Te Kaunihera o Te Hiku o te Ika
Far North District Council

NGĀ KAUPAPAHERE

OUR POLICIES

Note

Please be aware that all policies have been revised to only incorporate the following adjustments:

- Legislative modifications or naming conventions
- Updates to dates or timeframes
- Refinements in grammar and minor wording amendments
- Alignments with changes in accounting standards
- Adjustments to financial data to synchronise with current periods.

No significant alterations have been introduced to any policy throughout the 2024-27 Long Term Plan process.

Disclaimer

This Long Term Plan (LTP) consultation document and supporting information has been prepared in accordance with the Severe Weather Emergency Recovery Legislation Act 2023 and the Severe Weather Emergency Recovery (Local Government Act 2002—Long-term Plan) Order 2023 issued in October 2023.

The order simplifies the process for preparation of an LTP by certain councils affected by the severe weather events of 2023 and enables the council to prepare an LTP consultation document and supporting information that has not been formally audited. While this consultation document and supporting information is not required to include a formal audit report, all due care has been exercised in the preparation of this consultation document and supporting information, having regard to the information available to the council at that time.

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Reporting entity

The Far North District Council is a territorial local authority governed by the Local Government Act 2002 (LGA). The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002. The prospective financial statements reflect the operations of Far North District Council and do not include the consolidated results of Council Controlled Trading Organisations (CCTO).

Council has not presented group prospective financial statements because it believes that the parent prospective financial statements are more relevant to users. The main purpose of the prospective financial statements in the LTP is to provide the reader with information about the core services that Council intends to provide.

Far North District Council has designated itself to be a Tier 1 public benefit entity (PBE) for the purposes of International Public Sector Accounting Standards (IPSAS). Council's primary objective is to provide local infrastructure, goods and services for community or social benefit and equity has been provided with a view to supporting that primary objective rather than for a financial return.

These financial statements are for the three years ended 30 June 2027 and were authorised by Far North District Council for consultation on 12 March 2024.

Accounting principles compliance

To meet all the requirements of local government legislation Council provides two sets of financial information:

- Generally Accepted Accounting Principles (GAAP) regulated statements of financial position, comprehensive revenue and expense, cashflow and changes in equity; and
- Non-GAAP compliant Funding Impact Statements (FIS's).

Key differences between these two sets of information are that GAAP regulated financial statements must adhere to GAAP requirements.

The intention of the FIS is to make the sources and applications of Council funds more transparent to its stakeholders which may not be achievable if only GAAP financial statements were provided. The FIS is prescribed by the Local Government (Financial Reporting and Prudence) Regulations 2014 and is required by the Local Government Act 2002 (Schedule 10 Part 1).

A disclosure statement is required by Schedule 6 of the Local Government (Financial Reporting and Prudence) Regulations 2014 that discloses the Council's planned financial performance in relation to various benchmarks to enable an assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Statement of compliance and basis of preparation

Statement of compliance

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 93 and Part 1 of Schedule 10, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and the Local Government (Financial Reporting and Prudence) Regulations 2014.

These prospective financial statements have been prepared in accordance with NZ GAAP. They comply with the PBE International Public Sector Accounting Standards (IPSAS), in particular these prospective financial statements have been prepared in accordance with PBE FRS42: Prospective Financial Statements, and other applicable

Financial Reporting Standards, as appropriate for public benefit entities.

Council is responsible for the prospective financial statements included in the LTP 2024-27, including the appropriateness of the significant financial assumptions these are based on, and the other disclosures included in the document.

The prospective financial statements are for the period 1 July 2024 to 30 June 2027 and do not reflect any actual results. The actual results achieved for the period covered by this plan are likely to vary from the information presented in the document and these variations may be material. Council does not intend to update prospective financial statements after publication.

In the opinion of Council and the management of the Far North District Council, the prospective financial statements for the 3 year period ending 30 June 2027 fairly reflect the prospective financial position, performance and operations of the Far North District Council.

Measurement base

The prospective financial information has been prepared on a historical cost basis, modified by the revaluation of forestry assets, certain classes of property, plant and equipment, certain classes of intangible assets, and certain financial instruments (including derivatives).

Presentation currency and rounding

The prospective financial statements are presented in New Zealand dollars (NZD) and are rounded to the nearest thousand dollars ($000's).

Changes in accounting policies

The following changes in accounting policies have been applied:

- Financial instruments - PBE IPSAS 41 PBE IPSAS 41 Financial Instruments was issued in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. The group has adopted PBE IPSAS 41 Financial Instruments, and the adoption did not result in any significant impact on the group financial statements.
- Service Performance Reporting – PBE FRS 48 In November 2017, the XRB issued PBE FRS 48 - Service Performance reporting. This new standard is effective for annual periods beginning on or after 1 January 2022, with early application permitted. The new standard establishes principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report. This standard has been applied and adoption did not result in any material changes to the statement of service performance

Specific accounting policies

Cost allocation

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

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

Criteria for direct and indirect costs

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity / usage information. The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage, staff numbers and floor area.

Revenue

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

Rates revenue

For the purposes of rates revenue recognition the following policies have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Revenue arising from late payment penalties is recognised as revenue when rates become overdue.
- Rates postponement applies where ratepayers meet the postponement policy criteria. Rates are shown as income in the year of postponement and recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to Council.
- Rates remissions are recognised as a reduction in rate revenue when the Council has received an application that satisfies its rate remission policy.
- Rates collected on behalf of the Northland Regional Council (NRC) are not recognised in the financial statements, as the Council is acting as an agent for the NRC.

Building and resource consent

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Landfill

Fees for disposing of waste at the Council’s landfill are recognised as waste is disposed of by users.

Development contributions

The revenue recognition point for development contributions is when Council provides or is ready to provide the service for which the contribution is levied or the event that will give rise to a requirement for a development contribution under the legislation.

Subsidy

Subsidies are recognised as revenue upon entitlement once conditions pertaining to eligible expenditure have been fulfilled. Council receives funding assistance from Central Government from three main agencies:

- New Zealand Transport Authority (NZTA) subsidises the cost of maintenance and capital expenditure on the local roading network.
- Ministry of Health (MOH) subsidises the cost of capital expenditure on water and wastewater facilities

- Ministry of Business, Innovation and Employment (MBIE) subsidises applications such as tourism infrastructure.

Vested or donated physical assets

Assets received for zero or nominal consideration are recognised at fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects it will need to return or pass the asset to another party.

Grants

Grants are recognised as revenue when they become receivable, unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Rental revenue

Rental revenue is recognised in the financial statements on a straight-line basis over the term of the lease.

Dividends

Dividends are recognised on an accrual basis net of imputation credits when the right to receive the dividend is established.

Third party revenue

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

Interest

Interest revenue is recognised using the effective interest method.

Borrowings and other financial liabilities

Borrowing

Borrowings are initially recognised at fair value. After initial recognition, all borrowings are measured at amortised cost.

Council classifies borrowings as Current Liabilities unless there is an unconditional right to defer settlement of the liability for at least twelve months after balance date.

Borrowing costs

Borrowing costs are expensed in the period they are incurred.

Guarantees

Accounting Standards require the council to initially recognise the guarantee liability by applying the 12-month expected credit loss model (as fair value could not be reliably measured) and subsequently at the higher of the provision for impairment at balance date determined by the expected credit loss model and the amount initially recognised. At the end of financial year, the council have assessed the 12-month expected credit losses of the guarantee liability, based on market information of the underlying assets held by the NZLGFA. The estimated 12-month expected credit losses are immaterial due to the extremely low probability of default by the NZLGFA in the next 12 months, and therefore, the council have not recognised a liability.

Grants

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

Income tax

Income tax expense includes components relating to current tax.

Current tax is the expected income tax payable on the taxable income for the year plus any adjustment to income tax payable in respect of previous years. It is calculated using tax rates (and tax laws) that have been enacted (or substantively enacted) at balance date.

Current tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Leases

Operational lease

Where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, an operational lease is recognised.

Payments under this type of lease are charged as expenses in the periods in which they are incurred.

Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables

Short term debtors and other receivables are stated at the amount due, less any provision for impairment.

Creditors and other payables

A liability is recognised when the service has been received or the goods received or when it has been established that the rewards of ownership have been transferred from the seller / provider to Council and when it is certain that an obligation to pay arises. Short term creditors and other payables are recorded at face value.

Employee benefits

Short term employee entitlements

Employee benefits expected to be settled within twelve months after the end of the period in which the employee provides the related service are based on accrued entitlements at current rates of pay.

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

Liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where Council has a contractual obligation or where there is a past practice that has created a constructive obligation.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, non-vested long service leave and retirement gratuities expected to be settled within twelve months of balance date, are classified as a current liability. All other employee entitlements are classified as non-current liabilities.

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense and reflected in either the surplus or (deficit) when incurred.

Property, plant and equipment

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses. When significant parts of property, plant and equipment are required to be replaced at intervals, Council recognises such parts as individual assets / components with specific useful lives and depreciates them accordingly.

Property, plant and equipment consists of:

- Operational assets

  These include land, buildings, improvements to leased assets, plant and equipment, and motor vehicles.

- Restricted assets

  Restricted assets are parks and reserves owned by Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

- Infrastructure assets

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

Revaluations

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

Valuations are performed with sufficient regularity to ensure that the carrying amount is not materially different to the fair value. If there is a material difference then a revaluation is performed.

All assets are valued at historical cost, except the following assets which are shown at fair value, based on periodic valuations by independent valuers, less subsequent depreciation:

- Roading infrastructure assets
- Stormwater infrastructure assets
- Water and sewerage infrastructure assets
- Maritime assets
- Footpaths and footbridges
- Carparks
- Refuse transfer stations
- Library books
- Ferry assets
- Heritage assets
- Parks and reserves
- Land
- Community facilities buildings.

Revaluation results are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is recognised in the surplus / (deficit). Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the surplus / (deficit) will be recognised first in the surplus / (deficit) up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

Additions of property, plant and equipment between valuations are recorded at cost, except for vested assets.

Certain infrastructure assets and land have are vested in Council as part of the sub divisional consent process. Vested reserve land is valued at 50% of the surrounding residential land as per an appropriately certified government valuation. Vested infrastructure assets are valued based on the actual quantities of infrastructure components vested and the current unit rates for that component provided by the most recent valuation.

Subsequent costs

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

The costs of day-to-day maintenance of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Assets under construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its

completion and then depreciated.

Disposals

Gains and losses are determined by comparing the proceeds of asset disposals with the carrying amount of the asset disposed of. Gains and losses are included in the surplus / (deficit). When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

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

Assessed economic life is calculated using the methodology in the New Zealand Institute of Asset Management (NZIAM) manual.

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

	Useful life (Years)	**Straight line depreciation (%)**
Operational assets		
Runways	25	4
Buildings	15 – 120	0.83 – 6.67

	Useful life (Years)	Straight line depreciation (%)
Motor vehicles	3 – 5	20 – 33
Plant and machinery	1 – 40	2.5 – 100
Wharves (concrete)	10 - 85	1.17 – 10
Wharves (timber), moorings and ramps	10 – 50	2 – 10
Office furniture and equipment	5 – 15	6.67 – 20
Computers	3 - 7	14.28 – 33
Library books	3 – 40	2.5 – 33
Heritage assets	10 – 185	0.54 – 10
Leasehold improvements	3 – 25	4 - 33
Infrastructure assets		
Roads		
Top surface (seal)	5 - 50	2 – 20
Top surface (unsealed)	12	8.33
Pavement (base course) – sealed	35	2.85
Pavement (sub base) sealed	35 - 50	2 – 2.85
Pavement (sub base) sealed	50 - 80	1.25 - 2
Culverts, cesspits	15 - 100	1 – 6.7
Surface water channels	0 - 50	0 - 20
Footpaths	30 – 60	1.6 – 3.3
Kerbs	50 – 80	1.25 – 2
Streetlights	8– 60	1.67 – 12.5
Signs	20	5
Bridges	50 – 100	1 – 2
Railings	30 – 50	2 – 3.3
Water reticulation		
Pipes	50 – 100	1 – 2
Valves, hydrants	50 - 70	1.43 – 2
Pump stations	10 – 50	2 – 10
Treatment Plants	5 - 100	1 - 2
Tanks / dams	40 – 100	1. – 2.5
Sewerage reticulation		
Pipes	40 – 100	1 – 2.5
Manholes	80	1.25
Pump Stations	7 - 70	1.43 - 14.28
Treatment plant	5 – 70	1.43 – 20

	Useful life (Years)	Straight line depreciation (%)
Stormwater systems		
Pipes	40 – 100	1 – 2.5%
Manholes	100	1%
Refuse	5 - 100	1 - 20

Improvements to leased assets are depreciated over the shorter of the unexpired period of the relevant lease and the estimated useful life of the improvement. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Land is not depreciated.

Impairment

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

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

The carrying amounts of Council assets are reviewed at balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the surplus / (deficit). Impairment losses on revalued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to the surplus / (deficit).

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

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

Critical accounting estimates and assumptions

Infrastructural assets

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

- The physical deterioration and condition of an asset. Council may be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, such as stormwater, wastewater and water supply underground assets. This risk is minimised by Council performing physical inspections and assessments;

- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. If useful lives do not reflect the actual consumption of the benefits of the asset, Council could be over or underestimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense.

To minimise this risk, Council's infrastructure asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience.

Experienced independent valuers perform Council's infrastructure asset revaluations.

Critical judgments in applying Council's accounting polices

Management has exercised the following critical judgments in applying the Council accounting policies for the three-year period ended 30 June 2027.

Classification of property

Council owns a number of properties which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Council's social housing policy. These properties are accounted for as property, plant and equipment.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Easements, resource consents, public access rights, software and electronic books are included in this category.

Computer software

Acquired computer software systems are capitalised on the basis of costs incurred to acquire and bring the software to use. Costs associated with developing or maintaining computer software programmes are recognised as expense when incurred.

Other intangible assets

Other intangible assets, excluding easements which are not amortised, are stated at cost less accumulated amortisation and impairment losses. The useful lives and associated amortisation classes of intangible assets have been estimated as follows:

	Years	**%**
Resource consents	5 – 30	3.33 – 20
Easements	Not amortised	0
IT software	3 – 10	10 – 33
Public access rights	10 – 50	2 – 10
Electronic books	5	20

Where Council invests at least $100,000 in a project, but will not ultimately own an asset, the cost of the right will be treated as an intangible asset where:

- the community has the right to use the facility; and
- in terms of the contract, that right exists for longer than 12 months.

In all instances the cost will be amortised over the shorter of the expected life of the asset or the term of the contract rights.

Subsequent costs

Subsequent expenditure on capitalised intangible assets will be capitalised only when:

- it increases the future economic benefits embodied in the specific asset to which it relates; and
- it meets the definition of, and recognition criteria for, an intangible asset.

All other expenditure is expensed as incurred.

Amortisation

An intangible asset with a finite useful life is amortised:

- over the period of that finite life;
- annually assessed for indicators of impairment (and tested for impairment if indicators exist); and
- carried at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset with an indefinite useful life is not amortised but is tested annually for impairment.

Forestry assets

Forestry assets are independently revalued to estimated market valuation. The net gain or loss arising from changes in the forest asset valuation is included in the surplus / (deficit). All gains and losses from harvesting are recognised in the statement of comprehensive revenue and expense when realised.

