(1) obligation to act prudently and in the interests of the community.

These requirements provide local authorities with a list of matters to consider as part of the development of a transparent revenue system. The section 101(3) requirements recognise that funding policy is more than just a device for raising revenue but, subject to the prudence test, is also one of the instruments the Council may wish to use to promote community wellbeing. While the results of section 101(3) analysis are presented in the Revenue and Financing Policy they apply equally to other policies.

<u>Section 101(3) analysis features in:</u>

- the Revenue and Financing Policy – sets out the Council's selection of funding sources for capital and operating expenditure and the rationale for that selection of tools.
- the Policy on Development Contributions or Financial Contributions – explains how capital expenditure will be funded and the rationale for those choices
- the Long Term Plan disclosures at groups of activity levels – the 'schedule 10 disclosures' require a statement of estimated revenue levels, other sources of funds and explain why these have been selected.

FIRST STEP CONSIDERATIONS

Section 101(3) analysis is basically a two-step process. The first step requires consideration *at activity level* of each of the following:

1. **Community Outcomes** – the community outcomes to which the activity primarily contributes (the rationale for service delivery);
2. **the user/beneficiary pays principle** – the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals;

3. **the intergenerational equity principle** – the period in or over which those benefits are expected to accrue;
4. **the exacerbator pays principle** – the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
5. **the costs and benefits of funding the activity distinctly from other activities**, including consequences for transparency and accountability.

These five points form a 'menu' of considerations; no single criterion has greater weight *in law* than the others. The Council may adopt a policy which assigns more weight to one than the others but the Council must consider all the criteria, and be able to demonstrate this consideration to the public.

1. Community Outcomes to which the Activity primarily contributes

Although the Local Government Act only requires consideration of Community Outcomes, good practice suggests consideration of the other priorities of the local authority. This gives further emphasis to the need to pay attention to the *rationale for service delivery*.

2. The distribution of benefits between the community, identifiable parts and individuals

This is the 'user/beneficiary pays' principle local authorities became accustomed to applying in the mid-late 1990's.

The rationale for service delivery may well highlight a number of different aspects of a particular activity that has different mixes of public and private good. There is no uniform technical answer to these questions.

Activities that predominantly benefit the community as a whole are generally good candidates for funding mechanisms levied on the community as a whole, for example a general rate. Activities that benefit particular individuals or groups tend to be better candidates for mechanisms that recover the costs from those individuals or groups, for example targeted rates, fees, and charges. Many activities provided by local authorities tend to fall somewhere between these. In these cases, depending on other analysis, a local authority might apply a mix of tools, or might make a judgement to use a single funding mechanism.

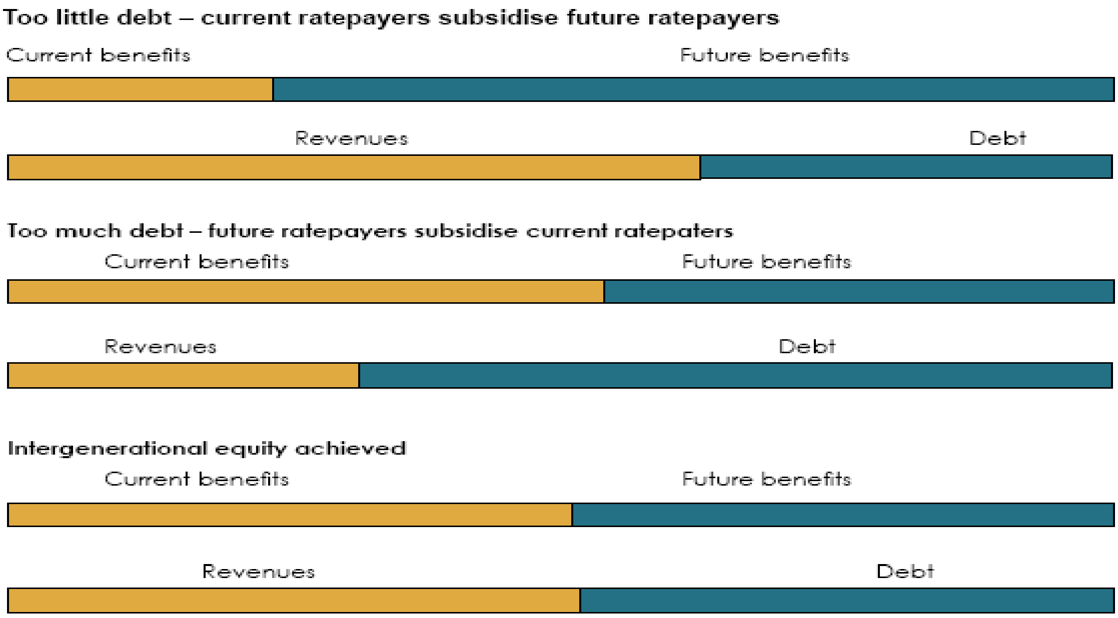
3. Period over which benefits occur

This is the 'intergenerational equity' principle. Many of the activities provided by local government are either network or community infrastructure, which have long service lives. Benefits from these services can be expected to accrue over the entire life of the asset. This matter requires consideration of how benefits are distributed over time and the merits of applying funding sources that achieve a spreading of the cost over time. This is illustrated in Figure 1 on the next page.

The main tool for ensuring intergenerational equity is the use of debt, and then rating future ratepayers to service the debt. This is similar to the way many people purchase their first home. A decision not to borrow for new capital is effectively a decision that current ratepayers should meet the cost of services that future ratepayers will consume, and should be made as a conscious policy choice.

A meaningful assessment of intergenerational equity requires rigorous asset management information that sets out service levels, current and predicted asset condition, expected service lives, programmes of capital, maintenance and renewal. The information source for this is a robust asset management plan.

Figure 1: The Intergenerational Equity Principle in Action



4. The extent to which actions or inactions contribute to a need to undertake the Activity

This is the 'exacerbator pays' principle and basically holds that those whose actions or inactions give rise to a need to undertake a particular activity should meet part of the cost of that particular activity.

5. Costs and benefits from funding the Activities distinctly from other Activities

This is a requirement to consider whether there is any advantage to funding the activity separately from others. In other words, is this an activity that could be funded from a general funding source (such as rates) or a targeted source (such as a targeted rate, fee or charge etc)?

The legislation specifically requires consideration of 'consequences for transparency and accountability'. This might include:

- *the financial scale of the activity* – the smaller the activity the less likely it is that separate funding will be economic;
- *the administrative costs that would be involved in funding the activity separately* – for example the cost of creating the information necessary to administer a targeted rate on the rating information database and adding extra information to the invoice, invoicing and collection of a fee or charge etc;
- *legal requirements* – occasionally the law may require an activity to be 'ring-fenced'. For example, if a local authority is contemplating some capital work and wishes to offer ratepayers a lump sum contribution option then it must apply a targeted rate (at least for the capital component);
- *the distribution of benefits among the community may aid a decision* – for example, something that is of benefit to a subset of the community may be a stronger candidate for separate funding than something that benefits the community as a whole;

- *promotion of value* – separating some activities, especially those to be funded from rates, may assist a local authority in its promotion of value for money. This is particularly relevant for some of the utility based activities such as water, refuse collection, and sewage disposal. There may also be other activities where a local authority may see a benefit in the community clearly being able to see what it is ‘getting for its money’; and
- *other benefits.*

The 2012 Revenue and Finance Policy follows.

2012 REVENUE AND FINANCING POLICY

BACKGROUND

The Local Government Act 2002 requires the Council to adopt a range of policies that outline how operating and capital expenditure for each Council activity will be funded. These policies include a Revenue and Financing Policy. The reason for having such policies is to ensure the Council provides predictability and certainty about sources and levels of funding for the Council's activities.

This Long Term Plan is constructed around the following seven Community Outcomes identified by the community:

Outcome 1:	there are healthy natural systems which people can enjoy;
Outcome 2:	local character is retained within a cohesive District;
Outcome 3:	the nature and rate of population growth is appropriate to community goals;
Outcome 4:	the community makes wise use of local resources and people have the ability to act in a sustainable way;
Outcome 5:	there is increased choice to work locally;
Outcome 6:	the District is a place that works for young people; and
Outcome 7:	the District has a strong, healthy and involved community.

* Note: these are the 2009 Community Outcomes adopted on 3 June 2009.

The Council manages a range of activities to support the achievement of the Council's role in that area to give effect to the Community Outcomes.

FUNDING CONSIDERATIONS

In determining the most appropriate funding source for each activity the Council is required under section 101(3) of the Local Government Act 2002 to consider the following factors:

<u>First Step Considerations:</u>

- the Community Outcomes to which the activity primarily contributes;
- the distribution of benefits between the community as a complete unit, any identifiable part of the community and individuals;
- the period in, or over which, those benefits are expected to occur;
- the extent to which the actions, or inactions, of particular individuals, or a group, contribute to the need to undertake the activity; and
- the cost and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

<u>Second Step Considerations:</u>

- The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community.

The Council prepares this Long Term Plan with a commencement date of 1 July 2012. The following tables provide a summary of the proposed funding considerations for the 16 Council activities. They also identify the Community Outcomes each activity contributes to.

Some of the rating mechanisms included in the Revenue and Financing Policy are subject to differentials for equity purposes for various groups of ratepayers such as retirement villages, community organisations, large scale commercial operations and motels. Some of these differentials are referenced in the Revenue and Financing Policy but the full details are included in the Funding Impact Statement.

ACCESS AND TRANSPORT	
Nature of benefit/activity	• provision of access and associated facilities for walking, cycling, vehicles and passenger transport; • maintenance, renewal and construction of the access network including roads, cycleways, walkways and bridleways, traffic management services; • community road safety programmes; • access between public private spaces, facilities, social services, recreation etc; and • design focus has a wider benefit of urban amenity linked to social, cultural, environmental (for example run-off control) and economic wellbeing.
Who/what creates need?	The entire community creates the need for an accessible urban environment where transport links are readily available for both business and public use.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• network users; • land developers – creates access to new developments; • entire community benefits from accessibility of District and ease of transportation throughout the District (for example access to work and local economy, health and recreation, and environmental quality) • Yes - can identify capacity upgrade component from new development, however, cannot differentiate individual network users at local level (central government petrol tax addresses this). • safety, management of traffic flows in terms of amenity and impacts, health and economic return to District of access to services and facilities etc. • Ongoing benefits for the period the infrastructural assets are being maintained and renewed.
Funding source allocation and funding source	Operating Costs: • 70% public and 30% private via central government allocations of road tax on individual users. Funded by: • districtwide roading rates; • petrol tax; • districtwide roading fixed charges; and • central government – New Zealand Transport Agency (NZTA) subsidy. Capital Costs: • 100% public - funded for works not incurred due to private development; and • development contributions for capacity incurred for private development proportional to level incurred. Funded by: • loans; • development contributions; • districtwide roading rates/fixed charges (depreciation); and • NZTA subsidy.

ACCESS AND TRANSPORT	
Costs and benefits of separate funding	The public benefit of the roading activity is funded from a separate districtwide roading rate and a roading fixed charge per property.
Overall impact	• increased accessibility of the District for all travel modes; and • orderly, safe environment for transport within the District.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 5. There is increased choice to work locally. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

<table>
<tr><th colspan="3">BUILDING CONTROL AND RESOURCE CONSENT</th></tr>
<tr><td>Nature of benefit/activity</td><td colspan="2">Building Control
• Standards of safety and quality of buildings within the District are monitored and enforced.

Resource Consents
• the sustainable management of all physical and natural resources on the Kāpiti Coast to sustain the life supporting capacity of these resources to meet the needs of future generations; and
• the District is developed in a planned and orderly manner in harmony with the environment and community aspirations and values.</td></tr>
<tr><td>Who/what creates need?</td><td colspan="2">Building Control
• entire community creates the need for monitored standards of safety and quality of buildings;
• property owners; and
• statutory requirement.

Resource Consents
• subdividers/developers;
• entire community; and
• statutory requirement.</td></tr>
<tr><td>Who benefits - exacerbator or individuals or groups of individuals or community as a whole?</td><td>Building Control
• entire District benefits; and
• users of building control services.</td><td>Resource Consents
• entire community benefits from the sustainable management of the Kāpiti Coast environment;
• subdivider/ developer benefits from certainty as to proposals.</td></tr>
<tr><td>Can the beneficiaries be identified?</td><td>• Yes – entire community.</td><td>• Yes – entire community.</td></tr>
<tr><td>Public benefits?</td><td>• primarily private benefit in terms of private asset value. Public benefit derives from associated efficient use of resources (for example energy), health, safety (fire).</td><td>• ongoing benefits from ensuring compliance with environmental standards set under the Resource Management Act 1991 and subsequent amendments.</td></tr>
<tr><td>Period of benefits</td><td>• Ongoing benefits.</td><td>• Ongoing benefits.</td></tr>
</table>

BUILDING CONTROL AND RESOURCE CONSENT		
Funding source allocation and funding source	<u>Operating Costs:</u> **Building Control** • 45% public and 55% private. Funded by: • regulatory services rate; and • building control fees.	**Resource Consents** • 70% public and 30% private; • legal fees for Environmental Court hearings excluded from the funding apportionment. Funded by: • regulatory services rate with differentials for rural rating areas; and • fees and charges.
Costs and benefits of separate funding	The public benefit portions of the Building Control and Resource Consent activities are funded as part of the Regulatory Services rate. The costs of having a separate charge for these activities would outweigh the benefits.	
Overall impact	• protection and sustainable management of the District's environment; and • good standards maintained for safety and quality of buildings in District.	
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 7. The District has a strong, healthy, safe, and involved community.	

COASTAL MANAGEMENT	
Nature of benefit/activity	• protection of Council owned (community) assets: o roading; o other assets.* • support of community coastal restoration initiatives focused on the protection and restoration of natural dune and coastal processes.** • ongoing investigation and documentation of coastal hazards and update of the Coastal Management Strategy. Notes: * Such an activity purpose should not be construed as an absolute commitment to protection of all Council assets as a matter of course. Decisions will be made on a case by case basis, as set out under the relevant asset plan and guided by the Coastal Management Strategy. **This activity purpose does not include investment in, or responsibility for, the protection of private assets. This indicates a funding source for community initiatives and does not commit to any particular action. Where public intervention to protect public assets also creates private benefit via protection of private assets, Council may seek contribution to the cost of the works based on the specific analysis of the private benefit created. Where existing private works exist to protect private property and they are at risk, Council may co-ordinate the review of risks and potential works needed and will recover these costs from private beneficiaries over time. This should not in any way be construed as responsibility for the protection of private assets via the construction of actual works.
Who/what creates need?	Cumulative actions of settlement, climate processes, and the action of the sea.

COASTAL MANAGEMENT	
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• community – all users of public assets protected; • community generally – protection and restoration of coastal character and systems; and • opportunities for private benefit from actions to protect public assets. • yes, but private beneficiaries are a consequence of an action to protect a public asset. Explicit policy intention not to protect private assets. • Primarily public benefit. Any private benefit is an unintended consequence. • ongoing benefits for the period the infrastructural assets are being maintained and renewed.
Funding source allocation and funding source	<u>Operating Costs:</u> • 100% public Funded by: • districtwide general rate (non-roading assets); and • districtwide roading rate (roading assets). <u>Capital Costs:</u> • 100% public. Funded by: • districtwide general rates (depreciation); • loans; and • central government (NZTA) subsidy.
Costs and benefits of separate funding	The distribution of benefits analysis for this activity indicates that all benefits flow to the community as a whole. The most efficient way to fund this activity is through general rates.
Overall impact	• protection of public assets; and • preservation of natural character of the District's coastal environment.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

COMMUNITY FACILITIES	
Nature of benefit/activity	• pools maintained to enhance the health, enjoyment and quality of life of the District's residents and visitors; • ensuring some affordable housing is available for older persons; and • providing public facilities that allow for community participation.
Who/what creates need?	• entire District creates the need for these facilities; • entire community creates the need for affordable housing and public facilities.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole?	• entire District; • users of the facilities provided; • visitors to the District; • older persons within the community who qualify for housing; • entire community benefits through the availability of public facilities;
Can the beneficiaries be identified?	• Public halls – yes – community groups and individuals • Public toilets –yes – individuals • Swimming pools –yes – individuals and groups • Cemeteries – yes – entire community • Housing for older persons – yes – individuals
Public benefits?	• Public halls – significant individual and community group benefit. Equal public benefit in terms of community activity, health and engagement. Full charging for private benefit would be a major deterrent to users. • Public toilets – private and public benefit (public health, tourism attraction). Administrative costs for charging for private benefits would create a risk in terms of public health. • Swimming pools – private and public benefit (public health, community activity). Charging for full private benefits would be a significant deterrent to the large number of older users and families. • Cemeteries – private benefit – place to bury dead in a respectful way; public benefit – public health, continuing of cultural traditions around burial. Public health considerations are of greater significance than private benefits. • Housing for older persons – primarily private benefit of affordable housing. Public benefit of community care for vulnerable.
Period of benefits	• ongoing benefits for the period the assets are being maintained and renewed

COMMUNITY FACILITIES	
Funding source allocation and funding source	<u>Operating Costs:</u> • public halls and community centre: o 75% public (community facilities fixed charges – transitional differentials apply for multi-occupied properties); and o 25% private (hall rental charges). • public toilets: o 100% public (Districtwide general rates). • public swimming pools: o 75% public (community facilities fixed charges – transitional differentials apply for multi-occupied properties); and o 25% private (swimming pool fees). • public cemeteries: o 60% public (districtwide general rate); and o 40% private (cemetery fees). • housing for older persons: o 100% private - (housing for older persons rental income). <u>Capital Costs:</u> • 100% public funded for works not incurred due to private development; and • development contributions for capacity incurred for private development proportional to level incurred. Funded by: • loans; • development contributions; • districtwide general rate (depreciation); • community facilities fixed charges (depreciation); • community contribution (for example the Coastlands Aquatic Centre Trust); and • housing for older persons rental income (depreciation).
Costs and benefits of separate funding	Council currently levies a community facilities fixed charge per property that covers the functions/activities of Libraries, Parks and Reserves, Swimming Pools and Public Halls.
Overall impact	• public halls and toilet facilities available throughout the District; • cemetery facilities available in local community; and • housing for vulnerable older persons available throughout the District.
Community Outcomes	2. Local character is retained within a cohesive District. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

DEVELOPMENT MANAGEMENT	
Nature of benefit/activity	Strategic planning and policy development to manage growth pressures: • urban areas retain their unique character and existing amenity values; • improved environmental monitoring; • all physical and natural resources on the Kāpiti Coast are sustainably managed; and • improved design and landscaping of urban development.
Who/what creates need?	• developers; • entire community; and • statutory requirement.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• developers in terms of a clear consistent policy framework for development proposals; • people immediately affected by development proposals; and • entire community as a complete unit benefits from a sustainable environment protecting the unique character and existing amenity values of the District. • Yes for Private Plan Changes –- full benefits accrue to developer and can be identified. If sufficient public benefit arising can choose to treat as a public plan change; and • No for general policy including District Plan development. • Public benefit from providing a regulatory framework to manage development and change as it affects the environment; and • from community involvement in design processes. • Benefits are ongoing in terms of protecting the environment for future generations.
Funding source allocation and funding source	Operating Costs: • 100% public (except for Private Plan Change costs which are fully private funded); Sustainable Development (District Plan): Funded by: • regulatory services rate; • town centre upgrading – debt servicing cost; and • strategic land purchases – debt servicing cost. Funded by: • districtwide general rate. Capital Costs: • 100% public. Funded by: • town centre upgrading; and • strategic land purchase. Funded by: • loans; • development contributions; and • districtwide general rates (depreciation).

DEVELOPMENT MANAGEMENT	
Costs and benefits of separate funding	The distribution of benefits analysis for this activity indicates that benefits flow to the community as a whole, except where clearly delineated under a private plan change application. The most efficient way to fund this activity is through general rates and regulatory services rates except for private plan changes.
Overall impact	• protection of the natural and built environments; • preserving natural character for future generations; and • improved urban development.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 5. There is increased choice to work locally. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

ECONOMIC DEVELOPMENT	
Nature of benefit/activity	• promotion and encouragement of economic development opportunities within the Kāpiti Coast District; • tourism information and development services; and • overall economic strategy developed for District and neighbouring local authorities.
Who/what creates need?	• entire community (development of economy); • individual businesses; and • visitors.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole?	• entire community through a healthy, growing and sustainable economy; • individual businesses will benefit from specific initiatives; • residents achieving local employment; • the entire community benefits through improved economic activity in tourism; • individual businesses from tourism opportunities; and • visitors to the District.
Can the beneficiaries be identified?	• Yes in some cases, however this is dependant on the service used. For example tourism information.
Public benefits?	• Public benefits from sustainable economic growth. Public benefits outweigh charging for information. For example tourism services.
Period of benefits	• Variable. Most identifiable tourism information services for the life of the asset or lease arrangement.
Funding source allocation and funding source	<u>Operating Costs:</u> • 100% public Funded by: • districtwide general rate. <u>Capital Costs</u>: • 100% public Funded by: • loans
Costs and benefits of separate funding	The distribution of benefits analysis for this activity indicates that benefits flow to the community as a whole with some identifiable private benefit for some services. The most efficient way to fund this activity is through general rates.

ECONOMIC DEVELOPMENT	
Overall impact	• sustainable local economy; • income/employment benefits; • business prosperity; • business attraction to the District; • increased employment opportunities; • increased community wealth; • increased tourism opportunities for the District through active promotion; and • increased employment in the tourism industry.
Community Outcomes	5. There is increased choice to work locally. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

ENVIRONMENTAL PROTECTION	
Nature of benefit/activity	• provision of an efficient monitoring, regulatory and emergency response service. • It administers current relevant legislation and bylaws to promote the health, safety and wellbeing of the community and protect the unique environment of the Kāpiti Coast.
Who/what creates need?	• users of regulatory services; • the District as a whole to ensure there is a consistent regulatory framework to promote health, safety and wellbeing of the people and environment of the Kāpiti Coast; and • statutory requirement.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• entire District benefits from regulatory requirements that promote health, safety and wellbeing of the community; • users of regulatory services benefit; • ongoing benefits of regulatory environment for the District. • Yes - however, private beneficiaries cannot be identified for hazardous substances and environmental health compliance. • Full public benefit for hazardous substances, environmental health, and environmental compliance. Licensing primarily private benefit to operate a business, significant private benefit for animal control (pleasure to owner, safety benefit to community) and similar public private benefit for liquor control. • Ongoing.

ENVIRONMENTAL PROTECTION	
Funding source allocation and funding source	Operating Costs: • environmental health licensing: 10% public and 90% private; • environmental health duties: 100% public; • liquor licensing: 50% public and 50% private; • animal control: 20% public and 80% private; • hazardous substances: 100% public; • environmental monitoring: 90% public and 10% private. Funded by: • regulatory services rate; and • fees and charges for users of services. Emergency Management - 100% public. Funded by: • districtwide general rate. Capital Costs: • Emergency Management - 100% public. Funded by: • districtwide general rate (depreciation).
Costs and benefits of separate funding	The public benefit portions of Environmental Protection activities are funded as part of the Regulatory Services rate. The costs of having a separate charge for these activities would outweigh the benefits.
Overall impact	• increased safety of the District; and • protection of the local environment.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 7. The District has a strong, healthy, safe, and involved community.

GOVERNANCE AND TĀNGATA WHENUA	
Nature of benefit/activity	• public accountability of Council governance; • contribution of the public to the decision-making process is valuable; • ensures that public expectations are met with regard to identifying community social, economic, environmental and cultural needs - both current and future; and • sustainability of Council activities.
Who/what creates need?	• need is created by entire community for knowledge of and involvement in the Council's decisions; • need is created by the Council for an efficient and effective interface with and guidance from the public in decision making; and • statutory requirement.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• the entire community benefits from involvement with the Council's decisions and goals, knowledge of the intended paths to meet those goals, and monitoring of progress. • Yes – entire community. • Major benefits in terms of operation of local democracy and statutory processes. • Benefits are ongoing with a Council/public partnership.
Funding source allocation and funding source	<u>Operating Costs:</u> • 100% public. Funded by: • districtwide general rates; and • local community rates. <u>Capital Costs:</u> • 100% public. Funded by: • loans; • districtwide general rates (depreciation); and • development contributions.

