



FUNDING AND POLICIES

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Statement of accounting policies

Reporting entity

Rotorua District Council is a local authority domiciled in New Zealand.

The council is a public benefit entity as defined under New Zealand International Financial Reporting Standards (NZ IFRS). The council's primary objective is to provide services and facilities for the community as a social benefit rather than to make a financial return.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the requirements of section 111 of the Local Government Act 2002. This includes the requirement to comply with Financial Reporting Standard 42 (prospective financial statements) and NZ Generally Accepted Accounting Practice as it relates to prospective financial statements.

Measurement base

The financial statements are prepared on an historical cost basis modified by the revaluation of the following:

- land and buildings
- certain infrastructural assets
- collections of art and history
- biological assets
- certain financial instruments

The methods used to measure fair value are discussed in the specific accounting policies.

Currency

The financial statements are presented in New Zealand dollars (\$). The council's functional currency is rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Changes in accounting policies

There have been no changes in accounting policies.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant assumptions are listed later in this section.

Cost allocation

Cost of service statements for each significant activity is determined by directly charging specifically attributable costs and apportioning indirect costs using appropriate cost drivers such as usage, staff numbers and floor area.

Specific accounting policies

Investments

Subsidiaries

Subsidiaries are those entities in which the council has control over. The financial statements show investments in subsidiaries at cost.

Associates and joint ventures

Associates are entities in which the council has significant influence, but not control over, operating and financial policies. A joint venture is a contractual arrangement where two or more parties undertake an activity that is subject to joint control. The financial statements show investments in associates and joint ventures at cost.

Goods and services tax (GST)

Items in the financial statements are exclusive of GST, with the exception of receivables and payables. The net amount of GST receivable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Statement of financial position. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

Property, plant and equipment

Operational assets – these include land, buildings, landfill post closure, library books, plant and equipment and motor vehicles.

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

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

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

Statement of accounting policies cont.

Revaluation of assets

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

Values calculated at depreciated replacement cost are not market related. This applies to certain specialist assets, such as infrastructure assets and specialised buildings, which do not trade readily in the market.

Land and buildings (operational and restricted), and infrastructural assets (except land under roads) are revalued annually where there are significant movements in values. Each year the council considers the adequacy of the valuation of its assets to ensure their carrying value reflects fair value. All other assets are carried at depreciated historical cost.

Increases in asset carrying amounts, due to revaluation, increase revaluation reserves in equity. Decreases in asset carrying amounts decrease revaluation reserves in equity only to the extent that the class of assets has sufficient revaluation reserves to absorb the reduction. All other decreases are charged to the Statement of comprehensive income.

If a revaluation increase reverses a decrease previously recognised in the Statement of comprehensive income, the increase is recognised first in the Statement of comprehensive income to reverse previous decreases. Any remaining increase is applied to revaluation reserves in equity.

Subsequent costs

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, when it is likely that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of comprehensive income for the financial period they relate to.

Additions

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

Sale or disposal of assets

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of comprehensive income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on all items of property, plant and equipment with certain exceptions:

- Land is not depreciated
- The Transport, Wastewater, Stormwater and land drainage, and Water supply systems are depreciated as noted below. A number of the components of the Transport network such as excavation, sub-base materials and compaction are not depreciated as these assets have an infinite life. Signs and markings are not depreciated as these assets are maintained to the same level.
- The useful lives of the Rotorua Museum collections of art and history and the library reference collection are considered to be infinite and they are not depreciated.

All other assets are depreciated on a straight-line basis at rates that will write off their cost or valuation over their expected useful economic lives.

Motor vehicles are depreciated on the basis of diminishing value and at a rate of 20% calculated to allocate the motor vehicles cost over their estimated useful lives.

The expected lives of major classes of assets are:

General	
Museum building	40 years
Buildings (other)	50 years
Plant and equipment	3 to 15 years
Library books	2 to 15 years
Landfill improvements	3 to 100 years
Fencing and related structures	15 years
Playgrounds	25 years
Jetties and related structures	20 years
Transport network	
Pavement (basecourse)	20 to 100 years
Drainage	100 years
Shoulders / feathers	20 to 100 years
Culverts	100 years
Footpaths (concrete)	100 years
Footpaths (bitumen)	10 to 15 years
Bridges	70 to 100 years
Wastewater network	
Man holes	110 years
Treatment plant	10 to 100 years
Pump stations	10 to 75 years
Pipes	100 years
Water supply system	
Pipes	50 to 90 years
Motors / pumps	20 to 30 years
Reservoirs and other	
Water retaining structures	50 to 100 years
Meters	15 to 100 years

Statement of accounting policies cont.

Stormwater system	
Pipes	70 to 100 years
Manholes / cesspits	70 to 100 years
Service connections and outlets	70 to 100 years

Airport infrastructure	
Runway 150mm AC surface	10 to 15 years

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

Intangible assets

Software acquisition and development

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

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Easements

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

No impairment losses have been recognised for easements, as the carrying amount of the assets has been assessed as less than their replacement costs.

Amortisation

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

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

Computer software	3-5 years	20-33%
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Impairment of property, plant and equipment and intangible assets

Assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets

that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's 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 value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the debit balance is recognised in the Statement of comprehensive income. For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of comprehensive income.

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

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated point of sale costs for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silviculture costs and takes into consideration environmental, operational, and market restrictions.

Statement of accounting policies cont.

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

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Investment property

Properties leased to a third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measure initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

The council designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- Hedges of highly probably forecast transactions (cashflow hedge)

Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Council also documents its assessment, both at hedge

inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The full fair value of hedging derivatives is classified as non-current if the remaining item of the hedged item is more than 12 months and as current if the remaining maturity of the hedged item is less than 12 months.

The full value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date: otherwise, foreign exchange derivatives are classified as non current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non current.

Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the statement of other comprehensive income. Fair value hedge accounting is only applied for hedging fixed interest borrowings.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to surplus or deficit over the period to maturity.

