

# SUPPORTING

# POLETS





## Introduction

In preparing any forecasts, both financial and non-financial, there is a need to provide assumptions to address the uncertainties of the future. This is important for a number of reasons, including:

- allowing the reader of the forecasts to understand the basis that financial information has been prepared on.
- providing a means of explaining differences that will inevitably occur between the actual result and that which was forecast.
- ensuring risks faced by the organisation in the future have been appropriately identified and evaluated.

The following societal trends have been used as a basis for preparing the Long-term Plan:

- There will be an increasing proportion of Maori residents
- Rotorua's population will become more multicultural, including increases in residents from Pacific Islands and Asia over the next twenty years.
- The number of people aged 75 and over is expected to increase over the next twenty years
- More than half of Rotorua's young people are of Maori descent and this is expected to continue though the number of young people in the district is expected to decrease over the next twenty years.

The purpose of this section is to:

- comment on the process used to develop assumptions
- analyse legislation
- understand best practice
- set out the major assumptions
- outline any continuous improvement that may be required.

## Integrated Risk Management (IRM)

Council has adopted an Integrated Risk Management (IRM) framework and process as the means for managing risk within the organisation. The IRM process and framework is intended to demonstrate responsible stewardship by RDC on behalf of its customers and stakeholders. It ensures that risk is managed from an organisational perspective, facilitating the effective and transparent allocation of resources to where they will have most affect on the organisation successfully in delivering its services. The process is integrated into the Long-term Plan 2012-2022.

The aim is to integrate risk management into Council's organisational decision making so that it can achieve its strategic goals cost effectively, while optimising opportunities and reducing threats.

## Summary of Significant Assumptions

The following assumptions have been used in preparation of estimated financial statements in this Long-term Plan:

<b>Assumptions, Risks and Uncertainties for 2012-2022 Long-term Plan</b>				
<b>Risk Assessment Matrix</b>				
<b>No.</b>	<b>Assumption</b>	<b>Likelihood</b>	<b>Consequence</b>	<b>Overall Risk</b>
1	Asset lives	Unlikely	Minor	Low
2	Funding sources	Very unlikely	Medium	Moderate
3	Growth assumptions	Possible	Minor	Moderate
4	Cost growth	Possible	Medium	Moderate
5	Subsidy rate	Likely	Medium	Moderate
6	Asset revaluations	Possible	Medium	Moderate
7	Return on investments	Unlikely	Minor	Negligible
8	Interest on borrowing	Possible	Medium	High
9	Resource consents/designations	Possible	Medium	Moderate
10	Currency exchange rates	Likely	Minor	Low
11	Renewability of debt funding	Very unlikely	Medium	Moderate
12	Structure of local government	Unlikely	Medium	Low
13	Legislative demands on council resources	Possible	Medium	Moderate
14	Information technology disasters	Possible	Medium	Moderate
15	Airport infrastructure – demand	Unlikely	Medium	Moderate
	Airport infrastructure – funding	Possible	Medium	Moderate
16	Development contributions	Possible	Medium	Moderate
17	Local natural disaster	Unlikely	Major	Low
18	Climate change	Possible	Medium	Low
19	Emissions trading scheme	Possible	Minor	Low
20	Insurance	Possible	Medium	Low
21	Continuous business improvement/Lean Thinking	Likely	Minor	Low

## Forecasting Assumptions Commentary

### 1. Asset lives

#### Assumption

Council holds a number of assets that are significant to its operations and provision of services. These include water supplies, waste water, parks and reserves, storm water, airport, roads, library, museum, events venues, buildings, plant and equipment. The assumption is that assets will function as expected for the duration of their estimated useful lives. The useful lives of these assets are referred to in the Statement of Accounting Policies and summarised in the table below:

	Years
Water supplies	15 to 100
Waste water	15 to 100
Parks and reserves	6 to 100
Stormwater	70 to 100
Airport	10 to 15
Roads	1 to 100
Buildings	40 to 50
Plant and equipment	2 to 15

#### Risk

The risk is that the assets will not last as long as forecast and will need replacement earlier than planned. This would require the funding of replacements to also be brought forward. One option may be to see if there are other replacements that could be delayed to avoid having to increase the rates required to fund this. However if not, then rates would increase in the year the of the replacement, but then not be required in the year the replacement was planned, so really only a timing issue. The additional costs associated with the timing would be an interest component which would be minimal (\$6,500 pa for every \$100,000).

#### Risk Assessment

Asset management plans are in place for these assets and professionally qualified staff and consultants have been engaged over the years to advise on this risk. The risk is now well understood and considered to be low.

### 2. Funding sources

#### Assumption

That the various funding sources for assets and activities as included in the Asset Activity Statements and the Funding Impact Statement will continue to be available to meet these requirements

#### Risk

With the global financial crisis affecting our local economy and the risk of a significant portion of available external funding being channeled to Christchurch, some sources of funds may dry up or significantly reduce. Finding alternative sources of will be very difficult as everyone is in the same predicament

#### Risk Assessment

This risk is considered to be moderate low over the term of the plan as the majority of the funding included comes from user pays or general rates. If there are projects/ activities within the plan that have external funding, that funding has only been included where there has been an acknowledgement of support.

# Significant forecasting assumptions

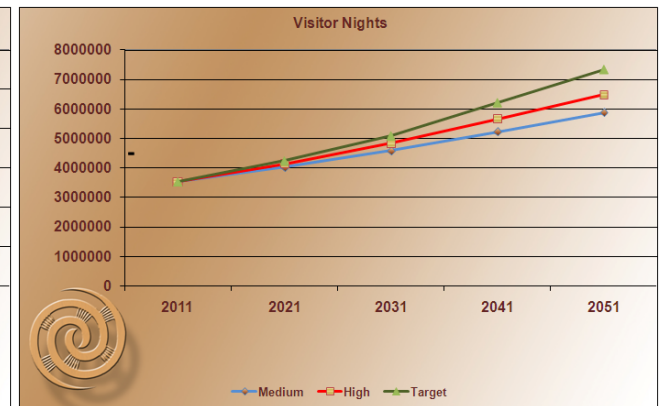
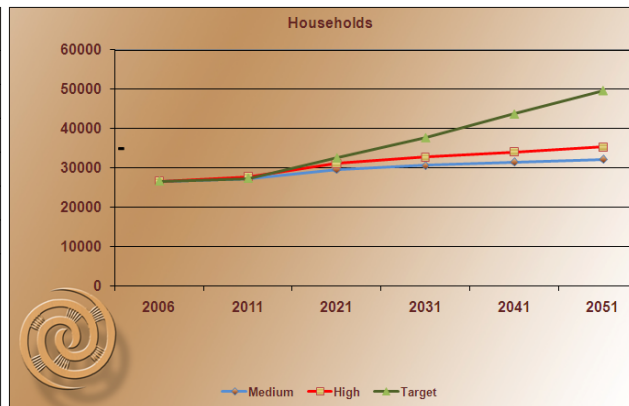
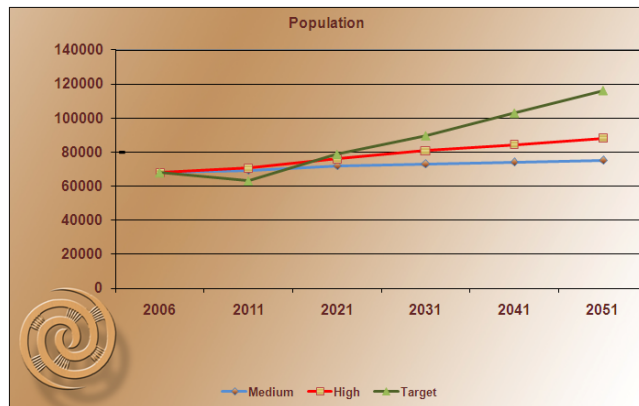
## 3. Growth assumptions

### Assumption

In order to inform future planning, growth assumptions have been developed identifying a number of growth scenarios. Council believes that it needs to be proactive in its assessment of growth to investigate strategic level implications, and view the consequences for future land use planning and asset management.