Forestry maintenance costs are expensed when incurred.

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and liabilities.

Public equity is disaggregated and classified into a number of components to enable clear identification of the specified uses that Council makes of its accumulated surpluses:

- Retained earnings
- Restricted reserves
- Asset revaluation reserves
- Fair value through equity reserves
- Cash flow hedge reserve
- Capital reserves.

Restricted reserves

Restricted reserves are a component of equity representing a use to which various parts of the equity have been assigned.

Reserves may be legally restricted or created by Council.

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

Funds that are received or set aside for particular purposes, and have legislative restrictions placed upon them, are considered restricted funds. These include certain special funds or reserves and sinking funds created prior to the repeal of the Local Authorities Loans Act. The apportioned values of these funds not required in the current year have been shown as restricted funds.

Council created reserves are reserves established by Council decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Property revaluation reserves

These reserves relate to the revaluation of property, plant and equipment to fair value.

Fair value through equity reserves

This reserve comprises the cumulative net change in fair value of equity assets.

Cash flow hedge reserves

This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges.

Development costs

Expenditure on development projects is carried forward to be expended against expected future revenue from the project. Expenditure carried forward is expensed when Council determines that the project has ceased or that no identified future benefits are likely to be derived.

Financial assets

PBE Standards classify financial assets into three categories:

i. Measured at amortised cost if:
   - the asset is held by the Group to collect the contractual cash flows; and
   - the contractual cash flows represent solely payments of principal and interest.

   Financial assets in this category are initially recognised at fair value and subsequently are required to be measured at amortised cost.

ii. Measured at fair value through other comprehensive revenue and expense if:
   - the objective of the Group's management model for holding the assets is to both collect contractual cash flows and to sell the financial assets; and
   - the asset's contractual cash flows represent solely payments of principal and interest.

   Financial assets in this category are required to be measured at fair value with all changes taken through other comprehensive revenue and expenses.

iii. Measured at fair value through surplus or deficit if:

- the assets that do not meet the criteria for classification as at amortised cost or at fair value through other comprehensive revenue and expense.

Financial assets in this category are required to be measured at fair value with all changes in fair value recognised in surplus or deficit.

The classification depends on the Council's management model for the financial asset and the contractual cash flow characteristics of the financial asset. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are measured at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit. Impairment of financial assets

Financial assets carried at amortised cost are assessed each reporting date for impairment . If there is objective evidence of impairment, the difference between the asset's carrying amount and the present value of estimated future cash flows, where appropriate, is recognised in the surplus/(deficit).

Inventories

Inventories are valued at the lower of cost (determined on a first-in first-out basis) and net realisable value. This valuation includes allowances for slow-moving and obsolete inventories.

Inventories held for distribution at no charge, or for a nominal amount, are stated at the lower of cost and current replacement cost.

The write-down from cost to current replacement cost or net realisable value is recognised in the surplus / (deficit).

Investment properties

Investment properties are properties held to earn rental revenue, for capital appreciation, or for both. Investment property is measured initially at its cost, including transaction costs.

After initial recognition, Council measures all investment properties at fair value determined annually by an independent valuer. Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the surplus / (deficit). There is no depreciation on investment properties.

Rental revenue from investment property is accounted for as described in the accounting policy for revenue recognition.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to accumulated comprehensive revenue and expense. Any loss arising in this manner is recognised immediately in the surplus / (deficit).

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

When Council begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is not reclassified as property, plant and equipment during the redevelopment.

Provisions

A provision is recognised in the statement of financial position when Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Landfill post-closure costs

Council as an operator of both closed and operational landfills has a legal obligation under the Resource Management Act (1991) to provide ongoing maintenance and monitoring services at landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure costs arises.

The provision is based on the present value of future cash flows expected to be incurred, taking into account ongoing future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.

Council measures landfill assets using the cost model with changes in the provision for decommissioning costs being added to, or deducted from, the asset value until closure of the asset, at which time all changes to the provision are taken to the surplus / (deficit).

The discount rate used is a pre-tax rate that reflects current market assessments of time value of money and risks specific to Council.

Statement of cash flows

Cash or cash equivalents refers to cash balances on hand, cash held in bank accounts, on-demand deposits of three months or less and other highly-liquid investments in which Council or its subsidiaries invest as part of its day-to-day cash management.

Operating activities include cash received from all revenue sources of Council and record cash payments made for the supply of goods and services.

Agency transactions (for example, the collection of regional council rates) are recognised as receipts and payments in the statement of cash flows, given that they flow through Council's main bank account.

Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise the change in equity and debt capital structure of Council.

Non-current assets held for sale

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

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of for accounting purposes.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from other assets in the statement of financial position.

Critical accounting estimates and assumptions

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

Landfill aftercare provision

Council gained resource consents to operate landfills at Ahipara, Russell, Whangae and Kaikohe. The Council has responsibility under the Resource Management Act (1991) to provide ongoing maintenance and monitoring of the landfills after the sites are closed.

There are closure and post closure responsibilities such as the following:

- Final cover and vegetation.
- Drainage control features to minimise infiltration of stormwater.
- Completing facilities for leachate collection and treatment.
- Ongoing monitoring as per discharge consent conditions; and
- Completing facilities for monitoring of landfill gas and ensuring no hazard exists.

Post closure responsibilities:

- Treatment and monitoring of leachate.
- Ground water and surface water monitoring.
- Gas monitoring and flaring if require.
- Implementation of remedial measures such as needed for settlement and cracking of capping layer.
- Ongoing site maintenance for drainage systems, final cover and vegetation; and
- Ensure closed landfill is suitable for intended future use.

The management of the landfills will influence the timing of some liabilities – for example, the current landfill site of Russell will operate in two stages. A liability relating to stage 2 will only be created when that stage is commissioned and when refuse begins to accumulate in this stage.

The following major assumptions have been made in the calculation of the provision:

- Council approved the closure of the Russell landfill at a Council meeting on 11th August 2022, with no active landfill sites in operation.
  - Ahipara - nil
  - Russell - nil

- Estimates of the remaining lives have been made by Council's engineers based upon historical volume information. The future cash flows for the landfill post closures are expected to occur for the years between 2023 and 2049 and includes costs to immediately close the Russell landfill. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The future cashflows have been estimated taking into account existing technology. Risk-free Discount Rates published by the Treasury have been used to discount the estimated future cashflows. https:// treasury. govt .nz/publications/guidance/reporting/accounting/discountrates

Te Kaunihera o Te Hiku o te Ika
Far North District Council

RATING RELIEF POLICIES

Contents

Note:

Please note the only changes made to this policy were as follows:

- Updating of contents to include ML21/01 (was not showing previously)
- Removal of previously revoked policies
- Correction of R21/05 to P21/05 (P for postponement)

Introduction

Section 102 (2e) of the LGA 02 requires councils to adopt a policy for the remission and postponement of rates on Māori Freehold Land. In the development of these policies, Council has considered Schedule 11 of the LGA 02 and recognises that the nature of Māori land is different to General Title Land.

Section 102(3) of the Local Government Act 2002 (LGA 02) provides that a council may adopt a rates remission policy and a postponement policy. This policy addresses both the remission and postponement of rates.

The objectives of Council's rating relief policies are to:

1. To provide a fair and equitable collection of rates from all sectors of the community.
2. Provide an equitable system of rating remission and postponement for all sectors of the community;
3. To recognise that there is a community benefit in providing assistance through rating relief to certain charitable and community organisations.
4. Provide ratepayers with financial assistance where they might otherwise have difficulty meeting their obligations to pay rates;
5. Align with Council's community outcomes and strategic priorities;
6. Recognise that certain unoccupied Māori Freehold Land not used may have particular conditions, ownership structures, or other circumstances which make it appropriate to remit or postpone rates for defined periods of time; and
7. Ensure consideration of Schedule 11 of the LGA 02 (matters relating to rates relief on Māori Freehold Land).

Making an application? This is what you need to know:

1. All applications under these policies must be made in writing, signed by the owner/ratepayer or relevant approved person, and accompanied by any required supporting documentation. After an application has been submitted, further documentation may be requested. In that event, the applicant will be notified accordingly.
2. As provided for in section 88 of the Local Government (Rating) Act 2002 (LGRA 02), a postponement fee may be calculated and added to the postponed rates.
3. The basis of calculating the postponement fee is included in each year's Funding Impact Statement, which can be found in the Long Term or Annual Plan for that year.
4. The owner(s) of the property must provide proof of eligibility which will be confirmed with relevant Council information.
5. Where a property or part of that property is sold within the period of remission or postponement, Council has the right to recover the rates remitted or postponed for the applicable period. This may apply to the whole property or only to that portion of the portion that has been sold.
6. Council may require further information from the applicant if deemed necessary to process the application.
7. Council reserves the right to inspect the use of a property, where appropriate, for application assessment and to confirm compliance with policy criteria from time to time.
8. Any decision made by Council under this policy is final. Remissions or postponements granted under previous policies will remain in force as per those policies.
9. Applications may be made for a remission or postponement of rates in circumstances which are not included in the separate policy category sections set out below. These are known as "outside of policy" applications. Council's authority is restricted by the provisions of the LGRA 02. For that reason, all such applications "outside of policy" must be in writing, and accompanied by sufficient detail and documentation to support a decision by Council.
10. Council is under no obligation to approve any applications that do not comply with the established policies and Council's decision on the matter is final.
11. Council's decision whether to grant or deny an application for remission or postponement of rates will be based upon:
    a. The application itself; and,
    b. All supporting documents submitted by the applicant; and,
    c. Any relevant information and/or documentation held in Council's records.
12. Except where otherwise indicated, Council reserves the right to grant or deny any and all applications for remission or postponement of rates under these policies.

Definitions

For the purpose of these policies, words used in the singular include the plural, and words used in the plural include the singular.

ARREARS means unpaid rates as at 30 June of the rating year prior to application.

COMMERCIAL is defined by the land use code attributed to the property, the property has a liquor licence or by the fact that the entity buys and sells goods and services on a for profit basis.

COUNCIL means the Far North District Council and includes any person or agent authorised by the Far North District Council.

FARM BLOCK means the definition attributed to the land by the Valuer General, with an area of 20 hectares up to 50 hectares, by the valuer and not the standard definition of a farming block.

INTERNAL RETICULATION means all pipe reticulation from the meter to the house or property (known as the "private side of the meter")

LANDLOCKED LAND means a piece of land to which there is no reasonable access

LIFESTYLE BLOCK means the definition attributed to the land by the Valuer General, with an area of 1 hectare up to 20 hectares, by the valuer and not the standard definition of a lifestyle block.

MĀORI FREEHOLD LAND has the same meaning as defined in Te Ture Whenua Māori Act 1993 Part VI section 129(2)(a).

NATURAL DISASTER has the same meaning as in the Earthquake Commission Act 1993.

NEW USER is a person that has not been previously identified in Council's Rates Information Database as being responsible for the rates on the land.

OCCUPIED means a formal right by occupation order or informal right by licence to occupy Māori Freehold Land, or other arrangements are in place and are exercised.

OCCUPIER means a person, persons, organisation, or business entity that is using a rating unit or portion of a rating unit under a lease, license or other formal agreement for a specified period of time.

OUTSTANDING NATURAL LANDSCAPE refers to any largely unmodified landscape with characteristics and qualities that amount to being conspicuous, eminent or remarkable. These landscapes are afforded protection through the Resource Management Act 1991 as a matter of national importance.

PAPAKĀINGA means the use of Maori multiple owned land, Maori ancestral land or land within the meaning of Te Ture Whenua Maori Act 1993 by a (the) shareholder(s) for (a) dwelling place(s).

POSTPONEMENT means an agreed delay in the payment of rates for a certain time, or until certain defined events occur.

PRIVATE FINANCIAL PROFIT means that the owner or ratepayer receives direct financial benefit from any profit generated by the entity. Profit that is directed to charitable purposes rather than to an individual or individuals is not deemed to be private financial benefit.

RATEPAYER includes, under the Local Government (Rating) Act 2002, either the owner of the rating unit or a lessee under a registered lease of not less than 10 years, which provides that the lessee is required to be entered into the Rating Information Database as the ratepayer.

REASONABLE ACCESS in relation to land, means physical access for persons or services of a nature and quality that is reasonably necessary to enable the owner or occupier of the land to use and enjoy the land for any purpose for which it may be used in accordance with any right, permission, authority, consent, approval, or dispensation enjoyed or granted under the Resource Management Act 1991.

REMISSION means that the requirement to pay the rate levied for a particular financial year is forgiven in whole or in part.

STATUTORY LAND CHARGE means a charge registered against a Certificate of Title of a property by someone who has a financial interest in the property, such as debt or part ownership.

TREATY SETTLEMENT LANDS means any land which has been returned to Māori ownership in a Treaty Claims Settlement, or land which may have been purchased from Treaty settlement monies to replace land which could not be returned because it is in private ownership.

UNIFORM ANNUAL GENERAL CHARGE (UAGC) is a type of rate levied by Council. It is a fixed charge, or an amount that stays the same regardless of the value of the property. The UAGC is the same amount for all ratepayers across the District.

USED includes use for the purposes of any residential occupation of the land, or any activity for business or commercial purposes, including lease agreements, or storage of equipment, stock or livestock.

R21/01 – Remission of Penalties

Background

Penalties are charged where rates instalments are not paid by the due date. Council recognises the economic hardship faced by some ratepayers. This policy provides for the remission of rates penalties on the grounds of financial hardship.

Policy Objective

To allow for the remission of penalties where the ratepayer has entered into repayment arrangements or there are reasonable grounds to remove the penalty.

Scope

This policy applies to both General Title and Māori Freehold Land.

Policy Statement

Council may remit rates penalties where the application provides a reasonable reason for remission.

Conditions and Criteria

1. Applications will be considered if:
    a. The applicant has a previous good record of payment and on-time payments of all rate instalments within the last two years; or
    b. The rating unit has a new owner who has not received notice of the current invoice due date; or
    c. A request is made on compassionate grounds; or
    d. The ratepayer has entered into a Rates Easy Pay agreement and has maintained the arrangement to clear their outstanding rates for a period of 6 months.
2. If there is no cost to Council i.e. where, as an action of Council's revenue recovery process, the remission of penalty results in immediate full payment of arrears.

R21/02 - Unusable Land

Background

Natural disasters can cause land to become unusable for a long period of time. This policy addresses the issue of land that had been made unusable by a natural disaster.

Policy Objective

To provide rating relief to the owners of properties that have become unusable as a result of a natural disaster, and where the loss of the use of the property will result in financial hardship to the owner.

Scope

This policy applies to both General Title and Māori Freehold Land.

Policy Statement

Council may grant a remission of rates on land that has become indefinitely unusable as a result of a natural disaster.

Conditions and Criteria

1. The applicant must set out in detail the nature of the natural disaster that has caused the land to be unusable.
2. The application must outline the steps that the owner has taken, or will take, to return the land to a usable state. If this is not possible, the application must state why.
3. The application must be supported by a report from a Registered Engineer or other similarly qualified expert setting out the reasons why the land has become, and will remain, unusable.
4. The maximum term for the remission of rates will be 5 years. At the end of that period, if the land remains unusable a further application will be required, including a statutory declaration that confirms that the conditions of the original expert's report remain unchanged, this must be confirmed in writing by the expert.
5. The applicant will be required to sign an agreement that any remission will be cancelled immediately if the land is returned to a usable state.