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income through the statement of other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "gains" or "other expenses".

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in other comprehensive income will be reclassified into the surplus deficit in the same period or periods during which the asset acquired or liability assumed affects surplus or deficit. However, if it is expected that all or a portion of a loss recognised directly in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus deficit.

Statement of accounting policies cont.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised directly in other comprehensive income will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that remains recognised directly in other comprehensive income from the period when the hedge was effective will remain separately recognised in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains recognised directly in other comprehensive income from the period when the hedge was effective is reclassified from other comprehensive income to the surplus or deficit.

Other financial assets

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus deficit, in which case the transaction costs are recognised in the surplus deficit.

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

Financial assets are classified into four categories:

- financial assets at fair value through surplus or deficit
- loans and receivables
- held to maturity investments
- fair value through other comprehensive income

The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or it is part of a portfolio classified as held for trading are classified as current assets. The current/non current classification of derivatives is explained in the derivatives accounting policy as above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the surplus deficit as a grant.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that council has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

Statement of accounting policies cont.

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

Currently council does not hold any financial assets in this category.

Financial assets at fair value through equity are those that are designated as fair value through other comprehensive income or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. The Council includes in this category: *Financial assets at fair value through other comprehensive income*

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

Council's investments in its subsidiary is not included in this category as they are held at cost (as allowed by NZ IAS 27 *Consolidated and Separate Financial Statements*) whereas this category is to be measured at fair value.

These investments are measured at their fair value, with gains and losses recognised directly in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On de recognition the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held to maturity investments

Impairment is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate. For

debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is not past due). Impairment in term deposits, local authority stock, government stock and community loans, are recognised directly against the instruments carrying amount.

Financial assets at fair value through other comprehensive income

For financial assets at fair value through other comprehensive income, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt instruments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Trade and other receivables

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

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Statement of accounting policies cont.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the average cost method.

The amount of any write-down for the loss of service potential from cost to net realisable value is recognised in the surplus or deficit in the period of the write down.

When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of the land at the date of transfer is its deemed cost.

Cost directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Cash and cash equivalents

Cash and cash equivalents includes 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.

Non-current assets held for sale

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

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Equity

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

- Retained earnings
- Special reserves
- Restricted reserves
- Fair value through equity reserves

- Cash flow hedge reserves
- Asset revaluation reserves
- Electricity reserve

Restricted reserves

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

Restricted reserves are those 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.

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

Asset revaluation reserves

This reserve relates to the revaluation of property, plant and equipment to fair value.

Fair value through other comprehensive income reserves

This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive income instruments.

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.

Electricity reserve

This reserve comprises of the difference generated as a result of council buying electricity on the spot rate and oncharging cost centres a fixed rate.

Borrowings

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

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Statement of accounting policies cont.

Provisions

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Environmental

The council has a responsibility to provide ongoing maintenance and monitoring of the Rotorua Landfill. A provision has been estimated taking into account existing technology and using a discount rate of 7%.

Financial guarantee contracts

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

Financial guarantee contracts are initially recognised at fair value, even if a payment under the guarantee is not considered probable. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

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

Income tax

Income tax expense is the aggregate of current period movements in relation to both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year,

plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Current tax and deferred 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 income or directly in equity.

Trade and other payables

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

Employee entitlements

Short-term employee entitlements

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

Statement of accounting policies cont.

A liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, after the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

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

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

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, to the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Revenue

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

Rates revenue

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

Rates collected on behalf of Bay of Plenty Regional Council (BOPRC) are not recognised in the financial statements as Council is acting as an agent for BOPRC.

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Government grants

Government grants are received from the New Zealand Land Transport Agency, which subsidises part of the costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Provision of services

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

Vested assets

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

Sale of goods

Sales of goods are recognised when a product is sold to the customer.

Traffic and parking infringements

Revenue from traffic and parking infringements are recognised when payment of the ticket is received.

Statement of accounting policies cont.

Agents

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 and dividends

Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment has been established.

Development contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time the Council provides, or is able to provide, the service.

Construction contracts

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

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

An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

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

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

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

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

Borrowing costs

The Council has elected to defer the adoption of NZ IAS 23 *Borrowing Costs* (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

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

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

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

Rating policy

Introduction

The 2013/14 year is the second year of Council's new rating framework. In 2012/13 Council changed the way the general rate was allocated from land value to capital value. Also impacting on the rates for individual property owners in 2012/13 were the 2011 revaluations, used for the first time. Decreases in values had a pronounced impact on the rates of farming properties.

Changes for 2013/14

Council is making the following changes:

- A \$4 (excluding GST) increase in the cost of refuse collection.
- A \$1 (excluding GST) increase in the Lakes Community Board targeted rate.
- Small decreases in the targeted rates for capital contributions on the various sewerage schemes in the district. These recalculations reflect Council's longer term interest costs on debt.
- Council has considered whether there should be any shift in the business differential in the coming year and has decided to reduce this to 2.1.
- Clarification that refuse availability charges do not apply to vacant sections.
- Clarification on rating policy exception applying to Kaingaroa Village.
- Reprojection of three planned sewerage schemes to be established.

Additional detail has also been included in the Rating Policy detailing the composition and breakdown of the business and economic development targeted rate.

Changes indicated for the future

- As signalled in the Long-term Plan 2012-2022, council will continue to look at a fixed charge for holiday homes and other home businesses as a contribution to the Business and Economic Development Targeted Rate.
- Council is committed to moving all differentials to 1.0 over time through the annual plan process.
- Council is committed to implementing additional targeted rates to reflect private benefits received over time through the annual plan process.

Policy Statement

This policy is based on the existing rating policy and making some minor changes to it.

Purpose

The purpose is:

- To establish the basis for funding part of the revenue forecast as being required to perform the duties of Council; and
- To meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost effective for households and businesses.

Definitions

The term:

"Business purpose" means any purpose of commerce, trade, or industry; but does not include any farming purpose.