Rotorua District Council's growth model makes growth assumptions for the district through to 2051. The assumptions identify three key parameters: population, households (represented as household equivalent units - HUEs), and visitor nights.

The growth assumptions are not for the purpose of setting growth targets, nor are they assumptions that seek to promote growth. The assumptions have been developed in order to ensure that there is sufficient infrastructure provided for managing increases in population and visitors over the next 10, 20 and 40 year periods, and ensuring that there is sufficient zoned land to enable projected growth to occur. Council has decided to take the cautious approach to planning for growth in the wake of the economic crisis and natural disasters such as the Christchurch earthquake. To this end the medium forecast for growth has been used for modelling of project expenditure and needs assessments for capital investment.



### Risk

The risk is that growth is much higher or lower than that factored into the Long-term Plan. If lower, the region will have a lower rating base to collect the rates, resulting in higher than planned rates increases and infrastructural assets (roads, water, waste water) will have greater capacity than required. However if growth is higher than the assumptions applied, the district could experience a demand higher than the capacity of its assets,

which could result in asset failures and a need to rapidly and heavily invest in assets to accommodate the growth. This in turn would result in much higher than planned debt or a significant increase in rates (or both).

### Risk Assessment

Currently growth is planned to be low and taking into account the current economic conditions and expected slow recovery, the risk is considered low.

## 4. Cost growth

### Assumption

The Business and Economic Research Limited (BERL) price change estimates as shown below have been used in this Long-term Plan (% are per annum change)

Years ending 30 June:	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
LGCI Overall	2.34%	5.34%	3.79%	3.46%	3.17%	3.27%	3.2%	3.26%	3.38%	3.69%	3.89%	3.90%
LGCI CAPEX	2.03%	5.67%	3.39%	3.13%	3.04%	3.17%	3.25%	2.83%	2.86%	3.18%	3.35%	3.31%
LGCI OPEX	2.75%	4.92%	4.31%	3.88%	3.34%	3.41%	3.63%	3.80%	4.03%	4.31%	4.54%	4.61%

### Risk

That prices rise higher than the assumptions built into the plan. Higher than expected inflation will result in higher rates increase or a reduction in service levels. A lower inflation factor will allow a lower than planned rates increase or reduce debt. The effect of this would be as follows - for \$100 million of cost (Annual Plan 2011/12 operating expenditure is \$123 million), a 1% increase would mean a \$1 million increase in costs.

## 5. Subsidy rate

### Assumption

Council receives subsidies from New Zealand Transport Agency (NZTA) for local roads within the district. This subsidy comes from road user charges and petrol tax and is allocated to roading projects at the rates listed below, depending on what type of project it is.

Financial assistance rates	%
General maintenance	47
Emergency works	47
Capital expenditure	57
Strategic studies	75
Renewals	47
Community assistance	57

It is assumed that the projects in the Long-term Plan will be subsidised at these rates.

### Risk

The risk is that the transport projects included in the Long-term Plan will not be approved by the NZTA due to lack of funds or the subsidy rates are reviewed down. This would result in a shortfall in funding for planned projects. The largest risk is around renewals and maintenance, so if the subsidy is reduced, the level of service for renewals and maintenance would be reviewed and reduced to fit the budget.

### Risk Assessment

There are a number of factors that will affect economic performance and the certainty around these cost factors is difficult to judge. BERL has had many years of experience in providing cost adjusters to local government and is the best known resource available. However with the volatility of the global economy currently the risk is considered moderate.

### Risk Assessment

The financial assistance rates (FAR) have been reviewed and are now set for the next three years. Therefore risk is currently considered moderate.



## 6. Asset revaluations

### Assumption

The estimated increases in value of assets when revalued will not be materially different to the actual revaluations at the time of the revaluation.

The valuation adjusters for rolling revaluations	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water supplies	3.8%			10.6%			11.9%			15.1%
Parks and reserves		7.4%			10.9%			13.7%		
Land			10.8%			10.6%			13.9%	
Buildings			10.8%			10.6%			13.9%	
Roads			10.8%			10.6%			13.9%	
Stormwater		7.4%			10.9%			13.7%		
Footpaths, street lights, meters etc			10.8%			10.6%			13.9%	
Land fill			10.8%			10.6%			13.9%	
Waste water schemes		7.4%			10.9%			13.7%		
Wastewater Treatment Plant			10.8%			10.6%			13.9%	
Airport	3.8%			10.6%			11.9%			15.1%

### Risk Assessment

There is no real effect on cash flow or rates as a result of revaluation differences, but the replacement and maintenance of these assets will require more funds which will eventually result in higher than planned rates increases. Risk is considered moderate.

### Risk

The risk is that asset values are significantly different to the estimated increases in the Long-term Plan.

## 7. Return on investments

### Assumption

It is assumed cash investment will net 5% return on short term cash investments over the duration of the Long-term Plan. Although the interest earned on short term cash investments will fluctuate considerably over the 10 years, it is not considered material and so a single assumption for all of the ten years has been used.

### Risk Assessment

As Council has minimal investments, this risk considered negligible.

### Risk

The risk is that Council will obtain lower returns on its cash investments.

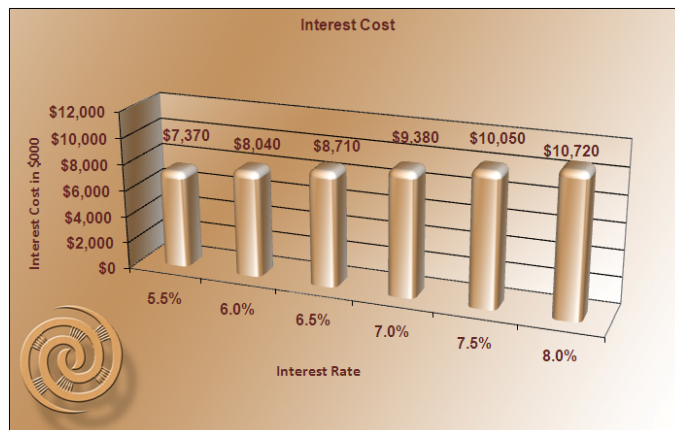
## 8. Interest on borrowing

### Assumption

Council has an actual portfolio of fixed interest rate debt that matures at various times over the next 6 years. The weighted average cost was 5.96% at June 2011. Taking into account current low interest rates and the slow economic recovery, the interest rate on the cost of borrowing for the Long-term Plan is 5.5% for the first three years, and 6.5% for years 4-10.