R21/04 - Community, Sports and Not-for-profit Organisations

Background

Community and voluntary groups provide facilities to enhance and contribute to the wellbeing of the residents of the Far North. This policy provides rating relief for those organisations that operate for the benefit of the community.

It is of note that the Local Government (Rating) Act 2002 provides for a 100% non-rateability of land owned or used by certain categories of charitable and community organisations. In addition, a 50% non-rateability is provided in respect of land owned or used by organisations for sports or any branch of the arts, except where these organisations operate a club licence under the Sale of Liquor Act. For more details on the rateability of this type of land refer to the Local Government (Rating) Act 2002, 1st schedule, Parts 1 and 2.

Policy Objectives

1. To assist in the ongoing provision of community services and recreational opportunities that benefit Far North residents.
2. To recognise that there is a community benefit in providing assistance through rating relief to certain charitable and community organisations.

Scope

This policy applies to both General Title and Māori Freehold Land.

Policy Statements

1. Council may remit up to 100% of the rates, providing the entity does not qualify for other financial support, payable on land owned or used by any entity which has, as its principal purpose and function, the provision of social housing, free access to family counselling, or, assessment, counselling and in-patient treatment for people with alcohol, drug and mental health related problems and that is a Registered Charitable Organisations or IRD approved donee organisation. Council may remit 50% of the rates payable on land owned or used by an entity, (society or association or persons, whether incorporated or not) for the purpose of providing benefit to Far North residents through:
    a. the promotion of recreation, health, education, or instruction for the benefit of residents or any group of residents of the district; or
    b. land that is owned or used by, or in trust of any society or association or persons, to run a camping ground for the purpose of recreation, health, education or instruction, for the benefit of residents of the district.
2. This policy will apply for a period of three years unless the applicant's circumstances change. At the end of the three-year period, a new application will be required.

Conditions and Criteria

1. Relevant financial information must accompany all applications. This includes:
    a. statement of organisation objectives
    b. full financial accounts
    c. information on activities and programmes
    d. details of membership or clients.
2. No remission will be given on land on which a licence under the Sale of Liquor Act is held.
3. No remission will be given on land where any person or entity receives private financial profit from the activities carried out on the land. All income earned by ratepayers and entities receiving a remission under this policy must be spent on reasonable salaries, wages and other costs reasonably related to its community, sports, or not-for-profit purposes.
4. Land used for an activity which is commercial in nature does not qualify for rates remission. For example an "op-shop" does not qualify for rating relief under this policy.

R21/05 - Properties Spanning Multiple Districts

Background

There are a small number of rating units situated across the boundary line between the Far North District and other districts. These properties incur rates from both councils. This policy provides an equitable method of assessing rates for those properties.

Policy Objective

To recognise that some properties span multiple districts, and to ensure that only the portion of property within the Far North District is rated by the Far North District Council.

Scope

This policy applies to both General Title and Māori Freehold Land.

Policy Statement

Rates will be remitted on any portion of a property outside of the Far North District.

Conditions and Criteria

If there is a dwelling on the portion of the property within the Far North District:

- no portion of the Uniform Annual General Charge will be remitted; and
- the land value-based rate will continue to be remitted on the portion outside of the Far North District.

R21/06 - Common-Use Properties

Background

Section 20 of the LGRA 02 requires that multiple rating units be treated as one rating unit if they are:

1. Owned by the same person or persons; and,
2. Used jointly as a single unit; and,
3. Contiguous or separated only by a road, railway, drain, water race, river or stream.

This policy expands on the provisions of the Act and provides for commercial operations to be treated as one rating unit to assist economic development in the district.

The circumstances where an application for a remission of charges will be considered are:

- A residential dwelling and associated garden and ancillary buildings where the property occupies at least two rating units and those rating units are used jointly as a single property
- A farm that consists of a number of separate rating units that are either contiguous or are located within a 2 kilometre radius
- A commercial, retail, or industrial business that operates from more than 1 rating unit where those rating units are contiguous and are used jointly as a single property
- A subdivision for the period that the individual lots continue to be in the ownership of the original developer and remain vacant. This provision has a maximum term of 3 years in respect of all charges excluding those that are set to fund utility services such as stormwater, wastewater and water supplies.

Policy Objectives

1. To enable Council to act fairly and equitably with respect to the imposition of the UAGC and applicable targeted rates on 2 or more separate rating units that are contiguous, separately owned and used jointly for a single residential, commercial or farming use.
2. To deal equitably with the imposition of the UAGC and applicable targeted rates on 2 or more separate rating units that have resulted from a subdivision to facilitate the development of the district.

Scope

This policy applies to both General Title and Māori Freehold Land.

Conditions and Criteria

Applications under this policy must be in writing, signed by the ratepayer and must comply with the conditions and criteria set out below.

1. The rating units must be contiguous, or in the case of a farm, must be situated within a radius of 2 kilometers from the primary property.
2. The rating units must:
   a. In the case of a residential/lifestyle property, be owned by the same ratepayer who uses the rating units jointly as a single residential property. In the case of residential rating units where two or more separately owned rating units are owned by an individual and/or trust and are contiguous but the ownership is not an exact match, the rating units will be considered as one. For this to apply one unit must have a dwelling and the other unit(s) considerable development which proves that the rating units are being used as one. E.g. House/dwelling on one rating unit and or garden and garage on the other rating unit.
   b. In the case of a farm/lifestyle property, be owned by the same owner, or be leased for a term of not less than 10 years, to the same ratepayer who uses the rating units jointly as a single farm. The owners of each of the individual rating units must confirm in writing that their unit/s is being jointly used as a single farming operation

c. In the case of a subdivision, commercial or residential development, be owned by the original developer who is holding the individual rating units pending their sale or lease to subsequent purchasers or lessees and is vacant. This remission is limited for a term of 3 years for all charges and will be calculated from 1 July in the year that the rates were first remitted.

It should be further noted that the remission under this clause does not extend to subsequent purchasers.

1. The applicant must provide sufficient evidence as is necessary to prove that the properties are being jointly used as a single property and Council's decision on the matter is final.
2. Council reserves the right to determine that any specific targeted charge will be excluded from this policy.

R21/07 - Remission of School Sewerage Charges

Background

The Council recognises that schools may be disproportionately charged for sewerage services where there are a higher number of toilets in relation to the actual number of students enrolled in schools. This policy ensures that schools are equitably charged for sewerage services.

Policy Objective

To ensure equitable rating of educational establishments by providing relief for sewerage charges.

Scope

This policy applies to both General Title and Māori Freehold Land.

Policy Statements

Where the nominal number of pans is less than the actual number of pans, sewage charges will be remitted on those pans that make up the difference between the two.

Conditions and Criteria

1. This policy applies to those educational establishments specified in Schedule 1, clause 6 of the Local Government (Rating) Act 2002.
2. The nominal pan number will be calculated as one pan per 20 students/staff members or part thereof.
3. The policy does not apply to schoolhouses occupied by a caretaker, principal or staff
4. The number of students in an educational establishment is the number of students on its roll on 1 March of the year immediately before the year to which the charge relates.
5. The number of staff in an educational establishment is the number of full time teaching equivalent (FTTE) staff and full time equivalent (FTE) administration staff employed by that educational establishment on 1 March of the year immediately preceding the year to which the charge relates.

R21/08 - Excess Water Charges

Background

From time to time water consumers experience a loss as a result of leaks or damage to their water supply system. It is the normal practice for the consumer to be responsible for the maintenance of the reticulation from the water meter to the property and to account for any consumption of water supplied through the meter.

Council has taken the view that some consumers may experience an occasional water leak without them being aware of the problem. Therefore, they have decided that it would be reasonable to allow for a reduction in charges to these consumers in certain circumstances.

Policy Objectives

To standardise procedures to assist ratepayers who have excessive water rates due to a fault (leak) in the internal reticulation serving their rating unit

To incentivise ratepayers to regularly check their water meter and maintain their internal water reticulation ensuring that consumers retain responsibility for the maintenance of their private reticulation.

Scope

This policy applies to both General Title and Māori Freehold Land.

Policy Statements

Council may provide a full remission of excess water charges to the ratepayer once every 10 years where a leak in the internal reticulation of that property has resulted in water loss.

Council may provide a 50% remission of excess water charges to the ratepayer in the case of a separate leak on that property within 10 years following the grant of a first application.

The 10 year period will restart at zero if the property is sold and there is a new owner/ratepayer.

Conditions and Criteria

1. All applications must be made in writing and signed by the owner(s) of the property. Where a property is managed by a property management company (agent), instructions to act on behalf of the owner must be in place for the agent to act.
2. Applications made under this policy must be received by Council within six months of the first notification to the ratepayer by Council of a possible leak.
3. Meter readings will be taken after the application has been received to ensure all leaks have been repaired.
4. Proof of repairs to the internal reticulation must accompany the application. This may be in the form of a detailed written report or an invoice for repairs from a currently registered plumber, or a report from Council's service contractor.
5. Repairs carried out by the ratepayer must be peer reviewed by a currently registered plumber and a report provided to confirm that the repair is suitable and to current standards.
6. Excess water charges resulting from any other leaks within the 10 year period are not eligible for remission.
7. The maximum relief that will be provided will be the difference between the normal consumption and the actual water consumption for that period.

NOTE: The "normal consumption" will be calculated from three meter readings outside of the leak period for the property concerned.

R21/13 - Incentivising Māori Economic Development

Background

Council recognises that there is a need to incentivise economic development on Māori Freehold Land. Enabling and incentivising Māori economic development through the remission of rates may see direct economic and social benefits to landowners generating a return on the land, as well as to Council from future rates contributions, as the venture grows and becomes sustainable.

Policy Objectives

1. To provide incentives for Māori land owners to develop Māori Freehold Land for economic use.
2. To enable owners to develop an economic base and to assist with the subsequent payment of rates.

Scope

This policy applies to Māori Freehold Land only.

Policy Statement

Council will remit rates on Māori Freehold Land for the purposes of incentivising economic development.

Conditions and Criteria

1. Council will remit rates under this policy on an eight-year sliding scale as follows:
    - Years 1-3 - 100% remitted
    - Year 4 - 90% remitted
    - Year 5 - 80% remitted
    - Year 6 - 60% remitted
    - Year 7 - 40% remitted
    - Year 8 - 20% remitted; and
    - Year 9 - 0% remitted

    Remission will apply from 1 July in the year of application.
2. The land, or portion of the land, for which relief is sought must be considered suitable for development and confirmed as currently not used or economically viable in its current state.
3. Applications must be accompanied by a business case which must include a cashflow analysis for at least 3 years.
4. A meeting with Council staff will be required to determine any other necessary documentation.
5. Key considerations by Council will include:
    a. suitable professional advice has been obtained;
    b. there is a suitable management structure in place;
    c. appropriate financial arrangements for the development of the land have been made;
    d. suitable monitoring and reporting systems have or will be established; and
    e. realistic financial projections and cash flows have been provided.
6. Each application will be submitted to Council for review and assessment. The decision of Council to approve or not approve is final.
7. Upon approval, an annual report and financial statements on the development must be submitted to Council within 3 months of the end of the entity's financial year.
8. If the development on which the remission is based does not proceed or is unable to meet the requirements to achieve a viable economic return, the remission will cease at the end of the rating year in which this is identified.

R21/14 - Treaty Settlement Lands

Background

Council recognises that post-settlement governance entities (PSGEs), which are formed to receive properties returned as a part of Treaty of Waitangi settlements, will require time to develop strategic plans, restore protections, and complete necessary works for cultural and commercial redress properties. These properties can be classed as General Title, which means that the rating relief policies for Māori Freehold Land do not apply to all of these properties. This policy has been developed in recognition of these circumstances.

Policy Objective

To recognise that lands acquired as part of a Treaty settlement process may have particular conditions or other circumstances which make it appropriate to remit rates.

Scope

This policy applies only to Treaty Settlement Lands and will retrospectively apply to any settlements prior to 1 July 2018.

Policy Statement

Council will agree to remit rates on Treaty Settlement Lands subject to the criteria set out below.

Conditions and Criteria

1. Before remission of rates may come into effect, Council must receive an appropriate and satisfactory application supported by sufficient documentation.
2. The applicant must provide proof that the land which is the subject of the application is Treaty Settlement Land.
3. Returned lands that were non-rateable under the previous ownership will receive a full rates remission for a period of three years.
4. Where returned lands are commercial redress properties and are not used, Council will grant a 50% remission for a period three years.
5. Where the returned lands are commercial redress properties and meet the criteria as outlined in the Incentivising Māori Economic Development Policy, Council will remit rates on an eight-year sliding scale as follows:
    - Years 1-3 - 100% remitted
    - Year 4 - 90% remitted
    - Year 5 - 80% remitted
    - Year 6 - 60% remitted
    - Year 7 - 40% remitted
    - Year 8 - 20% remitted; and
    - Year 9 - 0% remitted

R23/15 - Enabling Housing Development on Māori Freehold Land

Background

The Local Government (Rating) Act 2002 S114A requires Council to recognise that there is a need to enable housing development on Māori Freehold Land. Enabling housing development through the remission of rates will see direct social benefits to landowners, as well as to Council from future rates contributions.

Policy Objective

To provide a remission for Māori landowners to enable the development of housing opportunities on Māori Freehold Land.

Scope

This policy applies to Māori Freehold Land only and can be applied to any number of dwellings on a site. It will not apply to service connections, which will remain payable if the property is connected to Council reticulation.

Policy Statement

Council will remit rates on Māori Freehold Land for the purposes of enabling housing development.

Conditions and Criteria

1. Council will remit rates under this policy on an eight-year sliding scale as follows:
    - Years 1 - 3 - 100% remitted
    - Years 4 - 5- 75% remitted
    - Year 6 - 50% remitted
    - Year 7 - 25% remitted
    - Year 8 - 0% remitted

    Remission will apply from 1 July in the year of application.
2. The land, or portion of the land, for which relief is sought must be considered suitable for development and apply and be granted a resource consent.
3. Applications must apply for and be granted a building consent and a code of compliance certificate upon completion.
4. Notification of the above consents and certifications must be made to the Council rates team to ensure the continuation of the remission.
5. A meeting with Council staff will be required to determine any other necessary documentation.
6. Key considerations by Council will include:
    a. Suitable professional advice has been obtained.
    b. Appropriate financial arrangements for the development of the land have been made.
7. Each application will be submitted to Council for review and assessment. The decision of Council to approve or not approve is final.
8. If the development on which the remission is based does not proceed or is unable to meet the requirements to be compliant with the Resource Management Act 1991 and the Building Act 2004, the remission will cease at the end of the rating year in which this is identified.

P21/01 - Land Subject to Protection for Outstanding Natural Landscape, Cultural, Historic or Ecological Purposes

Background

The Far North District Council recognises that certain rateable land within the District is protected for outstanding natural landscape, cultural, heritage, or ecological purposes.

Policy Objectives

To provide rating relief to landowners who have reserved lands that have particular outstanding natural landscape, cultural, historic or ecological values for future generations.

Scope

This policy applies to both General Title and Māori Freehold Land.