"Farming purpose" means used for agricultural, horticultural or pastoral or forestry purposes or the keeping of bees or poultry or other livestock.

"Property" means, either the part or the whole of any rating unit (as the case may be) used for a particular purpose. (Explanatory note: The intention is that where different parts of a property that constitute a rating unit are being used for different purposes, they may be rated differently).

"Residential purposes" means occupied or intended to be occupied for the residence of any household being a residential unit including holiday homes that may be let for short-term periods not exceeding 100 days per annum. Kaingaroa Village on rating unit 07010 514 01A will be treated as entirely "residential" for all rates within this policy even though it comprises elements of other categories.

"Residential unit" means a self-contained home or residence of a single household unit which contains a single kitchen facility.

"Retirement village" being as defined within the Retirement Villages Act 2003.

"Rural Sector" means the part of the Rotorua District which is not the Urban Sector.

"Separately used or inhabited part" being any part of a rating unit that is or is able to be used or inhabited by the ratepayer or by any other person or body having a right to use or inhabit that part by virtue of tenancy, lease, licence or other agreement.

Rating policy cont.

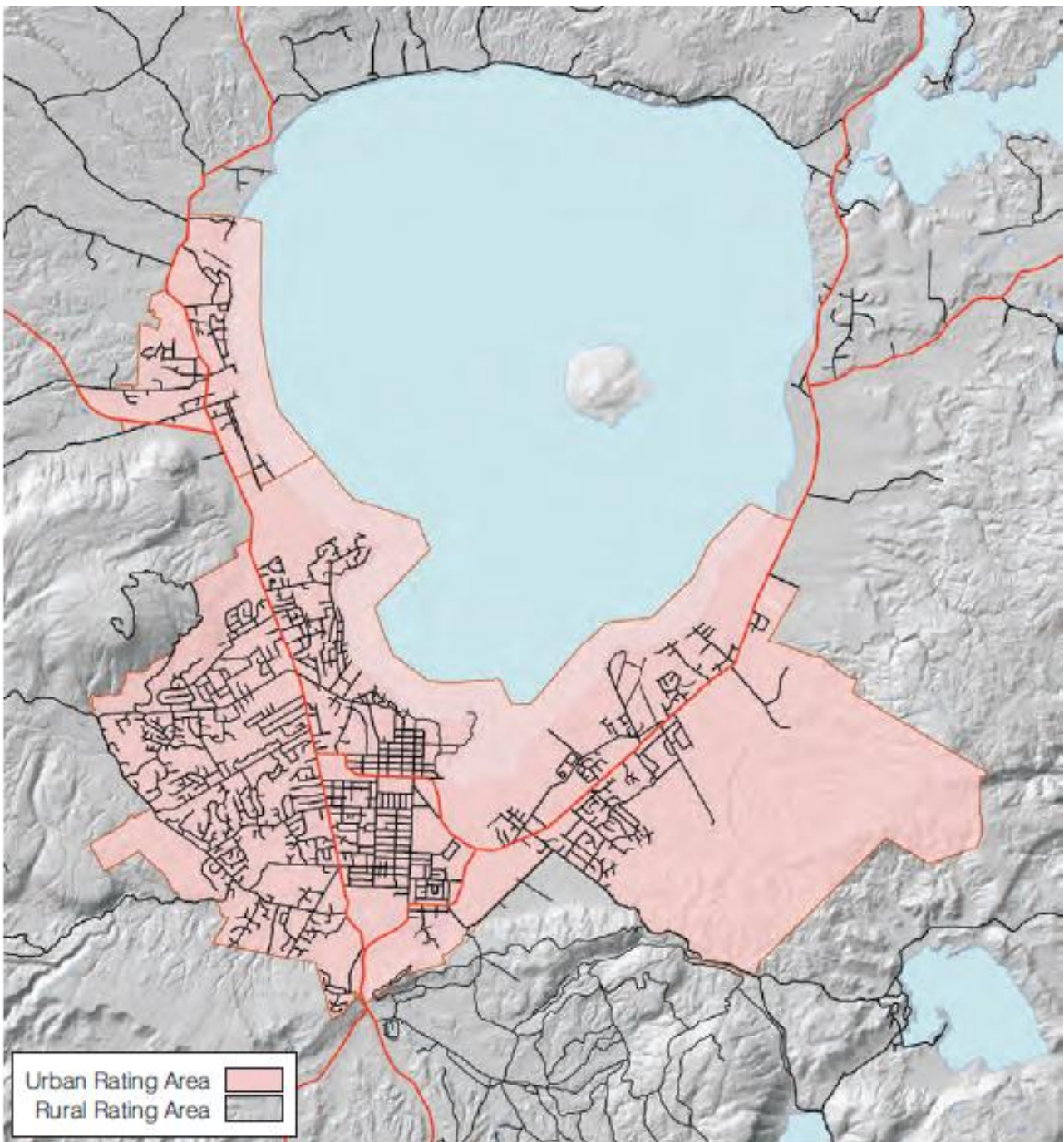
“Urban Sector” means the area as shown on the map overleaf (a larger copy is available at the Council Civic Centre). The boundary has been set to recognise the urban growth trends and where properties have similar access to services (but not necessarily the same). This boundary will be reviewed from time to time as necessary to accommodate changes to the above and follows rating unit boundaries rather than dissecting properties.

“Utilities” being all rating units situated within the Rotorua District that have been identified by the Valuer General as infrastructure utility networks.

“Vacant Land” means land which is in an undeveloped state and is not being used or occupied for any purpose.

“Zoned” means zoned in accordance with the operative Rotorua District Plan.

Rotorua Urban Rating Boundary



Rating policy cont.

Uniform Annual General Charge

Council sets a uniform annual general charge on every rateable rating unit in the district for the purposes of, but not necessarily limited to, funding the following types of activities:

- Democracy and Kaupapa Maori
- Governance & Strategic Direction
- District Library
- Aquatic Centre
- Rotorua Museum (part)
- Events & Venues (part)
- Community halls
- Cemeteries and crematorium
- Animal Control
- Emergency Management/Rural Fire

The UAGC is set at a level that is determined by Council each year, subject to the maximum allowed under Section 21 of the Local Government (Rating) Act 2002.