### Risk

The risk is that interest rates will be in excess of the 6.5% assumption. Below is a graph that shows the interest cost movement at 0.5% increments above and below the 6.5%



### Risk Assessment

Council has a Treasury Management Group (TMG) which includes external experts. The TMG meets regularly to closely monitor council's levels and profile of debt as well as keeping up to date with global and local economic indicators. This has proved to be successful with council achieving lower than average interest rates within the industry. As at June 2011, Council debt sat at \$134 million, which equates to \$8.7 million in interest cost, if at a weighted average rate of 6.5%. So despite the close monitoring and good controls in place, the risk is still considered high due to the volatility and unpredictability of the many factors that can affect interest rates

## 9. Resource consents/designations

### Assumption

Council will need to apply for numerous resource consents, designations etc, for new projects over the Long-term Plan. Major activities that will require consents (or district plan change) include landfill, water supply, new cemetery site and roading. It is assumed that all necessary consents will be granted when required with reasonable conditions.

### Risk

The risk is that consents will take longer to be granted and therefore not be available at the time assumed within the Long-term Plan for commencement of the development; will include conditions that are more onerous than anticipated and the development becomes substantially more expensive, potentially to the extent that it becomes uneconomic to proceed or are not granted.

### Risk Assessment

In deciding on and costing projects for the Long-term Plan, Council is well aware of the requirements to meet resource consent requirements; however the risk is around notified consents that could be appealed in the Environment court. This has the possibility to make the consent process both costly and long. The risk is therefore considered moderate.



## 10. Currency exchange rates

### Assumption

It is assumed that currency exchange rates, particularly US and Australian dollars, will not fluctuate significantly during the period on the Long-term Plan. The exchange rates used is the BNZ 10 year average as at November 2011.  
NZD \$1 = \$0.63 USD      NZD \$1 = \$0.86 AUD

### Risk

This assumption applies to the purchase of refuse collection bags which are quoted for supply in USD. Much of the new library book purchases, some computer software, accommodation and expenses associated with overseas travel, are in USD. Council has minimal exposure to currency movement risk in respect of significant assets or liabilities.

### Risk Assessment

The amounts involved in foreign currency exchange rates for council are not considered material, so risk is low.

## 11. Renewability of debt funding

### Assumption

It is assumed that Council's portfolio of debt, which has differing maturity dates from 1 to 6 years and new funding required, will be able to be raised on favourable terms

### Risk

The risk is that Council will not be able to raise new debt on favourable terms. The result would be having to borrow at higher than planned interest rates.

### Risk Assessment

Local government is a very low risk to investors, second only to central government. For this reason it is very unlikely that council will not be

able to raise funds on favourable terms as and when required. Council has a comprehensive treasury policy and management practices, employs expert advice when required, has a debenture trust deed for loan raising and employ qualified staff. Habitual lenders have always shown confidence in Rotorua District Council in the past and this is not likely to change.

In addition debt raising is structured so that less than \$40 million is required to be raised in any one year. This helps to limit Council's exposure to difficult borrowing market conditions in any one year of the Long-term Plan. this risk is considered moderate.

## 12. Structure of local government

### Assumption

It is assumed that the representation and governance structures currently in place will continue in their present form for the ten year period, that is, no change to the number or type of units of local government in the Bay of Plenty.

### Risk

The risk is that a decision is made, at central government level, that has a significant affect on the council, such as the amalgamation of councils which occurred in the Auckland region. This would substantially change the structure of the council and the contents of the Long-term Plan.

### Risk Assessment

It is more likely that if there were further amalgamations of local councils, they would occur in the larger city areas first, so risk is low over the period of this plan.

## 13. Legislative demands on council resources

### Assumption

Over the past decade there has been a substantial increase in the level of delegation from central government to local government through legislative reforms. In almost all cases there has been no funding provided to develop the policy and/or deliver these new services. This has meant that the services have had to be funded from efficiency gains, local user charges, and an increase in rates, or combination of all these mechanisms. In some instances there has been a need to increase resources, such as staff, consultants and contractors. The assumption is that any legislative reform or amendments will not require Council to assume responsibilities that require additional resources and hence additional cost.

### Risk

The risk is that there will be significant change to legislation that will cause a material change in operations and costs.

### Risk Assessment

Change of Government or even a change in Ministers could have an impact on this risk, therefore the risk is considered moderate.

## 14. Information technology disasters

### Assumption

Council runs a complex business and has a statutory responsibility to capture and retain data. In addition, Council needs to be able to provide technology support for various business functions across Council. Without the support of information and communication technology (ICT) infrastructure many of Council's services could not be provided. The assumption is, in the event of an ICT disaster, all services will continue to be provided and alternative support is available.

### Risk

The risk is that in the event of an ICT disaster, services provided by Council will not be able to be delivered.

### Risk Assessment

There is a range of mitigation measures adopted by Council to further reduce the likelihood of a major disaster including: sharing servers with other local authorities, such as at the library; a server virtualisation project that allows servers to be replicated in the event of a failure of any one of the servers; the OZONE platform which is used by 15 other local authorities which would provide a level of support; server room environment optimised for long life of servers; hardware renewal programme that ensures replacement before failure. This risk is considered moderate.

## 15. Airport infrastructure

### Assumption

Council owns the Rotorua International Airport infrastructure including land, runways, buildings and their fit-out. The asset is then leased to Rotorua Regional Airport Ltd (RRAL) through a long-term operation lease which has provision for lease payments back to Council that are based on either RRAL's turnover or net profit. The key assumption associated with this investment is that the number of flights into Rotorua is not reduced.

### Risk

The risks are that scheduled services, both domestically and internationally, into Rotorua will decline and with that a corresponding reduction in airport revenue and flow-on effect of reduced rental to Council.

### Risk Assessment

Significant work has been undertaken with airlines to understand when they may increase services so that the airport company revenue increases and corresponding rental payments to Rotorua District Council can increase to the extent that they are sufficient to cover the cost of the debt associated with the airport infrastructural assets. Risk is moderate.

## 16. Development contributions

### Assumption

That the development contribution policy will remain and the development contribution revenue will be received.

### Risk

That development contribution revenue is much lower than planned or the policy is amended or abolished.

### Risk Assessment

With council's strategic focus on developing the local economy it is expected that we will see growth in development in the district, so the risk is considered moderate.

## 17. Local natural disaster

### Assumption

It has been assumed that there will be no significant natural disaster during the term of the Long-term Plan.

### Risk

The risk is that there could be a significant natural disaster within the next ten years that is in Rotorua or close enough to Rotorua to have a major impact on our levels of service.

Council's mitigating control for this is having business continuity plans in place.

### Risk Assessment

The assessment is the chance of an event happening is low, however the effects on the district would be major.

## 18. Climate change

### Assumption

The impacts of climate change have been taken into account allowing for additional demand on infrastructure due to climate change.

### Risk

The risk is that there effects of climate change are much greater then anticipated.

### Risk Assessment

Climate change effects have been measured and tracked for some time now and are reasonably well understood. This risk is low.