Policy Statements

1. Council may remit rates on land subject to protection for outstanding natural landscape, cultural, historic or ecological purposes under the formal protection agreements listed in 2 a) through 2 g) of the conditions and criteria of this policy.
2. Council may postpone rates on land subject to protection for outstanding natural landscape, cultural, historic or ecological purposes under the formal protection listed in 2 h and i) of the conditions and criteria of this policy.

Conditions and Criteria

1. Applications must be supported by a copy of the formal protection agreement and a Management Plan detailing how the values of the land are to be maintained, restored, and/or enhanced.
2. The land must be subject to a formal protection agreement as set out below:
   a. An open space covenant under section 22 of the Queen Elizabeth the Second National Trust Act 1977; or
   b. A conservation covenant under section 77 of the Reserves Act 1977; or
   c. A Nga Whenua Rahui kawenata under section 77A of the Reserves Act 1977; or
   d. A declaration of protected private land under section 76 of the Reserves Act 1977; or
   e. A management agreement for conservation purposes under section 38 of the Reserves Act 1977; or
   f. A management agreement for conservation purposes under section 29 of the Conservation Act 1987; or
   g. A Māori reservation for natural, historic, or cultural conservation purposes under sections 338 to 341 of the Te Ture Whenua Māori Act 1993 (Māori Land Act 1993); or
   h. A covenant for conservation purposes under section 27 of the Conservation Act 1987.
   i. A covenant for conservation purposes approved under the Heritage New Zealand Pouhere Taonga Act 2014 (or Historic Places Act 1993)
3. The rating unit or portion of the rating unit that is the subject of the application must not be in use. For the purposes of this Policy, the definition of person actually using land is taken from the Local Government (Rating) Act 2002. It means a person who, alone or with others: –
   a. Leases the land; or
   b. Does 1 or more of the following things on the land for profit or other benefit:
      i. Resides on the land
      ii. Depastures or maintains livestock on the land
      iii. Stores anything on the land
      iv. Uses the land in any other way.

NOTES:

Notwithstanding the above, work undertaken to pre- serve or enhance the features covenanted on the land, including weed control, will not impact the “unused” status of the land

The removal of traditional medicinal tree and plant material by tangata whenua for personal use will not constitute actual use of the land.

6. Where the entire rating unit is the subject of the application, the remission or postponement of rates will apply to all rates levied on the property.
7. The protected and unprotected portions of the rating unit will be separately valued and assessed as separate parts pursuant to Section 45 (3) of the Local Government (Rating) Act 2002. In these instances, the remission or postponement of rates will only apply to the protected portion of the rating unit. It should be noted that these separate parts will not constitute separately used or inhabited parts for rating purposes and a full set of UAGC and other charges will be assessed against the part of the rating unit that is being used
8. Any remission or postponement granted under this policy will become effective on 1 July in the rating year following the submission of the application.
9. Any remission or postponement of rates on the land will be cancelled immediately in the event that the land ceases to be protected under a formal protection agreement. Postponed rates that have not been remitted will be repayable in the event that the covenant conditions and the Management Plan objectives are breached in the sole opinion of the Council, whose decision is final.

Specific Conditions and Criteria for Postponement of Rates

1. After a term of ten years, the postponed rates for the first year of the covenant period will be remitted. After this, one additional year of the postponed rates will be remitted each year, so that a maximum of ten years of postponed rates are held against the land at any given time.
2. Upon expiration of the covenant or other agreement, any rates that are postponed against the land at that time, which have not been remitted under paragraph 1 above, will become due.
3. The repayment of postponed rates will not be required as a result of a change of ownership, provided that the land continues to comply with all criteria.
4. Council will not seek repayment of postponed rates where future postponement is revoked due to Council changing its criteria for postponement.

P21/03 - Landlocked Land

Background

The Property Law Act 2007 enables owners of landlocked properties to take legal action in order to gain reasonable access to their property.

landlocked land means a piece of land to which there is no reasonable access.

reasonable access, in relation to land, means physical access for persons or services of a nature and quality that is reasonably necessary to enable the owner or occupier of the land to use and enjoy the land for any purpose for which it may be used in accordance with any right, permission, authority, consent, approval, or dispensation enjoyed or granted under the Resource Management Act 1991.

Ratepayers may be unable to take action under these provisions of the Property Law Act due to their financial circumstances.

This policy has been prepared to cover the exceptional circumstances and will only be applied after all other avenues for access have been explored by the owner.

Policy Objectives

To provide rating relief to ratepayers where their land has no reasonable access and the ratepayer cannot afford to take action through the Property Law Act 2007.

Scope

This policy applies to both General Title land and Maori Freehold Land.

Policy Statement

Any owner who has purchased land knowing that it is land locked and no access is possible will not qualify for remission under this policy.

Council may postpone rates on landlocked land where there is no reasonable access as defined in the Property Law Act 2007.

Conditions and Criteria

1. The land must be landlocked as defined in Section 326 of the Property Law Act 2007. The application must state why access cannot be obtained through procedures set forth in Part 6, Subpart 3, of the Property Law Act 2007.
2. The application must include a legal assessment that details how the land meets the definition in the Property Law Act 2007 and why access cannot be obtained through the legal channels identified in that Act.
3. The maximum term for the postponement of rates for landlocked property is three years. If the land remains landlocked at the end of that period, postponed rates will be remitted, and a new application will be required.
4. The owner must advise Council if the status of the land changes, if access is obtained, or if any person commences to use the land. If the land ceases to be landlocked during the period of the postponement, any rates postponed will be remitted at the end of the three-year period, provided that the owner keeps the rates up to date for the remainder of the three-year period.
5. The owner must agree to a statutory land charge being entered on the Certificate of Title, in relation to Maori Freehold land, this will be an agreement in the form of a statutory declaration only.
6. As provided for in the legislation, a postponement fee will be added to the postponed rates.
7. The repayment of postponed rates will not be required merely because of a change of ownership of the land provided that the change has not arisen from the sale of the property and provided that the land continues to comply with the criteria of this policy.

P21/04 - Transitional policy for the postponement of rates on farmland

Background

This transitional policy statement has been prepared to address the rating of farmland that previously received a rates-postponement value pursuant to Section 22 of the Rating Valuations Act.

That section of LGA, which has now been repealed, provided for rates relief for the owners of farmland whose values were increased beyond that of other farmland in the district because of the potential use to which the land could be put for residential, commercial, industrial, or other non-farming development.

A number of proper ties in the Far North received these farmland postponement values because their values were significantly enhanced because of their proximity to high valued urban or coastal areas.

This transitional policy provides Council with the ability to continue to provide rating relief to certain proper ties that were receiving a postponement of rates prior to the introduction of the Local Government (Rating) Act 2002, and that qualified after that date under policy P04/04, which has now been repealed.

This Transitional Policy is restricted to those farms which are owner operated, where the owner is a natural person and/ or is a company where the owners live on and operate the farm as a personal business. The policy specifically excludes those farms which are held as investment properties where the owners, corporate or otherwise, live outside the district.

Effect of rates postponement values

The postponed portion of the rates for any rating period shall be the amount equal to the difference between the amount of the rates for that period calculated according to the postponement value of the rating unit an amount of the rates that would be payable for that period if the rates were calculated on the basis of its actual value.

The amount of the rates for any rating period so postponed shall be entered in the rate records and will be included in or with the rates assessment issued by Council in respect of the rating unit.

Any rates so postponed will, so long as the property continues to qualify for rates postponement, be remitted at the expiration of 10 years from the date at which the postponement was granted.

Each year a postponement fee will be added to the outstanding balance and will become part of the rates postponed on the rating unit pursuant to Section 88(3) of the Local Government (Rating) Act 2002.

Policy Objective

To afford rating relief to farmers who had previously been receiving this form of rating relief under the provisions of repealed legislation and/or previous versions of this policy, where Council believes that it is in the interest of the district to maintain a postponement of rates to reduce the incidence of coastal development.

Scope

This policy applies to both General Title and Māori Freehold Land.

Council will not accept any new applications under this policy.

Conditions and Criteria

1. This policy provision only applies to those rating units which previously qualified for a postponement of rates under policy P04/04, which was repealed on 30 June 2006, and which continues to be owned by the same ratepayer/s who owned it at that date.

2. For the purposes of this transitional policy, the definition of qualifying farmland has been revised as follows:
    a. Farmland means land which is used principally or exclusively for agricultural, horticultural, or pastoral purposes but excludes land that is used for forestry, lifestyle, or farm park type purposes.
    b. The farming operation must provide the principal source of revenue for the owner of the land, who must be the actual operator of the farm and who must reside on the land.
    c. The area of the land that is the subject of the application must be not less than 50 hectares.
3. The proper ties that are the subject of this policy will be identified and the rates postponement values determined by Council's Valuation Service Provider and will:
    - exclude any potential value, at the date of valuation, that the land may have for residential use or for commercial, industrial, or other non-farming use; and will preserve uniformity and equitable relativity with comparable parcels of farmland, the valuations of which do not contain any such potential value.
4. No objection to the amount of any rates postponement value determined under this policy will be accepted by Council (other than where the objector proves that the rates postponement value does not preserve uniformity with existing roll values of comparable parcels of land having no potential value for residential use, or for commercial, industrial, or other non-farming use).
5. The Postponement Value will be reviewed after each triennial revaluation and the revised value will be advised to the ratepayer. At that time Council will seek the advice of its valuation service provider as to whether they believe that the land continues to be actively farmed and qualifies under the terms of this policy provision. Council reserves the right to ask the owner to provide evidence showing that the land continues to operate as a farm.
6. The owner must agree to a statutory land charge being entered on the Certificate of Title of the farmland before receiving a postponement of rates.

Termination and repayment of postponed rates

All rates that have been postponed under this policy and have not been remitted become due and payable immediately on:

1. The land ceasing to be farmland;
2. The interest of the owner is passed over to, or becomes vested in, some person or other party other than;
    a. the owner's spouse, son or daughter; or
    b. the executor or administrator of the owner's estate.
3. Where only part of the land is disposed of then only part of the postponed rates will become immediately repayable. The amount repayable will be calculated in accordance with the following formula:

$$\frac{A \times C}{B}$$

Where:

A – is the difference between the rateable value and rates special value of the balance of the land retained by the person who was the occupier on the date on which the rates postponement value was entered on the valuation roll; and

B – is the difference between the rateable value and the special value of the whole of the land immediately before the date of the vesting of that interest in that other person.

That special value shall be specially redetermined if, because of a general revaluation of the district in which the land is situated, the special value appearing on the valuation roll is no longer directly related to the rateable value on the date of the vesting; and

C – is the total amount of the rates postponed immediately before the date of vesting. In all cases the amount of the rates to be repaid will be not less than 20% of the value of the total amount of rates currently postponed.

4. Subject to the land continuing to qualify for the special postponement value, any rates postponed under this policy will be remitted at the expiration of 10 years from the date on which they were assessed.

P21/05 – Residential Rates for Senior Citizens

Background

The payment of rates for senior citizens on a limited income can affect their quality of life. This policy provides senior citizens with the option of postponing their rates to be paid until a sale of the rating unit takes place, or, in the event that they pass away, until the settlement of their estate. This will relieve elderly people of potential financial hardship, and enhance the quality of their lives, including the ability to remain in their home longer with limited income.

Policy Objective

To positively contribute to the quality of life for senior citizens by postponing rates payable.

Scope

This policy applies to General Title Land. Council does not consider the application of this policy appropriate for Māori Freehold Land; because of the nature of Māori Freehold Land, Council does not consider it appropriate to charge postponed rates to the land.

Policy Statements

Council may postpone rates for ratepayers whose primary income is the New Zealand Superannuation Scheme. Any postponed rates will be postponed until:

a. The settlement of the ratepayer's estate following their death; or
b. The ratepayer ceases to be the owner or occupier of the rating unit; or
c. The ratepayer ceases to use the property as their primary residence; or
d. The accrued charges exceed 80% of the rateable value of the property (postponed rates will remain due for payment only on death, sale, or the date specified by Council); or
e. A date specified by the Council.

Conditions and Criteria

1. Postponement under this policy will only apply to ratepayers who are:
    a. eligible to receive the New Zealand Superannuation Scheme, which is, or will be, their primary income; or
    b. on a fixed income. This is defined as "an income from a pension or investment that is set at a particular figure and does not vary like a dividend or rise with the rate of inflation".
2. The rating unit must be used by the ratepayer as their primary residence. This includes, in the case of a family trust owned property, use by a named individual or couple.
3. The ratepayer must not own any property that may be used:
    a. as a holiday home or rental property; or
    b. for commercial activities, such as farming or business.
4. People occupying a unit in a retirement village under a licence to occupy must have the agreement of the owner of the retirement village before applying for postponement of the rates payable on their unit.
5. If a property is still under a mortgage, a written and signed approval must be obtained from the Mortgagee as part of the application. This is because the payment of postponed rates will have priority over mortgage payments.
6. Properties that are the subject of a reverse mortgage are not eligible for rating relief under this policy.
7. Council has the right to decline rates postponement for a property that is in a known hazard zone. This is to minimise any risk of loss to Council.
8. Postponed rates will be registered as a statutory land charge on the rating unit title, meaning that Council will have first claim on the proceeds of any revenue from the sale or lease of the rating unit.
9. If rates are postponed, the ratepayer will still be responsible for the amount of rates equal to the maximum rebate available under the central government

Rates Rebate Scheme for the current rating year. Council is able to assist applicants for the Rates Rebate Scheme. If the ratepayer is not eligible for a rates rebate, they will still be responsible for paying this amount, and will be required to enter into a payment arrangement to cover this portion.

10. Council will charge an annual administrative fee on postponed rates.
11. The postponed rates or any part thereof may be paid to Council at any time.
12. The property must be insured at the time the application is granted and must be kept insured. Evidence of this must be produced annually.
13. Senior citizens for whom rates are being postponed under this policy must promptly inform Council of any substantial change in their financial status which might affect their eligibility for such postponement.

ML21/01 - Māori Freehold Land Not Used

Background

Following amendments to the Local Government (Rating) Act 2002 that come into force 1 July 2021 this policy will apply only to land that remains unused/unoccupied following the granting of a licence to occupy from the Maori Land Court or recognition of an informal arrangement to occupy. The creation of a licence to occupy or an informal arrangement does not create a separate rating unit therefore any unused /unoccupied land remaining (referred to as “the balance of land”) does not automatically fall under the amendment to the Local Government (Rating) Act 2002 to make unused/unoccupied land “non-rateable”.

Occupation licenses are generally used to define a specific area of Māori Freehold Land that the licensee can occupy for the purposes establishing a dwelling. At the termination of the license, the dwelling has to be removed or transferred to the owners of the land.

Informal arrangements are where a person occupies an area of Māori Freehold Land for a period of time; however, has no formal agreement and no rights to permanent occupation.

Policy Objectives

To provide the ability to grant remission for the portions of land not occupied or used that result from the granting of a licence to occupy or an informal arrangement for use on part of the rating unit.

Scope

This policy applies only to Māori Freehold Land and will apply from 1 July in the year of application.

Policy Statement

Council may, upon application from the owners, authorised agents of the owners, or Council itself acting for the owners, agree to remit the rates relating to the balance of land created by a licence to occupy or informal arrangement for a period not exceeding three years.