GOVERNANCE AND TĀNGATA WHENUA	
Costs and benefits of separate funding	The distribution of benefits analysis for this activity indicates that all benefits flow to the community as a District or locally. The most efficient way to fund this activity is through general rates and local community rates.
Overall impact	• transparency of governance promotes trust of public decisions; • harmonious community involvement created by efficient and effective interface; and • planning for the provision of social, economic, environmental and cultural needs, amenities and initiatives in a sustainable cost-effective manner.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 5. There is increased choice to work locally. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

LIBRARIES, ARTS AND MUSEUMS	
Nature of benefit/activity	• promotion of an educated, creative inspired community; • availability of recreational facilities to the public; and • accessibility to a range of historical knowledge and items of cultural and community significance.
Who/what creates need?	Entire community for Library, museum and arts experience and access to information services as a key factor in civic life.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• the entire community benefits from choice of recreational activities and educational opportunities the Library offers; and • the entire community benefits from an informed community. • Yes – the entire community; and specific benefits to borrowers of material. • significant public benefits deriving from an informed community, recreation, community interaction, and community meeting space. • For the life of the asset.
Funding source allocation and funding source	<u>Operating Costs:</u> • 95% public and 5% private Funded by: • community facilities fixed charges; and • library fees and charges. <u>Capital Costs</u> • 100% public funded for works not incurred due to private development; and • development contributions for capacity incurred for private development proportional to level incurred. Funded by: • development contributions (community infrastructure); • loans; and • community facilities fixed charges (depreciation).
Costs and benefits of separate funding	Libraries are currently funded as part of Community Facilities fixed charge per property. The costs of having a separate Library Charge would outweigh the benefits.
Overall impact	• open access to information sources; and • an educated creative community.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 5. There is increased choice to work locally. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

PARKS AND OPEN SPACE	
Nature of benefit/activity	• parks, reserves, sports fields, public gardens; • focus for community activity and involvement in improving environment; • amenity in urban environments – source of pleasure, community pride and places for recreation (reserves); • source of health and wellbeing for community; • significant source of urban biodiversity (dependant on planting policies); and • open space as overflow paths for stormwater, water quality management.
Who/what creates need?	Entire District creates the need for these facilities.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole?	• entire District; • adjacent residents – amenity; • users of the facilities provided; and • visitors to the District.
Can the beneficiaries be identified?	• Yes - however individual users of passive open space cannot be easily differentiated.
Public benefits?	• Significant public benefits – health, culture, amenity and biodiversity, and hazard management. • Private benefit from sportsfields at time of use – valuable as general open space at other times.
Period of benefits	• Ongoing benefits over life of asset.

Funding source allocation and funding source	<u>Operating Costs:</u>
	• reserves
	  o passive open space – 100% public;
	  o sportsfields and facilities 97% public and 3% private. (as total income against costs);
	(Note: reflects the current income levels from sporting and community organisations).
	Funded by:
	• community facilities charges.
	
	<u>Capital Costs:</u>
	Funded by:
	• reserves contributions;
	• loans; and
	• community facilities fixed charges (depreciation).

Costs and benefits of separate funding	Parks and Open Space are currently funded as part of the community facilities fixed charge per property. The costs of having a separate Parks and Open Space charge would outweigh the benefits.
Overall impact	Sporting/recreational facilities provided within the District.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

SOLID WASTE	
Nature of benefit/activity	• provision of an integrated solid waste reduction service; and • aftercare of landfills.
Who/what creates need?	• Creation of problem by producer and consumer. Waste disposer creates the need to reduce waste and dispose of safely.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• entire community benefits from a solid waste reduction strategy; • the exacerbator (waste disposer) benefits from the safe and efficient disposal of solid waste; and • direct households benefit from refuse collection and recycling. • Yes – entire community. • public benefits in terms of health; and • Waikanae residents benefit from convenience of location and operating hours of Waikanae Recycling Centre. • Ongoing benefits for the period the service is undertaken.
Funding source allocation and funding source	Operating Costs: collection, recycling and disposal exacerbator 99% private - refuse bag charges Ōtaki Transfer Station charges 1% public - Debt Serving Costs on Residual Aftercare costs. Additional operating hours Waikanae Recycling Centre funded from Districtwide General Rate. Capital Costs: • 100% public - residual aftercare Funded by • loans
Costs and benefits of separate funding	This activity is separately funded from charges generated from refuse bag sales and landfill charges.
Overall impact	• increased safety of the District; • protection of the local environment; and • protection of community health and safety.
Community Outcomes	4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 5. There is increased choice to work locally.

STORMWATER MANAGEMENT	
Nature of benefit/activity	• maintenance of a safe and efficient method of discharge of stormwater on land (private responsibility); • general benefits in terms of function of urban areas, public health and social wellbeing; and • protection of vulnerable areas from excess stormwater flooding.
Who/what creates need?	• development which exacerbates stormwater run-off by construction of impermeable surfaces; • entire community (historic) location in areas vulnerable to flooding and hazard; and • climate change effects (increase over baseline).
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• developers - use of downstream public assets to discharge stormwater. Note: Council employs a policy of hydraulic neutrality for up to 1 in 100 year events; and • properties within stormwater rating areas benefit from safe and efficient discharge of stormwater. • Yes - possible to charge for stormwater effects based on permeable surfaces and for pre- development contribution properties. • primarily public benefit for current capacity (given historic decisions to settle and inability to charge back). • ongoing benefits for the period the infrastructure assets are being maintained and renewed.
Funding source allocation and funding source	<u>Operating Costs:</u> • 100% public. Funded by: • capital value rates set for each stormwater rating area (since 2009 transition to having the same stormwater rate across all stormwater rating areas of the District by 2013/14). <u>Capital Costs:</u> • 100% public funded for works not incurred due to private development; and • development contributions for capacity incurred for private development proportional to level incurred. Funded by • loans; • development contributions (flood mitigation); and • capital value rates for each of the stormwater rating areas (depreciation).

STORMWATER MANAGEMENT	
Costs and benefits of separate funding	Stormwater is funded from separate stormwater rates for each stormwater rating area across the District.
Overall impact	• increased safety of the District; and • protection of the local environment.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 7. The District has a strong, healthy, safe, and involved community.

SUPPORTING ENVIRONMENTAL SUSTAINABILITY	
Nature of benefit/activity	• improved energy efficiency, biodiversity and waste minimisation; • promotion of the community's environmental sustainability through facilitation, advocacy and support; and • the community is enabled to act sustainably, in an easy, self reliant, responsible and innovative way.
Who/what creates need?	• entire community, climate processes.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• entire community benefits through improved levels of the community's environmental wellbeing; • biodiversity - land owners benefit from riparian fund and/or rates relief; • eco-design advice - building owners; and • community sustainability programme/Enviroschools - streets and neighbourhoods. • Yes – entire community. • Significant eco-system and urban system benefits. • Long term benefits.
Funding source allocation and funding source	<u>Operating Costs:</u> • 100% public Funded by: • districtwide general rate; and • external revenue.
Costs and benefits of separate funding	The distribution of benefits analysis for this activity indicates that benefits flow to the community as a whole, except where clearly delineated under a Private Plan Change application. The most efficient way to fund this activity is through general rates.
Overall impact	• improved community resilience including adaptation to/mitigation of climate change effects; • restoration of natural systems; and • community engagement.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 5. There is increased choice to work locally. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

SUPPORTING SOCIAL WELLBEING	
Nature of benefit/activity	• promotion of the community's social and cultural wellbeing through facilitation and advocacy. • reduced social problems; and • provision of social services support via contracts and grants.
Who/what creates need?	• entire community creates the need - desire for a community which works collectively and co-operatively and is able to withstand external pressures and shocks; • the more involved and skilled the more people contribute to the economic, social and cultural wellbeing of the District.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• entire community benefits through improved levels of the community's social and cultural wellbeing. • Yes – cannot identify individual beneficiaries. • Public benefits include health, co-operation, ability to leverage funding into District, and provision of services to the community. • Ongoing benefits.
Funding source allocation and funding source	<u>Operating Costs:</u> 100% public - community and social development: Funded by: • districtwide general rate.
Costs and benefits of separate funding	The distribution of benefits analysis for this activity indicates that all benefits flow to the community as a whole. The most efficient way to fund this activity is through general rates.
Overall impact	• social and cultural enrichment of society; and • increased resilience in the face of major issues and structural change.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 2. Local character is retained within a cohesive District. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 5. There is increased choice to work locally. 6. The District is a place that works for young people. 7. The District has a strong, healthy, safe, and involved community.

WASTEWATER MANAGEMENT	
Nature of benefit/activity	• maintenance of a safe and efficient method of collection, treatment and disposal of wastewater; • waste minimisation initiatives; • maintenance of health standards; and • services provided for commercial and industrial purposes.
Who/what creates need?	• individuals and businesses through the need to dispose of personal waste; • users of waste water service for disposal of waste created by business activity; • exacerbators who dispose of excessive volumes of waste due to high water use; and • entire community as a result of the need for public health services due to density of settlement.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• entire community benefits from safe and efficient disposal of wastewater; • commercial and industrial businesses benefit specifically from the provision of wastewater services to treat and dispose of waste; • households benefit from the disposal of personal waste; and • exacerbator. • Yes. • Public benefit from dealing with public health effects. • ongoing benefits for the period the infrastructure assets are being maintained and renewed.
Funding source allocation and funding source	<u>Operating Costs:</u> • 100% private. Funded by: • fixed charge per sewerage pan based on each wastewater system (since 2009 transition to having the same wastewater charges across all wastewater systems of the District by 2013/14). <u>Capital Costs:</u> • private 100%. Funded by: • loans; • fixed charges per sewerage pan (depreciation); and • development contributions for capacity incurred for private development proportional to level incurred.
Costs and benefits of separate funding	Wastewater is funded from separate wastewater charges for each wastewater system throughout the District. Transitional move to one charge across all wastewater systems of the District.
Overall impact	• protection of the local environment; and • protection of District health and safety.

WASTEWATER MANAGEMENT	
Community Outcomes	1. There are healthy natural systems which people can enjoy. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 7. The District has a strong, healthy, safe, and involved community.

WATER MANAGEMENT	
Nature of benefit/activity	• efficient use of water and management of effects on the environment; • efficient use of potable water; • maintenance of safe and efficient provision of drinking water; • maintenance of health standards; and • services provided for commercial and fire fighting purposes.
Who/what creates need?	• individuals and households for essential and agreed non-essential needs; • exacerbators – excessive users of potable water for non-essential needs; • entire community creates the need for a safe urban environment where water services are adequately provided and health standards maintained; • commercial and industrial enterprises create need for water services applicable to their business; and • fire fighting services create need for water services to carry out their job.
Who benefits - exacerbator or individuals or groups of individuals or community as a whole? **Can the beneficiaries be identified?** **Public benefits?** **Period of benefits**	• entire community benefits from safe and efficient provision of drinking water; • direct household benefit; • commercial businesses benefit specifically from the provision of water services; • entire community benefits from provision of water services by ensuring fire fighting capabilities are maintained; and • ongoing benefits for the period the infrastructural assets are being maintained and renewed. • Yes – where measurement of consumptions is used. • Public benefits from management of water use to reasonable/ responsible levels – deferred impacts on the environment, deferred need for infrastructure investment. • For period of active water management and life of water assets.
Funding source allocation and funding source	**Urban Water Supplies** <u>Operating Costs</u> • private water user - 100% operating and financing costs. Funded by: • fixed water charge per connection, (since 2009 transitional move to having the same water charge per connection for each urban water supply by 2013/14); • funding from 1 July 2014 - water meter charges for private beneficiaries of District's urban water supply system made up of a line charge and a volumetric charge; • targeted rates set for private beneficiaries who take up Council's interest free loan offer for Council approved water conservation purposes that reduce the use of Council's potable water supply (detailed policy being developed).

WATER MANAGEMENT	
	• targeted rate set to recover loan repayments over a 10 year period and will commence from 1 July 2011; • interest costs of the interest free loans are to be met by all Council potable water users in the Paraparaumu/Raumati/ Waikanae areas. <u>Capital Costs:</u> • 100% private Funded by: • development contributions; • loans; and • current fixed water charges per connections (depreciation). <u>Hautere Te Horo Water Supply</u> <u>Operating Costs</u>: • 100% private Funded by: • Fixed charge per unit (1 unit = 1 cubic metre /day)
Costs and benefits of separate funding	From 1 July 2011 to 30 June 2014 retain flat charge and from 1 July 2014 change to a consumption charge. Note the flat charge is in place until the water meters are installed. The benefits of a consumption charge are: • reduced demand for water and therefore reduced costs of infrastructure; • reduced environmental effects – both water take and discharge; and • fairer/more equitable distribution of costs across consumers.
Overall impact	• protection of community health and safety; • provision of safe drinking water to the community; and • provision of water services for fire fighting promoting a safe and caring community.
Community Outcomes	1. There are healthy natural systems which people can enjoy. 3. The nature and rate of population growth is appropriate to community goals. 4. The community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis. 7. The District has a strong, healthy, safe, and involved community.

SIGNIFICANCE POLICY

The Council is required to adopt a policy on significance under Section 90 of the Local Government Act 2002. The policy outlines the general approach of the Council to determine the significance of issues, proposals, decisions, and other matters. The policy includes thresholds, criteria and procedures that Council will use in assessing which issues, proposals, decisions and other matters are deemed to be significant. It also provides a list of assets which Council considers to be strategic assets and matches these with the appropriate Community Outcome(s).

DEFINITIONS

Section 5 of the Local Government Act 2002 defines 'significant' and 'significance' and 'strategic asset' as follows:

> ***Significance****, in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for:*
>
> *(a) the current and future social, economic, environmental, or cultural well-being of the district or region;*
>
> *(b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision or matter;*
>
> *(c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.*
>
> ***Significant****, in relation to any issue, proposal, decision, or other matter, means that the issue, proposal, decision, or other matter has a high degree of significance.*
>
> ***Strategic asset,*** *in relation to the assets, held by a local authority, means an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's 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; and includes -*
>
> *(a) any asset or group of assets listed in accordance with Section 90(2) by the local authority, and*
>
> *(b) 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*
>
> *(c) any equity securities held by the local authority in -*
> - *(i) A port company within the meaning of the Port Companies Act 1988.*
> - *(ii) An airport company within the meaning of the Airport Authorities Act 1966.*

GENERAL APPROACH

In considering how significant any issue, proposal, decision, or other matter is under this policy, the Council will be guided by the definitions in section 5 of the Local Government Act 2002, as set out above.

The decision-maker first considers the thresholds set out in this policy, which provides an initial indication of whether an issue, proposal, decision or other matter is significant.

All matters are then assessed against the Criteria. This enables a balanced view to be formed as to whether a matter is significant in terms of the statutory definition. Different situations may require greater or lesser weight to be attributed to different Criteria. Decision-makers may also take into account factors which are not explicitly included in this Policy.

The assessment of significance is carried out in accordance with the Council's Standing Orders. The Standing Orders stipulate processes for the making of decisions relating to ownership, control, management and operation (other than works contracts) of water assets and services and direct control of pricing.

The inclusion of the list of strategic assets within this policy meets the statutory requirement in section 90(2) of the Local Government Act 2002. The fact that any issue, proposal, decision or other matter involves a strategic asset does not automatically indicate that it is significant. These matters must still be assessed against the Thresholds and Criteria.

THRESHOLDS

When undertaking a process to determine which issue, proposal, decision or other matter is significant the Council will recognise the following thresholds as providing an initial indication that a matter is significant:

- issues, proposals, decisions, assets, or other matters for which the Council will:
  - incur operational expenditure exceeding 5% ($3.1 million in the 2012/13 year) of its annual budget for that year;
  - incur capital expenditure exceeding 1% ($9.0 million in the 2012/13 year) of the total value of the Council’s assets, or where spent on a strategic asset or strategic asset listed in this policy, exceeds 25% of that assets value.
- the sale of the Council’s controlling interest in any Council controlled trading organisation, or Council controlled organisation;

- decisions (*) relating to:
  - the ownership and /or transfer of the water asset or control of water pricing to another local government organisation, or
  - contracting out of the overall water supply service to either private interest or another local government organisation, or
  - establishment of a CCO or a joint arrangement or joint local government arrangement, or
  - departing from the not-for-profit policy

  must always be made using both a special consultative procedure and referendum.

  Note: (*)In accordance with this Significance Policy any proposal to change the Standing Orders requirement for a 75% majority in relation to the identified water matters triggers formal consultation. This ensures that a Council must formally signal and consult on any intention to change Standing Orders before proceeding to vote.

CRITERIA

In considering whether any issue, proposal, decision or other matter is significant the following criteria will be used:

- the extent to which the issue, proposal decision or other matter affects all or a large portion of the community in a way that is not inconsequential;
- the extent to which the financial implications of the issue, proposal, decision or other matter on the Council's overall resources are substantial;
- the extent to which the issue, proposal, decision or other matter has a history of wide public interest in the community or is likely to generate considerable public controversy;
- the extent to which a decision is consistent with the Council's Long Term Plan, current annual plan or other statutory planning documents;
- the extent to which the outcome of a decision accords with the outcomes which the Council has identified as important through the Local Government Act 2002 process;
- the extent to which the rights of people who would be otherwise affected by a decision may be protected by an alternative statutory process;
- the certainty of the outcome of a decision;
- the extent to which the Council will be able to reverse any decision.

PROCEDURES

Assessing significance is part of the decision-making process. It is assessed by all Council decision-making bodies in the course of making a decision or dealing with a matter. This includes the full Council, committees, officers, and all other subordinate decision-making bodies. It may also be reassessed during the course of a decision-making process, as further information becomes available.

The following procedures are considered to be appropriate for reports to the Council, committees and subcommittees:

- the reporting officer will initially consider the significance of the decision to be made in relation to the statutory definitions and the thresholds and criteria outlined in this policy;

- each report shall include:
  - a statement indicating whether the issue, proposal, decision or other matter is considered significant with regard to the Council's policy on significance;

- if the issue, proposal, decision or other matter is considered to be significant, the report will also include:
  - a statement addressing, as applicable, how the Council can appropriately observe sections 77, 78, 80, 81 and 82 of the Local Government Act 2002. (Refer section 76(3)(b)).

The following additional procedure applies in relation to any proposal to change the Standing Orders requirement for a 75% majority in relation to the identified water matters. Any such proposal will trigger formal consultation using the special consultative procedure. This ensures that a Council must formally signal and consult on any intention to change Standing Orders before proceeding to vote.

STRATEGIC ASSETS OF THE KĀPITI COAST DISTRICT COUNCIL

The Local Government Act 2002 (section 97) requires that this policy shall identify all of the assets the Council considers to be strategic, as defined in Section 5 of the Local Government Act 2002.

The Strategic Assets Register included in this policy is not an exhaustive list of Council assets. It includes those assets which the Council considers that it needs to retain to maintain its capacity to achieve or promote one of the following Community Outcomes:

Outcome 1:	there are healthy natural systems which people can enjoy;
Outcome 2:	local character is retained within a cohesive District;
Outcome 3:	the nature and rate of population growth is appropriate to community goals;
Outcome 4:	the community makes use of local resources and people have the ability to act in a sustainable way on a day to day basis;
Outcome 5:	there is increased choice to work locally;
Outcome 6:	the District is a place that works for young people;
Outcome 7:	the District has a strong, healthy, safe and involved community.

Strategic Asset [1]
Water Treatment Plants [2]
Reservoirs and water reticulation system as a complete unit [3]
Wastewater Treatment Plants [4]
Wastewater reticulation system as a complete unit [5]
Stormwater reticulation system as a complete unit
Landfills
Refuse Transfer Stations
Cemeteries
Roading system as a complete unit [6]
Amenity Parks, Sports Fields and Facilities as a complete unit under the Reserves Act 1977
District Libraries as a complete unit [7]
District Swimming Pools as a complete unit [8]
Housing for Older Persons as a complete unit
Properties as a complete unit

Notes:

(1) The Council owns a number of assets and assets managed "as a complete unit" that it considers to be strategic, however not all trading decisions made regarding these assets are considered as significant nor do they affect the asset's strategic nature. For example the roading network is strategic, but small parcels of land that make it up may not be, and the purchase or sale of such parcels of land is unlikely to amount to a significant decision;
(2) Includes all land, buildings, treatment plants and tank;
(3) Includes all land and structures;
(4) Includes all land, buildings and plant;
(5) Includes pipes, pump stations and plant;
(6) Includes footpaths, off street parking and bridges;
(7) Includes books and other lending resources including Māori and other special collections;
(8) Includes all land, buildings and structures.

TREASURY MANAGEMENT POLICY

INTRODUCTION

The purpose of the Treasury Management Policy is to outline approved policies and procedures relating to all investment and liability management activities carried out by the Council. These policies and procedures enable treasury risks within the Council to be prudently managed. As circumstances change, the policies and procedures outlined in this Treasury Management Policy will be adapted to make sure that treasury risks within the Council continue to be well managed.

In addition, regular reviews will be carried out to test the Treasury Management Policy against the following criteria:

- industry "best practices" appropriate for a Local Authority the size and type of Kāpiti Coast District Council;
- the risk bearing ability and tolerance levels of the underlying revenue and cost drivers;
- the effectiveness and efficiency of the Treasury Management Policy and function to recognise, measure, control, manage and report on the Council's financial exposure to market interest rate risks, funding risks, liquidity risks and other associated risks;
- the operation of a proactive treasury management process in an environment of control and compliance;
- the robustness of the Treasury Management Policy's risk control limits and risk spreading mechanisms against both normal and abnormal interest rate market movements and conditions;
- the assistance that this Treasury Management Policy provides to the Council so as to achieve certain strategic objectives related to Community Outcomes.

All staff involved with any aspect of the Council's financial management hold a copy of the Treasury Management Policy, and are required to be completely familiar with their responsibilities under the Policy at all times.

OBJECTIVES

The objective of the Treasury Management Policy is to control and manage costs that can influence operational budgets and public equity. The statutory and general objectives are listed below:

Statutory Objectives

- all borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy;
- all legal documentation relating to borrowing and financial instruments will be approved by the Council's solicitors before the resolution is tabled;
- a resolution of the Council is not required for hire purchase, credit or deferred purchase of goods if:
  - the period of indebtness is less than 91 days (including rollovers);
  - the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of the Council;
- the Council will not enter into any borrowings denominated in a foreign currency.

General Objectives

- minimise the Council's cost of funds and maximise its return on investments;
- minimise the Council's exposure to adverse interest rate movements;
- monitor, evaluate and report on treasury performance;
- borrow funds and transact risk management instruments within an environment of control and compliance under this Treasury Management Policy to protect the Council's financial assets and costs;
- arrange and structure long term funding for the Council at the lowest achievable interest margin from debt lenders;
- optimise the flexibility and spread of debt maturity within the funding risk limits established by this Treasury Management Policy;
- monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangements;
- comply with financial ratios and limits stated within this Treasury Management Policy;
- ensure that the relevant Council staff are aware of the latest treasury products, methodologies and accounting treatments through training and in-house presentations;
- maintain appropriate liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements;

- minimise exposure to credit risk by dealing with and investing in credit worthy counterparties;
- ensure that all statutory requirements of a financial nature are met;
- develop and maintain relationships with financial institutions, brokers and investors.

MANAGEMENT RESPONSIBILITIES

Overview of the Management Structure

The Council operates the treasury areas as a cost centre. All treasury management activities are undertaken by that function. Authority levels, reporting lines and treasury duties and responsibilities are outlined in the following Section.

DELEGATION OF AUTHORITY AND AUTHORITY LIMITS

Treasury transactions entered into by the Council without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

To prevent these types of situations, the following procedures must be complied with:

- all delegated authorities and signatories must be reviewed at least every six-months to ensure that they are still appropriate and current;
- a comprehensive letter must be sent to all bank counterparties at least every year which details all relevant current delegated authorities of the Council and contracted personnel empowered to bind the Council.