## 19. Emissions trading scheme

### Assumption

There has been cost and income (arising form carbon credits) in relation to the gas flaring project at the landfill included in the Long-term Plan.

### Risk

The risk is there are unknown costs associated with ETS that are not included in the Long-term Plan. This could have an effect on rates required.

### Risk Assessment

It is not expected that these costs would be material to the plan so the risk is considered low.

## 20. Insurance

### Assumption

The insurance industry had been quite volatile in recent years with council's insurance premiums increasing 130% from 2010/11 to 2011/12. This now appears to have settled down and it is assumed in the Long-term Plan that there will be no further major cost adjustors for insurance. The BERL recommended inflation factor will be applied to each year.

### Risk

The risk is that there could be further large adjustments in insurance that are not allowed for in the Long-term Plan.

### Risk Assessment

If the world has another major natural disaster, there is little doubt that insurance costs will be affected, however the effects from the Christchurch and Japan earthquakes have now been built into the existing premiums and the risk of further significant price increases is considered low.

## 21. Continuous business improvement/ Lean Thinking

### Assumption

A programme of Lean Thinking reviews has been assumed across most business units over the ten years of this plan. it is assumed that this work will produce \$10m of operational savings across this period.

### Risk

The risk is that savings will not materialise or be captured from this work.

### Risk Assessment

Post implementation reviews will be used to ensure all savings are captured and correct action taken where required. Therefore the risk is low.



## General Information

The prospective financial statements are for Rotorua District Council, the parent only. The council publishes group accounts for the annual report. For the purpose of the council's Long-term Plan (LTP), it is only the parent accounts that are relevant for public consultation.

This prospective financial information has been prepared to meet the requirements of the Local Government Act 2002. This information may not be suitable for use in any other context.

Since these prospective financial statements are for the period 1 July 2012 to 30 June 2022, actual results are not reflected. The actual results achieved for the period covered by this plan are likely to vary from the information presented in this document, and these variations may be material.

The reforecast statement of financial position as at 30 June 2011 has been used to give an opening position for the prospective statement of financial position.

The elected council is responsible for the prospective financial information presented in this document, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The prospective financial statements comply with Financial Reporting Standard 42 Prospective Financial Statements. The council does not intend to update the prospective financial statements subsequent to presentation.

## Funding Impact Statements

The funding impact statements are required under the Local Government Act 2002 and conform to clause 5 of the Local Government

(Financial Reporting) Regulations 2011. They cover the ten year period from 2012/2013 to 2021/2022 and outline the council's sources of funding and our plans to apply them. Generally accepted accounting practice does not apply to the preparation of the funding impact statements as stated in section 111(2) of the Local Government Act. The key divergences from generally accepted accounting practice are the non-inclusion of depreciation in all funding impact statements and the inclusion of internal revenue and expenditure in the individual activity funding impact statements.

## Prospective Statement of Comprehensive Income

This financial statement discloses the net surplus or deficit and the components of net surplus (deficit), arising from activities or events during the period that are significant for the assessment of both past and future financial performance.

## Prospective Statement of Changes in Equity

This financial statement presents a measure of comprehensive income. Equity is measured as the difference between the total value of assets and total liabilities. Accumulated Equity represents the community's investment in publicly owned assets resulting from past surpluses.

## Prospective Statement of Financial Position

This financial statement provides information about the economic resources controlled by Council and its capacity to modify those resources is useful in assessing Council's ability to generate cash and/or provide services in the future. Information about the financing structure

is useful in assessing borrowing needs, and how future surpluses and cashflows may be distributed among those with an interest in the Council. The information is also useful in assessing how successful the Council is likely to be in raising future finance.

## Prospective Statement of Cashflows

This statement reflects Council's cash receipts and cash payments during the period and provides useful information about Council's activities in generating cash through operations to;

- Repay debt or
- Re-invest to maintain to expand operating capacity

## Statement of Accounting Policies

The accounting policies adopted by Council can have a significant impact on the financial and service performance, financial position and cashflows that are reported in Council's financial reports. Therefore for proper appreciation of those reports, users need to be aware of:

- a) the measurement system underlying the preparation of the financial reports and
- b) the accounting policies followed in respect of individual items in the financial reports, especially where there are acceptable alternatives for dealing with any such items.
- c) Any changes in the measurement system, assumptions or particular accounting policies.

## Notes to the Financial Statements

Provide further explanation of accounting policies adopted by the council and the assumptions used in preparing the financial statements.

# Prospective statement of comprehensive income

as at 30 June:	Annual Plan Budget	Long Term Plan Budget >>									
	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)
<b>Income</b>											
Rates Revenue	65,319	67,006	69,583	71,919	73,697	75,493	78,486	83,413	84,907	89,094	91,471
Development and Financial Contribution Revenue	1,418	1,300	1,322	1,344	1,574	1,812	2,052	2,299	2,560	2,832	3,112
Other Revenue	55,551	57,063	51,623	47,643	57,326	54,881	62,542	58,227	52,672	56,678	58,012
Other Gains / (Losses)	136	6	6	6	6	6	6	6	6	6	6
<b>Total Income</b>	<b>122,424</b>	<b>125,375</b>	<b>122,534</b>	<b>120,912</b>	<b>132,603</b>	<b>132,191</b>	<b>143,086</b>	<b>143,945</b>	<b>140,145</b>	<b>148,610</b>	<b>152,601</b>
<b>Expenditure</b>											
Employee Benefit Expenses	34,018	33,881	34,898	36,075	37,307	38,559	39,696	40,844	42,157	43,578	45,030
Depreciation and Amortisation	24,419	24,391	25,492	26,435	26,867	27,308	27,366	27,643	27,674	27,699	28,732
Other Expenses	39,262	41,287	40,835	41,466	41,820	42,855	44,101	45,307	46,836	48,302	49,699
Finance Cost	9,499	9,119	9,550	10,102	10,684	11,687	12,469	13,263	13,361	13,119	12,570
<b>Total Expenditure</b>	<b>107,198</b>	<b>108,678</b>	<b>110,775</b>	<b>114,078</b>	<b>116,678</b>	<b>120,409</b>	<b>123,632</b>	<b>127,057</b>	<b>130,028</b>	<b>132,698</b>	<b>136,031</b>
<b>Surplus before Taxation</b>	<b>15,226</b>	<b>16,697</b>	<b>11,759</b>	<b>6,834</b>	<b>15,925</b>	<b>11,782</b>	<b>19,454</b>	<b>16,888</b>	<b>10,117</b>	<b>15,912</b>	<b>16,570</b>
Taxation	-	-	-	-	-	-	-	-	-	-	-
<b>Net Surplus after Taxation</b>	<b>15,226</b>	<b>16,697</b>	<b>11,759</b>	<b>6,834</b>	<b>15,925</b>	<b>11,782</b>	<b>19,454</b>	<b>16,888</b>	<b>10,117</b>	<b>15,912</b>	<b>16,570</b>
<b>Other Comprehensive Income</b>											
Revaluation on Property, Plant & Equipment	25,350	6,754	4,128	13,216	8,067	9,956	29,149	7,639	12,815	21,584	12,757
<b>Total Other Comprehensive Income</b>	<b>25,350</b>	<b>6,754</b>	<b>4,128</b>	<b>13,216</b>	<b>8,067</b>	<b>9,956</b>	<b>29,149</b>	<b>7,639</b>	<b>12,815</b>	<b>21,584</b>	<b>12,757</b>
<b>Total Other Comprehensive Income for the period</b>	<b>40,576</b>	<b>23,451</b>	<b>15,887</b>	<b>20,050</b>	<b>23,992</b>	<b>21,738</b>	<b>48,603</b>	<b>24,527</b>	<b>22,932</b>	<b>37,496</b>	<b>29,327</b>