Conditions and Criteria

1. The balance of land must not be used by any person – for the purposes of this policy land will be defined as “used” if any person, alone or with others carries out any of the following activities on the land as set out in section 96 of the Local Government (Rating) Act 2002 -
   a. leases the land; or does one or more of the following things on the land for profit or other benefit:
   b. resides on the land
   c. depastures or maintains livestock on the land
   d. stores anything on the land
   e. uses the land in any other way.
2. Council will have the sole judgment on whether or not to grant the application and may seek such additional information as they may require before making their final decision.
3. If the land comes under use at any point, it will no longer receive remission of rates under this policy.

ML21/02 - Māori Freehold Land used for the purposes of Papakainga or other housing purposes subject to occupation licenses or other informal arrangements

Background

The Far North District Council recognises that occupation licenses, or other informal arrangements, only provide an interim or temporary right to occupy part or all of an area of Māori Freehold Land. This right is only available to the licensee, or informal occupier and does not create an interest that can be transferred or bequeathed as part of an estate.

This form of occupation is different to an occupation order, which provides a permanent right to occupy an area of land and can be passed on to future generations.

Occupation licenses are generally used to define a specific area of Māori Freehold Land that the licensee can occupy for the purposes establishing a dwelling. At the termination of the license, the dwelling has to be removed or transferred to the owners of the land.

Informal arrangements are where a person occupies an area of Māori Freehold Land for a period of time; however, has no formal agreement and no rights to permanent occupation.

The occupier of land that is the subject of an occupation license or informal agreement is generally not required to pay any rental to the owners of the land, i.e. it is not a commercial arrangement.

There is a willingness of occupiers of land that is the subject of these types of arrangements to pay rates in respect of the area of land that they occupy. However, there is a concern that these “parts” may become liable for the UAGC and other non-service-related charges assessed on the basis of a separately used or inhabited part of a rating unit.

This policy statement has been prepared to address these issues. It recognises that papakainga and similar housing on Māori Freehold Land are generally occupied by members of owner’s families and no rentals are payable.

The policy is consistent in effect to the treatment of multiple housing on general title land, where the separate parts are occupied on a rent-free basis by members of the owner’s family.

To assist the occupiers pay the rates of the parts of a rating unit that are the subject of occupation licenses, Council will issue a separate rate assessment for each part as set out in Section 45 (3) and (4) of the Local Government (Rating) Act 2002.

Policy Objectives

1. To put in place processes to allow the residents with occupation licenses or other informal arrangements to pay their portion of rates in respect of the land that they occupy.
2. To assist Māori to establish papakāinga or other housing on Māori Freehold Land.
3. To assist Māori to establish an economic base for future development.

Scope

This policy applies only to Māori Freehold Land.

Policy Statement

The Far North District Council recognises that the imposition of multiple UAGCs or other non-service-related charges might act as a disincentive to Māori seeking to occupy Māori Freehold Land for housing purposes.

Council will consider applications for the remission of multiple UAGCs and other charges, with the exception of those that are set for the provision of utilities such as water, sewerage etc., in respect of separately used or inhabited parts of a rating unit where these are the covered by occupation licenses, or other informal arrangements.

Conditions and Criteria

1. The part of the land concerned must be the subject of a licence to occupy or other informal arrangement for the purposes of providing residential housing for the occupier on a rent-free basis.
2. The area of land covered by each arrangement must have a separate valuation issued by Council's valuation service providers and will be issued with a separate rate assessment pursuant to Local Government (Rating) Act 2002 Section 45 (3).
3. The occupier must agree to pay any rates assessed in respect of the part or division of the rating unit that is the subject of the application.
4. No portion of the service charges for utilities will be remitted.
5. Council reserves the right to cancel the remission on the portion of a rating unit upon which rates remain unpaid for a period of more than one month after the due date (due date can apply to the instalment date or an agreed payment plan).
6. Uniform Annual General Charges and other charges on the land will remain in remission so long as the occupation continues to comply with the conditions and criteria of this policy.

Te Kaunihera
o Te Hiku o te Ika
Far North District Council

PROPOSED
REVENUE AND
FINANCING POLICY

Contents

Overview

The Local Government Act 2002 (LGA) requires all councils to adopt a Revenue and Financing Policy showing how they propose to fund operating and capital expenditures, and more importantly, who will pay these and why.

Council must decide, in accordance with s101(3) of the LGA, how each activity will be funded, taking into consideration:

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

This Revenue and Financing Policy sets out how the Far North District Council plans to fund its operating and capital expenditure, over the life of the Long-Term Plan.

The Policy discusses all available potential revenue and funding sources and outlines how and when it will use these. In considering funding arrangements Council has taken the following factors into account:

- The community outcomes to which each activity primarily contributes
- Who benefits from the activity
- The period over which the benefits are delivered
- Whether the activity is needed in response to the action(s) (or lack of action(s)) of some person or group
- Whether it would be more prudent for the activity to be funded separately or included with other activities
- The overall impact of any allocation of liability for revenue needs on the community.

How has Council developed its Policy?

Every activity has been analysed using the factors discussed above. This analysis was then used to develop a set of funding decisions about the use of rates, both general and targeted, user charges, and other funding sources to arrive at what Council considers is an optimal funding arrangement for the activity.

Council then considered the overall effects of each separate funding proposal on the District as a whole.

The ultimate objective of this analysis was to find ways of funding Council's activities that are, as far as possible, affordable, transparent, and accountable.

Funding principles

After considering the above factors, Council agreed the following basic principles to guide the assessment of fairness and equity in choosing funding sources:

- Each generation of ratepayers should pay for the services they receive
- User charges are preferred whenever a private benefit can be identified, and it is efficient to collect the revenue
- Council will use any other funding sources before rates
- Capital expenditure to replace assets will be funded from rates in the form of funded depreciation
- Capital expenditure to upgrade or build new assets will be funded through borrowings
- Rate increases will be within the limits set in the financial strategy
- Borrowing will be within the limits set in the financial strategy.

Complying with these principles can at times be challenging. Council must apply judgment in assessing options to determine fairness in the development of budgets or the acquisition of assets along with the choice of funding sources.

Operating costs

Operating costs are the day-to-day outgoings used to maintain the services delivered by Council, including a contribution to the wear and tear on assets used (referred to as depreciation). Council generally operates a balanced budget, meaning that all operating costs are met from operating income. This ensures that those who pay for Council services are those who use them.

Operating cost funding sources:

- User charges
- User charges are levied for services where there is a benefit to an individual or group. The price of the service is set, taking account of several factors, including:
- The cost of providing the service
- An estimate of the private benefit derived from the use of the service
- The impact of cost in encouraging/discouraging behaviours
- The impact of cost on the demand for the service
- The cost and efficiency of fee collection mechanisms
- The impact of affordability on users
- Other matters as determined by Council.

Grants, sponsorship, and subsidies

Grants, sponsorship, and subsidies are leveraged when available. Council expects to continue receiving substantial subsidies for roading and footpath activities from the New Zealand Transport Agency (NZTA).

Investment income, dividends, and interest

Income from dividends and interest is used to offset the overall costs of Council.

Other revenue

Council receives other operating income from:

- Petrol tax
- Property rentals
- Other minor sources.

Rates

Having identified all other potential funding sources, Council funds operating expenses from rates as follows:

General Rates

Council sets its General Rates on the basis of Land Value.

The General Rate is set using two differentials, general and commercial. This reflects Council's view that the general rate is a form of property-based tax, where different benefits are received by general and commercial ratepayers.

Uniform Annual General Charge (UAGC)

Council sets a UAGC. The UAGC is applied to each Separately Used or Inhabited Parts (SUIP) of a Rating Unit.

Targeted Rates

Council sets targeted rates where it believes that the cost of the service should be paid for by the group that benefits most or exclusively from the activity. Targeted rates may be set on a uniform basis or differentially for different categories of rateable land.

Some targeted rates can be considered proxies for user charges, particularly for services such as water and sewerage. They are referred to as 'proxies' because they are generally fixed amounts payable by the different category of ratepayer, rather than an amount based on the level of usage.

An example of the difference between a proxy and a user charge is the way that Council charges for sewerage. Council charges a fixed amount to the rating unit based on the number of users (SUIPS) and/or the number of pans. If that rate were a true user charge, Council might charge on the basis of the amount of sewerage being discharged. Although the community regularly requests that form of rating, that mechanism is currently not permitted by law. The only legal volumetric charge a council can impose is water by meter charges.

Council's targeted rates are:

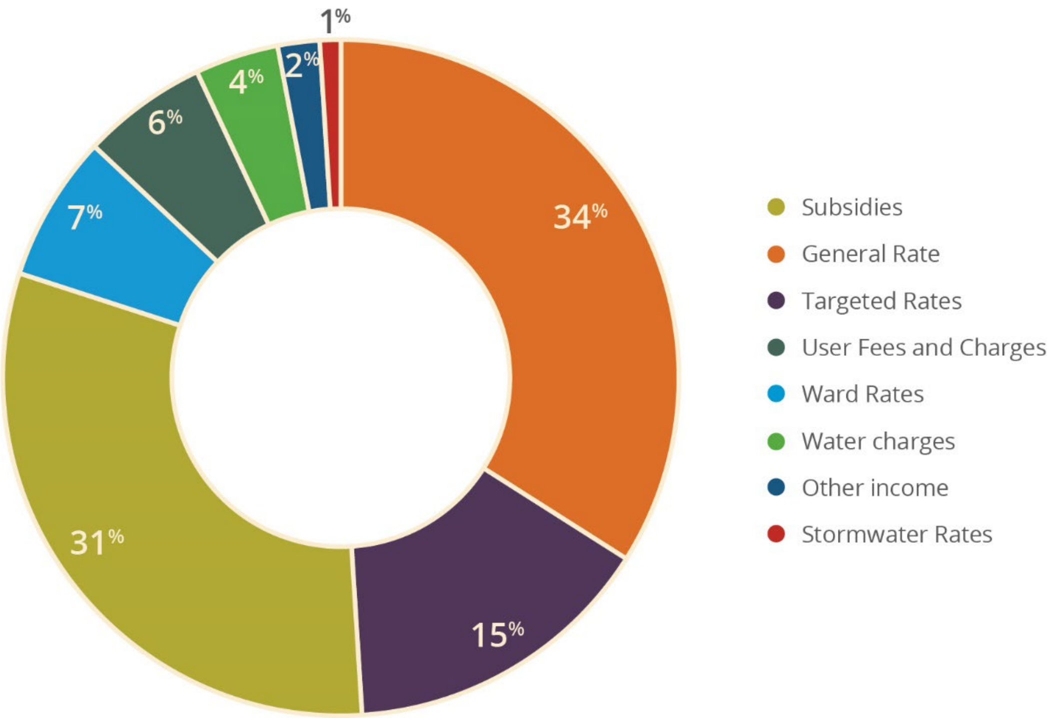
- Ward rates for the Bay of Islands-Whangaroa, Kaikohe-Hokianga and Te Hiku wards
- The Urban Stormwater rate
- Drainage rates for Kaitāia, Kaikino, Motutangi, Waiharara
- Sewerage capital rates for each Council wastewater scheme
- Sewerage operating rates for each Council wastewater scheme
- Water capital rates for each Council water scheme
- Community Development rates for Paihia and Kaitāia Commercial Business Districts (CBDs)
- The Bay of Islands Recreation Centre rate
- The roading uniform rate
- A differential roading rate
- Water by meter charges
- A $15 public good rate for water and for wastewater, charged to each rating unit
- Non-metered water rate per connection

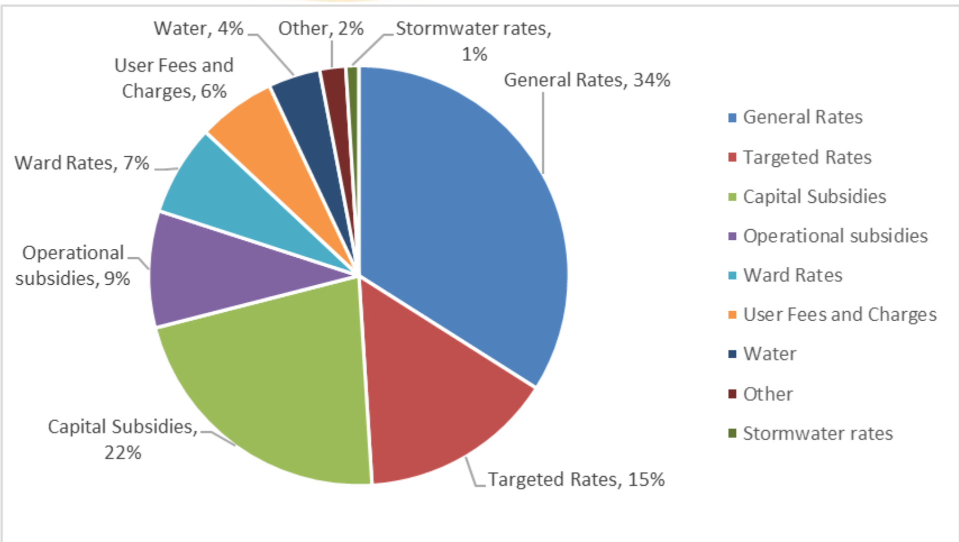
Details of all rates charged are included in the Funding Impact Statement published in the Long-Term Plan and each year's Annual Plan.

Operating funding sources for 2024/25

Operating costs are the day-to-day spending that maintains the services delivered by Council. This includes a contribution to the wear and tear on assets used (depreciation), interest charged on borrowing for capital projects and a contribution to corporate overheads.

Figure 1 – Summary of operating income





Note: Operating funding sources may change from year to year; this summary shows funding arrangements for 2024/25 to 2026/27.

Capital costs

Capital costs are those relating to the purchase, development or acquisition of long-term assets.

Capital cost funding sources

As shown in figure 2, funding of capital costs may come from a variety of sources including:

Borrowings

Funds for assets that will provide long term benefits to the community will be borrowed to ensure the achievement of inter-generational equity.

Council reserves

Reserves include financial contributions collected under the Resource Management Act 1991 and development contributions collected under the Local Government Act 2002.

While Council has resolved to continue to suspend the charging of development contributions for this LTP, contributions will continue to be received with respect to consents granted prior to the suspension of the policy in 2015.

Capital contributions

Capital contributions are made by ratepayers or other parties in support of specific capital projects.

Lump sum contributions

Lump sum contributions are made by ratepayers where they choose this method of payment towards specified capital works.

Grants, subsidies and other income

Contributions towards capital expenditure from other parties such as the New Zealand Transport Agency (NZTA) in relation to certain roading projects, and the Crown in relation to certain wastewater projects and MBIE for Economic Stimulus and Employment Opportunities.

Revenue collected to fund renewals

Renewal projects are primarily funded from depreciation reserves where those funds are available.

Council has approved the following:

Accounting treatment – funding depreciation

A. All depreciation on assets will be funded from rates except for:

- Roading/footpath assets – the subsidy element relating to the depreciation for these assets will not be funded by the relevant roading subsidy rate applicable in the relevant year.
- Swimming pools – the depreciation for these assets will be reduced equal to any community contribution to ensure that the community benefits from the contributions made.
- Water/wastewater/public toilet assets – the depreciation for these assets will be reduced equal to any subsidy element to ensure that the benefit expected to be received by the current rate payers is applied.