Whenever a person with delegated authority on any account or facility leaves the Council, all relevant banks and other counterparties must be advised in writing immediately to ensure that no unauthorised instructions are to be accepted from such persons.

The Council has the following responsibilities, either directly itself, or via the following stated delegated authorities.

Activity	Delegated Authority	Limit
Approving and changing Treasury Management Policy	Council	Unlimited
Borrowing new debt	Council	Unlimited (subject to legislative and other regulatory limitations)
Re-financing existing debt	Chief Executive	Unlimited
Approving transactions outside Treasury Management Policy	Council	Unlimited
Approving credit counterparty limits	Chief Executive	Unlimited
Adjust interest rate risk profile	Chief Executive delegating to the Group Manager, Finance each adjustment individually signed off by the Chief Executive	Fixed rate debt ratio between 55% and 95% Fixed rate maturity profile limit as per risk control limits subject to extension of cover provision stated within this Policy.
Managing funding maturities in accordance with the Council's approved facilities	Chief Executive Group Manager, Finance	Per risk control limits
Maximum daily transaction amount (borrowing, investing and interest rate risk management)	Council Chief Executive Group Manager, Finance Financial Accountant (delegated)	Unlimited Unlimited $15million
Authorising lists of signatories	Chief Executive	Unlimited
Opening/closing bank accounts	Chief Executive	Unlimited
Annual review of Treasury Management Policy	Group Manager, Finance	N/A
Ensuring compliance with Treasury Management Policy	Group Manager, Finance	N/A

DEBT RATIOS AND LIMITS

In managing debt, the Council will adhere to the following limits (based on the Council's latest audited financial statements):

- net interest expense (after interest rate risk management costs/benefits) on net external debt will not exceed 25% of total operating income;
- net debt as a percentage of equity will not exceed 20%;
- net debt as a percentage of operating income will not exceed 250%;
- liquidity (external term loans + committed debt facilities + available liquid investments to existing external debt) will be greater than 110%.

Operating income is defined as earnings from rates, government grants and subsidies, user charges, interest and other revenue and excludes non government capital contributions (e.g. developer contributions and vested assets)..

Net debt is defined as total debt less liquid financial assets / investments.

Debt will be repaid as it falls due in accordance with the applicable loan agreement.

Subject to debt limits, a loan may be rolled over or re-negotiated as and when appropriate.
Financial covenants are measured on Council only not consolidated group.

Security

All the Council's loans and interest rate risk management instruments will either be unsecured or secured under the a Debenture Trust Deed. This security relates to any loan and to the performance of any obligation under any incidental arrangement.

The Council will be entering into a debenture trust deed, which creates security over its rates and rates revenue for the benefit of creditors to whom the Council extends the benefit of the security. The policy of the Council is to provide this security to the New Zealand Local Government Funding Agency Limited (LGFA), the beneficiaries of its guarantee of LGFA, banks, purchasers of its debt securities, and other creditors.

Physical assets will be pledged only where:

- there is a direct relationship between the debt and the asset purchase/ construction, e.g. operating lease or project finance;
- the Council considers a pledge of physical assets to be appropriate;
- any pledging of physical assets must comply with the terms and conditions contained within the Debenture Deed.

Debt Repayment

The Council will manage debt on a netting basis at all times with the exception of sinking funds as provided under legislation.

A loan repayment provision will be made each year for the repayment of new loans so that loans will be fully repayable over a 20 year period but for assets with useful lives 40 years or greater, loans can be repaid over 30 years. The funds from other disposition of fixed and investment assets may be applied to the reduction of debt and/or a reduction in borrowing requirements. Operating surpluses may be applied to the reduction of debt. While the Council will generally raise loans on a portfolio basis, interest expenses arising on the existing debt portfolio and future borrowings will be allocated (at the Council's actual weighted average cost of funds for the period concerned) to specific assets and/or activities determined by the Council to be debt funded.

Internal Borrowing

Council is projected to have internal borrowings as at 1 July 2012 of $20 million.

The internal borrowing relates to Council borrowing from its reserves, special funds and equity that the Council would otherwise have in cash. Rather than Council investing in term investments to achieve cash returns of 3-4% the Council has borrowed these funds to fund capital works which would otherwise be funded from external borrowers.

This provides Council with a better return for its investments than it would achieve from financial institutions and also provides a lower cost of interest on its borrowed funds.

Internal borrowing also protects the Council from introducing counterparty risk to investing resource funds etc externally; it is safer for capital preservation than externally investing.

Currently the interest rate charged is 5% which is around the weighted average between the current investment rate and the external borrowing rate.

These internal borrowings will reduce over time by applying budgeted loan repayments. Most of the initial $20 million of internal borrowing will be repaid within a ten year period.

In 2021/22 to 2031/32 the Council has capacity to increase its internal borrowings from the increasing accumulation of depreciation reserves that relate to assets such as public halls, public toilets etc. Over the period from 2021/22 it is projected that Council will be able to provide internal borrowings of $12.8 million.

New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this Treasury Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) as a Principal Shareholding Local Authority. In connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

(a) Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example Borrower Notes;
(b) Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
(c) Commit to contributing additional equity (or subordinated debt) to the LGFA if required;
(d) Subscribe for shares and uncalled capital in the LGFA; and
(e) 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."

Borrowing Mechanisms

The Council is able to borrow through a variety of market mechanisms including issuing stock/debentures and commercial paper (CP), direct bank borrowing, LGFA or accessing the short and long-term debt capital markets directly or indirectly. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) management takes into account the following:

- available terms from banks, LGFA, debt capital markets and loan stock issuance;
- the Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time;
- prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing;
- the market's outlook on future interest rate movements as well as its own;
- ensuring that the implied finance terms within the specific debt (e.g. project finance) are at least as favourable as the Council could achieve in its own right;
- legal documentation and financial covenants.

The Council's ability to readily attract cost effective borrowing is largely driven by its ability to raise rate revenue, maintain a strong external credit standing and manage its relationships with its investors and financial institutions. To this end it is the Council's intention to seek and maintain a strong Statement of Financial Position.

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

Council has the ability to pre-fund up to 18 months of forecast debt requirements including re-financings.

Risk Recognition / Identification / Management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of the Council will be as detailed below.

Interest rate risk is the risk that funding costs (due to adverse movements in market interest rates) will materially exceed adopted Annual Plans and Long Term Plan (LTP) interest cost projections, so as to adversely impact cost control, capital investment decisions, returns, and feasibility.

The Council is likely to increase debt substantially over the next five years, it has a large exposure to interest rate movements (i.e. 1% interest rate movement on $100 million of debt over 12 months = $1,000,000). Accordingly, the primary objective of interest rate risk management is to reduce uncertainty of interest rate movements through fixing of funding costs. However, a secondary objective is to minimise the net funding costs for the Council within acceptable risk parameters. Both objectives are to be achieved through the active management of underlying interest rate exposures.

Dealing in interest rate products must be limited to financial instruments approved by the Council as per an internally updated schedule.

Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

Interest Rate Risk Control Limits

- The Council debt/borrowings must be within the following fixed/floating interest rate risk control limit:

Master Fixed/Floating Risk Control Limit	
Minimum Fixed Rate = 55%	Maximum Fixed Rate = 95%

- “Fixed Rate” is defined as an interest rate repricing date beyond 12-months forward on a continuous rolling basis.
- “Floating Rate” is defined as an interest rate repricing within 12-months.
- The percentages are calculated on the projected net debt levels per the Council’s Annual Plan financial forecasts that are approved by the Council, calculated on the 12-month projected net debt figure. The calculation of interest rate control limits on projected net debt levels can also be applied to 24-month forecast net levels for the purposes of the fixed rate limits, as the result of Capital Expenditure programme impacts approved in a Long Term Plan. The 24-month forecast debt level would be subject to approval by the Chief Executive as being a fair and reasonable forecast. Net debt is the amount of total debt, less absolute matching sinking fund assets and any liquid investments. This allows for pre-hedging in advance of projected physical drawdowns 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 Treasury Management Policy minimums and maximums.

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

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

*Maximum cover in the five year plus period may be extended up to 70% during periods of historical low long term interest rates subject to approval by the Chief Executive and reported to the Council at the following Council meeting. The definition of 'historical low long term interest rate' is where the 10-year swap rate is more than 15% below its rolling ten year average.

- Any interest rate swaps with a maturity beyond 10 years must be approved by Council.
- Floating rate debt may be spread over any maturity up to 12-months. Bank advances may be for a maximum term of 12-months.
- Major control limit – the net notional exposure of all interest rate risk management instruments must not exceed the total 24-months forecast debt level.

Control limits for individual types of interest rate risk management instruments

- Forward Rate Agreements outstanding at any one time must not exceed 75% of the total floating rate debt. Forward Rate Agreements may be "closed out" before maturity date by entering an equal and opposite Forward Rate Agreement to the same maturity date or, alternatively, by purchasing an option on a Forward Rate Agreement for the equal and opposite amount to the same date.
- 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, the purchased side of the collar cannot be closed out by itself, in the event of this occurring both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Purchased borrower swap options mature within 12-months.
- Interest rate options with a maturity date beyond 12-months that have a strike rate (exercise rate) higher than 2.00% above the relevant swap rate, cannot be counted as part of the fixed rate cover percentage calculation.

Foreign Exchange Policy

The Council has limited foreign exchange exposure through the occasional purchase of foreign exchange denominated plant and equipment.

Generally, all significant commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved. Smaller payments are converted at the spot exchange rate on the date of payment. Both spot and forward foreign exchange contracts are used by the Council as appropriate.

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

LIQUIDITY RISK/FUNDING RISK

Risk Recognition

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. 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.

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

- if Local Government risk is priced to a higher fee and margin level;
- if the Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons;
- if 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 well as desired;
- if the New Zealand investment community experiences a substantial "over supply" of Council investment assets.

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

Liquidity / Funding Risk Control Limits

- all new loans and borrowing facilities must be ratified by the Council ;
- alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds;
- external term loans and committed debt facilities together with available liquid investments must be maintained at an amount of 110% over existing external debt;
- Council has the ability to pre-fund up to 18 months forecast debt requirements including re-financings;

- Treasury provides comprehensive daily and weekly cash management reporting, together with monthly (rolling 12-month and 24-month forecasts) and annual cash/debt forecasting and that long term debt forecasts out to 10 years are made available;
- the Chief Executive has the discretionary authority to re-package existing debt on more favourable terms. Such action is to be ratified and approved by the Council at the next scheduled Council meeting;
- 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	Maximum
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	40%

A maturity schedule outside these limits requires specific Council approval. A 12-month phase-in non-compliance period is permitted.

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into. Credit risk will be regularly reviewed by the Group Manager - Finance. Treasury related transactions will only be entered into with organisations specifically approved by the Chief Executive.

Counterparties and limits can only be approved on the basis of a minimum long term credit ratings (Standard & Poors or Moody's Investor Services) being A+ and a minimum short term rating of A-1.

Investments in unrated local government counterparties is permitted so long as Council is secured by way of a charge over rates.

Investments must be senior ranking.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure. A detailed counter party credit schedule is continually updated by management with the approval of the Chief Executive.

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

- Money Market (e.g. Bank Deposits) – Transaction Notional × Weighting 100%.
- Interest Rate Risk Management (e.g. swaps, FRA's) – Transaction Notional × Maturity (years) × 3%.

Each transaction should be entered into a reporting spreadsheet and monthly reports prepared to show assessed counterparty actual exposure versus limits. Ratings should be reviewed by the Group Manager - Finance on an ongoing basis and in the event of material credit downgrades, this should be immediately reported to the Corporate Business Committee and Council and assessed against exposure limits. Counterparties exceeding limits should be reported to the Council.

To avoid undue concentration of exposures, a range of financial instruments must be used with as wide a range of counterparties as possible. The approval process to allow the use of individual financial instruments must take into account the liquidity of the market the instrument is traded in and repriced from.

APPROVED FINANCIAL INSTRUMENTS

Dealing in interest rate products must be limited to financial instruments approved by the Council.

Current approved interest rate 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 Wholesale Bond and Floating Rate Note (FRN) issuance Commercial paper (CP) NZD denominated Private Placements Retail Bond and FRN Issues
Investments	Short term bank deposits Bank bills Bank certificates of deposit (CD's) Treasury bills LGFA borrower notes / CP / bills / bonds Local Authority stock / bonds and FRN's Corporate bonds Floating Rate Notes Promissory notes/Commercial paper LGFA Redeemable Preference Shares (RPS)
Interest rate 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 – Interest rate swaptions (purchased only)

OPERATIONAL RISK

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls. Operational risk is very relevant when dealing with financial instruments given that:

- financial instruments may not be fully understood by staff and elected members;
- too much reliance is often placed on the specialised skills of one or two people;
- most treasury instruments are executed over the phone.

Dealing Authorities and Limits

Transactions will only be executed by those persons and within limits approved by the Council. These limits are detailed in the schedule of delegated authorities, tabled in this Policy.

Segregation of Duties

Separation and division of responsibilities is achieved by the back-office (other staff) reporting directly to the Group Manager - Finance as control over the transactional activities of the Financial Accountant.

Procedures

All treasury products must be recorded and diarised on a spreadsheet system, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting must be done immediately following execution/confirmation. Details of procedures including templates of deal tickets should be compiled in a Treasury Procedures Manual separate to this Policy. The Council should capture the percentage of deals transacted with banks to determine competitiveness and reconcile the summary with the Council records.

Legal Risk

Legal and regulatory risks relate to the non-enforceability 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, the Council may be exposed to such risks.

Agreements

Financial instruments can only be entered into with banks that have in place an executed International Standard Derivatives Association Master Agreement with the Council. The Council's external legal counsel must sign off on all International Standard Derivatives Agreement Master Agreements for financial instruments. The Council's external legal counsel must sign off on all documentation for new loan borrowings, re-financings and investment structures.

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.

Operational risk is minimised through the adoption of all requirements of this Policy.

INVESTMENT MIX

The Council maintains investments in the following assets:

- equity investments;
- property investments incorporating land, buildings and a portfolio of ground leases;
- loan advances; and
- financial investments incorporating longer term and liquidity investments.

GENERAL POLICY

The Council has statutory obligations under section 101 of the Local Government Act 2002 to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. The Council must make its investments in accordance with the provisions of the Trustee Act 1956 as they apply to the investment of trust funds. In exercising its powers of investment, the Council is required to exercise the care, diligence, and skill that a prudent person of business would exercise in the managing the affairs of others.

The Council may consider, in making any investment decisions:

- the desirability of diversifying investments;
- the nature of existing investments;
- the risk of capital loss or depreciation;
- the potential for capital appreciation;
- the likely income return;
- the length of the term of the proposed investment;
- the marketability of the proposed investment during, and on the determination of the term of the proposed investment;
- the effect of the proposed investment in relation to tax liability; and
- the likelihood of inflation affecting the value of the proposed investment.

The Council's philosophy on the management of investments is to optimise returns in the long term while balancing risk and return considerations. The Council recognises that as a responsible public authority any investments that it does hold should be of relatively low risk. It also recognises that lower risk generally means lower returns. It is noted that Council may have significant reasons other than financial in its investment activities.

EQUITY INVESTMENTS

The Council currently maintains equity investments in New Zealand Local Government Insurance Corporation Limited.

- Nature of Investment/Rationale for Holding:
  - these shares were acquired by virtue of the Council insuring its past activities through these companies. The shares in both of these companies are held, as the shares are not readily transferable. The amount involved is immaterial, relative to the Council's total investment holdings.

- Acquisition of New Investments:
  - any acquisition of new investments requires the Council's approval.

- Investment Income:
  - revenue earned from the shares is minimal. All income, including dividends from the Council's equity investments is included in other revenues in the Statement of Financial Performance.

- Disposition of Proceeds of Sale of Investment:
  - any sale of these investments requires the Council's approval. The use of the sale proceeds will also be subject to the Council's approval at the time of sale.

- Risk Management:
  - due to the limited transferability of these shares and the limited risks involved, the Council's policy is to retain these investments until a viable disposal sale option becomes available.

PROPERTY INVESTMENTS

- Nature of Investment/Rationale for Holding:
  - the Council's primary objective is to own only property that is necessary to achieve its objectives included in its Long Term Plan;

  - a reasonable proportion of the Council's land holdings are designated reserves and any surplus reserves identified need to go through a legal and public consultative process before being available for sale.

- Acquisition of New Investments:
  - any acquisition of new property needs to be budgeted for as part of the Council's Long Term Plan or Annual Plan or be subject to Council approval. Each individual property purchase is subject to consideration and/or approval by the Council Committee(s) with responsibility for managing Council property purchases and/or finances (at the time of adopting this Policy this is the Property Purchase Sub Committee and the Corporate Business Committee).

- Strategic Land Purchase

  The Kāpiti Coast District Council has adopted a strategy of purchasing land when opportunity arises, where this has been identified as essential to progressing the community's and Council's vision for the future. At a general level this has the following strategic focus:

  - initiatives associated with securing choices for future water, wastewater and stormwater services in the very long term;
  - acquisition of land associated with significant road linkage projects;
  - provision for community facilities;
  - development of river and stream, ecological and recreation corridors, where the outcomes cannot be achieved adequately through private partnership agreements;
  - development of the cycleways, walkways and bridleways vision;
  - Town Centre and other significant district development projects.

- Investment Income:
  - all income, including rentals and ground rent from property investments is included in the Statement of Financial Performance.

- Disposition of Proceeds of Sale of Investment:
  - proceeds from the disposition of property investments are used firstly in the retirement of any related public debt then for capital development purposes.

- Risk Management:
  - as the Council's property investments will be only those properties required to achieve its Long Term Plan objectives (once the surplus properties have been sold) the Council is not exposed to the same level of risk as an entity that is investing in property for the sole purpose of investment returns.

LOAN ADVANCES

Nature of Investment/Rationale for Holding:

- the Council will only advance loans to community organisations in exceptional circumstances and only where assets are to be vested in the Council. Currently the Council has made one loan advance to a community organisation that has vested its assets into Council ownership.

Acquisition of New Investments:

- any new advances will require the Council's approval. The Council favours the use of loan guarantees rather than loan advances.

Investment Income:

- all loan advances are charged at market interest rates or at least at the cost of borrowed funds and interest received is credited to the cost of those borrowed funds. The market rate is determined by the Group Manager - Finance with reference to the average market rates for borrowing and investing at the time of the loan advance.

Disposition of Proceeds of Sale of Investment:

- proceeds will be used to repay any external debt raised by the Council in relation to the loan advance.

Risk Management:

- any loan advances must be secured with adequate security over the assets of the borrowing organisation.

Management Reporting and Procedures:

- the Finance Group monitors performance of these investments on a regular basis to ensure that interest and principal repayments are being made in accordance with the loan agreement.

Specific Policy:

- the Council's policy is to only provide loans and advances to community organisations where the provision of the loan will further the Council's community objectives. All loans and advances require approval of the Council.

FINANCIAL INVESTMENTS

For the foreseeable future, the Council will have a permanent net debt/borrowing position and will use flexible short term working capital money market funding lines. Accordingly, the Council will not have any requirement to have surplus cash.

Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Counterparties and limits can only be approved on the basis of long-term Standard & Poor's, (S&P) credit ratings (or equivalent Fitch or Moody's rating) being A+ and above and/or short term rating of A-1 or above.

Any liquid investments must be restricted to a term of no more than 91 days ensuring that meets future cash flow and capital expenditure projections are met.

Interest income from financial investments is credited to general funds, except for income from investments for special funds where interest is credited to the particular fund.

The Council's primary objective when investing is the protection of its investment and to maximise returns. Accordingly, only creditworthy counterparts are acceptable.

- Special Funds and Funding Reserves:
    - liquid assets will not be required to be held against special funds. Instead the Council will internally utilise these funds;
    - through adopting this Treasury Management Policy, the Council supersedes any previous Council resolutions pertaining to the funding of specific special funds;
    - accounting entries representing monthly interest accrual allocations will be made using the Council's average weighted cost of funds for that period.

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED INVESTMENT

Despite anything earlier in this Treasury Management Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment. The Council's objective in making any such investment will be to:

(a) Obtain a return on the investment; and
(b) Ensure that the LGFA has sufficient capital to become and 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.

As LGFA is a council-controlled organisation, the Council has undertaken specific consultation to satisfy the requirements of section 56 of the Local Government Act 2002.

MEASURING TREASURY PERFORMANCE

In order to determine the success of the Council Treasury, the following benchmarks and performance measures have been prescribed. Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to the Corporate Business Committee on a three-monthly basis.

Operational Performance

All treasury limits must be complied with including (but not limited to) counterparty credit limits, dealing limits and exposure limits. All treasury deadlines are to be met, including reporting deadlines.

REPORTING – PERFORMANCE MEASUREMENT

When budgeting forecast interest costs, the actual physical position of existing loans and swaps/swap options/forward rate agreements must be incorporated.

Treasury Reporting

Monthly Reporting:

The Chief Executive receives a monthly reporting package which must achieve coverage of the following four major information/reporting objectives:

- Cash/Debt position: The tracking of cash flow and debt levels as planned and the reasons for divergence and updated future cash/debt projections;
- Risk Exposure Position: Clear and concise reporting of the Council's current interest rate risk position. The report must include underlying physical exposures, hedges (cover) in place and the actual net risk position, compared to the risk control limits of the Treasury Management Policy;

- Risk Management Performance: Measurement of the results of management decisions made under discretionary authorities within the allowable Treasury Management Policy limits, including: actual interest cost compared to budget;
- Treasury Management Policy Compliance: Reports that confirm conformity to other Treasury Management Policy limits and requirements in the areas of liquidity/funding risk, counterparty credit risk, operational risk and debt covenants/ratios.

The Group Manager - Finance will add a short commentary on the results, market conditions and future risk management strategy.

A regular quarterly Corporate Business Committee report package must be provided incorporating the following items:

- interest rate exposure report (actual position against risk control limits including all financial instruments);
- cost of funds report (actual cost compared to budget);
- funding facility report (individual bank loans against limits);
- funding risk report (maturity profile against funding risk control limits);
- cashflow forecast report (indicating projected debt levels);
- revaluation of financial instruments (information purposes only to indicate marked-to-market gains or losses revaluations snapshot);
- counterparty credit risk report (actual position against limits);
- during the transition period of 12-months to meet the allocated debt maturity profile, a report on progress against the new parameters will be made.

Accounting Treatment of Financial Instruments

The Council uses financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates.

The accounting treatment for such financial instruments is as follows:

- financial instruments entered into are accounted for on a marked-to-market revaluation basis (fair value);
- unrealised gains or losses on the revaluation of financial instruments are disclosed in the Statement of Comprehensive Income.

Valuation of Treasury Instruments

All treasury financial instruments must be revalued (marked-to-market) on a close out basis every three months for risk management purposes. This includes those instruments that are used only for hedging purposes.

Note: For accounting purposes, financial instruments used for hedging will not be marked-to-market but will merely be highlighted in the notes to the financial statements.

Underlying rates to be used to value treasury instruments are as follows:

- official daily settlement prices for established markets;

- official daily market rates for short term treasury instruments (for example, forward rate agreement settlement rates calculated by Reuters from price maker quotations as displayed on the Bank Bill Bid Rate page);
- relevant market bid-rates provided by the company's bankers at the end of the business day (5.00pm) for other over-the-counter treasury instruments;
- for markets which are illiquid, or where market prices are not readily available, rates calculated in accordance with procedures approved by the Chief Executive.

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY

KĀPITI COAST DISTRICT – BEING A PRINCIPAL SHAREHOLDING LOCAL AUTHORITY IN LOCAL GOVERNMENT FUNDING AGENCY

The Council has decided to become a "Principal Shareholding Local Authority" in the New Zealand Local Government Funding Agency Limited (LGFA), which is a council–controlled trading organisation (CCTO). This decision was made after Council separately consulted on this issue as a proposed amendment to the 2009 LTCCP in September 2011 and a separate Statement of Proposal on this issue was included in the Draft 2012 LTP adopted on 5 April 2012.