## Prospective statement of changes in equity

as at 30 June:	Annual Plan	Long Term Plan Budget >>									
	Budget 2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)
<b>Balance as at 1 July</b>	871,823	904,968	928,419	944,306	964,355	988,347	1,010,085	1,058,689	1,083,216	1,106,148	1,143,644
Total Comprehensive Income previously reported	40,576	23,451	15,887	20,050	23,992	21,738	48,603	24,527	22,932	37,496	29,327
Total Comprehensive Income as stated	40,576	23,451	15,887	20,050	23,992	21,738	48,603	24,527	22,932	37,496	29,327
<b>Balance as at 30 June</b>	<b>912,399</b>	<b>928,419</b>	<b>944,306</b>	<b>964,355</b>	<b>988,347</b>	<b>1,010,085</b>	<b>1,058,689</b>	<b>1,083,216</b>	<b>1,106,148</b>	<b>1,143,644</b>	<b>1,172,971</b>
<b>Total Comprehensive Income attributable to:</b>	<b>40,576</b>	<b>23,451</b>	<b>15,887</b>	<b>20,050</b>	<b>23,992</b>	<b>21,738</b>	<b>48,603</b>	<b>24,527</b>	<b>22,932</b>	<b>37,496</b>	<b>29,327</b>

Footnote: Opening position of equity has been reforecasted from budget to achieve a more reliable starting point



# Prospective statement of financial position

as at 30 June:	Annual Plan Budget 2011/12 (\$000)	Long Term Plan Budget >>										
		2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	
<b>Assets</b>												
<b>Current Assets</b>												
Cash & Cash Equivalents	2,652	1,841	1,842	1,841	1,842	1,842	1,842	1,843	1,843	1,843	1,843	1,843
Loans & Receivables	18,218	18,837	18,297	17,986	19,805	19,808	21,449	21,310	20,941	22,081	22,798	22,798
Inventories	1,454	1,509	1,561	1,611	1,663	1,720	1,776	1,837	1,904	1,978	2,056	2,056
<b>Total Current Assets</b>	<b>22,324</b>	<b>22,187</b>	<b>21,700</b>	<b>21,438</b>	<b>23,310</b>	<b>23,370</b>	<b>25,068</b>	<b>24,989</b>	<b>24,688</b>	<b>25,902</b>	<b>26,696</b>	<b>26,696</b>
<b>Non-Current Assets</b>												
Loans & Receivables	29	29	29	29	29	29	29	29	29	29	29	29
Property, Plant and Equipment	1,069,592	1,100,037	1,128,918	1,151,880	1,188,006	1,216,756	1,272,872	1,294,899	1,310,171	1,337,899	1,353,717	1,353,717
Intangible Assets	4,029	4,029	4,029	4,029	4,029	4,029	4,029	4,029	4,029	4,029	4,029	4,029
Biological Assets (Forestry)	316	316	316	316	316	316	316	316	316	316	316	316
Other Financial Assets	2,063	2,063	2,063	2,063	2,063	2,063	2,063	2,063	2,063	2,063	2,063	2,063
<b>Total Non-Current Assets</b>	<b>1,076,029</b>	<b>1,106,474</b>	<b>1,135,355</b>	<b>1,158,317</b>	<b>1,194,443</b>	<b>1,223,193</b>	<b>1,279,309</b>	<b>1,301,336</b>	<b>1,316,608</b>	<b>1,344,336</b>	<b>1,360,154</b>	<b>1,360,154</b>
<b>Total Assets</b>	<b>1,098,353</b>	<b>1,128,661</b>	<b>1,157,055</b>	<b>1,179,755</b>	<b>1,217,753</b>	<b>1,246,563</b>	<b>1,304,377</b>	<b>1,326,325</b>	<b>1,341,296</b>	<b>1,370,239</b>	<b>1,386,851</b>	<b>1,386,851</b>
<b>Liabilities</b>												
<b>Current Liabilities</b>												
Trade and Other Payables	27,757	33,407	31,153	28,932	29,059	27,259	26,896	24,680	22,175	20,990	19,432	19,432
Provisions	555	604	604	604	604	604	604	604	604	604	604	604
Employee Benefit Liabilities	4,972	5,160	5,339	5,508	5,688	5,883	6,075	6,280	6,512	6,765	7,029	7,029
Borrowings	28,300	25,790	46,600	15,000	56,270	33,088	54,001	32,930	51,918	56,067	32,000	32,000
<b>Total Current Liabilities</b>	<b>61,584</b>	<b>64,961</b>	<b>83,696</b>	<b>50,044</b>	<b>91,621</b>	<b>66,834</b>	<b>87,575</b>	<b>64,494</b>	<b>81,209</b>	<b>84,426</b>	<b>59,065</b>	<b>59,065</b>
<b>Non-Current Liabilities</b>												
Provisions	1,979	2,059	2,130	2,198	2,270	2,347	2,424	2,506	2,598	2,699	2,805	2,805
Employee Benefit Liabilities	691	717	742	766	791	818	844	873	905	940	977	977
Borrowings	121,700	132,505	126,181	162,392	134,724	166,479	154,845	175,236	150,435	138,529	151,033	151,033
<b>Total Non-Current Liabilities</b>	<b>124,370</b>	<b>135,281</b>	<b>129,053</b>	<b>165,355</b>	<b>137,784</b>	<b>169,644</b>	<b>158,113</b>	<b>178,615</b>	<b>153,939</b>	<b>142,168</b>	<b>154,815</b>	<b>154,815</b>
<b>Total Liabilities</b>	<b>185,954</b>	<b>200,242</b>	<b>212,749</b>	<b>215,399</b>	<b>229,406</b>	<b>236,478</b>	<b>245,688</b>	<b>243,109</b>	<b>235,148</b>	<b>226,594</b>	<b>213,880</b>	<b>213,880</b>
<b>Equity</b>												
Retained Earnings	874,534	883,827	906,834	915,874	942,299	958,090	968,883	985,008	989,980	995,742	999,357	999,357
Self Funding Reserves	(69,158)	(56,057)	(63,605)	(63,898)	(67,424)	(63,110)	(58,646)	(54,779)	(47,733)	(36,408)	(22,140)	(22,140)
Council Created Reserves	(17,347)	(33,741)	(38,079)	(40,655)	(48,685)	(57,821)	(67,674)	(71,238)	(73,963)	(76,611)	(79,020)	(79,020)
Restricted Reserves	1,488	4,754	5,392	6,055	7,110	7,924	4,334	4,794	5,618	6,491	7,587	7,587
Fair Value through Equity	230	230	230	230	230	230	230	230	230	230	230	230
Asset Revaluation Reserve	122,652	129,406	133,534	146,749	154,816	164,772	211,562	219,201	232,016	254,199	266,956	266,956
<b>Total Equity</b>	<b>912,399</b>	<b>928,419</b>	<b>944,306</b>	<b>964,355</b>	<b>988,347</b>	<b>1,010,085</b>	<b>1,058,689</b>	<b>1,083,216</b>	<b>1,106,148</b>	<b>1,143,644</b>	<b>1,172,971</b>	<b>1,172,971</b>