B. Asset groups where depreciation will not be fully funded from depreciation:

- All strategic assets, as per our Significance and Engagement Policy, will have depreciation funded at 76% until 30 June 2027 followed by a phased return to 100% over the next 10 years. This does not apply to the items identified in (A).

- Depreciation will be funded at a rate of 50% for community buildings/centres, halls and museums.
- Depreciation will not be funded from rates for Civil Defence (alarms), carparks, maritime assets, motor camps, parks and reserves minor structures (e.g. boardwalks / park benches etc) and solid waste assets.

Any asset groups not covered above will have depreciation fully funded from rates (corporate assets etc.)

Proceeds from the sale of assets

From time-to-time Council sells assets and may use the proceeds (after paying for the cost of the sale) to repay any debt attached to the asset.

Rates

Rates are primarily used to fund Council's day-to-day expenses. This includes funding an annual amount toward the ongoing renewal of existing assets, and the funding of financing costs on debt incurred to purchase or develop assets.

From time-to-time Council may undertake specific capital works funded by borrowings, where the debt repayment is sourced from targeted rates, usually for specific community projects.

Operating surpluses

Operating surpluses may be used to fund capital expenditure.

Capital Funding Sources 2024/25

Figure 2 – Summary of capital funding

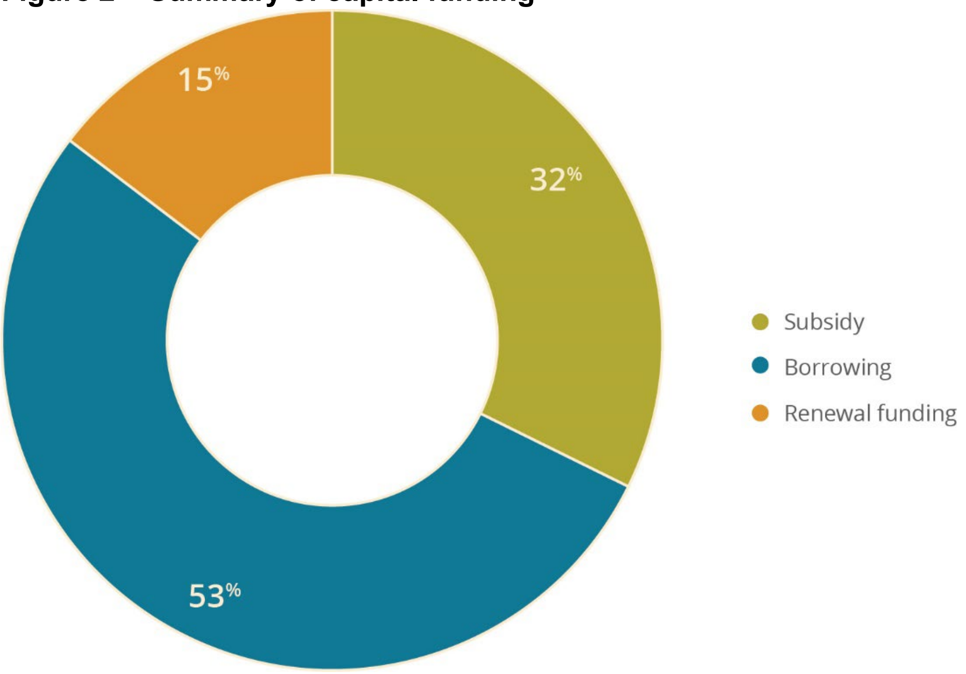
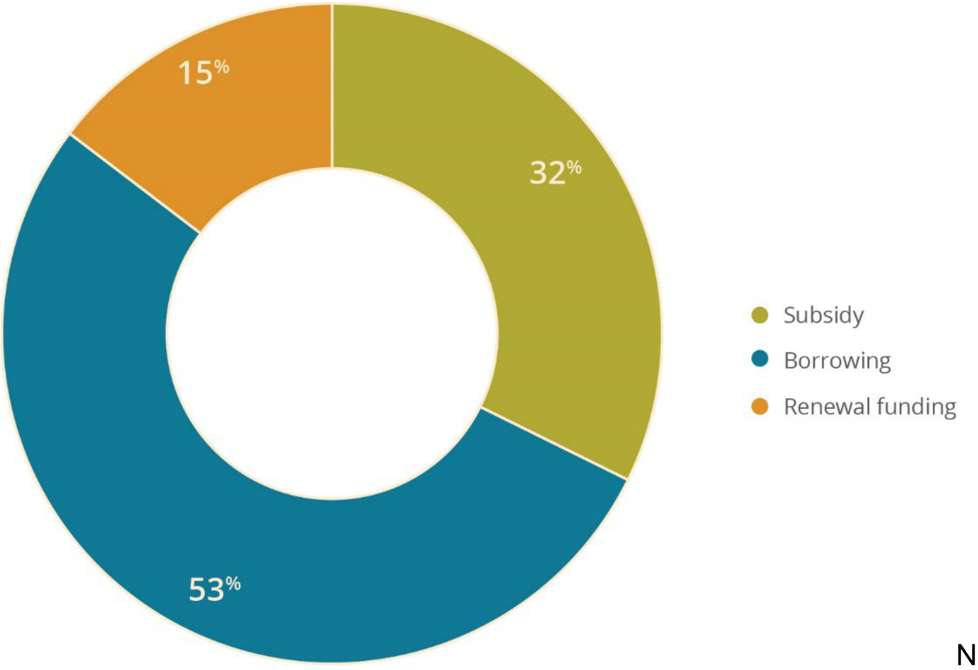


Figure 2 – Summary of capital funding



Note: Capital funding sources may change from year to year. This summary shows funding arrangements for 2024/25.

Balanced budget

Section 100 of the LGA requires that Council's projected operating revenues match its projected operating expenditures. Despite this, Council may choose not to fully fund operating expenditure in any particular year if it can show that it is financially prudent to do so and where the deficit can be funded from operating surpluses in the immediately preceding or subsequent years. An operating deficit will only be budgeted when it would be beneficial to avoid significant fluctuations in rates, fees, or charges.

Council may choose to fund from the above sources more than is necessary to meet the operating expenditure in any particular year. Council will only budget for such an operating surplus if necessary, to fund an operating deficit in the immediately preceding or following years, or to repay debt. Council will have regard to forecast future debt levels when ascertaining whether it is prudent to budget for an operating surplus for debt repayment.

Council has determined the proportion of operating expenditure to be funded from each of the sources listed above, and the method for apportioning rates and other charges. The details of the funding apportionment are set out in the Funding Sources Summary that is included in this Policy.

The LGA requires Council to produce Funding Impact Statements (FIS), which provide details of the funding mechanisms to be used for each group of activities for each year covered by the LTP. These FIS show how Council intends to implement the Revenue and Financing Policy. It also shows the amounts to be collected from each available source for each group and how various rates are to be applied.

Funding needs analysis

This section sets out how Council proposes to fund each of its activities. It has been prepared in accordance with the provisions of Section 101(3) of the Local Government Act 2002 (the Act).

Note that throughout this section references are made to legislative provisions. Unless stated otherwise, these references refer to the Local Government Act 2002.

This analysis document is designed to show how Council has considered each of these requirements and how they relate to the final Revenue and Financing Policy.

Analysis identifies the arrangements Council proposes to apply when budgeting for each activity. Frequently there is a mix of funding mechanisms including both general and targeted rates together with a range of fees and charges. In many instances the final funding mix depends on the level of activity and Council's ability to recover costs from user charges.

Section 101(3) analysis of operating expenditure by activity

Council has reviewed the funding for each of its individual activities using the methodologies set out in s101(3) of the LGA. The method used for this process was to consider each activity individually and reach a conclusion on each of the required factors.

Once this was completed, Council was then able to then decide how much of the activity should be funded by direct user charges and how much by rates. In this context, rates include the General Rate, Targeted Rates and Water by Meter charges, while user charges include all other forms of fees and charges.

Appendix A shows the results of this analysis and outlines the different funding arrangements. To add clarity the splits between Rates and User Charges are presented in 10% bands.

Section 101(3) analysis of capital expenditure by activity

Council will fund the cost of borrowing on the same basis as operating costs unless it resolves otherwise.

It is not practical to create separate funding policies for every capital project, so Council will only do this when a project is particularly large, affects a particular group or does not fit with an existing funding policy or activity. Whenever Council resolves to consider a separate funding policy Council will consider the sources of funds outlined above, the Revenue and Financing Policy and complete a s101(3) assessment to determine a fair funding and equitable arrangement for the project.

Generally, Council will resolve the funding policy at the time the project is proposed in an Annual or Long-Term Plan.

Appendix A Funding arrangements

Activity	Community outcomes - refer Appendix B	Who benefits	Period of benefit	Whose actions creates a need	Separate funding	Rationale
Notes: 1. The Funding Source relates to Council costs only. It excludes any subsidies that may be received 2. The split between public (rate) and private (user) funding is an approximation and is arranged in 10% bands 3. Refer to Appendix C for a description of these headings						
Funding source – Rates 100% (approx. may include other minor funding sources)						
Customer Services	Sustainable Development	Individuals, groups and community	Ongoing	Community	Most of the costs of this activity relate to its public benefits so it is fully funded by general rates.	The community as a whole benefits from this activity. Whilst there are opportunities to recover some costs by way of fees and charges, these are very limited.
Economic Development	Sustainable Development	Individuals, businesses	Ongoing	Individuals, businesses, Community	High level of public benefit so the activity is fully funded by general rates.	This activity benefits the whole district but in particular the commercial and industrial sectors recognised through the General Rate differentials.
Governance	Leadership	Community	Ongoing	Community	This activity is core to Council's democratic operations, so it is fully general rate funded.	This activity supports Council's democratic process it is therefore fully funded from General Rates.
Land Drainage	Sustainable Infrastructure	Individuals, Groups	Ongoing	Landowners in areas of benefit	Fully funded by benefiting property owners using separate targeted rates.	This activity provides a private benefit for the landowners located within the defined drainage areas. It is therefore fully funded by local targeted rates.
Māori Engagement	Partnerships	Community	Ongoing	Community	High level of public benefit so it is fully general rate funded.	This is a public good activity core to the District's planning and governance functions therefore it is fully funded from General Rates.
Museum	Sustainable Development	Individuals, groups and community	Ongoing	Individuals, Groups	High level of private benefit, but with a limited ability to apply user charges. Primarily general rate funded.	By their nature museums are a public benefit provided to the community. Museums are important facility providing sources knowledge, local history and providing educational opportunities in the district. For these reasons they are primarily funded from General Rates.

Activity	Community outcomes - refer Appendix B	Who benefits	Period of benefit	Whose actions creates a need	Separate funding	Rationale
Public Safety	Safety	Individuals, Groups	Ongoing	Individuals, Groups	Most of the costs of this activity relate to its public benefits so it is fully general rate funded.	Council provides for 100% emergency management from rates to ensure that the Community is safeguarded. Where possible recovery is sought from exacerbators to reduce public funding which is provided from General Rates.
Recreation	Sustainable Development	Individuals, groups and community	Ongoing	Individuals	Some private benefits but limited or no opportunities to charge so it is fully funded from general and ward rates.	Most of Council's recreational activities are non-excludable. That means that Council cannot exclude people from using the facilities. For that reason, the activity is fully funded from General and Ward Rates.
Stormwater	Safety	Ongoing	Individuals	Some private benefits but limited or no opportunities to charge so it is fully funded from general and ward rates.	Most of Council's recreational activities are non-excludable.	Despite the private benefit received from the provision of stormwater, Council is of the view that the overall benefit to the community supports the continuation of the funding from the general rate with a smaller stormwater rate over urban communities.
Integrated planning	Sustainable Development	Community	Ongoing	Community	This is a core planning function, so it is fully general rate funded.	This activity supports Council's democratic process which benefits all ratepayers therefore it is fully funded from general rates.
Placemaking	Sustainable Development	Community	Ongoing	Community	This is a core planning function, so it is fully general rate funded.	This activity supports Council's democratic process which benefits all ratepayers therefore it is fully funded from general rates.
Spatial planning	Sustainable Development	Community	Ongoing	Community	This is a core planning function, so it is fully general rate funded.	This activity supports Council's democratic process which benefits all ratepayers therefore it is fully funded from general rates.
Bylaws, policies etc	Sustainable Development	Community	Ongoing	Community	This is a core planning function, so it is fully general rate funded.	This activity supports Council's democratic process which benefits all ratepayers therefore it is fully funded from general rates.

Activity	Community outcomes - refer Appendix B	Who benefits	Period of benefit	Whose actions creates a need	Separate funding	Rationale
Stakeholder Engagement	Partnerships	Community	Ongoing	Community	High level of public benefit so it is fully general rate funded.	This is a public good activity core to the District's planning and governance functions therefore it is fully funded from General Rates.
Te Hono	Partnerships	Community	Ongoing	Community	High level of public benefit so it is fully general rate funded.	This is a public good activity core to the District's planning and governance functions therefore it is fully funded from General Rates.
Town Maintenance	Sustainable Development	Individuals, groups and community	Ongoing	Community	Most of the costs of this activity relate to its public benefits so it is funded by ward and general rates.	Council needs to balance maintenance and up-grade costs against what the communities want and can afford. Most town maintenance activities benefit the communities at large so it is fully rate funded.
Sewerage Treatment and Disposal	Safety Environmental Protection	Individuals, groups	Ongoing	Landowners in areas of benefit	Separately funded with a mix of targeted rates - scheme based capital rates and a district-wide operating rate.	The activity is primarily undertaken for the benefit of the ratepayers connected to the schemes however there is a small public benefit arising from wastewater treatment protecting the environment. For this reason, a small general rate contribution provided.
Roading legalisation, cycleway and core administration	Safety Sustainable infrastructure	Individuals, groups	Ongoing	Users	This is a core function, so it is fully general rate funded.	This is a public good activity core to the District's planning and governance functions. Therefore it is fully funded from General Rates.
Funding source – Rates 90% - 99% User Charges 1% - 10% The mix of district-wide and scheme-based rates balances the individual benefits with affordability						
Roading emergency works	Safety	Community	Ongoing	Users	Council recognised that different categories of ratepayers receive different benefits. When an emergency event occurs Council can access additional subsidy from NZTA / Waka Kotahi	Emergency works are hard to predict and often costly therefore additional subsidy support is required

Activity	Community outcomes - refer Appendix B	Who benefits	Period of benefit	Whose actions creates a need	Separate funding	Rationale
Footpaths	Safety Sustainable Infrastructure	Community	Ongoing	Users	Most of the costs of this activity relate to its public benefits so is fully general rate funded.	The provision of footpaths is one of the core Council activities and is therefore fully funded from General and Ward Rates.
Monitoring and Enforcement	Safety	Individuals, groups and community	Ongoing	Individuals, Groups	This activity relates to the control of negative effects but the ability to recover these is limited by statute. Unrecovered costs are funded from general rates.	Most of the work carried out under this activity is for public good and it is primarily funded from General Rates. The only individual or private good relates to the bylaw licensing aspect of the role where these costs are recovered by fees.
Libraries	Sustainable Development	Individuals, groups and community	Ongoing	Individuals, Groups	High level of private benefit, but with a limited ability to apply user charges. Primarily general rate funded.	By their nature libraries are a public benefit provided to the community. Given the remote nature of many of the district's communities and the relatively low-level internet access, libraries are important facility providing sources knowledge and supporting and improving educational opportunities in the district. For these reasons they are primarily funded from General Rates.
Swimming Pools	Sustainable Development Sustainable Infrastructure	Individuals, groups and community	Ongoing	Individuals, Community	High level of private benefit, but with a limited ability to apply user charges. Primarily general rate funded.	Swimming pools are used by the public therefore user charges are applied but they do not necessarily cover all costs.
Water Supply	Safety Sustainable Infrastructure	Individuals, Groups	Ongoing	Landowners in areas of benefit	Separately funded with a mix of targeted rates - scheme based capital rates and a district-wide meter operating rate.	The activity is primarily undertaken for the benefit of the consumers, so no public funding is provided. The mix of district-wide and scheme-based rates balances the individual benefits with affordability.