Differential General Rates

Council sets general rates on a differential basis:

- a) Council sets a differential general rate in the dollar on capital value according to two different rating categories to fund that part of general revenues of Council that is not funded by the uniform annual general charge.
- b) The objective of including differentials in the general rate is to achieve a fair distribution of the general rate between categories of rating units having regard to meeting the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost effective for households and businesses.
- c) The relationship between the general rate differentials applicable for each rating category for 2013/14 is set as follows:

		Relative differentials for the general rate
General rate differential categories		
1	Base Rate	100%
2	Business	210%
3	Residential Rural	85%

Differential categories

In general a rating unit will fit into one differential category only. However it is recognised that situations occur where a rating unit has multiple uses. In such cases there will usually be a principal or primary use and a secondary use. In these cases where Council considers the secondary use is significant and that secondary use would incur additional rates then that part of the rating unit may be rated according to the secondary use differential category.

The differential categories are as follows:

Base Rate

Every property not otherwise categorised.

Residential - General Rural

Every property in the rural sector which is not more than five hectares in area and used for residential purposes.

Business

Every property which is:

- a) used for any business or industrial purpose.
- b) vacant land which is not zoned residential or rural.

This category includes utilities but does not include residential investment properties, regardless of the number of units, provided they are let for long term tenancies.

Targeted Rate for Lakes Enhancement

Council sets a targeted rate of a fixed amount on every rating unit in the district that pays a UAGC, excluding those that are within the Waikato Regional Council area, to contribute towards lakes enhancement by way of improving lake water quality.

Targeted Rates for Water Supply

Council sets differentiated targeted rates for all:

- a) separately used or inhabited parts of a rating unit, to which water is provided by unmetered supply, subject to any rating unit used primarily as a residence of one household being deemed to have a single water connection, or
- b) rating units, to which water is provided by metered supply, or
- c) rating units which are serviceable.

Rating policy cont.

For these purposes:

- A **"rating unit connected"** is one to which water is supplied from a council water supply service.
- A **"serviceable rating unit"** is one to which water is not provided, but the whole, or some part of the rating unit is within 100 metres of a council water supply service and is within a water supply area and could be effectively connected to that water supply service.

Unmetered water supply

A targeted rate:

- A fixed amount per connection on each separately used or inhabited part of a rating unit connected.

Metered water supply (except Kaharoa and Reporoa)

- A targeted rate of a fixed amount per connection on each rating unit connected.
- A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied in excess of 'x' cubic metres per quarter, where 'x' is the amount specified for this targeted rate in the Funding Impact Statement of the Annual Plan.

Note: Targeted rates for metered supply are invoiced quarterly by separate invoice.

Serviceable rating units:

- A targeted rate of a fixed amount (being 50% of the unmetered connected targeted rate above) on each serviceable rating unit.

Details of council's water supply areas are available from the water section of Infrastructural Group.

Kaharoa water supply

These rates are set on rating units identified on Plan Number 11015 Sheet 7. Refer to water section of Infrastructural Group.

A targeted rate of a fixed amount per connection on each rating unit connected.

A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied to the rating unit.

Note: Targeted rates for metered supply are invoiced quarterly by separate invoice.

Reporoa water supply

These rates are set on rating units identified on Plan Number 11015 Sheet 8. Refer to Water section of Infrastructural Group.

For these purposes:

"Domestic/Non-Farming" rating unit means a rating unit where the water supply is not subject to water allocation and a corresponding restriction on a flow or time basis. This applies to rating units primarily for domestic, commercial or industrial use excluding the Reporoa Dairy Factory.

"Farming/Dairy Factory" rating unit means a rating unit primarily for farming of livestock and also includes the Reporoa Dairy Factory. Such rating units are subject to a daily water allocation restricted on a flow or time basis.

A differential targeted rate:

- A fixed amount per connection on each Domestic/Non-Farming rating unit connected.
- A fixed amount per connection on each Farming/Dairy Factory rating unit connected.

A differential targeted rate:

- A fixed amount on each Domestic/Non-Farming rating unit connected per cubic metre supplied in excess of 'x' cubic metres per quarter, where 'x' is the amount specified for this targeted rate in the Funding Impact Statement of the Annual Plan.
- A fixed amount on each Farming/Dairy Factory rating unit connected per cubic metre supplied in excess of 'x' cubic metres per quarter, where 'x' is the amount specified for this targeted rate in the Funding Impact Statement of the Annual Plan.

Note: Targeted rates for metered supply are invoiced quarterly by separate invoice.

Leakage

In respect of all metered water supply, where leakage is detected, the amount of water supplied will be determined in accordance with Council's procedure relating to account reassessments.

Targeted Rates for Sewage Disposal

Council sets targeted rates on a differential basis for all rating units from which sewage is collected, or which are serviceable rating units.

For these purposes:

- The **"uniform sum"** means the amount payable when a rating unit has or is deemed, by Schedule 3 Note 4 of the Local Government (Rating) Act 2002, to have a single water closet or urinal. (Schedule 3 Note 4 relates to rating units used primarily as a residence for 1 household).
- **"connected"** means a rating unit from which sewage is collected, either directly or by a private drain to a public sewerage system.

Rating policy cont.

- A **"serviceable rating unit"** is one from which sewage is not collected, either directly or by a private drain to a public sewerage system, but the whole, or some part, of which is within 30 metres of Council's sewerage system and could be effectively connected to the sewerage system.
- **"Toilet"** means: a) a water closet; or b) each 1.5 metres or part thereof of urinal; or c) from 1 to 4 wall mounted urinettes.
- **"Category 1"** means the rating units with 1 to 4 toilets.
- **"Category 2"** means the rating units with 5 to 10 toilets.
- **"Category 3"** means the rating units with 11 or more toilets.
- **"Availability"** means those properties which are serviceable rating units.