# Prospective statement of cashflows

as at 30 June:	Annual Plan	Long Term Plan Budget >>									
	Budget 2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)
<b>Cash Flows From Operating Activities:</b>											
Receipts from Rates Revenue	65,320	67,006	69,584	71,919	73,697	75,493	78,487	83,414	84,908	89,095	91,472
Interest Received	60	36	36	36	36	36	36	36	36	36	36
Dividends Received	0	0	0	0	0	0	0	0	0	0	0
Receipts from Other Revenue	55,901	56,490	51,007	46,990	56,838	54,562	62,394	58,253	52,876	57,063	58,583
Payments to Suppliers & Employees	(79,478)	(75,110)	(75,659)	(77,582)	(79,279)	(81,622)	(84,094)	(86,523)	(89,404)	(92,332)	(95,227)
Interest Paid	(9,499)	(9,178)	(9,625)	(10,063)	(10,533)	(11,480)	(12,173)	(12,891)	(12,951)	(12,667)	(12,073)
Income Tax Paid	0	0	0	0	0	0	0	0	0	0	0
Goods and Services Tax (net)	0	0	0	0	0	0	0	0	0	0	0
<b>Net Cash Flows From Operating Activities</b>	<b>32,303</b>	<b>39,244</b>	<b>35,343</b>	<b>31,301</b>	<b>40,760</b>	<b>36,989</b>	<b>44,650</b>	<b>42,289</b>	<b>35,466</b>	<b>41,195</b>	<b>42,791</b>
<b>Cash Flow From Investing Activities:</b>											
Proceeds from Sale of Fixed Assets	203	500	324	178	572	502	362	392	456	376	721
Collections on Advances	0	0	0	0	0	0	0	0	0	0	0
Purchase of Fixed Assets	(48,780)	(48,582)	(50,570)	(36,358)	(55,498)	(46,603)	(54,695)	(42,424)	(30,587)	(34,220)	(32,514)
Purchase of Intangible Assets	0	0	0	0	0	0	0	0	0	0	0
Loan Advances made	0	0	0	0	0	0	0	0	0	0	0
Net Movement in Investments	0	0	0	0	0	0	0	0	0	0	0
<b>Net Cash from Investing Activities</b>	<b>(48,577)</b>	<b>(48,083)</b>	<b>(50,245)</b>	<b>(36,180)</b>	<b>(54,927)</b>	<b>(46,101)</b>	<b>(54,333)</b>	<b>(42,032)</b>	<b>(30,131)</b>	<b>(33,844)</b>	<b>(31,793)</b>
<b>Cash Flows From Financing Activities:</b>											
Proceeds from Borrowings	30,424	26,839	29,901	29,879	29,167	53,783	36,090	29,347	24,407	21,399	42,409
Repayment of Borrowings	(13,500)	(18,000)	(15,000)	(25,000)	(15,000)	(44,670)	(26,407)	(29,604)	(29,742)	(28,750)	(53,407)
Proceeds from short term borrowings (bank facilities)	0	0	0	0	0	0	0	0	0	0	0
<b>Net Cash from Financing Activities</b>	<b>16,924</b>	<b>8,839</b>	<b>14,901</b>	<b>4,879</b>	<b>14,167</b>	<b>9,113</b>	<b>9,683</b>	<b>(257)</b>	<b>(5,334)</b>	<b>(7,351)</b>	<b>(10,998)</b>
<b>Net (decrease)/increase in Cash, Cash Equivalents and Bank Overdraft</b>	<b>650</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>
Cash, Cash Equivalents and Bank Overdraft at the beginning of the year	2,002	1,841	1,842	1,841	1,842	1,842	1,842	1,843	1,843	1,843	1,843
<b>Cash, Cash Equivalents and Bank Overdraft at the end of the year</b>	<b>2,652</b>	<b>1,842</b>	<b>1,841</b>	<b>1,842</b>	<b>1,842</b>	<b>1,842</b>	<b>1,843</b>	<b>1,843</b>	<b>1,843</b>	<b>1,843</b>	<b>1,843</b>

# Statement of accounting policies

## Reporting Entity

Rotorua District Council is a local authority 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 the Local Government Act 2002 section 111. This includes the requirement to comply with Financial Reporting Standard 42 (prospective financial statements) and NZ GAAP 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
- biological assets
- and 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, rounded to the nearest thousand dollars (\$000) unless otherwise stated.

### Changes in accounting policies

There has been a change in accounting policy for the following:

- Library Books are no longer revalued.
- Furniture and Fittings are expensed because individual items are under the capitalisation threshold and these assets are maintained to the same level and not depreciated.
- Office Equipment is expensed because individual items are under the capitalisation threshold and these assets are maintained to the same level and not depreciated.
- Parking Infrastructural Assets are expensed because individual items are under the capitalisation threshold and these assets are maintained to the same level and not depreciated.

### Presentation

Please note that some of the tables and financial statements may not add up due to rounding of numbers. Rounding may also show different values of an item in different tables.

In some cases, the depreciation and consequential operating costs arising from a capital project will appear under a different activity from the capital expenditure. This occurs when the capital project is carried out to achieve a specific strategic objective, and the resulting asset resides in a different strategy.

### 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 for each significant activity is determined as follows. Specifically attributable costs are charged directly. Indirect costs are apportioned using appropriate cost drivers such as actual usage, staff numbers and floor area.

### Future reporting framework

In September 2011 the External Reporting Board issued a position paper and consultation papers proposing a new external reporting framework for public benefit entities (PBEs). The papers proposed that accounting standards for PBEs would be based on International Public Sector Accounting Standards, modified as necessary. The proposals in these papers do not provide certainty about any specific requirements of future accounting standards. Therefore, the accounting policies on which the forecast information for 2012-22 have been prepared are based on the current New Zealand equivalents to International financial Reporting Standards.

## Specific accounting policies

### Investments

#### *Subsidiaries*

Subsidiaries are those entities in which the council has control. The financial statements show investment 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 and activity that is subject to joint control. The financial statements show investment 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. The council has assumed an unchanged rate of GST at 15 per cent.

## Property, plant and equipment

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

**Restricted Assets** - Restricted assets are 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** – Infrastructure assets are 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.

## 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 on a rolling basis over a three-year cycle with a portion of the portfolio valued at 01 July each year. 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 fixed assets with certain exceptions. The exceptions are:

- Land is not depreciated.
- Roading, wastewater reticulation, stormwater systems and water reticulation assets are depreciated as noted below. A number of the components of the roading 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 of Art & History collections and the library reference collection are considered to be extremely long. Therefore, due to its insignificance, no depreciation has been brought to charge.

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.