Activity	Community outcomes - refer Appendix B	Who benefits	Period of benefit	Whose actions creates a need	Separate funding	Rationale
Funding source – Rates 80% - 89% User Charges 11% - 20%						
Parking Enforcement	Safety Sustainable Development	Individuals, groups and community	Ongoing	Individuals, Groups	Council's view is that whilst parking control is primarily required because of the actions of individuals, the control of parking also provides a significant community benefit.	Most of the costs of this activity are funded by fines and user charges. The balance is seen as a public good contribution and is funded by rates.
Civic Buildings	Sustainable Infrastructure	Community	Ongoing	Community	Some private benefits which general some fees but because of the limited opportunities to charge the unrecovered costs are funded from general rates.	Whist Council believes that the users of these facilities should contribute towards their costs; it needs to balance the maintenance and up-grade costs against what the community can afford so it is primarily rate funded.
Funding source – Rates 70% - 79% User Charges 21% - 30%						
Building Compliance Management	Safety Environmental Protection	Community	Ongoing	Community	This activity is predominantly carried out for the public good, and whilst there is some fee income this is limited. Unrecovered costs are funded from general rates.	This activity is primarily about Council ensuring that it meets its legislative requirements as a consent authority therefore much of the costs are not recoverable. The cost of issuing compliance and other certificates are borne by applicants which the shortfall funded by general rates.
Strategic property management	Sustainable Development Sustainable Infrastructure	Individuals and groups	Ongoing	Individuals, Community	Some private benefits which general comes fees but because of the limited opportunities to charge the unrecovered costs are funded from general rates.	Whist Council is the main use of these facilities; it is primarily general rate funded.

Activity	Community outcomes - refer Appendix B	Who benefits	Period of benefit	Whose actions creates a need	Separate funding	Rationale
Animal Control	Safety	Individuals, groups and community	Ongoing	Individuals	Majority of funding is received from fees and charges but there is an overall benefit to the community. Unrecovered costs are funded from general rates.	Animal Control includes both dog and other animal and stock control. Most dog owners register their dogs in the required time and rarely call upon the service beyond the registration or micro-chipping requirements. The majority of responses to incidents or complaints come from the general public and whilst there are mechanisms to recover some costs, these are limited, and the fee income rarely covers this expense.
Funding source – Rates 70% - 89% User Charges 11% - 30%						
Information Centres / isites	Sustainable Development Sustainable Infrastructure	Individuals, groups	Ongoing	Individuals	This activity is primarily provided for visitors to the district but there are limited user charging opportunities. Unrecovered costs funded from general rates.	Some fee income received but this is quite limited. Council's confirmed intention is for isites to be fully self-funding but, given that they also act as service centres, this is unlikely to be achieved.
Funding source – Rates 60% - 79% User Charges 21% - 40%						
Cemeteries	Safety Sustainable Infrastructure	Community Individuals	Ongoing	Individuals	High level of private benefit reflected in user charges but there is a need for indefinite maintenance requiring significant general rate funding.	Cemeteries are important to the community for cultural and social and environmental reasons. Whilst they do provide a private benefit there is a long term need to maintain them for an indefinite period of years.
Funding source – Rates 50% - 59% User Charges 41% - 50%						
Solid Waste Management	Safety Sustainable Infrastructure	Community	Ongoing	Community	Council has previously considered whether to separately fund this activity but has retained the current general rate funding.	This activity is about the management of the waste stream for the district therefore it is appropriate for it to be primarily funded from general rates with some user charges. The collection and management of refuse within the communities is carried out by independent operators who charge directly for the service.

Activity	Community outcomes - refer Appendix B	Who benefits	Period of benefit	Whose actions creates a need	Separate funding	Rationale
Solid Waste Management - Recycling*	Safety Sustainable Infrastructure	Community	Ongoing	Community	Council has previously considered whether to separately fund this activity but has retained the current general rate funding.	This activity is about reducing the amount of waste to landfill which benefits the district therefore it is appropriate for it to be primarily funded from general rates with some user charges.
Funding source – Rates 40% - 60% User charges 60% - 40%						
Building Consent Management	Safety Environmental Protection	Individuals, groups and community	Ongoing	Individuals, groups	This activity is primarily funded by separate fees – some costs arise from the provision of ‘public good’ activities such as giving information and advice, this is funded by general rates.	The full costs of the consent process should be borne by the applicants, but it is currently not practical to identify and charge all those who receive advice, these costs are funded from general rates.
Resource Consent Management	Safety Environmental Protection	Individuals, groups and community	Ongoing	Individuals, Groups	Primarily fee funded but some public good costs cannot be recovered. Unrecovered costs are funded from general rates.	This activity is primarily to support developers and provides a high level of private good. There is, however, a significant investment in providing advice to the public on a no-fee basis and in responding to and defending consent appeals because the courts rarely award full costs.
Roading	Safety Sustainable Infrastructure	Community	Ongoing	Users	Council recognised that different categories of ratepayers receive different benefits. There is a small contribution from other fees and charges.	Council considered separately funding the whole of the roading activity with differentiated targeted rates but because of community engagement agreed to primarily fund it from General Rates with a relatively small contribution from Targeted Rates and fees and charges. Council believes that this arrangement provides clarity and affordability for funding the roading activity.

Activity	Community outcomes - refer Appendix B	Who benefits	Period of benefit	Whose actions creates a need	Separate funding	Rationale
Environmental Health	Safety Environmental Protection	Individuals, groups and community	Ongoing	Individuals, Groups	User charges are based on the level of private benefit but the ability to recover these is restricted because fees are limited by statute. Unrecovered costs are funded from general rates.	Many of the costs arising from this activity relate to private benefits and the control of negative effects. The ability to recover those costs is governed by statute or a need to remain affordable to avoid the risk of reduced compliance. There is an overall benefit to the community from increased safety and health which is reflected in the general rate funding.
Housing for the Elderly	Safety Sustainable Infrastructure	Individuals	Ongoing	Individuals	High level of private benefit paid for in rental income, but some costs cannot be recovered. Unrecovered costs funded from general rates.	Primarily funded by rentals paid by the occupiers but Council recognises that at times this activity may not be self-funding. This can be caused by several factors such as unexpected vacancies, market conditions etc. In that event the additional funding will be provided from General Rates.
Funding source – Rates 20% - 39% User Charges 61% - 80%						
Ferry	Safe and connected	Individuals, groups	Ongoing	Individuals, groups	User pay charges and subsidy from NZTA contribute to the funding of the service.	This is a key transport link that supports community access to medical services.

Appendix B: Community Outcomes

Our community outcomes were reviewed as part of the Long-Term Plan 2024-27 with slight adjustments made to the wording.

	Proud, vibrant communities	Whakatauki Te pā harakeke. A community of harakeke plants.
	Communities that are healthy, safe, connected, and sustainable	Whakatauki He tina ki runga, he tāmore ki raro. Contentment above, firmly rooted below.
	Resilient communities that are prepared for the unexpected	Whakatauki Te toka tū moana. The boulder standing in the ocean.
	Prosperous communities supported by a sustainable economy	Whakatauki He kūaka marangaranga, kōtahi te manu i tau ki te tāhuna, ka tau, ka tau, tau atu e. Godwits rise and flock together in the air, one bird comes down to land on the sandbank to feed, then another, then another and another.
	A wisely managed environment that recognises the role of tangata whenua as kaitiaki	Whakatauki Whatungarongaro te tangata, toitu te whenua. As man disappears, the land remains.
	We celebrate our unique culture and history	Whakatauki Ahakoa he iti he pounamu. Although it is small, it is greenstone.

Appendix C: Factors considered in assessing s101(3) matters

LGA Section	Description from table	Factors considered
S101(3)(a)(i)	Community outcomes	Information drawn from Council's Outcomes adopted 28 February 2018 and updated for Council decisions on 24 May 2018.
S101(3)(a)(ii)	Who benefits	Council has grouped the beneficiaries of every activity according to the following criteria: Individuals: where there is a direct benefit to a user. Groups: where a particular group in the community benefits. For example, a group could be identified by proximity to a service or by association. Community: where there is a benefit to the majority of persons or properties in the community.
S101(3)(a)(iii)	Period of benefit	For operating costs, the period of benefit is ongoing as Council regularly provides the service. For the purpose of user charges, the benefit is restricted to the period of use, and user charges recognise this. For capital projects Council will consider the period of benefit to be the current and future generations who will benefit from the activity and will distribute the funding accordingly.
S101(3)(a)(iv)	Whose act creates a need	Council considered whether the action or inaction of individuals or groups contribute to the need to undertake the activity. This assessment may help Council determine whether user charges or targeted rates may be a funding option to modify the behaviour of those whose action or inaction causes cost to Council
S101(3)(a)(v)	Separate funding and Funding source	In the first instance Council considered whether individual user charges were the best method to attribute transparent and accountable charges to beneficiaries of the service. In considering the feasibility of this, Council considered the cost of and efficiency of collecting the separate revenues. Council believes that the current mix of general and targeted rates provides a transparent funding arrangement whilst, at the same time does not create an excessive complex system to maintain.
S101(3)(b)	Rationale	In considering the overall impact of the liability to pay rates, Council is of the view that it is not possible or fair to allocate the cost solely on individuals' benefits (as if rates replicated user pays). It is through the collective contribution of the whole community that the wellbeing of the district is best improved. Council does, however, operate a range of differentials which are designed to allocate the funding requirements to recognise the different demands that different ratepayer groups make on the services that Council provides.

Price level adjustors

	Source	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27
				Capital expenditure
All activities	LGCI -CAPEX	2.6%	2.7%	2.6%
				Specific operating
Roading and Footpaths	BERL - Roading	2.9%	2.9%	2.9%
Water Supply	BERL - Water and Environmental	2.7%	2.9%	2.8%
Wastewater	BERL - Water and Environmental	2.7%	2.9%	2.8%
Stormwater	BERL - Water and Environmental	2.7%	2.9%	2.8%
Solid Waste Management	BERL - Water and Environmental	2.7%	2.9%	2.8%
District Facilities	BERL - Community Activities	2.4%	2.5%	2.4%
Customer Services	BERL - Community Activities	2.4%	2.5%	2.4%
Environmental Management	BERL - Planning and Regulation	2.2%	2.2%	2.2%
Others	BERL - Planning and Regulation	2.2%	2.2%	2.2%

Interest rate projection

	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27
Interest rates used	4.83%	4.92%	4.75%

TREASURY, LIABILITY AND INVESTMENT POLICIES

Contents

Introduction

This document includes the overarching Treasury, Liability Management and Investment Policies of the Council (“the Policy”).

Policy purpose

The purpose of the Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Council. The formalisation of these policies and procedures will enable treasury risks within Council to be prudently managed.

As circumstances change, the Policy will be modified to ensure that treasury risks continue to be well managed. Council ensures there is periodic reviews of this policy by an appropriate external party.

The review will test the existing policy against the following criteria:

- Industry best practices for a council of similar size and type to the Far North District Council
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers
- The effectiveness and efficiency of the Treasury Policy and treasury management function to recognise, measure, control, manage, and report on Council’s financial exposure to market interest rate risks, funding risk, liquidity, investment risks, counterparty credit risks, and other associated risks
- The operation of a pro-active treasury function in an environment of control and compliance
- The robustness of the policy’s risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions.

This Policy version was reviewed by Earl White, from the Council’s independent treasury advisor Bancorp Treasury Services Limited (“Bancorp”) and has been confirmed by Bancorp as meeting market best practice.

Scope

- This Policy identifies the policies and procedures of Council in respect of treasury management activities
- The policy has not been prepared to cover other aspects of Council’s operations, particularly transactional banking management, systems of internal control and financial management. Other Council policies and procedures cover these matters
- Planning tools and mechanisms are also outside of the scope of this policy.

Objectives

The objective of this Policy is to control and manage costs and investment returns that can influence operational budgets and public equity.

Statutory objectives and related controls

Council is governed by the following relevant legislation:

a. LGA, in particular Part 6 including sections 101,102,104 and 105 and Subpart 4 Sections 112 to 122
b. Trustee Act 1956. Details of relevant Sections can be found in the Trustee Act 1956 Part II Investments
c. Public Bodies Lease Act 1969 and Property Law Act 2007.
    - All projected borrowings are to be approved by Council as part of the LTP or Annual Plan process, or by resolution of Council before the borrowing is undertaken
    - All legal documentation in respect to borrowing and financial instruments other than via the LGFA, which has its own legal review processes that Council can access, will be approved by Council's in- house solicitors prior to the transaction being executed
    - Council will not enter into any borrowings denominated in a foreign currency
    - Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself
    - A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
        i. The period of indebtedness is less than 91 days
        ii. (including rollovers)
        iii. The goods or services are obtained in the ordinary course of operations on normal terms for durations not exceeding the economic life of the asset.

General objectives

- To manage debt to optimise the cost of funding in the long-term whilst balancing risk and cost considerations
- Monitor, evaluate and report on treasury performance
- Borrow funds and transact risk management instruments within an environment of control and compliance under Council approved Treasury Policy so as to protect Council's financial assets and costs
- Arrange and structure long-term funding for Council at the lowest achievable interest margin from debt lenders in line with Council's credit characteristics
- Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy
- Monitor and report on financing/borrowing covenants and ratios under the obligations of Council's lending/ security arrangements
- Manage interest rate risk within the parameters detailed in this policy
- Comply with financial ratios and limits stated within this policy
- Monitor Council's return on investments

- Ensure Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements
- To manage investments to optimise returns in the long- term whilst balancing risk and return considerations
- To minimise exposure to credit risk by only dealing with approved credit worthy counterparties
- Ensure that all statutory requirements of a financial nature are adhered to
- To ensure adequate internal controls exist to protect council's financial assets and to prevent unauthorised transactions
- Develop and maintain relationships with financial institutions, investors, and investment counterparties.

Overview of management structure

The treasury responsibilities of the Council and Chief Executive are detailed below. Other management responsibilities are outlined in the Treasury Procedures Manual ("TPM").

Council

Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect, Council decides the level and nature of risks that are acceptable, given the underlying objectives of Council.

Council is responsible for approving this Policy. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated. Council should also ensure that:

It receives regular information from management on treasury risk exposures and financial instrument usage in a form that is understood, and that enables it to make informed judgements as to the level of risk accepted; issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved in a timely manner;

Submissions are received from management requesting approval for any treasury transactions falling outside the controls detailed in this policy.