Council sets the following targeted rates:

Urban, Eastern and Rural Sewage Disposal

This rate is set on rating units identified on Plan Number 11163 Sheets 2, 4, 5 and 14. Refer to Wastewater section of Infrastructural Group.

A differential targeted rate calculated as a fixed amount per toilet connected to the sewerage system on each rating unit as follows:

- Category 1 100% of the uniform sum
- Category 2 85% of the uniform sum
- Category 3 80% of the uniform sum
- Availability 50% of the uniform sum [per rating unit]

Targeted Rate for Urban Sewerage Development

Council sets an urban sewerage development rate to fund the cost of sewerage capital work in the Ngongotaha, Fairy Springs and Hinemoa Point areas by way of a uniform targeted rate on each rating unit in the "Urban Sector" that pays a UAGC.

Targeted Rates for Capital Cost of Sewerage Schemes

The purpose of these rates is to recover the capital cost of establishing the schemes over 25 years.

These rates are set to recover from existing ratepayers their share of the capital cost of their respective sewerage scheme. Future developments will be required to pay a share of the capital contribution towards the capital cost of the scheme (including associated interest), as per the Development Contributions Policy proposed elsewhere in this plan.

The targeted rates for the sewerage schemes are set on the remaining capital contribution after allowing for a general rate subsidy of \$1,500 per household unit equivalent and taking into account the relevant central and regional government subsidies.

The targeted rates for the respective sewerage schemes are applied only to those properties that have not taken the opportunity to pay their contribution towards the capital costs as a single lump sum option. Those ratepayers who have made or make a single lump sum capital contribution will not be liable for the sewerage scheme targeted rate. Single lump sum capital contributions must be received by 15 June in the first financial year that Council charges a targeted rate for capital costs for the respective sewerage scheme.

Separate targeted rates have been applied to the following sewerage scheme areas as detailed in the following policy statement.

Council sets targeted rates on a differential basis for the capital costs of the following sewerage schemes:

- Okawa Bay
- Mourea
- Marama Point
- Amora Lake Resort
- Hinemoa Point
- Brunswick
- Brunswick stages 4 and 6
- Rotokawa
- Lake Okareka
- Okere/Otaramarae/Whangamarino
- Paradise Valley
- Hamurana/Awahou

Council is also planning to set targeted rates on a differential basis for the capital cost of establishing the following sewerage schemes subject to consultation:

- Rotoiti
- Rotoma
- Mamaku

For these purposes:

- **"nominated rating units"** means properties which existed as rating units at the date of commissioning each scheme.
- **"household unit equivalent"** (HUE) means a household equivalent to enable industrial, commercial and multiple dwelling developments to be included in the calculations. It is used to convert industrial, commercial and multiple dwelling developments to a household equivalent equating to a single dwelling.

Rating policy cont.

Multiple Dwelling Units within a Rating Unit

Council sets targeted rates on a differential basis (differentiated by scheme) for all nominated rating units based on the household unit equivalent. Where multiple dwellings exist, each household unit additional to the primary dwelling will be assessed on the following basis:

Floor Area of Additional Household Unit	% Charge/HUE
Less than 40m ²	No charge*
40m ² to less than 60m ²	50% HUE
60m ² to less than 70m ²	60% HUE
70m ² to less than 80m ²	70% HUE
80m ² to less than 90m ²	80% HUE
90m ² to less than 100m ²	90% HUE
100m ² or greater	100% HUE or 1 HUE

The first additional household unit of less than 40m² will not attract a separate sewerage capital targeted rate or voluntary contribution charge. Any further household units of less than 40m² will be levied a sewerage capital targeted rate or voluntary contribution charge of 50% HUE in line with the development contribution policy. All subsequent secondary dwellings constructed after the completion of the sewerage scheme will be charged a capital contribution towards the sewerage scheme in accordance with the development contribution policy.

Targeted Rates Connection Costs for Sewerage Schemes

Where Council has undertaken the private connections for properties that had not connected to the reticulation network within a reasonable timeframe, the equalised cost of connection through a specific targeted rate shall be applied to those properties where the works have been undertaken. The present sewerage schemes affected by this include Mourea and Hinemoa Point. Future connections may be required for Rotokawa and Brunswick.

Targeted Rate for Refuse Collection

This rate is set on rating units identified on Plan Number 10196, Sheets 1 and 2. Refer to Waste Management section of Infrastructural Group.

Council sets a differentiated fixed targeted rate for refuse collection from separately used or inhabited parts of a rating unit, excluding council reserves and subject to any rating unit used primarily as a residence of one household being deemed to have a single part, within the respective service areas for refuse collection in urban and rural areas respectively, where the service is provided.

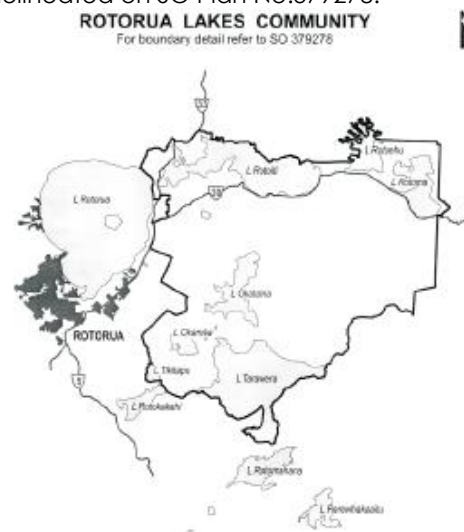
- Urban - 100% of the uniform sum
- Rural - 100% of the uniform sum plus \$2.50
- Urban CBD - (twice weekly collection) 200% of the uniform sum
- Serviceable 50% of the uniform sum

For these purposes:

- **"Serviceable"** means where the service is available, but the ratepayer has nominated in writing not to receive delivery of Council rubbish bags.
- Vacant sections are not subject to the serviceable refuse charge.
- Council reserve tenants will have the option of purchasing council refuse bags if they wish to use the collection service.