# Statement of accounting policies

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

Bathhouse building	40 years
Buildings (other)	50 years
Plant and Equipment	10 to 15 years
Computer Systems	3 to 5 years
Library Books (excl Reference)	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
<b>Wastewater Reticulation</b>	
Man holes	110 years
Treatment Plant	10 to 100 years
Pump Stations	10 to 75 years
Pipes	100 years
<b>Water Reticulation</b>	
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
<b>Roading</b>	
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
<b>Stormwater systems</b>	
Pipes	70 to 100 years
Manholes, Cesspits	70 to 100 years
Service connections and outlets	70 to 100 years

Airport  
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 financial year-end.

## 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.

Staff training costs are recognised as an expense when incurred.

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%

## 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 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 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.

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.

Currently Council holds no assets in this class.

## 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, the 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).

The 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. The 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.

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; and
- 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.

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.

Rotorua District 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 derecognition 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.

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 the Rotorua District Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Retained earnings
- Self-funding reserves

- Council created reserves
- Restricted reserves
- Fair value through equity reserves
- Cashflow 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.

## **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.

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 Rotorua District 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.

## **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.

Currently Council holds no finance leases.

## **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.

## **Rounding**

Some rounding variances may occur in the financial statements due to the use of decimal places in the underlying financial data.

## Note 1

### Self Funding Accounts

as at 30 June:	Opening Balance 2012/13 (\$000)	Income (\$000)	Operating Expenditure (\$000)	Capital Expenditure (\$000)	Closing Balance 2021/22 (\$000)	
Energy Events Centre	(4,450)	0	0	0	(4,450)	Cost of the Energy Events Centre to be funded by external sources.
Pensioner Housing	1,043	8,490	7,531	614	1,389	A ring fenced account to ensure the ratepayer is not funding the cost of pensioner housing.
Rotorua Airport Infrastructure	(58,629)	62,696	41,926	9,056	(46,914)	A ring fenced account to be able to track the cost and balance on the airport infrastructure account.
Refuse Collection	(134)	28,870	32,731	-	(3,995)	This is an entity within waste management. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Landfill	(7,534)	64,586	41,101	8,882	7,069	This is an entity within waste management. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Wastewater Urban	14,109	129,305	84,983	40,557	17,875	This is the Waste Water Treatment Plant, within the Sewerage and Sewage activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Wastewater Rural	1,321	50,662	10,507	55,375	(13,899)	This covers the sewerage schemes for Lake Okareka, Blue Lake, Hamurana, Awahou, Gisborne Point, Lake Rotoiti, Mamaku, Lake Rotoma, Tarawera and Reporoa, and is within the Sewerage and Sewage activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Eastern Sewerage Scheme	1,550	12,526	3,465	-	10,610	This covers the sewerage schemes for Brunswick, Duxton, Marama Point, Mourea, Okawa Bay, Okere Falls, Otaramarae, Whangamarino and Rotokawa, and is within the Sewerage and Sewage activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Urban Water	(2,077)	98,656	57,593	29,253	9,733	This reserve tracks the costs in relation to the urban water supply. It is within the Water Supplies activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.

## Note 1 cont.

as at 30 June:	Opening Balance 2012/13 (\$000)	Income (\$000)	Operating Expenditure (\$000)	Capital Expenditure (\$000)	Closing Balance 2021/22 (\$000)	
Mamaku Water	(96)	2,614	1,601	110	807	This reserve tracks the costs for the supply of water to the Mamaku area. It is within the Water Supplies activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Rotoiti Water	(73)	1,217	1,050	36	59	This reserve tracks the costs for the supply of water to the Rotoiti area. It is within the Water Supplies activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Rotoma Water	(47)	1,031	857	62	65	This reserve tracks the costs for the supply of water to the Rotoma area. It is within the Water Supplies activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Kaharoa Water	(363)	3,366	2,523	350	130	This reserve tracks the costs for the supply of water to the Kaharoa area. It is within the Water Supplies activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Reporoa Water	(2,918)	6,634	4,926	209	(1,419)	This reserve tracks the costs for the supply of water to the Reporoa area. It is within the Water Supplies activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Hamurana Water	(53)	1,374	1,108	5	208	This reserve tracks the costs for the supply of water to the Hamurana area. It is within the Water Supplies activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Okareka Water	(10)	846	707	38	90	This reserve tracks the costs for the supply of water to the Okareka area. It is within the Water Supplies activity. The reserve has been established on the basis that the activity will generate enough revenue over time to cover the cost of the operation.
Electricity Hedge	501	-	0	0	501	Council has established a self hedged electricity account.
	<b>(57,860)</b>	<b>472,873</b>	<b>292,609</b>	<b>144,547</b>	<b>(22,141)</b>	

Negative is overdraft

## Note 2

### Council Created Reserve Accounts

as at 30 June:	Opening Balance 2012/13 (\$000)	Income (\$000)	Operating Expenditure (\$000)	Capital Expenditure (\$000)	Closing Balance 2021/22 (\$000)	
Reporoa Domain	42	529	0	0	571	This is a ring fenced account where revenue collected in relation to the Reporoa Domain is applied to funding as requested from the Reporoa community on Reporoa reserves.
Waikite Domain	19	511	0	0	530	This is a ring fenced account where revenue collected in relation to Waikite Domain is applied to funding as requested from the Waikite community on Waikite reserves.
<b>Development Contributions</b>						
Public Amenities	(8,912)	3,091	3,536	1,336	(10,693)	Public amenities includes the Library, Museum, Events Centre projects and Parks Development projects. This is collected district-wide.
Land Drainage and Stormwater	(544)	867	1,245	2,872	(3,794)	This covers the urban area stormwater drainage project and is collected urban area-wide.
Transportation	545	4,320	7,768	20,399	(23,302)	This covers local roading projects including Lake Road, Victoria Street, Malfroy Road Roundabout, and Malfroy/Old Taupo Roads intersection. It is collected district-wide.
Wastewater	(13,816)	4,696	12,503	3,850	(25,473)	This is for two major urban wastewater upgrade projects including the capacity upgrade to the wastewater treatment plant. Collected from the contributing catchments.
Water Supply	(4,709)	1,525	5,639	6,933	(15,757)	This includes the urban and rural water supply projects and is collected from these catchments.
	<b>(27,375)</b>	<b>15,539</b>	<b>30,691</b>	<b>35,390</b>	<b>(77,918)</b>	

Negative is overdraft



## Note 3

### Restricted Reserve Accounts

as at 30 June:	Opening Balance 2012/13 (\$000)	Income (\$000)	Operating Expenditure (\$000)	Capital Expenditure (\$000)	Closing Balance 2021/22 (\$000)	
Reserves Development	3,844	9,192	155	6,442	6,439	Contributions taken under the Resource Management Act to fund purchases of land for recreation purposes.
Creative NZ Reserve	26	21	0	0	47	Creative Communities New Zealand scheme funds available for promoting the arts.
	<b>3,870</b>	<b>9,213</b>	<b>155</b>	<b>6,442</b>	<b>6,486</b>	