Chief Executive Officer (CEO)

While Council has ultimate responsibility for the policy governing the management of Council's risks, including treasury risks, it delegates overall responsibility for the management of treasury risks to the CEO. The CEO can sub-delegate these responsibilities to members of the executive team.

Delegations are detailed in the TPM.

Delegation of authority and authority limits

Treasury transactions entered into 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). Specific procedures are outlined in the TPM.

Liability Management Policy

Council's liabilities comprise borrowings and various other liabilities. Council maintains borrowings in order to:

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

Borrowing limits

Debt will be managed within the following macro limits as shown in the following table.

Ratio	Target policy limits
Net debt as a percentage of equity	<10%
Net debt as a percentage of total revenue	<280%*
Net interest as a percentage of total revenue	<10%*
Net interest as a percentage of annual rates income (debt secured under debenture)	<25%
Liquidity (external term debt + committed loan facilities + liquid investments to existing external debt	>110%
Excludes non-government capital contributions from revenue and government contributions netted from debt but excluded from revenues.	

Notes:

- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial, and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.
- Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002, together with any revenue received from other local authorities for services provided and for which the other local authorities rate.
- Financial covenants are measured on council only, not the consolidated group.
- Disaster recovery requirements are to be met through the liquidity ratio.

Asset Management Plans

In approving new debt, council considers the impact on its borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP.

Borrowing mechanisms

Council is able to borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP), debentures, direct bank borrowing, Local Government Funding Agency (LGFA), accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve and special funds.

When evaluating strategies for new borrowing (in relation to source, term, size and pricing) a number of factors are considered to ensure the overall debt management objectives are achieved.

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

Security

Council's external borrowings and interest rate risk management instruments will generally be secured by way of a charge over rates and rates revenue offered through a deed of charge, debenture or debenture trust deed. Under a deed of charge, debenture or debenture trust deed, Council's borrowing is secured by a floating charge over all council rates, levied under the Local Government (Rating) Act 2002. The security offered by council ranks equally or pari passu with other lenders.

From time to time, and with Council approval, security may be offered by providing a charge over 1 or more of Councils assets.

Physical assets will be charged only where:

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

Debt repayment

The funds from all asset sales and operating surpluses will be applied to the reduction of debt and/or a reduction in borrowing requirements, unless Council specifically directs that the funds will be put to another use.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or renegotiated as and when appropriate.

Council will manage debt on a net portfolio basis.

Contingent liabilities

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, trusts, or business units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council Controlled Trading Organisations under Section 62 of the LGA.

Financial arrangements include:

- Tenant contribution flats
- Advances to community organisations.
- Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed NZ$1 million in aggregate over and above the existing loan guarantee to the Kerikeri Civic Centre Trust (currently $1.1 million).

New Zealand Local Government Funding Agency Limited investment

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

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

Investment policy and limits

General policy

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council. Specific purposes for maintaining investments include:

- For strategic purposes consistent with Council's Long-Term Plan
- To reduce the current ratepayer burden
- The retention of vested land
- Holding short-term investments for working capital requirements

- Holding investments that are necessary to carry out council operations consistent with annual plans
- Invest amounts allocated to accumulated surplus, council created restricted reserves and general reserves
- Invest proceeds from the sale of assets.
- Council recognises that as a responsible public authority, all investments held should be low risk. Council also recognises that low risk investments generally mean lower returns.

Objectives

In its financial investment activity, council's primary objective when investing is the protection of its investment capital and that a prudent approach to risk/return is always applied within the confines of this policy. Accordingly, only approved creditworthy counterparties are acceptable.

Council will act effectively and appropriately to:

- Protect council's investments by only transacting with counterparties and instruments that are detailed in this policy to ensure investments are risk averse and secure
- Ensure the investments benefit council's ratepayers
- Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.

Acquisition of new investments

With the exception of approved financial investments, new investments are acquired if an opportunity arises and approval is given by the appropriate Council committee, based on advice and recommendations from Council officers. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

The authority to acquire financial investments is delegated to the GMCS.

Investment mix

Council may maintain investments in the following assets from time to time:

- Equity investments, including investments held in CCO/ CCTO and other shareholdings
- Property investments incorporating land, buildings, a portfolio of ground leases and land held for development
- Forestry investments
- Financial investments
- Other investments approved by Council.

Equity investments

Council maintains equity investments and other minor shareholdings.

Council’s equity investments fulfil various strategic, economic development and financial objectives as outlined in the LTP.

Council seeks to achieve an acceptable rate of return on all its equity investments, consistent with the nature of the investment and their stated philosophy on investments.

Dividends received from Council Controlled Organisations (CCO’s) and unlisted companies, not controlled by Council, are recognised when they are receivable in the Consolidated Statement of Financial Performance.

Any purchase or disposition of equity investments requires Council approval, and any profit or loss arising from the sale of these investments is to be recognised in the Statement of Financial Performance.

Any purchase or disposition of equity investments will be reported to the next meeting of Council.

Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then included in the relevant consolidated capital account.

Council recognises that there are risks associated with holding equity investments and to minimise these risks Council monitors the performance of its equity investments on a twice-yearly basis to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

Property investments

Council’s overall objective is to only own property that is necessary to achieve its strategic objectives. As a general rule, council will not maintain a property investment where it is not essential to the delivery of relevant services, and property is only retained where it relates to a primary output of council. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of council services. Generally, Council follows similar assessment criteria in relation to new property investments.

Council reviews the performance of its property investments on a regular basis. All income, including rentals and ground rent from property investments, is included in the Consolidated Statement of Financial Performance.

Forestry

Forestry assets are held as long-term investments on the basis of net positive discounted cash flows, factoring in projected market prices, and annual maintenance, and cutting costs.

All income from forestry is included in the Consolidated Statement of Financial Position.

Any disposition of these investments requires Council approval. Unless otherwise directed by Council, the proceeds from forestry disposition are used firstly to repay related borrowings and then included in the relevant consolidated capital account.

Financial investments

Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:

- Any liquid investments must be restricted to a term of no more than 12 months and must be with an approved counterparty
- Interest income from financial investments is credited to general funds, except for income from investments for special funds, reserve funds, and other funds where interest may be credited to the particular fund
- Internal borrowing will be used as appropriate to minimise external borrowing.

Financial investment objectives

Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in Counterparty Credit Risk section. Credit ratings are monitored and any changes reported to Council.

Council may invest in approved financial instruments as set out in the approved financial instruments section. These investments are aligned with Council's objective of investing in high credit quality and highly liquid assets.

Special funds, reserve and endowment funds

Liquid assets are not required to be held against special funds and reserve funds. Instead, Council will internally borrow or utilise these funds wherever possible.

Unless otherwise directed by Council, internal borrowing to/from reserves will be undertaken at the external cost of borrowing, or in accordance with the fund agreements.

Trust funds

Where Council hold funds as a Trustee, or manages funds for a Trust, then such funds must be invested on the terms provided within the Trust. If the Trusts' Investment Policy is not specified, then this policy should apply.

New Zealand Local Government Funding Agency Limited investment

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

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

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

Because of these dual objectives, Council may resolve to 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, Council may subscribe for uncalled capital in the LGFA and be a guarantor.

Risk management

The definition and recognition of interest rate, liquidity, funding, investment, counterparty credit, market, operational and legal risk of council will be as detailed below and applies to both the Liability Management Policy and Investment Policy.

Risk recognition

Interest rate risk

Interest rate risk is the risk that funding costs or investment returns (due to adverse movements in market interest rates) will materially exceed or fall short of projections included in the LTP and Annual Plan, so as to adversely impact revenue projections, cost control, and capital investment decisions/returns/and feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing of investment returns or funding costs.

Certainty around funding costs is to be achieved through pro-active management of underlying interest rate exposures.

Approved financial instruments

Dealing in interest rate products must be limited to financial instruments approved by Council. Approved financial instruments are as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance or similar LGFA provided facilities (short term and long-term loan facilities) Uncommitted money market facilities Retail and Wholesale Bond and Floating Rate Note (FRN) issuance and commercial paper (“CP”)
Investments (term <12 months)	Call Deposits, Short-term bank deposits (“TDs”)
Investments	LGFA borrower notes/CP/bills/bonds
Interest rate risk management	Interest rate swaps including: • Forward start swaps (start date <24 months) • Amortising swaps (whereby notional principal amount reduces) • Interest rate swap options (purchased swap options and 1 for 1 collars only)

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

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

- Structured debt where issuing entities are not a primary borrower/issuer

- Subordinated debt, junior debt, perpetual notes and hybrid notes such as convertible notes.

Interest rate risk control limits

Net debt/borrowings

Fixed rate is defined as an interest rate re-pricing date (beyond 12 months forward) on a continuous rolling basis.

Floating rate is defined as an interest rate re-pricing within 12 months.

The percentages are calculated on the rolling 12 month projected net debt level calculated by management (signed off by the CEO, or equivalent). Net debt is the amount of total debt net of liquid financial assets/ investments, cash / cash equivalents. This allows for pre hedging in advance of projected physical drawdown of new debt.

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

Fixed rate maturity profile limit

Period	Minimum cover	Maximum cover
Year 1	40%	100%
Year 2 & 3	30%	80%
Year 4 & 5	10%	60%
Years 6 to 10	0%	40%
10 years plus	Council approval	Council approval

- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months
- Any interest rate swaps with a maturity beyond 10 years, must be approved by Council
- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out (i.e. re-purchased); otherwise both sides must be closed simultaneously
- 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 1% above the appropriate swap rate at inception, cannot be counted as part of the fixed rate cover percentage calculation
- Forward start period on swaps and collar strategies to be no more than 24 months, and the underlying cap or swap starts within this period.

Financial investment risk

Council manages short term cash investment risk ensuring availability and access to financial investments held. In order to manage short-term cash risk, financial investments are required to have a term to maturity of less than 12-months.

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 cash, financial investments, loans, and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to refinance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

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

- Local Government risk is priced to a higher fee and margin level
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons
- A large individual lender to council experiences financial/exposure difficulties, resulting in council not being able to manage their debt portfolio as optimally as desired
- 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 a point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

Liquidity/funding risk control limits

- 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 prefund up to 12 months forecast debt requirements including re financings
- The GMCS has the discretionary authority to refinance existing debt on the same or more favourable terms if within current Annual Plan or LTP approved debt levels. .
- Such action is to be reported and ratified by Council at the earliest opportunity.
- No more than $100 million of external debt can mature over the next 12 months or any rolling 12 month period thereafter.

Special and general reserve funds

Given that Council may require funding for capital expenditure cash shortfalls over the remaining life of the existing special and general reserve funds, where such funds are deemed necessary, they should be used for internal borrowing purposes when external borrowing is required. Accordingly, Council maintains its funds in short-term maturities, emphasising counterparty credit worthiness and liquidity. The interest rate yield achieved on the funds is therefore a secondary objective.

This will negate counterparty credit risk and any interest rate repricing risk that occurs when Council borrows at a higher rate compared to the investment rate achieved by Special/Reserve Funds.

Liquid assets will not be required to be held against special funds or reserve funds unless such funds are held within a trust requiring such, instead, Council will manage these funds using internal borrowing facilities.

Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where council is a party. The credit risk to council in a default event will be weighted differently, depending on the type of instrument entered into.

Credit risk will be regularly reviewed by Council. Treasury related transactions would only be entered into with organisations specifically approved by Council.

Counterparties and limits can only be approved on the basis of either long-term credit ratings of A (Standard & Poor's or Fitch) and above or short-term rating of A 1 or above (Standard & Poor's).

Limits should be spread amongst a number of counter- parties to avoid concentrations of credit exposure.

The following matrix guide will determine limits:

Counterparty/Issuer	Minimum long-term/ short-term credit rating – stated and possible	Investments maximum per counterparty ($m)	Interest rate risk management instrument maximum per counterparty ($m)
NZ Government	N/A	500	none
Local Government Funding Agency (LGFA)	N/A	500	20
NZ Registered Bank	A/ A-1	30	20
Local Government Stock/ Bonds/FRN/ CP	A/ A-1 or rates as security	30	none
NZ Corporate CP*	A/ A-1	2	none

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

- Investments (e.g. bank deposits) – Transaction Notional x Weighting 100% (Unless a legal right of set off over corresponding borrowings exit whereupon a 0% weighting may apply)
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional x Maturity (years) x 3%
- Foreign Exchange – Transactional principal amount x the square root of the Maturity (years) x 15%.

Operational procedures around the management and reporting of Counterparty Credit Risk are detailed in the TPM.

Risk management

To avoid undue concentration of exposures, financial instruments should be used with a range of approved counterparties. Maturities should be well spread. The approval process must take into account the liquidity of the market the instrument is traded in and repriced from.

Foreign currency

Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

Generally, all significant (in excess of NZD100,000 equivalent) commitments for foreign exchange must be hedged using foreign exchange contracts, once expenditure is approved. Both spot and forward foreign exchange contracts can be used by council.

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

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
- Too much reliance is often placed on the specialised skills of 1 or 2 people
- Most treasury instruments are executed over the phone
- Operational risk is minimised through the adoption of all requirements of this policy
- The management of this risk is detailed in the TPM.

Dealing authorities and limits

Transactions will only be executed by those persons and within limits as detailed in the TPM.

Segregation of duties / procedures / reporting

As there are a small number of people involved in treasury activity, adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting is not strictly achievable. The risk will be minimised by the following process:

- The CFO reports to the GMCS
- There is a documented approval process for borrowing, interest rate, and investment activity
- The TPM is prepared by the CFO and reviewed and approved by the GMCS as appropriate, but at least tri-annually in line with the review requirements of this policy document. This details the day-to–day operational requirements and activities undertaken by specific personnel and how appropriate segregation of duties is achieved
- Reporting requirements are reviewed by the GMCS in consultation with senior management and Council annually. Actual reporting requirements are detailed in the TPM.

Agreements

Financial instruments can only be entered into with banks that have in place an executed International Swap and Derivatives Association (ISDA) Master Agreement with Council.

Council's internal/appointed legal counsel must sign off on all documentation for new loan borrowings, refinancing, and investment structures.

Financial covenants and other obligations

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

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

Measuring Treasury performance

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 Council or an appropriate sub- committee of Council on a quarterly basis.

Operational performance

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

Management of debt and interest rate risk

The actual borrowing cost for Council (taking into consideration costs of entering into interest rate risk management transactions) is compared to budgeted borrowing costs in the current Annual and Long-Term plans.

Cash management

All cash inflows and outflows pass through bank accounts controlled by the finance function.

Accounting treatment of financial instruments

Council uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates. The accounting treatment for such financial instruments is to follow IFRS accounting standards.

Valuation of treasury instruments

All treasury financial instruments must be revalued (marked to market) by an independent party annually for risk management purposes. This includes those instruments that are used only for hedging purposes.

Policy review

The Treasury Policy is to be formally reviewed on a triennial basis.

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

LGFA Lending Policy

When dealing with the LGFA the Council operates under the guidelines within the LGFA lending policy to the Local Government sector. These are detailed in the TPM and are updated as required. They are available for review on the LGFA website. www.lgfa.co.nz/for-investors/risk-management