Targeted Rate for Lakes Community Board

Council sets a Lakes Community Board uniform targeted rate to fund the Community Board costs on each rating unit that is wholly or partially within the area defined by the 2006 decision of the Local Government Commission, comprising the area delineated on SO Plan No.379278.



Targeted Rates for Business and Economic Development

Council sets:

- a) a differentiated fixed targeted rate and,
- b) a differentiated targeted rate in the dollar on capital value

for the purposes of contributing to the cost of:

- Economic Projects
- Destination Rotorua Marketing
- Tourism Rotorua Travel and Information Centre

Rating policy cont.

The relationship between the three categories for the purposes of setting these targeted rates in terms of the total revenue to be gathered has been set as follows:

	Revenue gathering split for the Business and Economic Development targeted rates
1. Business	80%
2. Industrial	10%
3. Farming	10%
Total revenue to be generated	100%

- The differentiated fixed targeted rate will be set on every rating unit where the use of that rating unit or any part of the rating unit falls into one of the three categories described below.
- Where such a part is secondary to the principal use and is for the business of providing short-term accommodation the rate will be charged on the basis of 100% of the targeted rate where 1 to 2 bedrooms are used for providing short-term accommodation with an additional 50% of the targeted rate for each additional bedroom provided thereafter.

The relationship between the three categories for the purposes of setting the differentiated fixed targeted rate has been set as follows:

	Relative differentials for the Business and Economic Development targeted rates
1. Business	100%
2. Industrial	100%
3. Farming	25%

- The differentiated targeted rate in the dollar on capital value will be set on every rating unit where either:
 - the principal use of that rating unit falls into one of the three categories described below, or
 - part of the rating unit has a significant secondary use that falls into one of the categories described except where that use is the business of providing short-term accommodation.

This rate will apply only to the part of the rating unit allocated to the appropriate category.

Differential Categories for the Business and Economic Development Targeted Rates:

The differential categories are as follows:

Business

Every property in the urban or rural sector and is used for any business purpose except industrial. This category includes utilities and their networks.

Industrial

Every property that has been categorised in the District Valuation Roll as being used for industrial purposes in accordance with the Rating Valuation Rules 2008.

Farming

Every property which is used for farming purposes

Notes:

1. "providing short-term accommodation" for the purposes of this rate includes the provision of accommodation such as a B&B, lodge, retreat, farmstay or homestay or the provision of other similar short-term accommodation.
2. Where land is vacant these rates will apply if the underlying district plan zoning or district valuation roll category for the land indicates any of the three categories described above should apply.
3. Kaingaroa Village rating unit 07010 514 01A is exempt from these rates.

Funding impact statement

Rates for 2013/14

Council has proposed a small overall increase in rates of 0.99% for 2013/14. This includes a \$4 (excluding GST) increase in the cost of refuse collection for rural and urban areas. In addition, there is a \$1 (excluding GST) increase in the targeted rate to fund the Lakes Community Board.

Council committed to looking at the level of the business differential during each Annual Plan process. In this Annual Plan the rural residential differential remains unchanged and the differential for business properties has been reduced to 2.1.

Proportion of total rates paid by each sector

	Land Value 2012	Capital Value 2012	Rates Take 2011/12	Rates Take 2012/13	Total Rates Take 2013/14	General Rates Take 2013/14 (incl UAGC)
Farming	33%	23%	14%	11%	11%	15%
Business	12%	18%	22%	28%	27%	24%
Residential	55%	59%	64%	61%	62%	61%

Uniform Annual General Charge

Council sets a uniform annual general charge for each rating unit (plus GST at the prevailing rate).

The amount to be collected is \$14,821,525.

The uniform annual general charge has been set at a fixed amount per rating unit.

2013/14	\$525.00
2012/13	\$525.00

Targeted Rate for Lakes Enhancement

Council sets a lakes enhancement rate by way of a uniform amount for each rating unit that pays a UAGC, excluding those within the Environment Waikato region (plus GST at the prevailing rate).

The amount to be collected is \$439,774.

The lakes enhancement rate is set at:

2013/14	\$16.50
2012/13	\$16.50

General Rates

Council sets a general rate on capital value on a differential basis (plus GST at the prevailing rate).

The amount to be collected is \$32,646,691.

The general rate will be collected from three differential rating groups.

	Relative differentials %	Rate per \$ of land value	
		2012/13	2013/14
1 General Rate – Base	100	0.002281	0.002314
2 General Rate – Rural Residential	85	0.001939	0.001967
3 General Rate – Business	210	0.005018	0.004860

Targeted Rates for Business and Economic Development

	(per rating unit)	
(plus GST at the prevailing rate)	2012/13	2013/14
Business Urban and Rural	\$177.78	\$177.78
Industrial	\$177.78	\$177.78
Farming	\$44.44	\$44.44

In addition, council sets a targeted differentiated rate in the dollar on capital value for the following categories of properties:

	(rate in \$ on CV)	
(plus GST at the prevailing rate)	2012/13	2013/14
Business Urban and Rural	0.002341	0.002460
Industrial	0.000750	0.000802
Farming	0.000150	0.000160
The total amount to be collected is \$5,091,915.		

Funding impact statement cont.

Targeted Rates for Water Supply

Council has set targeted rates for water supply to properties within the respective service areas on a differential basis.

For these purposes:

A "rating unit connected" is one to which water is supplied from a council water supply service.

A "serviceable rating unit" is one to which water is not connected, but the whole, or some part of which is within 100 meters of a council water supply area.

A "separately used or inhabited part" is any part of a rating unit that is or is able to be used or inhabited by the ratepayer or by any other person or body having a right to use or inhabit that part by virtue of tenancy, lease, licence or other agreement. Subject to any rating unit used primarily as a residence of one household being deemed to have a single part.