During the consultation process there were no substantial submissions received objecting to the council joining the LGFA as a shareholder and using the LGFA to lower council's cost of borrowing.

LGFA was established on 1 December 2011 by 18 local authorities and the Crown to enable local authorities to borrow at lower interest margins than would otherwise be available. LGFA has been recognised in the Local Government Borrowing Act 2011, which has modified the effect of some provisions in the Local Government Act 2002.

All local authorities are able to borrow from LGFA, but different benefits apply depending on the level of participation.

Principal Shareholding Local Authorities are those which invest capital in the LGFA, and are expected to receive a return on that capital. The Council will be investing $100,000 to become a shareholder, with $100,000 being the minimum investment allowed. As a Principal Shareholding Local Authority, the Council is also required to subscribe for uncalled capital in LGFA which would have to be paid up in the event that LGFA required more capital. The Principal Shareholding Local Authorities is also required to agree to source a certain proportion of their borrowing needs through LGFA for an initial period.

Generally all local authorities borrowing from LGFA are required to enter into a guarantee in favour of LGFA's creditors, and enter into certain equity commitments. Local authorities which enter into these commitments without being Principal Shareholding Local Authorities are referred to as Guaranteeing Local Authorities.

Any local authority that borrows from LGFA will be required to provide LGFA with subordinated debt (borrower notes, to the value of 1.6% of the total amount borrowed). These borrower notes will be held by the local authority while the borrowing is outstanding and may in certain situations convert to redeemable preference shares in LGFA.

Local authorities which borrow from LGFA, without entering into the guarantee will be limited in the amount that can be borrowed, and may be required to pay significantly higher funding costs.

Further information on the LGFA, its structure and how it operates follows.

The Purpose of the Local Government Funding Agency (LGFA)
The New Zealand Local Government Funding Agency Limited (LGFA) is a incorporated company established to enable participating local authorities (Participating Local Authorities) to borrow at lower interest margins than they would otherwise pay.

Rationale for LGFA
New Zealand Local Authority debt market

New Zealand local authorities face a number of debt related issues. First, local authorities have significant existing and forecast debt requirements. Secondly, pricing, length of funding term and other terms and conditions vary considerably across the sector and are less than optimal. This is due to:

(a) Limited debt sources – Local authorities' debt funding options are limited to the banks, private placements and wholesale bonds (issuance to wholesale investors), and, to a lesser extent, retail bonds. Increasing local authority sector funding requirements and domestic funding capacity constraints have the potential to further negatively impact pricing, terms and conditions and flexibility of the local authority sector debt.

(b) Fragmented sector – There are 78 local authorities. Individually, a significant proportion of these local authorities lack scale.

(c) Regulatory restrictions - Offshore (foreign currency) capital markets are closed to local authorities (other than Auckland Council) and the compliance process for local authority retail bond issuance is burdensome and generally restricts issuance to a six month window.

Addressing the local authority debt issues

Each of these issues needs to be addressed to rectify this situation. This was not likely to happen without an intervention like LGFA for the following reasons:

(a) The New Zealand debt markets (at least in the foreseeable future) are likely to maintain the status quo.

(b) Individually, a majority of local authorities will not be able to attain significant scale (except organically in the long-term).

(c) At a sector level it may be possible to address the issue regarding regulation, but regulators are likely to remain reluctant to significantly ease restrictions on financial management across the sector without gaining significant comfort as to the sophistication of the financial management of all local authorities. Even if this issue was addressed by regulators, this change alone would be insufficient to provide a major step change.

LGFA has been established because the homogenous nature of local authorities, the large sector borrowing requirements, and the high credit quality / strong security position (i.e. charge over rates) of local authorities, created the opportunity for a centralised local authority debt vehicle to generate significant benefits.
There are numerous precedents globally of successful vehicles which pool local authority debt and fund themselves through issuing their own financial instruments to investors. Such vehicles achieve success through:

(a) "Credit rating arbitrage" – Attaining a credit rating higher than that of the individual underlying assets (local authority borrowers) and therefore being able to borrow at lower margins.

(b) "Economies of scale" – By pooling debt the vehicles can access a wider range of debt sources and spread fixed operating costs, thereby reducing the $ cost per $ of debt raised.

(c) "Regulatory arbitrage" – The vehicles can receive a different regulatory treatment than the underlying local authorities, improving their ability to efficiently raise debt (e.g. through access to offshore foreign currency debt markets).

The offshore precedents are typically owned by the local authorities in the relevant jurisdiction (often with central government involvement), and that is the case for LGFA also.

How LGFA Operates

Basic structure of LGFA
LGFA is a limited liability company (and a council-controlled organisation) established in order to borrow funds and then on-lend those funds to local authorities at lower interest margins than those local authorities would otherwise pay to lenders in the absence of LGFA. For a number of reasons discussed below, it is expected that LGFA will be able to borrow at low enough interest margins to be able to do this.

LGFA's shares are held entirely by central government and local authorities. Central government currently holds 20% of the paid-up ordinary shares in LGFA, with the remaining 80% being held by local authorities (Principal Shareholding Local Authorities).

The Principal Shareholding Local Authorities contribute capital and, as compensation for their capital contribution, may receive a return on this capital. However, the over-arching objective is that the benefit of LGFA to local authorities is delivered through lower borrowing margins, rather than through dividends passed to shareholders.

As discussed below, it is possible that, in some circumstances, local authorities outside the Principal Shareholding Local Authority group will hold redeemable preference shares in LGFA.

Design to minimise default risk
One of the things which is critical to LGFA being able to deliver its anticipated benefits is it holding, and maintaining, a high credit rating (to achieve the credit rating arbitrage referred to in paragraph (a)). Consequently there are a number of features of LGFA intended to provide the protections for creditors which rating agencies require before agreeing to a high credit rating. These features are described in paragraphs 15 to 32 below.

Before agreeing to a high credit rating, rating agencies consider the risks of both short term and long term default. Short term default is where a payment obligation is not met on time. Long term default is where a payment obligation is never met. In many cases short term default will inevitably translate into long term default, but this is not always the case – a short term default may be caused by a temporary liquidity problem (i.e. a temporary shortage of readily available cash). On incorporation, LGFA was assigned a long-term foreign currency credit rating of AA and a long-term local currency credit rating of AA+ by Fitch Ratings.

Features of LGFA designed to reduce short term default risk
When a local authority borrows, the risk of short term default, although low, is probably significantly higher than its risk of long term default. In the long term it can assess and collect sufficient rates revenue to cover almost any shortfall, but such revenue cannot be collected quickly. Consequently, there is a risk that inadequate liability and revenue management could lead to temporary liquidity problems and short term default.

The principal asset of LGFA will be local authority debt, so such temporary liquidity risks are effectively passed on to LGFA. Consequently, the rating agencies look for safeguards to ensure that liquidity problems of a Participating Local Authority will not lead to a default by LGFA.

There are two principal safeguards that LGFA has or will put in place to manage short term default (liquidity) risk:

(a) It will hold a certain amount of cash and other liquid investments (investments which can be quickly turned into cash).

(b) It has a borrowing facility with central government which allows it to borrow funds from central government if required.

It is expected that these safeguards will sufficiently reduce any short term default risk.

Features of LGFA designed to reduce long term default risk
There are a number of safeguards that LGFA has or will put in place to manage long term default risk, the most important of which are set out below:

(a) requires all local authorities that borrow from it to secure that borrowing with a charge over that local authority's rates and rates revenue (Rates Charge).

(b) LGFA will maintain several sources of equity to safeguard its capital adequacy.

(c) LGFA will require most, or possibly all, Participating Local Authorities (Guaranteeing Local Authorities) to guarantee the obligations of LGFA.

(d) LGFA will hedge its exposure to interest rate and foreign currency fluctuations to ensure that such fluctuations do not significantly affect its ability to meet its payment obligations.

(e) LGFA has risk management policies in place in relation to its borrowing and lending designed to minimise its risk. For example, it will impose limits on the percentage of lending which is made to any one local authority to ensure that its credit risk is suitably diversified.

(f) LGFA will ensure that its operations are run in a way which minimises operational risk. It has done this from commencement of operations by outsourcing its operations to the New Zealand Debt Management Office (NZDMO) (which is a part of The Treasury). NZDMO manages the capital raising for central government, and has robust processes in place to manage operational risk. It is possible that at some point the operations function will be moved from NZDMO, but this will not be done unless LGFA is satisfied that it has alternative robust processes in place.

Additional detail in relation to the features referred to in paragraphs (a) to 19(c) is set out below.

Rates Charge
All local authorities borrowing from LGFA are required to secure that borrowing with a Rates Charge. Many, but not all, local authorities have a Rates Charge in place already.

This is a powerful form of security for LGFA, because it means that, if the relevant local authority defaults, a receiver can assess and collect sufficient rates in the relevant district or region to recover the defaulted payments. Consequently, it significantly reduces the risk of long term default by a local authority borrower.

From a local authority's point of view it is also advantageous, because, so long as the local authority does not default, it is entitled to conduct its affairs without any interference or restriction. This contrasts with most security arrangements, which involve restrictions being imposed on a borrower's use of its own assets.

Sources of equity
LGFA has several sources of equity to safeguard its capital adequacy:

(a) Central government and the Principal Shareholding Local Authorities have contributed initial equity as the issue price of their initial shareholding.

(b) Each Principal Shareholding Local Authority is required to hold uncalled capital which is equal in amount to its paid up equity contribution (Uncalled Capital). The Uncalled Capital is able to be called by LGFA if it determines that there is a risk of imminent default if the call is not made.

(c) Each Participating Local Authority will, at the time that it borrows from LGFA, contribute some of that borrowing back in the form of subordinated debt (Borrower Notes), which in certain circumstances may convert to redeemable preference shares in LGFA.

(d) In addition to the equity contributions made in conjunction with borrowing, all Guaranteeing Local Authorities are required to commit to contributing equity in certain circumstances. It is expected that calls on any such commitments will be limited to situations in which there is a risk of imminent default by LGFA.

Guarantee
Most, if not all, Participating Local Authorities will be required to enter into a guarantee (Guarantee) when they become a shareholder in, or borrower from, LGFA. Under the Guarantee, the Guaranteeing Local Authorities guarantee the payment obligations of LGFA to its creditors.

The purpose of the Guarantee is to provide additional comfort to lenders and other creditors (and therefore credit rating agencies) that there will be no long term default, though it may also be used to cover a short term default if there is a default which cannot be covered using the protections described in paragraphs 0 to 0 above, but which will ultimately be fully covered using the rates charge described in paragraphs 0 to 0.

The Guarantee will only ever be called if LGFA defaults. Consequently, a call on the Guarantee will only occur if the numerous safeguards put in place to prevent an LGFA default fail.

If any such default did occur, and the Guaranteeing Local Authorities were called on under the Guarantee, they could potentially be called on to cover any payment obligation of LGFA. Such payment obligations may (without limitation) include obligations in the following situations:

(a) A failure by LGFA to pay its principal lenders.

(b) A failure by LG FA to repay drawings under the liquidity facility with central government.

(c) A failure by LGFA to make payments under the hedging transactions referred to in paragraph (d).

Guarantee risk shared
While all Guaranteeing Local Authorities are jointly and severally liable for the entire LGFA debt guaranteed, claims against individual councils will initially be based on their proportion of the total Annual Rates Income of all Guaranteeing Local Authorities.

Benefits of being a Guaranteeing Local Authority
If a Participating Local Authorities is not a Guaranteeing Local Authority their borrowings are only allowed to reach a limited level, currently $20,000,000. Such local authorities may also be required to pay higher funding costs, either by paying higher interest margins or through some other mechanism.

Guaranteeing Local Authorities will, therefore, have the benefit of not having this low limit on borrowing, and paying lower funding costs.

Rates Charge
Guaranteeing Local Authorities are required to provide a Rates Charge to secure their obligations under the Guarantee and their obligations to contribute additional equity.

Characteristics designed to make borrowing from LGFA fair for all Participating Local Authorities
The principal risk involved with LGFA is that Participating Local Authorities will default on their payment obligations, which could, in turn, result in LGFA defaulting on its payment obligations. The greater this risk is, the less attractive participation in LGFA is for all Participating Local Authorities.

The Participating Local Authorities do not create this risk in equal amounts. There are some that carry a greater default risk than others, and therefore contribute disproportionately to the overall risk of LGFA. Those local authorities are also the local authorities that would be likely to pay the highest interest margins if they borrowed outside LGFA, and so potentially benefit the most from the establishment of LGFA.

To avoid, or at least minimise, what is effectively cross subsidisation of the higher risk local authorities by the lower risk local authorities, different interest margins are likely to be paid by different local authorities when they borrow from LGFA, with those carrying the higher default risk paying the higher interest margins.

Viability of LGFA dependent on participation levels
The modelling and other analysis done by Cameron Partners and Asia Pacific Risk Management prior to the establishment of LGFA suggests that LGFA will be viable (in that it will deliver sufficient benefits to justify its establishment and continued existence) if:

(a) LGFA maintains a high enough credit rating; and

(b) sufficient funds are borrowed through it to obtain the economies of scale benefits referred to in paragraph (b).

Consequently, the participation of sufficient local authorities, both initially as Principal Shareholding Local Authorities (to contribute initial capital) and in meeting their on-going borrowing requirements through LGFA is critical.

Principal Shareholding Local Authorities have contributed $20 million by way of paid-up initial capital contributions.

Principal Shareholding Local Authorities are also required to meet a certain proportion of their borrowing needs through LGFA for an initial period, to ensure that the critical amount of utilisation is achieved.

Summary of transactions a Council will enter into if it joins LGFA
If a Council joins LGFA as a Principal Shareholding Local Authority, it will:

(a) subscribe for paid-up shares in LGFA to provide it with capital (see paragraphs 0 and 24(a));

(b) subscribe for Uncalled Capital in LGFA (see paragraph 24(b) above);

(c) commit to providing additional equity to LGFA under certain circumstances (see paragraph 24(d) above);

(d) commit to meeting a certain proportion of its borrowing needs from LGFA;

(e) borrow from LGFA;

(f) subscribe for Borrower Notes (see paragraph 24(c));

(g) enter into the Guarantee (see discussion in paragraphs 25 to 31 above);

(h) provide a Rates Charge to secure some or all of its obligations to LGFA and LGFA's creditors (see discussion in paragraphs 0 to 0 and 32 above).

If a Council joins LGFA as a Guaranteeing Local Authority, but not as a Principal Shareholding Local Authority, it will enter into the transactions described in paragraph 40, other than those described in paragraphs 40(a) and (b).

If a Council participates in LGFA, but not as a Guaranteeing Local Authority (and therefore also not as a Principal Shareholding Local Authority) it will only enter into the transactions described in paragraph (e), (f) and (h).

Local Authority Costs and Benefits

The costs and benefits to a Participating Local Authority will depend on whether it participates as a Principal Shareholding Local Authority, a Guaranteeing Local Authority, or simply as a borrower.

Benefits to local authorities that borrow through LGFA

It is anticipated that LGFA will be able to borrow at a low enough rate for LGFA to be attractive because of the three key advantages LGFA will have over a local authority borrower described in paragraph 0. That is – exploiting a credit rating arbitrage, economies of scale and a regulatory arbitrage.

In addition, LGFA will provide local authorities with increased certainty of access to funding and terms and conditions (including the potential access to longer funding terms e.g. 10 yrs+).

The potential savings for a local authority in terms of funding costs will depend on the difference between the funding cost to that local authority when it borrows from LGFA and the funding cost to the local authority when it borrows from alternative sources. This difference will vary between local authorities.

The funding costs each local authority pays when it borrows from LGFA will be affected by the following factors, some of which are specific to the local authority:

(a) the borrowing margin of LGFA;

(b) the operating costs of LGFA;

(c) any price adjustment made by LGFA for that specific local authority as a result of:
    (i) the credit quality of the local authority;
    (ii) the size of the borrowings of that local authority from LGFA; and
    (iii) the local authority being a Guaranteeing Local Authority or not.

A diagram which shows what will affect the amount of any funding cost savings is set out as Annex 1.

Costs to local authorities that borrow through LGFA
The costs to Participating Local Authorities as a result of their borrowing through LGFA take two forms:

(a) First, there are some risks that each Participating Local Authority will have to assume to participate, which create contingent liabilities (i.e. costs which will only materialise in certain circumstances).

(b) Secondly, there is some cost associated with the Borrower Notes.

Risks

The features of LGFA structure described above which are included to obtain a high credit rating are essentially steps which remove risk from lenders to make their residual risk low enough to justify the high credit rating. These features remove risk, in part, by transferring it to Participating Local Authorities.

These risks are that:

(a) in the case of Guaranteeing Local Authorities, a call is made under the Guarantee (see discussion in paragraphs 25 to 31 above);

(b) in the case of Guaranteeing Local Authorities, a call is made for a contribution of additional equity to LGFA (see paragraph 24 above); and

(c) in the case of all Participating Local Authorities, LGFA is not able to redeem their Borrower Notes (see paragraph 24 above).

Each of these risks is discussed in the paragraphs indicated next to the relevant risk. For the reasons set out in those discussions, it is anticipated that each of the risks is low.

Cost of Borrower Notes
As discussed in paragraph 24(c), all Participating Local Authorities will be required to invest in Borrower Notes when they borrow from LGFA. This carries a cost in addition to the risk referred to in paragraph (c), because the investment in Borrower Notes will, in most cases, be funded by borrowing from LGFA, and the cost of this funding will be higher than the return paid on the Borrower Notes.

It is anticipated that the Borrower Notes will pay an interest rate equal to LGFA's own cost of funds. Any interest payment is likely to be capitalised until maturity.

Cost/benefit analysis for the investment by Principal Shareholding Local Authorities
In addition to those costs and benefits that all Participating Local Authorities are expected to receive in relation to their borrowing from LGFA, Principal Shareholding Local Authorities will also hold shares in LGFA (Establishment Shares).

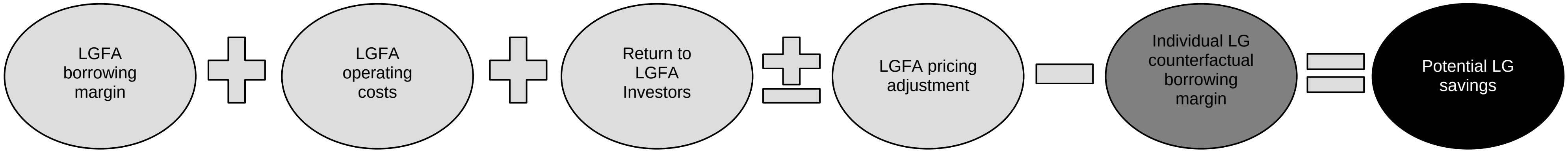
Establishment shares will pay a discretionary annual payment, which is an amount up to LGFA's own cost of funds plus 200 bps[1].

[1] A "bp" is a "basis point", which is a term that means "0.01%". 200 bps therefore refers to 2% of the amount invested.

While it is the intention for LGFA to always pay the proposed annual payment on the Establishment Shares, this payment will not be made, or will be reduced, if the performance of LGFA means that LGFA does not consider it appropriate to make the payment.

Any local authority investor in Establishment Shares will also be required to subscribe for the same amount of Uncalled Capital in LGFA. This Uncalled Capital can be called at the discretion of LGFA under certain circumstances to ensure the on-going viability of LGFA. Once called the Uncalled Capital will have the same characteristics as Establishment Shares. This is an additional risk (and therefore contingent cost) for Principal Shareholding Local Authorities. Uncalled Capital is discussed in paragraph 24(b) above.

ANNEX 1
DIAGRAM SHOWING FACTORS AFFECTING POTENTIAL SAVINGS



Performance Monitoring

The performance of the LGFA will be monitored by the Shareholder Council, a group consisting of the original tight 9 principal shareholding Councils together with the Bay of Plenty Regional Council.

The Kāpiti Coast District Council will be comparing the interest margins achieved for this Council's borrowings through the LGFA with the interest margins available from the financial markets and reporting to the Corporate Business Committee on a regular basis.

An Information Memorandum, describing the arrangements in more detail, is attached as Appendix 1, and forms part of this proposal. A number of terms which are used in this proposal are defined in that Information Memorandum.

DEVELOPMENT CONTRIBUTIONS POLICY

INTRODUCTION

Legislative Requirements and Powers

The Council is required to have a Development Contributions Policy as a component of its Funding and Financial Policies in its Long Term Plan under section 102 (2) (d) of the Local Government Act 2002. Section 198 of the Local Government Act 2002 gives territorial authorities the power to require a contribution for developments. This includes resource consents for land use and subdivision and building consents. Development contributions will contribute towards infrastructure required due to growth, and may only be required if the Council has a Development Contributions Policy in place.

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

When a Development Contribution is Required

A Development Contribution will apply to developments where applications for building, subdivision and land use consents or service connections are received on or after July 1 2004, and will not apply retrospectively to developments where such applications have already been received or granted by the Council before this date.

The Local Government Act 2002 also imposes some strict controls around the circumstances in which contributions may be sought. These controls are set out in detail in section A.6 of this policy.

Relationship between "Development Contributions" and "Financial Contributions"

"Development Contributions" under the Local Government Act 2002 are different from "Financial Contributions" under the Resource Management Act 1991 (RMA 1991).

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

Local authorities are prevented from "double-dipping" – that is, they may not take contributions in relation to an activity if financial contributions have already been received from that development for that activity.

The Council already has in place financial contributions policies, objectives, and rules in the operative 1999 District Plan (Refer Kāpiti Coast District Plan: Part E). The Council currently has the ability to take financial contributions from new development under the District Plan to avoid, remedy, or mitigate the adverse effects of development activities on the environment, for the following:

- Reserves and Open Space;
- Roads and Access for motor vehicles, bicycles and pedestrians;
- Water Supply;
- Wastewater Disposal;
- Community Facilities.

However, the financial contributions policies, objectives, and rules in the District Plan do not appropriately provide for the capital expenditure to meet its funding requirements for the growth anticipated to take place in the District.

The financial contributions policies, objectives, and rules in the District Plan also do not meet the Council's funding and financial policy obligations with regards to the funding of capital expenditure for growth under the Local Government Act 2002.

The Council considers that a Development Contributions Policy will fulfil its growth management, funding and financial policy obligations more appropriately than a Plan Change to the financial contributions policies, objectives, and rules in the District Plan. The exception is the case of open spaces and reserves, where the existing provisions of the District Plan are being reviewed as part of the overall District Plan Review in 2012. An outcome of that review may be that capital expenditure for open spaces and reserves would be funded through the Development Contributions Policy in the future, and that relevant financial contributions would no longer be sought.

Community Outcomes

The first Community Outcomes were developed in 2003/04 after an extensive community process called Kāpiti Coast: Choosing Futures. Subsequent Councils have reaffirmed them with only minor alterations being made.

This Council wishes to retain the 2009 Community Outcomes as a touchstone. They represent years of extensive work that have involved many residents in determining Community Outcomes for the District as a whole along with local outcomes for eight (so far) of the local communities that make up the Kāpiti Coast.

The Long Term Plan identifies and details the Community Outcomes to which the funding of capital expenditure for growth for roading, cycling, walking and bridleway facilities, water supply, wastewater treatment, community infrastructure, open spaces and reserves and flood mitigation facilities, primarily contribute.

The Long Term Plan specifies Community Outcomes as:

Outcome 1: there are healthy natural systems which people can enjoy;

Outcome 2: local character is retained within a cohesive District;

Outcome 3:	the nature and rate of population growth is appropriate to community goals;
Outcome 4:	the community makes use of local resources and people have the ability to act in a sustainable way on a day-to-day basis;
Outcome 5:	there is increased choice to work locally;
Outcome 6:	the District is a place that works for young people;
Outcome 7:	the District has a strong healthy, safe and involved community.

The Council has concentrated its efforts and resources on these Community Outcomes, and considers the comprehensive initiatives it has taken to manage growth, including the preparation and subsequent revision of the Development Contributions Policy to fund the growth component of community facilities, as the best funding and financial strategy to achieve them.