The Targeted Rates for water supply are as follows (plus GST at the prevailing rate):

	Charging unit	2012/13	2013/14
Urban (Plan number 11015 Sheet 1) plus Mamaku (Plan number 11015 Sheet 4); Rotoiti (Plan number 11015 Sheet 5); Rotoma (Plan number Sheet 6); Hamurana (Plan number 11015 Sheet 9); and Okareka (Plan number 11015 Sheet 10)			
The amount to be collected is \$6,612,354 (plus GST at prevailing rate) (Metered water \$2,956,883; General water rate \$3,655,471)			
A differential targeted rate of:			
<ul style="list-style-type: none"> A fixed amount on each separately used or inhabited part of a rating unit connected (and not metered) 	Annual for rating units connected	\$186.00	\$186.00
<ul style="list-style-type: none"> A fixed amount on each serviceable rating unit capable of connection. 	Annual for rating units capable of connection	\$93.00	\$93.00
<ul style="list-style-type: none"> A fixed amount on each separately used or inhabited part of a rating unit connected (and metered) 	Annual for rating units connected and metered	\$186.00	\$186.00
A targeted rate on each metered separately used or inhabited part of a rating unit of a fixed amount per cubic metre supplied in excess of 56 cubic metres per quarter.	Per cubic metre	\$0.83	\$0.83
Kaharoa (Plan number 11015 Sheet 7)			
The amount to be collected is \$204,854 (plus GST at the prevailing rate)			
A targeted rate of a fixed amount per connection on each rating unit connected.	Annual for rating units connected	\$226.00	\$226.00
A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied to the rating unit.	Per cubic metre	\$0.29	\$0.29
Reporoa (Plan number 11015 Sheet 8)			
The amount to be collected is \$493,734 (plus GST at the prevailing rate)			
A differential targeted rate:			
<ul style="list-style-type: none"> A fixed amount per connection on each Domestic/Non-Farming rating unit connected 	Annual for rating units connected	\$132.00	\$132.00
<ul style="list-style-type: none"> A fixed amount per connection on each Farming/Dairy-Factory rating unit connected. 	Annual for rating units connected	\$207.00	\$207.00
A differential targeted rate:			
<ul style="list-style-type: none"> A fixed amount on each metered Domestic/Non-Farming rating unit per cubic metre supplied in excess of the 82 cubic metres per quarter. 	Per cubic metre	\$0.40	\$0.40
<ul style="list-style-type: none"> A fixed amount on each metered Farming/Dairy-Factory rating unit per cubic metre supplied in excess of 207 cubic metres per quarter. 	Per cubic metre	\$0.25	\$0.25

Funding impact statement cont.

Targeted Rates for Sewage Disposal

Council sets the following targeted rates on a differential basis for all rating units from which sewage is collected or which are serviceable rating units. For these purposes:

- A "rating unit connected" means a rating unit from which sewage is collected either directly or by private drain to a public sewerage system.
- A "serviceable rating unit" means a rating unit from which sewage is not collected but the rating unit (part) is within 30 metres of Council's sewerage system and could be effectively connected to the sewerage scheme.

Council sets the following targeted rates (plus GST at the prevailing rate):

Urban (Plan number 11163 Sheet 2) and Eastern and Rural (Plan number 11163 Sheets 4, 5 and 14)	Charging Unit	2012/13	2013/14
The amount to be collected is \$10,776,003 (plus GST at the prevailing rate)			
1. Rating unit connected:			
Category 1 - means the rating units with 1 to 4 toilets (water closets or urinals)	Uniform charge for each toilet	\$328.00	\$328.00
Category 2 - means the rating units with 5 to 10 toilets (water closets or urinals)	Uniform charge for each toilet	\$278.80	\$278.80
Category 3 - means the rating units with 11 or more toilets (water closets or urinals)	Uniform charge for each toilet	\$262.40	\$262.40
2. Availability			
- means the rating units which are serviceable rating units.	Annual for rating units capable of connection	\$164.00	\$164.00

Targeted Rates for Urban Sewerage Development

Council sets an urban sewerage development rate by way of a uniform amount for each rating unit in the "Urban Sector" that pays a UAGC (plus GST at the prevailing rate).

The amount to be collected is \$59,871

The urban sewerage development rate is set at:	2013/14	\$2.70
	2012/13	\$2.70

Targeted Rates for Connection to Sewerage Schemes

Council sets targeted rates on a differential basis for connecting properties to the following sewerage schemes (plus GST at the prevailing rate):

Mourea (Plan number 11163, Sheet 4)	Charging Unit	2012/13	2013/14
The amount to be collected is \$7,306 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$228.31	\$228.31
Hinemoa Point (Plan number 11608, Sheet 8)			
The amount to be collected is \$4,206 (plus GST at the prevailing rate)			
A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$137.49	\$137.49

Funding impact statement cont.

Targeted Rates for Capital Cost of Sewerage Schemes

Council sets targeted rates on a differential basis for the following sewerage schemes (plus GST at the prevailing rate).

	Charging Unit	2012/13	2013/14
Amora Lake Resort (Plan number 11163, Sheet 5) The amount to be collected is \$12,250 (plus GST at the prevailing rate) A fixed amount	Annually	\$12,535.24	\$12,250.34
Brunswick Stages 4 and 6 (Plan Number 11608, Sheet 11) The amount to be collected is \$9,659 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$313.24	\$292.74
Brunswick (Plan Number 11608, Sheet 10) The amount to be collected is \$54,853 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$652.18	\$609.49
Hamurana/Awahou (Plan Number 13222, Sheet 6) The amount to be collected is \$190,000 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$805.53	\$426.08
Hinemoa Point (Plan Number 11608, Sheet 8) The amount to be collected is \$31,640 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$529.96	\$495.25
Lake Okareka/Blue Lake (Plan Number 11608, Sheet 3) The amount to be collected is \$166,857 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$870.83	\$897.09
Marama Point (Plan Number 11163, Sheet 14) The amount to be collected is \$14,691 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$238.61	\$233.20
Mourea (Plan number 11163, Sheet 4) The amount to be collected is \$27,562 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$298.48	\$291.67
Okawa Bay (Plan number 11163, Sheet 5) The amount to be collected is \$8,634 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$462.06	\$454.46
Okere Falls / Otaramarae / Whangamarino (Plan Number 13222, Sheet 1) The amount to be collected is \$137,520 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$423.37	\$404.47
Paradise Valley The amount to be collected is \$7,141 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$379.64	\$375.85
Rotokawa (Plan Number 11608, Sheet 2) The amount to be collected is \$41,145 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$201.11	\$187.96

Funding impact statement cont.

Voluntary Lump Sum Capital Contributions

Council had set amounts for ratepayers who elected to pay one-off voluntary lump sum capital contributions for the capital cost of sewerage schemes.

Lump sum options for all current schemes have expired, however ratepayers may still choose to settle their outstanding contribution at any time. Council offers a specific remission policy for this purpose.

Targeted Rates for Lakes Community Board

Council sets a lakes community board rate by way of a uniform amount for each rating unit that is wholly or partially within the area defined by the 2006 decision of the Local Government Commission, comprising the area delineated on SO Plan No.379278.

The amount to be collected is \$51,104 (plus GST at the prevailing rate).

The lakes community board rate is set at:

2013/14	\$20.50
2012/13	\$19.50

Targeted Rates for Refuse Collection

(Plan number 10196, Sheets 1 and 2)

A "separately used or inhabited part" is any part of a rating unit that is used or is able to be used or inhabited by the ratepayer or by any other person or body having a right to use or inhabit that part by virtue of tenancy, lease, licence or other agreement. Subject to any rating unit used primarily as a residence of one household being deemed to have a single part.

Council set targeted rates for refuse collection from each separately used or inhabited part of a rating unit within the respective service areas on a differential basis for refuse collection in urban and rural areas respectively, where the service is provided, as follows (plus GST at the prevailing rate):

Refuse Collection (Plan numbers 10196-002 [urban] and 10196-001 [rural])	Charging Unit	2012/13	2013/14
The total amount to be collected is \$2,227,000 (plus GST at the prevailing rate)			
Urban (weekly collection)	Annual	\$73.00	\$77.00
Urban (CBD twice-weekly collection)	Annual	\$146.00	\$154.00
Rural (weekly collection)	Annual	\$75.50	\$79.50
Urban serviceable	Annual	\$36.50	\$38.50
Rural serviceable	Annual	\$37.75	\$39.75

Rates Postponement

To cover costs, the following fees and charges are set for the 2013/14 rating year. All fees and charges for this will be added as either a one-off or annual charge as the case may be, to the approved applicants rate account.

Initial Charges - One-Off (plus GST at the prevailing rate)	Charging Unit	2012/13	2013/14
Application Fee	One-Off	\$88.89	\$88.89
Contribution to Counselling	One-Off	\$250.00	\$250.00

Half Year Interest Charges

Interest calculated on councils marginal borrowing rate 6 monthly on all amounts outstanding

Annual Charges (plus GST at the prevailing rate)	Charging Unit	2012/13	2013/14
Annual Account Fee	Annual	\$44.44	\$44.44
Administration Fee	Annual	1.00%	1.00%
Reserve Fund Fee	Annual	0.25%	0.25%
Property Insurance *	Annual	TBA	TBA

* Property Insurance: A ratepayer must submit a current insurance certificate annually. If the ratepayer cannot afford separate cover council will arrange cover, and the cost will be added to the balance of postponed rates.

Funding impact statement cont.

Due dates for payment of rates

All rates excluding targeted rates for metered water supply charged quarterly) will be payable in four instalments by the due dates, as follows:

Instalment	Due Date
Instalment Number 1	20 August 2013
Instalment Number 2	20 November 2013
Instalment Number 3	20 February 2014
Instalment Number 4	20 May 2014

Targeted rates for metered water supply charged quarterly (separately) will be payable within 30 days of invoice.

Discount for Prompt Payment

A discount, at a rate set annually, is allowed to any ratepayer who pays the total rates, charges, and levies as specified on the rates assessment (excluding targeted rates for water supply charged quarterly), by the due date for the first instalment. The discount for 2013/14 is 2.00%.

Penalties on unpaid rates

Current overdue rates instalments:

A penalty will be added to any part of an instalment that remains unpaid after the due date for payment of the instalment. The penalty will be 10% of the unpaid instalment. This penalty will not be applied to rating units approved by the Group Manager – Corporate and Customer Services in cases where:

- applying penalties would serve to be detrimental to the collection of all or part of the balance of the outstanding rates; or
- applying penalties would only add to what is deemed to be an uncollectable debt; or
- there is a Direct Debit authority to pay the full amount of rates owing by regular payments within the current rating year, and any default is promptly rectified.

Arrears of rates (including past instalments):

- A further penalty of 10% will be added on rates assessed in any previous financial year and which remain unpaid on 12 July 2013.
- A further penalty of 10% will be added on rates assessed in any previous financial year, plus any previous further penalty, and which remain unpaid on 14 January 2014.
- These penalties will not be applied to rating units approved by the Group Manager – Corporate and Customer Services in cases where:
 - applying penalties would serve to be detrimental to the collection of all or part of the balance of the outstanding rates; or

- applying penalties would only add to what is deemed to be an uncollectable debt; or
- land is designated 'Māori Freehold land title'; and
 - is under multiple ownership; and
 - is unoccupied

Postponed rates:

Penalties will not be applied to any postponed rates.

Penalties on unpaid water invoices

Current overdue invoices for water supply charged quarterly:

A penalty will be added to any part of an invoice that remains unpaid after the due date for payment of the invoice. The penalty will be 10% of the unpaid invoice.

Arrears of water rates (including past instalments):

A further penalty will be added to unpaid water invoices (including penalties) at the beginning of the next financial year. The penalty will be 10% of the unpaid amount.

A further penalty will be added on water invoices still owing six months after the above further penalty was added. The penalty will be 10% of the unpaid amount.