OVERVIEW OF DEVELOPMENT CONTRIBUTIONS POLICY

Purpose of a Development Contributions Policy

The key purpose of the Development Contributions Policy is to ensure that a fair proportion of the cost of infrastructure needed to serve growth is funded by those who cause the need for that infrastructure (for example, the developments leading to growth). Development Contributions are not a tool to fund the cost of maintaining infrastructure or improving levels of service. This cost will be met from other sources.

Facilities for which Development Contributions May Be Required

This policy provides for development contributions to be collected to fund:

- Capital expenditure **expected** to be incurred as a result of growth;
- Capital expenditure **already** incurred in anticipation of growth.

Funding the Council's capital expenditure for growth with development contributions must be considered alongside the Council's other funding tools. Development Contributions will be required from development under this Policy to meet the growth component of the future capital expenditure budgets alongside other sources. That is network infrastructure and community infrastructure including:

- Roading, Cycling, Walking and Bridleway facilities;
- Water Supply facilities;
- Wastewater Treatment facilities;
- Community Infrastructure facilities;
- Flood Mitigation facilities.

The Policy may be amended, in the future, to provide for contributions towards the acquisition and development of reserves.

Capital Expenditure the Council Expects to Incur as a Result of growth

Since 1999 the Council has developed a comprehensive growth management strategy. This is summarised in the Development Management Strategy (2006) and in resulting Asset Management Plans that have identified the estimated capital expenditure by the Council for capital works projects resulting from the growth anticipated to occur in the District over a 20 year period. These costs are calculated in the Contributions Model for the District. The Council is responsible for providing infrastructure in a timely and affordable manner so that:

- growth within the Kāpiti Coast will take place predominantly within existing urban areas, with limited low-impact expansion of selected urban areas where appropriate, and intensification around town centres and public transport centres will take place;
- the capital expenditure for growth will be affordable for the Council, the community and those undertaking developments;
- as far as is practicable, the growth will be financially self-supporting.

The Contributions Model has been built up from a capital works project component level, and calculates over a 20 year period the contributions that will be required from new development to meet a fair proportion of the capital expenditure required for growth for roading, cycling, walking and bridleway facilities, water supply, wastewater treatment, community infrastructure, and flood mitigation facilities.

The Council considers that most capital works projects address multiple drivers, including demand from Additional Capacity/Growth and Improved Level of Service. In determining the appropriate split between the various drivers the Council has considered the matters set out in section 101(3) of the Local Government Act 2002 and also the following:

- separation of each project into components with differing Additional Capacity/Growth and Improved Level of Service splits;
- the extent to which different parts of the community contribute to the need for the new facilities;
- the distribution of benefits from each component of each project throughout the community;
- projected population growth, and the anticipated pattern and distribution of development;
- existing population and development;
- anticipated infrastructural needs;
- adequacy of existing services;
- the life of benefits associated with each project;
- consistency across the District.

(refer Appendix B: Notes to Contributions Model for further detail).

Development contributions will only be required to meet the Additional Capacity/Growth components of capital works projects, with the Council funding the other drivers from other sources. The Contributions Model is based on the considered assessment of the distribution of the burden of meeting the Additional Capacity/Growth components of the Council's capital works projects among units of demand which arise from different types of new development.

The financial projections in the Long Term Plan are based on the assumption that the effects caused by the growth of the District will be met in accordance with the Contributions Model. Provision of capital works will be funded predominantly by way of internal and external loans which are mostly spread over a 20 year period, with development contributions collected under this policy servicing those loans.

Table 4.1 20-Year Estimated Total Capital Expenditure and Growth Component (Funded by Development Contributions)				
Community Facility	**Total Cost of Capital Works Project** **$000**	**Other Sources of Funding** **$000**	**Total Non-Growth Component (including Improved Level of Service)** **$000**	**Total Growth Component (Funded by Development Contributions)** **$000**
Roads/ CWB	155,254	43,860 (NZTA)	102,843	8,551
Water Supply	107,776	-	96,830	10,946
Wastewater Treatment	56,270	-	52,060	4,210
Community Infrastructure (for example Coastlands Aquatic Centre, Libraries)	109,584	-	86,635	22,949
Community Facilities: Parks and Reserves	38,243	20,000 (Financial Contributions via District Plan)	18,243	-
Stormwater (Flood Mitigation)	93,451		84,095	9,356
Total	**560,578**	**63,860**	**440,706**	**56,012**

		Total Cost to Council $000	Growth Component $000
Spent to Date	Paraparaumu / Waikanae Supplementary Water Supply (2005)	13,200	4,400
	Libraries (Paraparaumu 2003 and Ōtaki 1998)	6,700	2,100
	Coastlands Aquatic Centre Expenditure (2008/09)	500	165
	Chrystalls Bend Flood Protection (2008)	440	220
	CWB Network (2009-2011)	1,347	337
	Residential and Commercial Roading Upgrades (2009-2011)	2,856	714
	Balance Tanks Waikanae (2009-2011)	266	66
	Ōtaki Sludge Treatment (2009-2011)	743	186
	Civic Administration Building (2009-2011)	698	135
	Paraparaumu/Waikanae Water Storage (2009-2011)	3,303	826
	Drinking Water Standards Upgrades Ōtaki (2009-2011)	772	193
Total		**$30,825**	**$9,342**

The previous table summarises:

- total Capital Expenditure over the 20-year period of the policy;
- the respective non-growth-related (including renewals and Increased Levels of Service) and growth-related components of that Capital Expenditure;
- what proportion of the growth component will be funded out of development contributions (100%);
- sources of funding other than development contributions;
- amount spent to date (to be partially recovered through development contributions).

Distribution of Benefits

The projected growth of the District expressed in numbers of new household units (for residential activities) and new household unit equivalents (HUEs, for non-residential activities) has been calculated in the Contributions Model. The Council has allocated the distribution of benefits derived from the Additional Capacity/Growth component of capital works projects among the units of demand generated by new development, both residential and non-residential.

Distribution of benefits will generally occur Districtwide. Notwithstanding this, parts of the District that do not have access to all types of facilities (for example, public water supply or a public sewer system) will not be allocated the costs of those systems. Local Service Areas are used to demarcate areas such as Rural North, Rural South and Paekākāriki which fall into this category. The local Service Areas generally correspond with aggregated Statistics New Zealand Census Area Units, though they vary slightly to reflect the extent of reticulated services and other urban services. The Census Area Units are well defined areas of relatively homogenous development type, bounded by major roads or water bodies.

(Refer map A.6.1 and A.6.2 – Kāpiti Coast District Local Service Areas, Appendix A: Schedule to Development Contributions Policy, and Appendix B: Notes to Contributions Model, for further detail).

The Council Use of Development Contributions

The Council will use development contributions only for or towards the type of community facility for which they are collected. This will be undertaken on an aggregated project basis for each of the activities; in other words, a particular development contribution for an activity (for example, water supply or flood mitigation) is not targeted to one specific project but is spread proportionally across all projects within that activity. Where the Council anticipates funding from a third party for any part of the growth component of the capital expenditure budget, then this proportion has been excluded from the total estimated growth component to be funded by development contributions, as can be seen in Table 4.1.

Implementation and Review

It is anticipated that this Policy will be updated triennially, or on an annual basis if needed. Any review of the Policy will take into account:

- any changes to the significant assumptions to the Development Contributions Policy;
- any changes in policy as the Council continues to develop and implement its growth management strategy;
- any changes in the capital works programme for growth;
- any changes in the pattern and distribution of anticipated development in the District;
- the regular reviews of the Revenue and Financing Policy, and the Long Term Plan;
- any other matters the Council considers relevant.

Role of the Council

The Council considers it has a significant role in the provision of roading, cycling, walking and bridleway facilities, water supply, wastewater treatment, community infrastructure, and flood mitigation facilities. This forms part of the Council's historic growth management and sustainable development obligations to the District, which neither individuals, the community, the private sector, nor central government can appropriately fulfil.

The Council requires development contributions for the effects of development, including the cumulative effects that a development may have in combination with another development, which require the Council to incur capital expenditure to appropriately provide for new or additional roading, cycling, walking and bridleway facilities, water supply, wastewater treatment, community infrastructure and flood mitigation capital works for increased capacity. This also includes capital expenditure the Council has already incurred in anticipation of growth that is occurring within the timeframe of the Development Contributions Policy. In the future, this policy may be amended to include contributions towards reserve acquisition and development.

Roading, Cycleways, Walkways and Bridleways

Roading facilities and cycleways, walkways and bridleways (CWB) facilities are being constructed for the provision of a safe and cost effective network of roads and access ways to satisfy the current and future growth needs of road and access way users. This includes the need for roading to form part of a safe and efficient local, regional and national system of transport. The main components are improvements to the local area roading network, residential and commercial roading upgrade projects, and the CWB network which provides alternatives to motorised transport.

Water Supply

It is envisaged that a new storage reservoir will be required to service Ōtaki. This work will include upgrades to the existing supply bores and supply infrastructure. This includes capacity for existing and future residents. In the southern urban area, the recently completed bore field will provide supplementary supply over the next 20-year planning period.

There will be a need to provide a pre-treatment water storage facility within the next 20 years. Existing ratepayers, together with new ratepayers, will have to pay their fair share of the costs.

The construction of additional supply infrastructure is also programmed for Paraparaumu, Waikanae and Raumati to accommodate both existing users and projected growth. The Waikanae Water Treatment Plant will also require upgrade works that will have a growth component.

Wastewater Treatment

Most of the capital expenditure over the next 20 years will be upgrading infrastructure including pump stations, parallel pipes, augmentation of carriers and new balance tanks. A significant component of these upgrades is required to service additional growth.

Allowance has also been made for the upgrade of the Ōtaki Wastewater Treatment Plant to accommodate growth.

Community Infrastructure

The Long Term Plan has identified the growing importance of public resources and recreation facilities in supporting the quality of life in the District. Included in the 20 year Plan are the Coastlands Aquatic Centre, a dedicated arts centre, an upgraded Waikanae Library, and an upgraded civic administration building to cope with the growing District.

Flood Mitigation Works

The completion of the Chrystalls Bend stopbank along the Ōtaki River has provided a direct benefit to Ōtaki. It is estimated that half the benefit will be to landowners who have the potential to further develop their land as a result of the flood mitigation works. It is considered fair and reasonable that they pay a contribution towards this capital work. In addition there will be significant investment in flood mitigation works over the next 20 years within all urban areas of the District. This will benefit both existing and future residents. While development in flood prone areas is required to undertake works to mitigate the flood hazard, the development still places some load on the stormwater/flood management system. As such 10% of the cost is attributed to growth which will go towards reducing and mitigating the flood hazard risk.

Reasons the Council Provides Community Facilities

The reasons the Council is engaged in the provision of roading, cycling, walking and bridleway facilities, water supply, wastewater treatment, community infrastructure and flood mitigation capital works fall into one or more of the following categories:

- **Legislative Requirement**
  The Council has extensive powers, duties, and functions conferred upon it by central government, providing both mandatory and discretionary responsibilities.

- **Growth Management**
  The Council seeks to manage the growth of the District in a timely, co-ordinated, cost-effective, equitable and sustainable manner.

- **To Ensure Public Access**
  The Council has chosen to fund and/or provide these facilities to ensure they are available to the community at a reasonable cost and in the required quantity.

- **To Meet Community Expectation**
  Community expectation is measured through the development of community outcomes every six years, its yearly Annual Plan and Long Term Plan processes, and consultation on specific issues. These processes assist in the Council's decision making in relation to the provision of individual services. Community expectation will also be given effect through the review of the Long Term Plan.

- **No-one Else will Provide the Service**
  If the Council were to stop providing some or all of these facilities, no alternative provider would be available.

- **To Enhance Community Safety**
  Community safety applies to activities that relate to the protection of the community. In some instances there is a statutory responsibility to provide this service, but the Council provides a level of service that is higher than the statutory minimum requirements.

Why the Council has determined to use Development Contributions to meet the Costs of Capital Expenditure for Growth

The Kāpiti Coast has historically experienced predominantly greenfields development. Increasingly, intensification of development is expected to occur in and around town centres and public transport centres. The Council considers that there is sufficient land and infrastructure for expected population growth over the next 20 years. The population growth is projected (by Statistics NZ's medium projection) to comprise approximately 5,700 new households and 10,000 new residents as the District's population increases from approximately 49,351 in 2012 to 59,373 by 2032. The District's employment is also expected to increase over the next 20 years (2012-2032) by approximately 3,436 employees.

The Council acknowledges that development will provide significant on-site infrastructural services such as new roads. Population and employment growth will, however, place a significant strain on transport, water supply, wastewater treatment facilities, flood mitigation and community infrastructure of the District if not well managed or provided for.

The challenge has been to put in place a transparent, consistent, and equitable basis for requiring contributions so that those undertaking developments pay a fair share of the capital expenditure for roading / CWB, water supply, wastewater treatment facilities, flood mitigation and community infrastructure facilities without inhibiting growth. Benefits from growth accrue to those undertaking developments, the Council, and the community, and the costs of growth need to be correspondingly and fairly balanced given the limited sources of funding available to the Council.

In response to this challenge the Council has, since the late 1990s, developed a comprehensive growth management strategy in wide consultation with the community. This has included community-led concept planning exercises for the District, and is summarised in various community-specific Local Outcomes Statements that support the overarching districtwide Community Outcomes, as well as the districtwide Development Management Strategy (2006). These initiatives have at the same time enabled the Council to calculate the capital expenditure for community facilities necessary to support growth through the Contributions Model. Since 2004, the Council has expected development to pay a greater share of growth-related infrastructure costs than it had in the past.

The process of developing a comprehensive growth management strategy has entailed detailed consideration of the costs and benefits of growth, given the limited sources of funding available to the Council to meet the capital expenditure for growth for roading/CWB, water supply and wastewater treatment facilities, community infrastructure and flood mitigation capital works projects.

The Council's assessment of these costs and benefits in terms of funding has been put into practice through the Contributions Model. Notwithstanding other externalities arising from development (such as a larger rating base, or increased economic development), it is considered to be equitable that the growth-related capital expenditure will be met by the development community. Adopting a Development Contributions Policy (rather than other funding sources) will lead to increased efficiency, and the use of Local Service Areas to reflect the availability of infrastructure will ensure that the distribution of benefits from a service matches the requirement to contribute to that service. Funding the capital expenditure for growth from development contributions is considered transparent, consistent, and equitable by the community, the Council, and the development community.

By undertaking all these initiatives the Council has been able to prepare a Development Contributions Policy that allows the Council to require development to fund pay for the increased capacity it requires, including capacity already provided by capital projects constructed in anticipation of growth.

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

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

Significant Assumptions to the Schedule of the Development Contributions Model

Significant assumptions underlying the calculation of the Schedule to the Development Contributions Policy are as follows:

Projected Growth

That, despite any short-term economic downturn, growth will continue in the longer term, with an increase of approximately 5,700 household units and 3,400 employees (700 household unit equivalents) in the Kāpiti Coast spread over the 20-year planning period. This is a particularly critical assumption, since the Council is dependent on the timely receipt of contributions from those undertaking development to service debt. The current economic downturn will have impacts on development contributions revenue in the short term.

Best Available Knowledge

That the capital expenditure costs are based on the best available knowledge at the time of preparation and largely represent a “rough order of costs” rather than specific estimates. These will be refined in subsequent years as in some cases policies become clearer and in others there will be improved knowledge of asset requirements. The capital works programme for growth makes no allowance for changes in the scope or costs of projects, or for changes in the pattern and distribution of development.

Growth Areas in the District

That growth within the Kāpiti Coast District will primarily take place within and in close proximity to existing urban areas, with intensification in and around town centres and public transport centres.

Growth Affordability

That managed growth within all these areas is affordable to Council, and that the Council's share of capital expenditure is able to be financed predominantly through debt servicing and/or rates, supported by development contributions, in parallel with the Council's core business and other projects.

Growth Supports Growth

That the Council's policy, as detailed in the Long Term Plan, is to ensure as far as practicable that new growth is financially self-supporting, with the costs being recovered through contributions from those undertaking development, recognising that for main services, which either extend physically or in capacity beyond a particular development, the Council may have to act as banker for these services and recover costs in stages from development.

That the Council accepts that a certain level of development exists in the Kāpiti Coast District for which services have been provided at the time that the Development Contributions Policy commences. The Policy is limited to recovering development contributions on development over and above that existing at the time of an application for necessary consent(s), as applicable, and on development which falls within the framework of the Development Contributions Policy.

Financial and Administrative Assumptions

- that all figures in the Development Contributions Policy and Schedule to the Development Contributions Policy are based on current known pricing, and costs have been indexed in accordance with BERL guidelines on inflation (excluding the first two years which have been based on the average inflation index forecasts as proposed by the three main trading banks – Bank of New Zealand, ANZ National Bank and Westpac Banking Corporation);

- that the incomes generated from rates will be sufficient to meet the future operating costs resulting from capital expenditure;

- that operating expenditure will be allocated across the rating base of the District;

- that there will be an impact from the capital expenditure on operating expenditure and an allowance has been made for this, based on the type of asset;

- that all New Zealand Transport Agency subsidies will continue at present levels and that eligibility criteria will remain unchanged;

- that methods of service delivery will remain substantially unchanged.

Key Risks

- that the growth assumptions are not met, resulting in delayed development and consequently delayed development contributions;
- that there is a lag between expenditure being incurred by the Council and contributions received from those undertaking developments;
- that the costs of capital are greater than expected.

Summary of Methodology

In summary, each contribution has been calculated in accordance with the methodology set out in Schedule 13 of the Local Government Act 2002, namely:

Stage 1:

The Council has first, districtwide and within Local Service Areas, estimated the number of new units of demand (household equivalent units or 'HUEs') likely to be created over the next 20 years, based on existing trends in population, household and employment growth and the development potential of each catchment (see table B.3 in Appendix B: Notes to Contributions Model);

Stage 2:

The Council has, districtwide and within Local Service Areas where appropriate, identified the total cost of the capital expenditure it expects to incur on roading / CWB, water supply and wastewater treatment facilities, community infrastructure and flood mitigation works over the next 20 years (these figures are drawn from the Council's asset management documentation and referred to in the Council's Long Term Plan;

Stage 3:

The Council has identified the share of that capital expenditure attributable to growth. This involves identifying whether the "driver" for individual items of capital expenditure (projects) is improvement in levels of service, the provision of additional capacity, or a mixture of both; and then aggregating the expenditure attributable to providing additional capacity on individual projects into a single figure for the District or Local Service Areas where appropriate (the "growth component"). The Council intends the entire growth component to be funded out of development contributions;

Stage 4:

Districtwide and for Local Service Areas where appropriate, the Council has divided the growth component by the projected number of units of demand to derive a per unit contribution.

APPENDIX A:

Schedule to Development Contributions Policy

A.1 Requirement for Development Contributions

Development contributions shall be required from new development in the form of money or land or both at the Council's discretion for capital expenditure for growth for roading/CWB (cycling, walking, bridleways), water supply and wastewater treatment facilities, community infrastructure and flood mitigation facilities, according to the planning tables, planning maps, and procedures specified in A.6.

The requirement for a development contribution is subject to the remissions policy provided for in A.3 and exemptions and reductions provided by A.4.

Generally, however, the maximum level of development contributions will be required on development over and above that existing at the time of an application, creating additional units of demand, assessed by the Council according to A.6.1.

A.2 Timing

Development contributions shall be required from development for capital expenditure on the grant of:

1. resource consents (subdivision or land use) under the Resource Management Act 1991;

2. the necessary building consents under the Building Act 1991; or

3. an authorisation for service connection.

The total contributions shall not exceed the development contributions specified in the Development Contributions Policy at the time of the issue of resource consents or building consents or service connection.

Payment must be made immediately on receipt of an invoice. For subdivision, while the development contributions will be calculated at the time of issue of the resource consent, the invoice will not typically be generated until application is made for the Section 224(c) certificate (seeking Council approval that all conditions of the subdivision consent have been met). This is to avoid charging consent holders for subdivisions that do not actually proceed.

For residential development, Council will generally apply contributions at the subdivision consent stage as opposed to the building consent stage. Council considers that the subdivision consent stage is generally the most appropriate stage to take development contributions for residential development, for the following reasons:

- practicality of implementation;

- economies of scale in implementation costs;

- fairness;

- best available knowledge for projections and allocating budgets.

While generally development contributions will be taken at the subdivision consent stage for residential development, Council will apply contributions at the building or land use resource consent stage where there are additional units of demand created in the absence of subdivision (for example, an additional house on a lot). In such cases, as a matter of equity, the Council will assess and seek the appropriate development contribution at the building or the land use resource consent stage.

For non-residential development, the Council will initially require contributions at the subdivision consent stage (one per additional allotment created), but will then re-assess contributions at the building or land use resource consent stage based on the number of units of demand created (see Section A.6.1 Units of Demand). A credit will be applied for any contributions that had been paid for the property at the subdivision stage. This staging is necessary because the demand created by non-residential development varies depending on the characteristics (such as size) of the building or other activity, and these characteristics are generally not known until the building or land use consent stage.

The amount of development contributions payable will be assessed on the basis of the Development Contributions Policy in effect at the time that resource consent or building consent is granted.

Credits as provided under A.6 apply in terms of HUEs, rather than specific dollar amounts, even if the schedule of charges payable per unit in the Development Contributions Policy has changed between applications relating to the same development.

A.3 Remissions

At the request of an applicant, the development contributions required on a development may be considered for remission at the Council's discretion on a case by case basis. The Council's Chief Executive or the Sustainable Development Manager shall consider the request and make the determination.

Where the Council decides to consider such a request the following matters will be taken into account:

1. the Development Contributions Policy;

2. the Contributions Model;

3. the extent to which the value and nature of works proposed by the applicant, or in the case of non-residential activity the characteristics of the building and/or other development as proposed at the land use or building consent stage, reduces the need for works proposed by the Council in its capital works programme, and this factor has not been recognised in the assessment of HUEs;

4. the level of existing development on the site (if not adequately recognised in the initial assessment). Where multiple existing and pre-existing uses can be established, the Council will have regard to the most intensive use(s);

5. any other matters Council considers relevant.

The applicant may request a further review of an officer's determination on a request for remission. That review will be undertaken by the Council's Appeals Committee.

A.4 Exemptions and Reductions

The following activities shall be exempt from Development Contributions:

1. accessory buildings as set out in the Kāpiti Coast District Council District Plan;

2. surplus Farm Buildings as set out in the Kāpiti Coast District Council District Plan;

3. any subdivision where no additional units of demand are created (examples may include but are not limited to upgrading of cross-leases, conversion to freehold title, and unit title subdivision);

4. any other development where no additional units of demand are created;

5. new buildings within school grounds.

One-bedroom units as defined in the 'Definitions' section below will only be charged at 50% of the development contribution charges under this Policy. The purpose is to recognise the likelihood of smaller households inhabiting these units, with a corresponding reduced infrastructure demand. Any subsequent subdivision (unit title, cross-lease, freehold, etc.) of a one-bedroom unit development that has paid Development Contributions in this manner will not attract further Development Contributions unless there are new lots created that are not associated with the existing one-bedroom units, or additional dwelling units are created. Expansion of one-bedroom units that have received the 50% reduction in Development Contributions, to create units with two or more bedrooms, will attract an additional 'top-up' charge of 50% of the Development Contribution charges under this Policy. This additional charge is to reflect that such a development would no longer be classified as a one-bedroom unit, and rather would equate to a standard HUE.

For **the first dwelling unit on any vacant section that was created prior to 30 July 1999,** reduced fees will apply; these amounts are equivalent to the Financial Contributions contained in the operative 1999 District Plan, adjusted for inflation. The purpose of this reduction is to recognise the expectation that land owners would have had, prior to the introduction of the Development Contributions Policy, to be able to build a first home on their section without the magnitude of infrastructure charges required by the current full Development Contributions.

Note: As required by section 200 of the Local Government Act 2002 development contributions paid and/or works undertaken and/or land set aside as a result of:

(a) Development Contributions;

(b) Agreements with Council;

(c) Financial Contributions under the RMA;

will be taken into account when calculating development contributions. As mentioned in A.2, credits for Development Contributions paid at the subdivision stage will be taken into account.

A.5 Statement of Goods and Services Tax (GST)

Development contributions required in the form of money are exclusive of Goods and Services Tax (GST). GST will be added to the development contributions when they are invoiced at the rate required under the relevant statutory or regulatory provisions.

A.6 Development Contribution Planning Tables and Planning Maps

Initial Threshold Test

Subdivision or other development (excluding the pipes or lines of a network utility operator) that generates a demand for community facilities will be liable for a development contribution where:

- the effect of the development, including its cumulative effect with another development, is to require new or additional assets or assets of increased capacity; and
- a development contribution for that purpose is provided in this Policy.

Additional Limitations

As required by section 200 of the Local Government Act 2002, a development contribution will not be required to recover capital expenditure under this policy if:

(a) the Council has, under section 108(2)(a) of the Resource Management Act 1991, imposed a condition on a resource consent in relation to the same development for the same purpose; or

(b) the developer will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure; or

(c) the Council has received or will receive full funding from a third party.

A.6.1 Units of Demand

The units of demand used in this policy are referred to as “Household Unit Equivalent” or “HUEs”. For residential development, one dwelling unit is considered one HUE (except for one-bedroom units as per section A.4).

Because in most places in the District there will be only one dwelling per lot, the initial assessment at subdivision will be for one unit of demand or HUE per lot on all sites (irrespective of whether future development is anticipated to be residential or non-residential). Further assessment may occur on any subsequent application for resource, building or service connection, where additional residential demand is generated.

For non-residential development, the initial charge at the subdivision stage will be for one unit of demand. This will be re-assessed at the time of application for land use or building consents or for service connection, at which time 500 square metres (m2) of building gross floor area (GFA) will constitute one HUE. Buildings smaller or larger than 500 m2 will be charged pro rata at a rate of .002 HUE per m2, minus any HUE credits remaining from previous stages of development on the site.

The non-residential GFA-to-HUE factor is based on an assessment of the demand placed on facilities by buildings of various sizes, considering the average number of employees per square metre and the average demand placed by employees relative to households, as follows: one employee is approximately 40% of the average household size of 2.4, and is estimated to create half the demand of a household resident (based on 40-hour work week). This means that 5 employees are assumed to create 1 HUE of demand. At an average of 100 square metres gross floor area (GFA) per employee, which is reasonable given the District's predominantly non-office based employment profile, 500 square metres of GFA are assumed to equal one HUE.

These charges will apply to new vacant subdivided lots and to the construction of new or expanded buildings on existing lots in all District Plan zones in the Kāpiti Coast District (refer Distribution of Benefits: Development Contributions Policy, and Appendix B: Notes to Contributions Model, for further detail).

Credits

Credits will apply where, and to the extent that:

(a) there is pre-existing demand on an allotment. The total HUEs calculated in respect of a development will be reduced by the level of pre-existing demand from a development. This will be assessed using the same methodology applicable to HUE assessment. In other words, 1 HUE credit will apply for one existing residential dwelling on a site (unless the 50% reduction in Development Contributions for one-bedroom units has been taken), and HUE credits will be calculated in proportion to the GFA of existing non-residential development at a site.

(b) there has been prior payment of development contributions from the same development for the same activity. In addition to any limitation imposed on the Council under section 200, HUE credits will be used to recognise the extent to which previous development contributions have been paid. This includes development contributions paid at the subdivision stage, applied as a credit towards subsequent building activity. The credit will be based on the number of HUEs for which a development contribution was previously paid.

Credits may not reduce the development contribution payable below zero. Credits may not be transferred between sites.

A.6.2 Calculation of Development Contributions Required from Development

Calculation of development contributions required from development shall be assessed according to the following steps:

1. calculate the HUEs applicable to the development, and subtract any credits that may apply;

2. locate which service area the development is situated in, using ***MAP A.6.1 – Kāpiti Coast District Service Areas*** or, for water supply, ***MAP A.6.2 – Kāpiti Coast District Service Areas – Water****;*

3. refer to the following tables for each component of the development contribution, and match the service area located with the "Development Contributions Per Lot/Unit of Demand" column;

4. the dollar figure in the “Development Contributions” column multiplied by the number of assessed HUEs is the development contribution required for that activity;

5. total the activity payments in step 4, and add GST.

Table A.1

Roads, Walkways, Cycleways and Bridleways

Area	Growth-Related Capital Expenditure $000	Projected Units of Demand	Development Contributions per Unit of Demand
Districtwide	**$9,602**	**6,406**	**$1,499**

Notes:

- 25% of Council Capital Expenditure is attributed to growth, on the basis that new households and non-residential units will account for approximately 25% of the total households and non-residential units at the end of the 20 year period, which is assumed to be the period of demand for these facilities.

Major components:

Facility	Cost to Council $000	Growth Component
Local Area Network Connections	10,735	25%
Strategic Property Purchases - Roading	5,841	25%
CWB Condition Assessment of Assets	76	25%
CWB Interpretive Signs	7	25%
CWB New Capital	1,402	25%
CWB New Path Development	1,945	25%
CWB User Surveys	69	25%
CWB Waikanae Foreshore Walkways	33	25%
Major Community Connector Upgrades	18,300	25%

Table A.2

Wastewater Supply Facilities

Local Service Area	Growth-Related Capital Expenditure $000	Projected Units of Demand	Development Contributions per Unit of Demand
Ōtaki, Waikanae, and Paraparaumu/Raumati/ Otaihanga	**$4,462**	**6,229**	**$716**

Notes:

- 25% of most Council Capital Expenditure is attributed to growth, on the basis that new households and non-residential units will account for approximately 25% of the total households and non-residential units at the end of the 20 year period, which is assumed to be the period of demand for these facilities. The exception is the upgrade of the capacity upgrade for Waikanae Reticulation, which is 100% growth-related.

Major components:

Facility	Cost to Council $000	Growth Component
Rauparaha Pump Station Upgrade	1,995	25%
Pump Station and Riser, Coleman Street	2,403	25%
Waikanae Reticulation Capacity	1,493	100%
Ōtaki Waste Water Provision Upgrade	1,449	25%
Parallel Sewer Main Te Atiawa	776	25%
Gray Avenue Pump Station Upgrade	871	25%
Parallel Rising, Rata Road	1,319	25%
Storm Buffer Upgrades	186	25%
Districtwide Unplanned New Capital Expenditure	1,734	25%
Paraparaumu Wastewater Treatment Plant Upgrades	134	25%
Waikanae Balance Tanks Upgrades	266	25%
Ōtaki Sludge Treatment Plant Upgrades (2009-2011)	743	25%

Table A.3

Community Infrastructure

Area	Growth-Related Capital Expenditure $000	Projected Units of Demand	Development Contributions per Unit of Demand
Districtwide	**$25,349**	**6,406**	**$3,957**

Notes:

- Between 25% and 33% of this Council Capital Expenditure is attributed to growth, on the basis that new households and non-residential units will account for approximately 25% to 33% of the total households and non-residential units at the end of the 20 year period, which is assumed to be the period of demand for these facilities. The exception is Strategic Land Purchase, where 50% of future land purchases not related to parks and open spaces is attributed to growth.

Major components:

Facility	Cost to Council $000	Growth Component
Strategic Land Purchase (50% of future land purchases not related to Parks and Open Spaces and Roading)	21,901	50%
Arts Centre	13,626	33%
Improved Civic Administration Building	7,565	20%
Coastlands Aquatic Centre	17,300	33%
Paraparaumu Library (completed 2003)	5,600	33%
Waikanae Library Upgrade	2,226	25%
Ōtaki Library (built 1998)	1,100	25%

** Growth-related funding for parks/reserves and open spaces is made via the Financial Contributions section of the District Plan, under the Resource Management Act 1991.*

Table A.4

Flood Mitigation Works

Local Service Area	Growth-Related Capital Expenditure $000	Projected Units of Demand	Development Contributions per Unit of Demand
Ōtaki, Waikanae, Paraparaumu/Raumati/ Otaihanga	**9,576**	**6,229**	**$1,537**

Notes:

- A nominal charge of 10% is attributed to growth for new assets over the 20 year period.
- 50% is attributed to growth for the Council's contribution to the Chrystall's Bend project.

Major components:

Facility	Cost to Council $000	Growth Component
Chrystall's Bend (completed)	440	50%
New Assets: Ōtaki, Waikanae, Paraparaumu/ Raumati/Otaihanga	93,561	10%

Table A.5

Water Supply Facilities

Local Service Area	Growth-Related Capital Expenditure $000	Projected Units of Demand	Development Contributions per Unit of Demand
Ōtaki, Waikanae, Paraparaumu/Raumati/ Otaihanga	**$16,365**	**6,229**	**$2,627**

Notes:

- 25% of Council Capital Expenditure is attributed to growth for most facilities, on the basis that new households and non-residential units will account for approximately 25% of the total households and non-residential units at the end of the 20 year period, which is assumed to be the period of demand for these facilities.

Major components:

Facility	Cost to Council $000	Growth Component
Waikanae Water Treatment Plant Upgrade	18,428	20%
Paraparaumu Duplicate Water Main	3,674	25%
Riwai Reservoir Upgrade	217	25%
Peka Peka Main Supply New	335	50%
Waikanae Duplicate Water Main	3,838	25%
Kakariki Reservoir Upgrade	1,086	25%
Districtwide Unplanned New Capital Expenditure	1,531	25%
Waikanae/Paraparaumu/Raumati Water Supply Project	8,237	20%
Waikanae/Paraparaumu/Raumati Zone Meters Upgrades	278	25%
Waikanae/Paraparaumu/Raumati Pressure Management	513	25%
Water Metering Project	8,185	25%
Ōtaki Reservoir	10,705	5%
Waitohu Bore Installation	318	25%
Paraparaumu / Waikanae Water Storage (2009-2011)	3,303	25%

Facility	Cost to Council $000	Growth Component
Drinking Water Standards Upgrades Ōtaki 2009-2011)	772	25%
Paraparaumu/Waikanae Supplementary Water Supply (2005)	13,200	33%

Table A.6

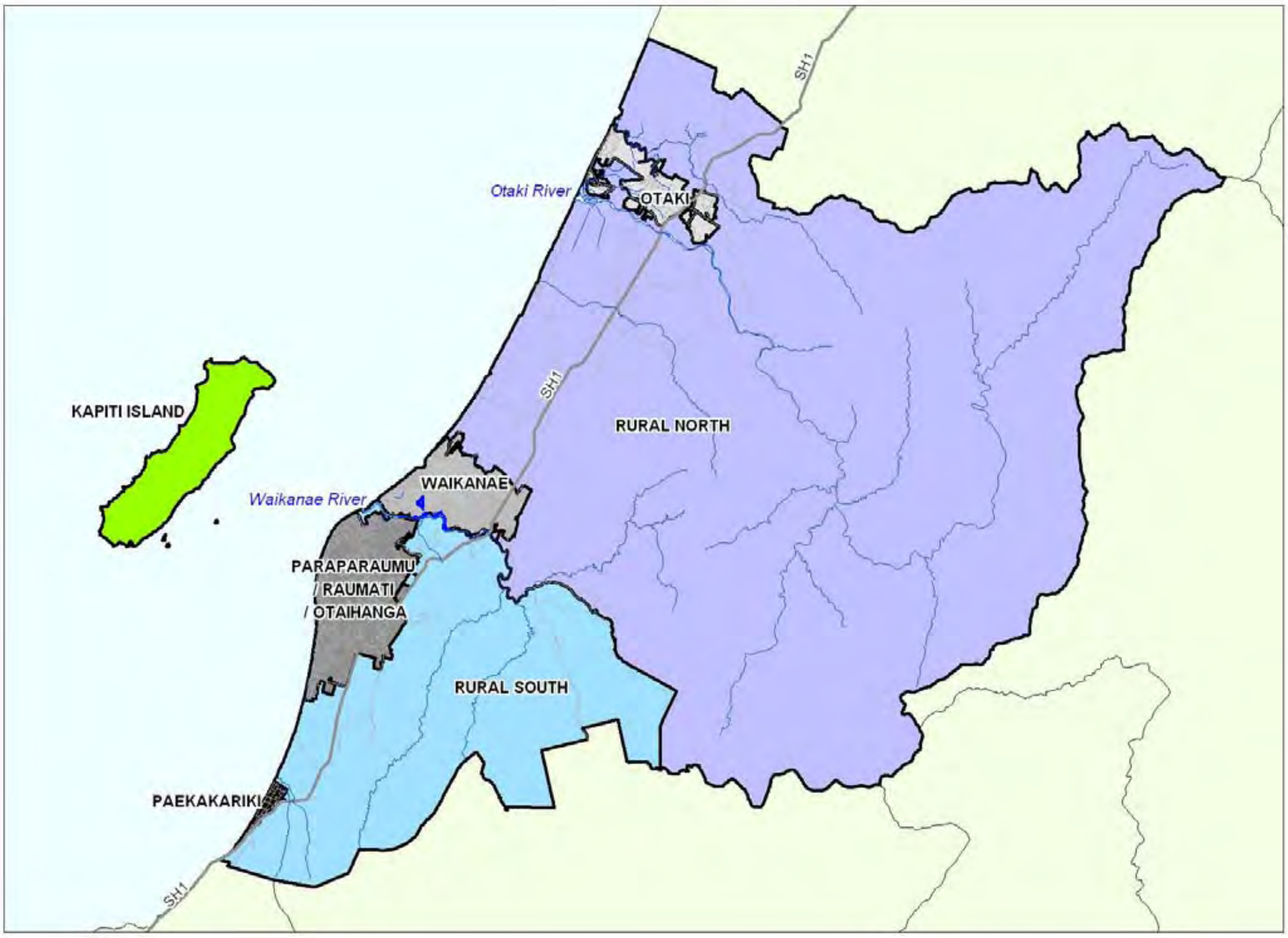
Total Fees Excluding Reserves Contribution*

	Roads/ CWB	Waste-water	Community Infrastructure	Flood Mitigation	Water	Total
Ōtaki, Waikanae, Paraparaumu/ Raumati/ Otaihanga	$1,499	$716	$3,957	$1,537	$2,627	**$10,336**
Rural North and South	$1,499	-	$3,957	-	-	**$5,456**
Paekākāriki**	$1,499	-	$3,957	$1,537	$2,627	**$9,620**

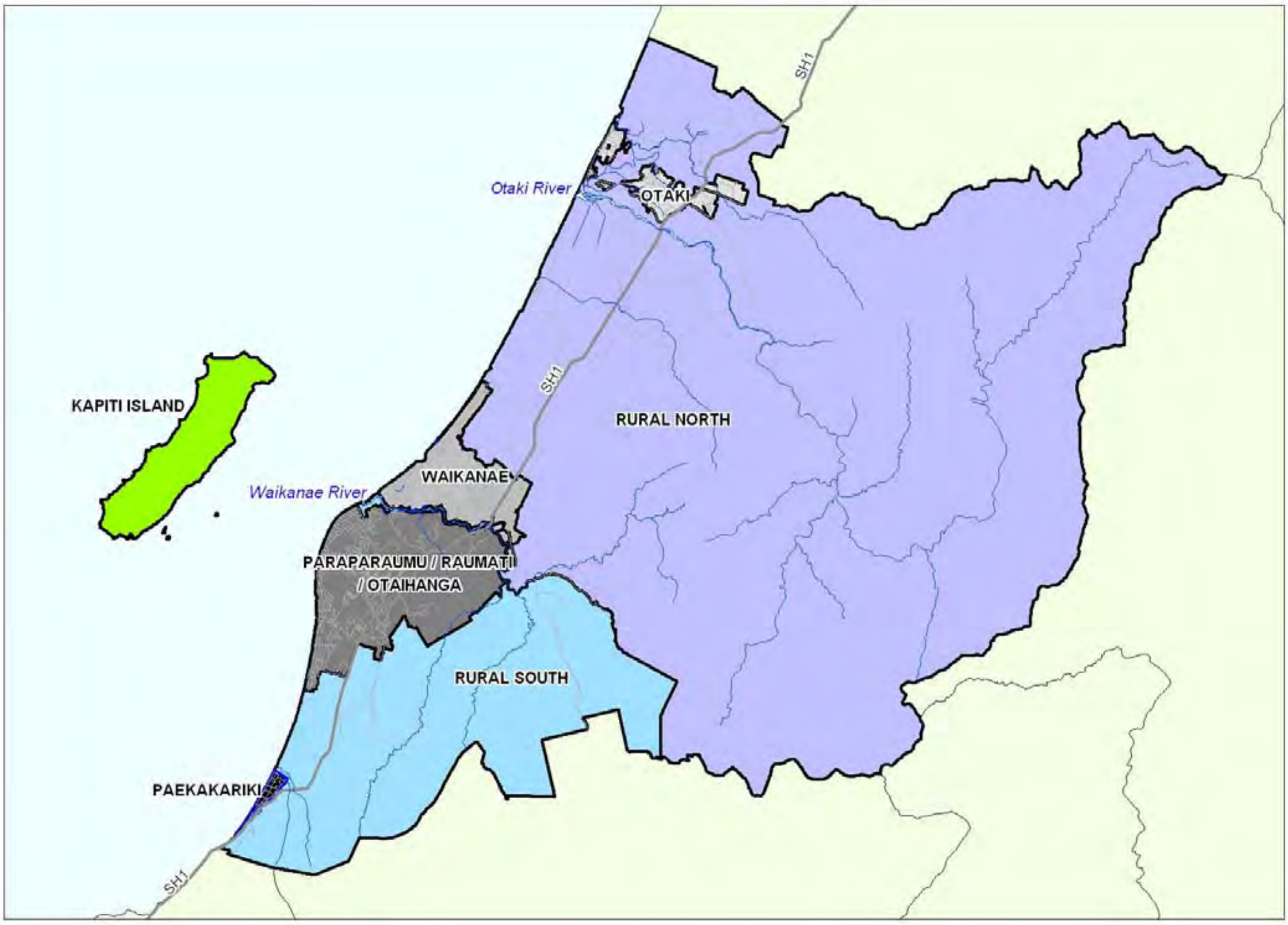
** Reserves Contributions are currently taken as financial contributions under the District Plan. As at February 2012, the reserves contribution in the District Plan is 7.5% of land value (up to $150,000 value per lot) for residential zones, or $11,250 per lot. For commercial / retail / industrial / service / airport zones, the reserves contribution is 10% of land value.*

*** No growth is expected in Paekākāriki. If there is any subdivision or development in Paekākāriki, it will be charged for all components of Development Contributions, except wastewater, unless it qualifies for a reduction in Section A.4 such as being the first house on a lot created prior to 30 July 1999.*

Map A.6.1: Kāpiti Coast District Service Areas: General



Map A.6.2: Kāpiti Coast District Service Areas: Water Supply



DEFINITIONS:

Development Contributions Policy
Schedule to Development Contributions Policy

In the Development Contributions Policy and the Schedule to the Development Contributions Policy, unless the context otherwise requires:

Activity has the same meaning set out in section 5 of the Local Government Act 2002 or any legislation substituted for the same as below:

> ***5 Interpretation***
> *(1) In this Act, unless the context otherwise requires:*
>
> ***Activity*** *means a good or service provided by, or on behalf of, a local authority or a council-controlled organisation; and includes:*
>
> *(a) the provision of facilities and amenities; and*
>
> *(b) the making of grants; and*
>
> *(c) the performance of regulatory and other governmental functions*

Community Facilities has the same meaning set out in section 5 of the Local Government Act 2002 or any legislation substituted for the same as below:

> ***5 Interpretation***
> *(1) In this Act, unless the context otherwise requires:*
>
> ***Community Facilities*** *means reserves, network infrastructure, or community infrastructure for which Development Contributions may be required in accordance with section 199*

Contributions Model means the model adopted by the Council as part of the Development Contributions Policy in the Long Term Plan.

Community Infrastructure has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:

> ***197 Interpretation***
> *In this subpart:*
>
> ***Community Infrastructure*** *means:*
>
> *(a) land, or development assets on land, owned or controlled by the territorial authority to provide public amenities; and*
>
> *(b) includes land that the territorial authority will acquire for that purpose.*

Development has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:

> ***197 Interpretation***
> *In this subpart:*
>
> ***Development*** *means*
>
> *(a) any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure; but*
>
> *(b) does not include the pipes or lines of a network utility operator*

Development Contribution has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:

> ***197 Interpretation***
> *In this subpart:*
>
> ***Development Contribution*** *means a contribution:*
>
> *(a) provided for in a development contribution policy included in the Long Term Plan [or transitional annual plan] of a territorial authority; and*
>
> *(b) calculated in accordance with the methodology; and*
>
> *(c) comprising:*
> *(i) money; or*
> *(ii) land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Māori land within the meaning of Te Ture Whenua Act 1993, unless that Act provides otherwise; or*
> *(iii) both*

Development Contribution Policy has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:

> ***197 Interpretation***
> *In this subpart:*
>
> ***Development Contribution Policy*** *means the policy on development contributions included in the Long Term Plan [or transitional annual plan] of the territorial authority under section 102(4)(d).*

Household Unit means a building or part of a building intended to be used as an independent residence and includes any apartment, townhouse, dwelling unit or home unit

Household Unit Equivalent (HUE) means an amount of development that creates demand equivalent to that created by an average household unit

Goods and Services Tax (GST) means goods and services tax under the Goods and Services Tax Act 1985 or any legislation substituted for the same.

Network Infrastructure has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:

> ***197 Interpretation***
> *In this subpart:*
>
> ***Network Infrastructure*** *means the provision of roads and other transport, water, wastewater, and stormwater collection and management.*

One-bedroom unit means a household unit that has no more than one room excluding:

- a kitchen;
- bathroom, laundry, and/or toilet;
- any area used solely for living and/or dining purposes (exclusion limited to one area per household unit); and
- any room used solely as an entranceway, hallway or garage.

For the avoidance of doubt, a studio apartment is classified as a one-bedroom unit, and an open plan living/dining area is considered one area.

RMA 1991 means the Resource Management Act 1991 or any legislation substituted for the same.

Service Area means the unit(s) in the Contributions Model which demarcate Kāpiti Coast District.

Site means:

(a) An area of land which is:
  (i) comprised in a single certificate of title; or
  (ii) contained in a single lot on an approved survey plan of subdivision for which a separate certificate of title could be issued without further consent of the Council;
  being in any case the smaller land area of (i) or (ii); or

(b) An area of land which is composed of two or more contiguous lots held together in one certificate of title in such a way that the lots cannot be dealt with separately or without prior consent of the Council; or

(c) An area of land which is comprised in two or more contiguous lots held in two or more certificates of title where such titles are:
  (i) subject to a condition imposed under section 37 of the Building Act 1991 or section 643 of the Local Government Act 1974; or

(ii) held together in such a way that they cannot be dealt with separately without the prior consent of the Council; or

(d) An area of land which is:
- (i) partly made up of land which complies with (a), (b) or (c) above; and
- (ii) partly made up of an interest in any airspace above or subsoil below a road:
  where (i) and (ii) are adjacent and are held together in such a way that they cannot be dealt with separately without the prior consent of the Council; or

(e) An area of land which is:
- (i) partly made up of land which complies with (a), (b) or (c) above; and
- (ii) partly made up of an interest in any airspace above or subsoil below a road:
  where (i) and (ii) are adjacent and are held together in such a way that they cannot be dealt with separately without the prior consent of the Council; or

(f) In the case of land subdivided under the Unit Titles Act 1972 or the cross lease system, 'site' shall be deemed to be each of the intended separate certificates of title as set out on a survey plan approved by the Council subject to the unit development or cross lease.

Units of Demand means those units set out in Schedule 13 of the Local Government Act 2002 or any legislation substituted for the same as below:

Schedule 13
Methodology for calculating development contributions

1 Methodology for relating cost of community facilities to units of demand

In order to calculate the maximum development contribution in respect of a community facility or an activity or group of activities for which a separate development contribution is to be required, a territorial authority must first:

(a) identify the total cost of the capital expenditure that the local authority expects to incur in respect of the community facility, or activity or group of activities, to meet increased demand resulting from growth within the District, or part of the District, as the case may be, as set out in the Long Term Plan [or transitional Annual Plan] in accordance with section 106(2)(a); and

(b) identify the share of that expenditure attributable to each unit of demand, using the units of demand for the community facility or for separate activities or groups of activities, as the case may be, by which the impact of growth has been assessed.

2 Attribution of units of demand to developments

For the purpose of determining in accordance with section 203(2) the maximum development contribution that may be required for a particular development or type of development, a territorial authority must demonstrate in its methodology that it has attributed units of demand to particular developments or types of development on a consistent and equitable basis.

APPENDIX B:

Notes to Kāpiti Coast District Contributions Model

B.1 Introduction

The Kāpiti Coast District Contributions Model (Contributions Model) comprises a series of linked Excel spreadsheets containing estimates of all of the Council's expected or recently completed capital works projects that provide capacity for new development, in terms of roading, cycling, walking and bridleways facilities, water supply, wastewater treatment, community infrastructure and flood mitigation facilities for the next 20 years.

B.2 Project Costing Spreadsheets

The Contributions Model contains the name, estimated cost and programmed year of execution of all of the Council's capital works projects for growth for roading, cycling, walking and bridleways facilities, water supply, wastewater treatment, community infrastructure and flood mitigation facilities for the next 20 years. These are grouped by area as follows:

(a) Ōtaki;

(b) Waikanae;

(c) Paraparaumu/Raumati/Otaihanga;

(d) Rural North;

(e) Rural South.

In the above spreadsheets, projects are characterised according to the service types of *roading, cycling, walking and bridleways facilities, water supply, wastewater treatment, community infrastructure and flood mitigation facilities*

The spreadsheets calculate the total cost of the Additional Capacity / Growth component, if any, of each project over 20 years, and divide this cost by the total units of demand (Household Unit Equivalents or HUE) expected to be established in that period, in the area to be served by the project.

The resulting amount is expressed as the Development Contribution per HUE for that particular project.

B.3 Growth Assumptions

B.3.1 Land Use Assumptions

A review of vacant residential land in the Kāpiti Coast District was undertaken in 2011. The criteria used to determine if land was 'vacant' (for example, has the ability to be developed by way of an additional dwelling unit) was:

- lots with a capital improvement value of less than $50,000. This will include any lots that are vacant (empty sections) or lots that may have a small shed/garage on site worth less than $50,000 (i.e. not likely to be liveable);

- any lots with development potential: > 4,000m². Lots over 4,000m² with currently one house on them have the potential to subdivide (for example, down to 600m²), but due to variability (owner may not want to subdivide) these lots have been assessed as having potential for only one additional lot.

<u>Table B.3.1:</u> Vacant Residential Land Use Assumptions, March 2011

Census Local Area Unit	Residential Vacant (ha)
Otaihanga	23
Ōtaki	154
Paekākāriki	1
Paraparaumu Beach North	13
Paraparaumu Beach South	11
Paraparaumu Central	74
Peka Peka	27
Raumati Beach	33
Raumati South	18
Te Horo	4
Waikanae Beach	26
Waikanae East	28
Waikanae Park	37
Waikanae West	17
Total	**466**

B.3.2 Additional Vacant Residential Land Assumed Made Available by Period

Beyond the areas currently zoned residential, projected growth takes into account recent and anticipated District Plan changes designating areas for future residential development. This includes rezoning from non-residential to residential and further intensification around town centres and transport nodes.

B.3.2 Results

The resulting medium projection scenario for households and population is summarised over the page.

<u>Table B.3.2a:</u> Projected 2006 to 2032 Occupied Private Households by Area Unit under the Medium Projection

Census Area Unit	2006	2012	2016	2021	2026	2032	Change 2012-2032
Waikanae Beach	1,214	1,318	1,372	1,448	1,526	1,606	288
Waikanae East	819	926	968	1,022	1,065	1,115	189
Peka Peka	114	152	168	184	206	247	95
Waikanae Park	860	967	1,218	1,619	2,005	2,504	1,537
Waikanae West	1,677	1,758	1,824	1,843	1,882	1,916	158
Kaitawa	179	234	256	259	263	258	24
Ōtaki Forks	555	645	696	696	691	669	23
Te Horo	289	331	327	340	352	371	40
Ōtaki	2,381	2,489	2,596	2,668	2,777	2,884	396
Paraparaumu Beach North	1,264	1,372	1,469	1,513	1,542	1,567	195
Otaihanga	402	483	562	616	659	710	227
Paraparaumu Beach South	2,048	2,211	2,286	2,380	2,462	2,537	327
Paraparaumu Central	3,334	3,688	4,036	4,315	4,578	4,846	1,159
Raumati Beach	1,858	2,023	2,152	2,271	2,351	2,466	442
Raumati South	1,361	1,474	1,602	1,760	1,891	2,054	580
Paekākāriki	673	659	637	639	638	615	(44)
Maungakotukutuku	315	379	413	424	434	432	53
Kāpiti Coast District	**19,343**	**21,110**	**22,583**	**23,996**	**25,321**	**26,798**	**5,688**

Source: February 2012 MERA customised Kāpiti Coast District projections

<u>Table B.3.2b:</u> Projected 2006 to 2032 Usually Resident NZ Population by Area Unit of Usual Residence under the Medium Projection

2006 Census Area Units	**2006**	**2011**	**2012**	**2016**	**2021**	**2026**	**2031**	**2032**	**2012-2032**
Ōtaki	5,634	5,695	5,770	6,071	6,159	6,324	6,485	6,517	747
Kaitawa	507	585	586	588	586	577	561	558	(28)
Ōtaki Forks	1,452	1,561	1,549	1,504	1,455	1,406	1,338	1,324	(225)
Te Horo	669	714	718	734	761	784	807	812	94
Waikanae Beach	2,906	3,042	3,058	3,121	3,224	3,322	3,415	3,434	37
Waikanae East	1,929	2,105	2,122	2,192	2,291	2,386	2,474	2,492	370
Peka Peka	246	299	303	316	350	357	408	418	115
Waikanae Park	1,726	1,816	2,002	2,748	3,702	4,635	5,616	5,813	3,810
Waikanae West	3,456	3,575	3,587	3,635	3,659	3,739	3,785	3,795	208
Paraparaumu Beach North	3,306	3,469	3,479	3,522	3,558	3,597	3,607	3,609	129
Otaihanga	1,084	1,187	1,212	1,311	1,427	1,526	1,631	1,652	441
Paraparaumu Beach South	4,713	5,007	5,033	5,140	5,299	5,426	5,516	5,535	501
Paraparaumu Central	8,277	8,952	9,056	9,474	10,012	10,513	10,925	11,007	1,951
Raumati Beach	4,473	4,684	4,718	4,854	5,062	5,198	5,382	5,419	701
Raumati South	3,540	3,633	3,685	3,897	4,187	4,438	4,679	4,728	1,042
Paekākāriki	1,641	1,547	1,534	1,481	1,442	1,393	1,335	1,323	(211)
Maungakotukutuku	852	938	937	935	938	946	941	940	3
Kāpiti Coast District	**46,411**	**48,808**	**49,351**	**51,523**	**54,112**	**56,566**	**58,905**	**59,373**	**10,022**

Source: February 2012 MERA customised Kāpiti Coast District projections.

The employment projections for the next 25 years are as follows:

<u>Table B.4:</u> Projected 2006 to 2032 Employment by Location

Kāpiti Coast District Local Service Area	2006	2011	2012	2016	2021	2026	2031	2032	2012-2032
Ōtaki	1,825	1,818	1,838	1,920	1,982	2,048	2,130	2,147	308
Rural North	2,127	1,994	2,014	2,096	2,158	2,223	2,306	2,322	308
Waikanae Area	1,904	1,999	2,023	2,117	2,195	2,276	2,376	2,396	373
Paraparaumu, Raumati, Otaihanga	8,148	8,355	8,510	9,131	9,702	10,245	10,781	10,888	2,378
Paekākāriki	295	277	279	290	298	306	316	318	38
Rural South	185	184	185	192	199	205	214	215	30
Kāpiti Coast District	**14,484**	**14,626**	**14,850**	**15,746**	**16,534**	**17,304**	**18,122**	**18,286**	**3,436**

Source: February 2012 MERA customised Kāpiti Coast District projections.

Based on the projections above, the residential and non-residential projections for the next 20 years for the Local Service Areas, forming the basis for the Development Contributions, are as follows:

<u>Table B.5:</u> Projected Extra Residential Lots / Household Unit Equivalents, 2012-2032

Kāpiti Coast Local Service Area	**2012-2032**	**% of Growth**
Ōtaki	394	7%
Waikanae	2,265	40%
Paraparaumu / Raumati / Otaihanga	2,917	51%
Paekākāriki *	(38)	(1%)
Rural North #	91	2%
Rural South	58	1%
Kāpiti Coast District	**5,687**	**100%**

** No growth is expected in Paekakariki. If there is any subdivision or development in Paekākāriki, it will be charged for all components of Development Contributions, except wastewater, unless it qualifies for a reduction in Section A.4 such as being the first house on a lot created prior to 30 July 1999.*

 # Rural North includes Waikanae North Eco-Hamlet Area.

Table B.6: Projected Extra Employment, Resulting Non-Residential Building Space and Household Unit Equivalents, 2012-2032

Kāpiti Coast Service Area	Employees	Household Unit Equivalents (HUE) **	SqM Gross Floor Area (GFA) per HUE	Total GFA Expected	% of Growth
	2012-2032	2012-2032		2012-2032	
Ōtaki	334	67	500	33,400	10%
Waikanae	542	108	500	54,200	16%
Paraparaumu / Raumati / Otaihanga	2,391	478	500	239,100	70%
Paekākāriki *	30	6	500	3,000	1%
Rural North #	114	23	500	11,400	3%
Rural South	25	5	500	2,500	1%
Kāpiti Coast District	**3,436**	**687**	**500**	**343,600**	**100%**

**   No growth is expected in Paekākāriki. If there is any subdivision or development in Paekākāriki, it will be charged for all components of Development Contributions, except wastewater, unless it qualifies for a reduction in Section A.4 such as being the first house on a lot created prior to 30 July 1999.*

*** Household Equivalency Factor is that one projected employee is expected to result in 0.2 Household Unit Equivalents (HUEs), based on one employee being 42% of the average household size of 2.4, and creating half the demand of a household resident (based on 40-hour work week). This means that five employees are assumed to create 1 HUE of demand. At an average of 100 square metres gross floor area (GFA) per employee, which is reasonable given the District's predominantly non-office based employment profile, 500 square metres of GFA are assumed to equal one HUE.*

 #   Rural North includes Waikanae North Eco-Hamlet Area.

RATES REMISSION POLICY

INTRODUCTION

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

This Policy is prepared under section 109 of the Local Government Act 2002 and is made up of the following nine parts:

Māori Freehold Land

Part 1	Rates Remission and Rates Postponement on Māori Freehold Land.

Rates Postponement

Part 2	Rates Postponement for Farmland Located in the Urban Rating Areas of the Kāpiti Coast District.
Part 3	Rates Postponement due to Extreme Financial Hardship.
Part 4	Optional Rates Postponement.

Rates Relief

Part 5	Rates Remission for Council Community Properties, Sporting, Recreation and Other Community Organisations.
Part 6	Rates Remission for Recreation, Sporting and Other Community. Organisations which Lease Private Property for a Period of One Year or Longer.
Part 7	Rates Remission of Late Payment Penalty.
Part 8	Rates Remissions for Land Protected for Natural or Cultural Conservation Purposes.
Part 9	Rates Relief for Residential Rating Units containing Two Separately Habitable Units.
Part 10	Rates Remission for Financial Hardship Policy

PART 1

RATES REMISSION AND RATES POSTPONEMENT ON MĀORI FREEHOLD LAND

Policy Objective

The objectives of this Policy are to:

- recognise that certain Māori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide for relief from rates;
- recognise where there is no occupier or person gaining an economic or financial benefit from the land;
- recognise that the Council and the community benefit through the efficient collection of rates; and
- meet the requirements of section 102 of the Local Government Act 2002 to have a Policy on the remission and postponement of rates on Māori freehold land.

Community Outcomes

The Community Outcomes that this Policy relates to are:

- Outcome 2: local character is retained within a cohesive District; and
- Outcome 7: the District has a strong, healthy, safe and involved community.

Policy Conditions and Criteria

Application for a remission or postponement under this Policy should be made prior to the commencement of the rating year. Applications made after the commencement of the rating year may be accepted at the discretion of the Council. A separate application must be made for each rating year.

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

- details of the rating unit or units involved;
- documentation that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court; and
- the objectives that will be achieved by the Council providing a remission.

The Council may investigate and grant remission or postponement of rates on any Māori freehold land in the District.

Relief and the extent thereof is at the sole discretion of the Council and may be cancelled and reduced at any time.

The Council will give a remission or postponement of up to 100% of all rates for the year for which it is applied for based on the extent to which the remission or postponement of rates will:

- support the use of the land by the owners for traditional purposes;
- support the relationship of Māori and their culture and traditions with their ancestral lands;
- avoid further alienation of Māori freehold land;
- facilitate any wish of the owners to develop the land for economic use;
- recognise and take account of the presence of wāhi tapu that may affect the use of the land for other purposes;
- recognise and take account of the importance of the land in providing economic

and infrastructure support for Marae and associated papakainga housing (whether on the land or elsewhere);

- recognise and take account of the importance of the land for community goals relating to:
    - the preservation of the natural character of the coastal environment;
    - the protection of outstanding natural features;
    - the protection of significant indigenous vegetation and significant habitats of indigenous fauna;
- recognise the level of community services provided to the land and its occupiers;
- recognise matters related to the physical accessibility of the land; and
- provide for an efficient collection of rates and the removal of rating debt.

The Policy shall apply to owners of Māori freehold land who meet the relevant criteria as approved by the Chair of the Council Committee with responsibility for managing Council finances (at the time of adopting this Policy this is the Chair of the Corporate Business Committee), and the Group Manager, Finance.

The administration of this Policy may be sub-delegated to a Council Officer as appropriate.

PART 2

RATES POSTPONEMENT FOR FARMLAND LOCATED IN THE URBAN RATING AREAS OF THE KAPITI COAST DISTRICT

Policy Objective
The objective of this Policy is to:
- support the Kāpiti Coast District Plan by encouraging owners of farmland located in the urban rating areas to refrain from subdividing their land for residential, commercial, and industrial purposes.

Community Outcomes
The Community Outcomes that this Policy relates to are:
- Outcome 2: local character is retained within a cohesive District; and
- Outcome 5: there is increased choice to work locally.

Policy Conditions and Criteria
The Policy will apply to rating units that are:
- located in the urban rating area of a Ward of the Kāpiti Coast District;
- individual or contiguous rating units, 10 hectares in area or more;
- farmland whose rateable value in some measure is attributable to the potential use to which the land may be put for residential, commercial, industrial, or other non-farming development; and
- actively and productively farmed by the ratepayer or the farming business.

The application for rate postponement must be made to the Council prior to the commencement of the rating year applications received during a rating year will be applicable from the commencement of the following rating year. No applications will be backdated.

The Policy requires that application for postponement must be made to the Council prior to the commencement of the rating year. Ratepayers making application should include the following documents in support of their application:
- details of ownership of the rating unit; and
- information on the farming activities.

Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated.

If an application is approved the Council will request its Valuation Service Provider to determine a rates-postponement value of the land. The purpose of this requirement is to exclude any potential value that, at the date of valuation, the land may have for residential purposes, or for commercial, industrial, or other non-farming use in order to preserve uniformity and equitable relativity with comparable parcels of farmland whose valuations do not contain any such potential value.

The rates postponed for any rating period will be an amount equal to the difference between the amount of the rates for that period calculated according to the rateable land value of the property and the amount of the rates that would be payable for that period if the rates postponement land value of the property were it's rateable land value.

No objection to the amount of any rate-postponement value determined by the Council and its Valuation Service Provider will be upheld.

All rates whose payment has been postponed and which have not been written off become due and payable immediately on:

- the land ceasing to be farmland;
- the land being subdivided;
- the value of the land ceasing to include a portion of its value attributable to the potential use to which the land may be put for residential, commercial, industrial, or other non-farming development;
- the interest of the person who was the ratepayer at the date on which the rates postponement land value was entered on the Council's Rating Information Database becoming vested in another person other than the ratepayer's spouse, the executor/administrator of the ratepayer's estate or where the ratepayer was the proprietor of the interest as a trustee, a new trustee under the trust.

Postponed rates may be registered as a charge against the land so that in the event that the property is sold the Council has first call against any of the proceeds of that sale.

Postponed farmland rates are written off after five years if a property is not subdivided or sold.

The Policy shall apply to ratepayers who meet the relevant criteria as jointly approved by the Chair of the Council Committee with responsibility for managing Council finances (at the time of adopting this Policy this is the Chair of the Corporate Business Committee) and the Group Manager, Finance.

The administration of this Policy may be sub-delegated to a Council Officer as appropriate.

PART 3

RATES POSTPONEMENT DUE TO EXTREME FINANCIAL HARDSHIP

Policy Objective

The objective of this Policy is to:

- assist ratepayers experiencing extreme financial hardship which affect their ability to pay, by making arrangements to postpone payment of their rates.

Community Outcomes

The Community Outcome that this Policy relates to is:

- Outcome 7: the District has a strong, healthy, safe and involved community.

Policy Conditions and Criteria

The Council in establishing whether extreme financial hardship exists which warrants postponement of rate payments will consider amongst other things the ratepayer's personal and financial circumstances including the following factors: age, physical or mental disability, physical or mental illness and family circumstances.

The ratepayer must be the current owner and resident of the rating unit and have owned the property or another property within the Kāpiti Coast District for not less than two years.

The rating unit must be used solely for residential purposes.

Under this Policy the ratepayer and his/her spouse/defacto partner (if any) must be prepared to furnish an independent report from a credible local organisation involved in providing advice to low-income households under financial stress confirming the extent of their financial hardship and that they are receiving advice on how best to remedy their financial hardship.

If the property in respect of which postponement is sought is subject to a mortgage, then the applicant will be required to obtain the mortgagee’s consent before the council will agree to postpone rates.

When a property is owned by a family trust the Council must be satisfied that all people with an ownership interest in the property have agreed to be part of the scheme. As well as the trustee(s) this may also include beneficiaries depending on the terms of the family trust. Therefore, the Council will require a letter from the family trust’s lawyers to confirm that the family trust has the ability to postpone rates. The Council’s conditional letter of offer will need to be signed by both the applicant(s) and those parties whose consent is required.

The Council must be satisfied that the ratepayer is unlikely to have sufficient funds left over, after payment of the rates demand, for meeting the basic living needs including normal health care and maintenance of the ratepayer’s home and chattels.

The ratepayer and his/her spouse/defacto partner (if any) must not own any other rating units or investment properties or other realisable assets.

The ratepayer will be required to pay the first $500 of the rates levied on their property each financial year. This requirement shall apply regardless of the fact that payment of the balance of the annual rates is postponed.

If the ratepayer is eligible for the Government Rate Rebate, an application for this rebate should be completed before any rates are postponed for that year. The rate rebate will be accepted as being part of the minimum $500 required payment.

The ratepayer must make arrangements, agreed to by the Council, for the payment of future rate demands. This will require setting up a system for regular weekly or fortnightly payments.

The ratepayer must make application to the Council on the required application form.

Risk

Council must be satisfied, on reasonable assumptions, that the risk of any shortfall when postponed rates and accrued charges are ultimately paid is negligible. To determine this, an actuary has been engaged to develop a model that will forecast, on a case by case basis, expected equity, when repayment falls due. If that is likely to be less than 20%, the Council will offer partial postponement, set at a level expected to result in final equity of not less than 20%.

Where a ratepayer wishes to postpone both this Council's rates, and those set and assessed by the Greater Wellington Regional Council, this Council will consult with Greater Wellington Regional Council to ensure that the combined council's rates do not exceed the equity provisions outlined in the previous paragraph.

Insurance

The property must be insured for its full value and evidence of this produced.

If insurance cannot be arranged because the property is uninsurable, only the land value can be used when calculating maximum postponement allowable under this Policy.

Conditions

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

The financial cost will be the interest Council will incur at the rate of Council's cost of borrowing for funding rates postponed, plus a margin to cover other costs (these will include Council's own in-house costs, a 1% per annum levy on the outstanding balance to cover external management costs).

The Policy will apply from the beginning of the rating year (starting 1 July each year) in which the application is made. The Council may consider backdating past the rating year in which the application is made depending on the ratepayer's circumstances.

Any postponed rate payments will be postponed until:
- the death of the ratepayer(s); or
- until the ratepayer(s) ceases to be the owner or occupier of the rating unit; or
- until the ratepayer(s) ceases to use the property as his/her residence; or
- until a date determined by the Council in any particular case.

The postponed rate payment, or any part thereof, may be paid at any time by the ratepayer. The ratepayer may elect to postpone the payment of a lesser sum than that which they would be entitled to have postponed in accordance with this Policy. Postponed rate payments will be a registered as a statutory land charge on the rating unit title.

At present, the law does not allow councils to register a statutory land charge against Māori freehold land. Accordingly, Māori freehold land is not eligible for rates postponement (unless and until the law is changed so that the Council can register a statutory land charge).

If a ratepayer makes a repeat application for the postponement of their property's rates under this Policy, to protect the Council against any suggestion of undue influence, applicants will be asked to obtain advice from an appropriately qualified and trained financial/legal independent person. A certificate confirming the applicant has received this advice will be required before any further postponement is granted.

The Policy shall apply to ratepayers who meet the relevant criteria as approved by the Group Manager, Finance.

PART 4

OPTIONAL RATES POSTPONEMENT

Policy Objective
The objective of this Policy is to:

- give ratepayers a choice between paying rates now or later subject to the full cost of postponement being met by the ratepayer and Council being satisfied that the risk of loss in any case is minimal.

Community Outcomes
The Community Outcome that this Policy relates to is:

- Outcome 7: the District has a strong, healthy, safe and involved community.

Policy Conditions and Criteria

General Approach

Only rating units defined as residential and used for personal residential purposes by the applicant(s) as their sole or principal residence will be eligible for consideration of rates postponement under the criteria and conditions of this Policy.

Current and all future rates may be postponed indefinitely if at least one ratepayer (or, if the ratepayer is a family trust, at least one named occupier) is 65 years of age or older.

If the ratepayer is eligible for the Government Rate Rebate, an application for this rebate should be completed before any rates are postponed for that year.

Council will add all financial and administrative costs to the postponed rates. This will ensure neutrality between ratepayers who use the postponement option and those who pay as rates are levied.

Council will establish a reserve fund out of which to meet any shortfall between the net realisation on sale of a property and the amount outstanding for postponed rates and accrued charges, at the time of sale. This will ensure, that neither the ratepayer(s) nor the ratepayer(s') estate will be liable for any shortfall.

Eligibility

Any ratepayer aged 65 years or over is eligible for postponement provided that the rating unit is used by the ratepayer as their sole or principal residence. This includes, in the case of a family trust owned property, use by a named individual or couple.

In exceptional cases of financial hardship, current and future rates may be postponed by ratepayers who are less than 65 years of age.

If the property in respect of which postponement is sought is subject to a mortgage, then the applicant will be required to obtain the mortgagee's consent before the Council will agree to postpone rates.

When a property is owned by a family trust the Council must be satisfied that all people with an ownership interest in the property have agreed to be part of the scheme. As well as the trustee(s) this may also include beneficiaries depending on the terms of the family trust. Therefore, the Council will require a letter from the family trust's lawyers to confirm that the family trust has the ability to postpone rates. The Council's conditional letter of offer will need to be signed by both the applicant(s) and those parties whose consent is required.

Risk

Council must be satisfied, based on reasonable assumptions, that the risk of any shortfall when postponed rates and accrued charges are ultimately paid is negligible. To determine this, Council has had an actuary develop a model that will forecast, on a case by case basis, expected equity, when repayment falls due. If that is likely to be less than 20%, the Council will offer partial postponement, set at a level expected to result in final equity of not less than 20%.

Where a ratepayer wishes to postpone both this Council's rates, and those set and assessed by Greater Wellington Regional Council, this Council will consult with Greater Wellington Regional Council to ensure that the combined council's rates do not exceed the equity provisions outlined in the previous paragraph.

For prudential reasons, the Council will need to register a statutory land charge against the property to protect its right to recover postponed rates.

At present, the law does not allow councils to register such a statutory land charge against Māori freehold land. Accordingly, Māori freehold land is not eligible for rates postponement (unless and until the law is changed so that the Council can register a statutory land charge).

Insurance

The property must be insured for its full value and evidence of this produced annually. Council will make arrangements with insurers, for this to be done.

If insurance cannot be arranged because the property is uninsurable, only the land value can be used when calculating maximum postponement allowable under this Policy.

Rates Able to be Postponed

All rates are eligible for postponement except for:
- targeted rates for water supplied by volume (water-by-meter rates); and
- lump sum options which are rates paid in advance.

Conditions

Any postponed rates (under this policy) will be postponed until:

(a) The death of the ratepayer(s) or named individual or couple, (in this case the Council will allow up to 18 months for payment so that there is ample time available to settle the estate or, in the case of a family trust owned property, make arrangements for repayment); or

(b) Until the ratepayer(s) or named individual or couple ceases to be the owner or occupier of the rating unit the Council will also offer partial postponement, set at a level expected to result in final equity of not less than 20%. (Note: if the ratepayer sells the property in order to purchase another within the Council

District, Council will consider transferring the outstanding balance, or as much as is needed, to facilitate the purchase, provided it is satisfied that there is adequate security of a 20% equity in the new property, when payment falls due);
or
If the ratepayer(s) or named individual or couple continue to own the rating unit, but are placed in long term residential care, Council will consider them to still be occupying the residence for the purpose of determining when postponement ceases and rates are to be paid in full. (in this case the Council will allow up to 18 months for payment so that there is ample time for the property to be sold); and

(c) Until a date specified by Council. (The Council will charge an annual fee on postponed rates for the period between the due date and the date they are paid. This fee is designed to cover Councils administrative and financial costs and may vary from year to year.)

The financial cost will be the interest Council will incur at the rate of Council's cost of borrowing for funding rates postponed, plus a margin to cover other costs (these will include Council's own in-house costs, a 1% per annum levy on outstanding balances to cover external management and promotion costs, a reserve fund levy of 0.25% per annum, and a contribution to cover the cost of independent advice).

To protect Council against any suggestion of undue influence, applicants will be asked to obtain advice from an appropriately qualified and trained financial/legal independent person. A certificate confirming the applicant has received this advice will be required before postponement is granted.

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

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

Review or Suspension of Policy

The Policy is in place indefinitely and can be reviewed subject to the requirements of the Local Government Act 2002 at any time. Any resulting modifications will not change the entitlement of people already in the scheme to continued postponement of all future rates.

Council reserves the right not to postpone any further rates once the total of postponed rates and accrued charges exceeds 80% of the rateable value of the property as recorded in Council's rating information database.

This will require the ratepayer(s) for that property to pay all future rates but will not require any payment in respect of rates postponed up to that time. These will remain due for payment on death or sale.

The Policy consciously acknowledges that future changes in policy could include withdrawal of the postponement option.

Procedures

Applications must be on the required application form which will be available from any Council office.

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

The Policy shall apply to ratepayers who meet the relevant criteria as approved by the Group Manager, Finance.

The administration of this Policy may be sub-delegated to a Council Officer as appropriate.

PART 5

RATES REMISSION FOR COUNCIL COMMUNITY PROPERTIES, SPORTING, RECREATION AND OTHER COMMUNITY ORGANISATIONS

Policy Objective

The objectives of this Policy are to:

- facilitate the ongoing provision of non-commercial (non-business) community services and/or sporting and recreational opportunities that meets the needs of Kapiti Coast District's residents;
- provide rating relief to Council community properties, sporting, recreation and other community organisations; and
- make membership of the sporting, recreation and other community organisations more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, older persons and economically disadvantaged people.

Community Outcomes

The Community Outcomes that this Policy relates to are:

- Outcome 2: local character is retained within a cohesive District;
- Outcome 6: the District is a place that works for young people; and
- Outcome 7: the District has a strong, healthy, safe and involved community.

Policy Conditions and Criteria

The Policy may apply to land owned by the Council which is used exclusively or principally for community purposes, sporting, recreation, or to land which is owned and occupied by a charitable organisation and used exclusively or principally for sporting, recreation or other community purposes.

The Policy does not apply to:

- organisations operated for private pecuniary profit, or those which charge commercial tuition fees; and
- groups or organisations whose primary purpose is to address the needs of adult members (over 18 years) for entertainment or social interaction, or who engage in recreational, sporting, or community services as a secondary purpose only.

Under this Policy the following rate remission may apply to the Council and those sporting, recreation and other community organisations which qualify:

- A 50% remission may apply to the Council rates and charges (excluding water and wastewater).

No further reduction of land or capital valuation will be made for the Council land or those charitable organisations which have had their property's rateable land and/or capital values reduced by 50% granted under the provisions of Schedule One, Part Two, of the Local Government (Rating) Act 2002.

The Policy requires that applications for rate remission from all other qualifying organisations must be made to the Council by 30 October each year. Applications received during a rating year will be applicable from the commencement of the following rating year. No applications will be backdated. Organisations making an application must provide the following documents in support of their application:

- statement of objectives;
- full financial accounts;
- information on activities and programmes; and
- details of membership or clients.

The Policy may automatically apply to land owned by the Council which is used exclusively or principally for community purposes, sporting and recreation.

The Policy may apply to recreation, sporting and other community organisations who meet the relevant criteria as jointly approved by the Chair of the Council Committee with responsibility for managing Council finances (at the time of adopting this Policy this is the Chair of the Corporate Business Committee), the Group Manager, Finance and the Group Manager, Strategy and Partnerships.

The administration of this Policy may be sub-delegated to a Council Officer as appropriate.

The equivalent of the above rates remissions may be paid out as grants, rather than as rates remissions. Note: this approach will give the organisations affected the same net reduction in rates.

PART 6

RATES REMISSION FOR RECREATION, SPORTING AND OTHER COMMUNITY ORGANISATIONS WHICH LEASE PRIVATE PROPERTY FOR A PERIOD OF ONE YEAR OR LONGER

Policy Objective

The objectives of this Policy are to:

- facilitate the ongoing provision of non-commercial (non-business) community services and/or recreational opportunities that meets the needs of Kapiti Coast District's residents;
- provide rating relief to recreation, sporting and other community organisations; and
- make membership of the recreation, sporting and other community organisations more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, older persons, and economically disadvantaged people.

Community Outcomes

The Community Outcomes that this Policy relates to are:

- Outcome 2: local character is retained within a cohesive District;
- Outcome 6: the District is a place that works for young people;
- Outcome 7: the District has a strong, healthy, safe and involved community.

Policy Conditions and Criteria

The Policy may apply to land leased by a charitable organisation for a period of at least one year, is used exclusively or principally for recreation, sporting or community purposes, and the organisation is liable for the payment of the Council's rates under the property's lease agreement.

The Policy does not apply to:

- organisations operated for private pecuniary profit, or those which charge commercial tuition fees; and
- groups or organisations whose primary purpose is to address the needs of adult members (over 18 years) for entertainment or social interaction, or who engage in recreational, sporting, or community services as a secondary purpose only.

Under this Policy the following rate remission may apply to those recreational, sporting and other community organisations which qualify

- a 50% remission of the Council's rates and charges (excluding water and wastewater).

This 50% maximum rate remission may also apply to recreation, sporting and other community organisations that qualify and have a liquor licence. (Note: The reason for allowing recreation, sporting and other community organisations with liquor licences to also receive a 50% rate remission is because the change in social drinking patterns means that the liquor licenses no longer provide the same level of funding as was previously the case.)

No second remission of rates will be made on those properties which have already received a rate remission for a financial year or whose rateable land and/or capital values have been reduced by 50% under the provisions of Schedule One, Part Two, of the Local Government (Rating) Act 2002.

The Policy requires that applications for rate remission must be made to the Council after full payment of the rates responsibility of the organisation for the relevant financial year.

Organisations making application must provide the following documents in support of their application:

- statement of objectives;
- full financial accounts;
- evidence of their lease of the property;
- evidence of the amount of rates paid to the property owner or to the Council for each financial year;
- information on activities and programmes; and
- details of membership or clients.

The Policy may apply to recreation, sporting and other community organisations who meet the relevant criteria as jointly approved by the Chair of the Council Committee with responsibility for managing Council finances (at the time of adopting this Policy this is the Chair of the Corporate Business Committee), the Group Manager, Finance and the Group Manager, Strategy and Partnerships.

The administration of this Policy may be sub-delegated to a Council Officer as appropriate.

The equivalent of the above rates remissions may be paid out as grants, rather than as rates remissions. Note: this approach will give the organisations affected the same net reduction in rates.

PART 7

RATES REMISSION OF LATE PAYMENT PENALTY

Policy Objective
The objective of this Policy is to:

- enable the Council to act fairly and reasonably when rates have not been received by the penalty date.

Community Outcomes
The Community Outcome that this Policy relates to is:

- Outcome 7: the District has a strong, healthy, safe and involved community.

Policy Conditions and Criteria
The Policy will apply to a ratepayer who has had a penalty levied where it is demonstrated that the penalty has been levied because of an error by the Council. Remittance will be upon either receipt of an application from the ratepayer or identification of the error by the Council.

The Policy may apply to a ratepayer where the Council considers that it is fair and equitable to do so. Matters that will be taken into those considerations include the following:

- the ratepayer's payment history;
- the impact on the ratepayer of extraordinary events;
- the payment of the full amount of rates due; and
- the ratepayer entering into an agreement with the Council for the payment of rates.

Under this Policy the Council reserves the right to impose conditions on the remission of penalties.

The Policy shall apply to ratepayers who meet the relevant criteria as approved by the Group Manager, Finance.

The administration of this Policy may be sub-delegated to a Council Officer as appropriate.

PART 8

RATES REMISSIONS FOR LAND PROTECTED FOR NATURAL OR CULTURAL CONSERVATION PURPOSES

Policy Objective

The objective of this Policy is to:

- preserve and promote natural resources and heritage land to encourage the maintenance, enhancement and protection of land for natural or cultural purposes.

Community Outcomes

The Community Outcomes that this Policy relates to are:

- Outcome 1: there are healthy natural systems which people can enjoy; and
- Outcome 2: local character is retained within a cohesive District.

Policy Conditions and Criteria

This Policy supports the provisions of the Kāpiti Coast District Plan and the Heritage Strategy. It recognises that most heritage features are already protected by rules in the District Plan and encourages landowners to maintain, enhance and protect heritage features by offering a financial incentive.

Ratepayers who own rating units which have some feature of cultural or natural heritage which is voluntarily protected may qualify for remission of rates under this Policy, for example:

- properties that have a QEII Covenant under section 22 of the Queen Elizabeth the Second National Trust Act 1977 registered on their Certificate(s) of Title;
- properties that have a Conservation Covenant with the Department of Conservation registered on their Certificate(s) of Title;
- properties that have a site listed in the District Plan Heritage Register (excluding any buildings);
- appropriately protected riparian strips; and
- heritage features that are protected by a Section 221 consent notice (Resource Management Act 1991) registered on the Certificate of Title (excluding buildings).

This Policy does not apply to land that is non-rateable under section 8 of the Local Government (Rating) Act 2002 and is liable only for rates for water supply, wastewater disposal, waste collection or recycling.

Applications for rates remission in accordance with this Policy must be in writing and supported by documentary evidence of the protected status of the rating unit, for example, a copy of the covenant agreement or other legal mechanism.

In considering any application for remission of rates under this Policy, the Council Committee responsible for the Council's environmental and natural heritage portfolio (at the time of adopting this Policy this is the Environment and Community Development Committee) will consider the following criteria:

- the extent to which the preservation of natural or cultural heritage will be promoted by granting remission on rates on the rating unit;
- the degree to which features of natural or cultural heritage are present on the land;
- the degree to which features of natural or cultural heritage inhibit the economic utilisation of the land;

- whether, and to what extent, public access to/over the heritage feature is provided for;
- the extent to which the heritage feature is legally (e.g. covenanted) and physically (e.g. fenced) protected;
- in respect of Geological Sites and Wāhi Tapu:
  - the importance of the place to the tāngata whenua;
  - the community association with, or public esteem for, the place;
  - the potential of the place for public education;
  - the representative quality and/or a quality or type or rarity that is important to the District;
  - the potential of the place as a wildlife refuge or feeding area;
  - the potential of the place for its diversity in flora and fauna.

- in respect of Ecological Sites (Areas of Significant Indigenous Vegetation and Significant Habitats of Indigenous Flora) whether the site has:

  <u>Representativeness</u> - The site contains an ecosystem that is under-represented or unique in the ecological district;

  <u>Rarity</u> - The site contains threatened ecosystems; threatened species; and species that are endemic to the ecological district;

  <u>Diversity</u> – The site has a diversity of ecosystems species and vegetation;

  <u>Distinctiveness</u> – The site contains large / dense population of viable species; is largely in its natural state or restorable; has an uninterrupted ecological sequence; and contains significant land forms;

  <u>Continuity and Linkage within Landscape</u>: – The site provides, or has potential to provide, corridor/buffer zone to an existing area;

  <u>Cultural Values</u> – The site has: traditional importance for Māori; recreational values; significant landscape value; protection of soil values; water catchment protection; recreation or tourism importance; and aesthetic coherence;

  <u>Ecological Restoration</u> - an ability to be restored; difficulty of restoration; and cost / time;

  <u>Landscape Integrity</u> - significance to the original character of the landscape; isolated feature (for example, does it stand out or blend in?); and whether it has a role in landscape protection; and

  <u>Sustainability</u> - size and shape of area; activities occurring on the boundaries which may affect its sustainability; adjoins another protected area; links; and easily managed.

Where remission of rates is granted under this Policy the landowner, in conjunction with the Council, will be required to develop a Heritage Management Plan.

The purpose of a Heritage Management Plan is to set out a plan of action for managing a heritage feature within the Kāpiti Coast District that is subject to rates remission.

The Heritage Management Plan will:

- be reviewed on an annual basis by the Council in conjunction with the landowner;
- may contain conditions which shall be complied with on an on-going basis, including requirements to fence off the area, undertake weed control and restoration, undertake pest control and keep stock out of the area; and
- will ensure that the site will be managed in a manner that protects and enhances the heritage feature.

Any decision on whether to grant remission on rates will be at the discretion of the Council Committee responsible for the Council's environmental and natural heritage portfolio (at the time of adopting this Policy this is the Environment and Community Development Committee). The amount of remission will be determined on a case-by-case basis by that same Committee, taking into account the merits of the protected feature and the extent to which it meets the criteria specified in this Policy. The amount of rates remission will be reviewed by that same Committee as appropriate.

In granting rates remission under this Policy, the Council Committee responsible for the Council's environmental and natural heritage portfolio (at the time of adopting this Policy this is the Environment and Community Development Committee) may specify certain conditions before remission will be granted. Applicants will be required to agree in writing to these conditions and to pay any remitted rates if the conditions are violated.

PART 9

POLICY FOR RATES RELIEF FOR RESIDENTIAL RATING UNITS CONTAINING TWO SEPARATELY HABITABLE UNITS

Policy Objectives

The objectives of this Policy are to:

- enable Council to provide for relief for ratepayers who own a residential rating unit containing two habitable units, where the second unit that has a floor area of 50 square metres or less, and it is used only to accommodate non-paying guests and family. (Section One of this Policy refers); and
- enable Council to provide for relief for ratepayers who own a residential rating unit containing two habitable units, where the second unit is only rented out for less than one month each year. (Section Two of this Policy refers).

Community Outcomes

The Community Outcome that this Policy relates to is:

- Outcome 7: the District has a strong, healthy, safe and involved community.

Policy Conditions and Criteria

<u>Conditions and Criteria of Section One</u>

1.1 On written application of a ratepayer annually, and provided that:
   (a) their rating unit contains two habitable units; where the second unit has a floor area of 50 square metres or less;
   (b) the second unit is used only for family and friends of the occupants of the first unit on a non-paying basis; and
   (c) the application is accompanied by a Statutory Declaration of Intent made by the ratepayer that declares that condition will be complied with in the ensuing year;

1.2 Council may remit a second targeted rate for community facilities, roading, water supply and wastewater disposal rate set on a separately occupied portion of the Rating Unit; and

1.3 If a rating unit contains more than two habitable units used by non-paying guests and family, only one is entitled to remission.

<u>Conditions and Criteria of Section Two</u>

2.1 On written application of a ratepayer annually, and provided that;
   a) their rating unit contains two habitable units; where the second unit has a floor area of 50 square metres or less;
   b) their rating unit contains two habitable units; where the second unit is only rented out for less than one month each year; and
   c) the application is accompanied by a Statutory Declaration of Intent made by the ratepayer that declares that the condition will be complied with in the ensuing year.

2.2 Council may remit a second targeted rate for community facilities, roading, water supply and wastewater disposal and any other targeted rate set on a separately occupied portion of the Rating Unit.

2.3 If a rating unit contains more than two habitable units used by non-paying guests and family, only one is entitled to remission.

Application Process for Section One and Two

The application for remission must be made to the Council prior to commencement of the rating year (1 July each year). Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated.

Decisions for remission of rates for rating units consisting of two separately habitable units will be delegated to the Group Manager, Finance.

The administration of this Policy may be sub-delegated to a Council Officer as appropriate.

PART 10

RATES REMISSION – FINANCIAL HARDSHIP POLICY

Policy Objective

The objective of this Policy is to:

- adopt a policy to remit all or parts of the rates owing in cases of extreme financial hardship under section 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Community Outcomes

The Community Outcome that this Policy relates to is:

- Outcome 7: the District has a strong, healthy, safe and involved community.

Introduction

This Policy provides the framework for partial remittance of rates to ratepayers who need financial assistance on the basis of financial hardship.

This Policy covers ratepayers who are facing both long term and temporary financial difficulty. It provides for consideration of financial hardship for ratepayers owning their own home, either outright or with a mortgage and from ratepayers owning a rental property and from owners of licence to occupy retirement villages, where the tenant/licensee qualifies in terms of the general criteria set out below and certain requirements for transfer of remission benefit are met.

Maximum Level of Remission

The Council will make available up to $300 per rateable property for those ratepayers/applicants or up to $150 per licence to occupy property within a retirement village who meet the criteria below. The Council has allocated $100,000 per year (in the 2012/13 year increasing to $200,000 by 2014/15 year) for rates remission for financial hardship. It will not provide a total rates remission beyond this amount unless the available funding is adjusted via the Long Term Plan process.

Assistance will be available to ratepayers who meet the criteria and are paying over 5% of their net household income on Kāpiti Coast District Council rates, after netting off any Central Government rates rebate, subject to the priority statement made in the previous paragraph.

Priority will be given to assisting those ratepayers who meet the criteria and are paying greater than 7% of their net household income (after tax) on Kāpiti Coast District Council rates after netting off any Central Government rates rebate.

Funding will be available until such time as the rates remission fund is fully subscribed in each financial year. However, the majority of rates remissions decisions are expected to be made on a case by case basis after 1 November and by mid December each financial year. This timing allows for the bulk of Central Government Rates Rebates to be processed. The applications for Rates Remissions for financial Hardship will be required by 1 October each year explaining the hardship incurred and providing appropriate support.

Criteria for Approving Rate Remission: Hardship (general)

Applications will be assessed against the following criteria:

(A) Ratepayer: Owner of Property

A ratepayer may be eligible for rates remission on the grounds of financial hardship under the following categories:

On-going hardship:

- the applicant owns the property. Companies, family trusts and other similar ownership structures of these properties do not qualify for this remission;
- the applicant resides at the property and the property is classified as residential;
- their sole income is from central government benefits, or their income is at or below the equivalent central government benefit payment and proof of income is supplied;
- an explanation of the hardship incurred is provided with appropriate support;
- the ratepayer has also applied for the central government rates rebate and is receiving all relevant funding; and
- expenditure on rates (after netting off central government rates rebate) is more than 5% of net disposable income .

Incurring of One-off Costs Causing Hardship (one year only):

- the applicant is the owner of the property. Companies, family trusts and other similar ownership structures of these properties do not qualify for this remission;
- the applicant resides at the property and the property is classified as residential;
- their income is no more than 5% higher than any relevant central government benefits;
- the applicant has also applied for the central government rates rebate and is receiving all relevant funding;
- a one-off expenditure has been incurred relating in relation to a serious health issue or for significant housing maintenance* within the same financial year and proof of expenditure and reasons for expenditure is provided;
- an explanation of the hardship incurred is provided with appropriate support; and
- the effect of the one-off expenditure is to increase the proportion of net disposable income, paid on rates net of any central government rates rebate to more than 5%.

(B) Ratepayer: Landlord – general

A landlord may apply for a rates remission provided that:
- they are renting to a tenant whose sole income is from central government income benefits; and the tenant also provides a joint application form and proof of income and an explanation of the hardship experienced with appropriate support;
- the tenant has a rental agreement for no less than six months and a copy of the rental agreement is provided;

- the landlord provides proof of the current (non-rebated) record of the rental paid and a record of the reduced rental to be paid by the tenant or a payment from the landlord to the tenant of the rate remission as a consequence of receiving the remission;
- proof that the tenant has been informed of any remission provided; and
- proof at three months of a tenancy that the tenant has received any approved remission via an equivalent adjustment to rental.

Should the landlord receive the remission and then not continue to pass on the remission to the tenant, the amount of the remission will be subsequently charged to the relevant rateable property.

Landlord and Tenant:
Water Variable Charge Paid by Landlord and On-Charged to Tenant

A tenant of a rental property may apply for a remission for any variable water charge for essential or internal household water use provided that:

- their sole income is from a central government income benefit and proof of income is provided;
- proof of the number of people occupying the house is provided;
- an explanation of the hardship incurred is provided with appropriate support; and
- their landlord is informed and agrees to adjust any on-charged variable water charge to their tenant by the amount remitted by Council. (Note: All water bills will identify any fixed charge or variable charge. The landlord is only able to pass on the variable charge to a tenant for direct payment.)

Essential or internal household water use will be calculated as up to 250 litres per day for one person.

Should the landlord receive the remission and then not continue to pass on the remission to the tenant, the amount of the remission will be subsequently charged to the relevant rateable property. The tenant will continue to be responsible for any remaining variable charge for water.

(C) Ratepayer: Owner of Licence to Occupy Retirement Villages

An owner of a Licence to Occupy Retirement Villages may apply for a rates remission up to $150 per licensee property provided that:

- the licensee's sole income is from Central Government income benefits and the licensee also provides a joint application form and proof of income and an explanation of the hardship experience with appropriate support;
- the licensee attaches a copy of the licensee Agreement;
- the owner provides proof of the amount of rates charged to the licensee in their weekly/monthly charges and a record of the reduced monthly charge to be paid by the licensee or a record of a payment from the village owner to the Licensee of the rates remission as a consequence of receiving the remission;
- proof that the licensee has been informed of any remission provided;
- proof at the end of the year that the full amount of rate remission has been provided to the licensee via the adjustment to their equivalent annual charge; and
- should the Retirement Village owner receive the remission and then not continue to pass on the remission to the licensee the amount of remission would be subsequently charged back to the Retirement Village.

General Conditions

- no rates remission will be paid for any variable charge for water use where that water use is for other than internal or essential household use. In effect this means the total cost of non-essential water use will be excluded from the calculation of rates as a proportion of total income.
- the applicant must make a voluntary declaration under the Oaths and Declarations Act 1957 of total household income and their total financial position for the purposes of the remission assessment.

Assessment

All rates remission applications will be treated on a case-by-case basis and will be approved/declined by the Group Manager, Finance in conjunction with a suitable qualified person from the community e.g. a Justice of the Peace. The Council reserves the right to make a decision to postpone any rates where it may deem this to be the more suitable option. Other information or evidence may also be requested in certain circumstances (for example, information supporting what change of circumstance may have occurred to cause temporary financial hardship).

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