## Note 4

### Depreciation and Amortisation

as at 30 June:	Long Term Plan Budget >>									
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Castlecorp Business Unit	818	799	766	853	971	1,041	1,025	1,060	1,145	1,241
Community Engagement & Support	851	859	426	394	414	427	443	456	463	460
District Library	829	863	940	986	1,011	1,087	1,117	1,072	1,060	1,060
Emergency Management	32	34	33	34	36	36	35	34	35	49
Governance & Strategic Direction	1,747	2,080	2,171	2,190	1,815	1,820	1,804	1,776	1,612	1,631
Building Services	4	2	-	-	-	-	-	-	-	-
Economic Development	2,383	2,455	2,649	2,633	2,666	2,665	2,654	2,704	2,655	2,868
Planning	-	-	-	-	-	-	-	-	-	-
Regulatory Services	25	27	29	27	29	28	28	26	14	11
Aquatic Facilities	333	350	399	190	185	187	175	174	224	473
Engineering Services	23	13	15	15	14	23	32	32	31	31
Public Gardens, Reserves & Cemeteries	1,580	1,610	1,496	1,461	1,477	1,503	1,576	1,563	1,599	1,549
Roads and Footpaths	4,743	5,068	5,282	5,554	5,802	6,205	6,370	6,671	6,937	7,563
Rotorua Airport Infrastructure	1,061	1,067	1,067	1,075	1,087	1,095	1,101	1,023	1,042	1,039
Sewerage & Sewage	2,111	2,128	2,146	2,160	2,180	2,197	2,202	2,216	2,219	2,181
Stormwater & Land Drainage	4,234	4,748	5,251	5,374	5,482	5,401	5,552	5,548	5,538	5,560
Waste Management	506	403	1,049	1,058	1,197	743	732	666	491	371
Water Supply	3,109	2,984	2,715	2,862	2,940	2,907	2,798	2,655	2,634	2,643
	<b>24,389</b>	<b>25,490</b>	<b>26,434</b>	<b>26,866</b>	<b>27,306</b>	<b>27,365</b>	<b>27,644</b>	<b>27,676</b>	<b>27,699</b>	<b>28,730</b>

## Introduction

The Local Government Act 2002 (LGA2002) requires the adoption of policies which outline how operating and capital expenditure for each activity will be funded. They are aimed at providing predictability and certainty about sources (the types of revenue) and levels of funding.

The Act requires the Council to manage its finances prudently and in a manner which promotes the current and future interests of the community. The Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses and that its long-term development programme is financially sustainable.

Section 101 of the Local Government Act 2002 sets the scene for how a council must manage its financial affairs.

## Introduction

The revenue and financing policy sets out Council's policies in respect of funding of operating and capital expenditure.

Section 103(2) sets out the funding mechanisms that Councils are to use in funding the operating and capital expenditure of their activities. They are:

- General rates;
- Targeted rates;
- Lump sum contributions
- Fees and charges;
- Interest and dividends from investments;
- Borrowings;
- Proceeds from asset sales;
- Development contributions;
- Financial contributions under the Resource Management Act 1991;
- Grants and subsidies;
- Any other source.

Council has taken account of all these funding sources in designing its revenue and financing policy.

## What activities should Council fund?

In this Long-term Plan Council has identified eight community outcomes, which are referred to throughout this document.

The range of activities undertaken by Council is designed to fulfil the outcomes wanted by the community.

The process of preparing the Long-term Plan addresses how Council can best fulfil these outcomes at the level of service required by the community.

The process also identifies:

- A. Activities that Council should undertake and fund;
- B. Who should pay (after taking into account who benefits or causes the activity and the timing of such benefit or cause);
- C. Who causes the costs (and how much (if any) adjustment needs to be made to any fee or charge or allocation thereof for fairness, equity, wellbeing or ability to pay reasons);
- D. The most appropriate funding or charging mechanism to collect the revenue;
- E. Reviews and summarises the overall result in the funding impact statement.

A summary of the activity groups is included in the funding policy table on pages 234-243.

## What activities should Council undertake?

These have been identified elsewhere in the Long-term Plan and are categorised under the following headings:

- Corporate and Customer Services
- Economic and Regulatory Services
- Infrastructure Services
- Castlecorp

## Who should pay?

### Who benefits?

Council needs to consider who benefits from each group of activities.

Economic theory places all goods and services on a continuum. The position of particular goods or service depends on the degree to which it possesses the following two characteristics:

- Rivalry in consumption – goods are rival in consumption if one person's consumption of the goods or service prevents others from doing so, e.g. chocolate bars are goods with a large degree of rivalry in consumption; if Bill eats them, Jane cannot.

- Excludability - a goods or service are excludable if a person can be prevented from consuming the goods or service, e.g. if Bill doesn't buy a movie ticket then the usher can exclude him by preventing him from entering the theatre.

At one end of the continuum there are the so-called 'public goods'. These are goods which are both non-rival and non-excludable, i.e. everyone can consume them and no-one can be prevented from consuming them if they wish. A good example of public goods is national defence, where the whole community is protected from an invasion by the armed forces whether it wishes to be or not, and this protection cannot be removed from anyone in New Zealand. The costs of these 'public goods' are recovered from the public as a whole (i.e. income tax for national services, or in a local community general rates).

At the other end of the continuum are 'private goods' which are both rival in consumption and excludable. Most of our daily consumables are private goods. The costs of these can be recovered through user-charges or targeted rates.

Very few goods and services are entirely public goods or private goods. Most goods and services are 'mixed goods' and fall somewhere between the two ends of the continuum which leads to a mix of funding mechanisms.

The characteristics of goods or a service determine what type of funding tool might be used to fund a particular service. Local authorities may already have made judgements about what they consider are public goods when deciding whether or not to undertake a particular activity. The activity plans identify which activities Council considers:



- Benefit the community as a whole
- Benefit part of the community
- Benefit individuals

## Analysis of benefits

Council has analysed the cost and benefits of all its activities, having regard to cost, availability and use. Direct charging mechanisms are used where individuals are considered to derive benefit and it is practical for Council to charge the user. These charging mechanisms mostly include: fees and charges as well as targeted rates for services.

For activities which benefit the wider community Council has reviewed whether there is more benefit derived by certain sectors of the community. It was concluded while some sectors may benefit from certain activities, other sectors benefit more from other activities. Therefore Council has funded most of the remaining costs of its activities (after deducting the user fees and charges and targeted rates for services) from the general rate and district-wide targeted rates.

## Balancing funding requirements of today and those of tomorrow (intergenerational equity)

The LGA 2002 requirement to consider periods in or over which benefits are expected to occur relates to allocating costs of capital expenditure fairly between the ratepayers of today and tomorrow to ensure intergenerational equity. The mechanism to achieve this is borrowing, so that servicing and repayment costs are spread over the period of enjoyment of the asset.

Council is also required to manage its affairs prudently. The Treasury Policy, which deals with borrowing and investment, is designed to ensure Council is prudent in its financial decision-making.

Some activities of Council relate to a portion of the district rather than to the district as a whole. These are ring-fenced for the purpose of

managing costs and revenue i.e. identified as separately funded activities. They include:

- refuse collection
- water supply schemes
- waste water schemes

Borrowings relating to these activities come within the ring fence and are dealt with on an inter-generational basis.

Other activities Council has resolved will be funded mostly by income derived from the activity. Consequently the borrowing relating to these activities is also ring-fenced and is consequently dealt with on an intergenerational basis. The activities include:

- Rotorua Airport
- Pensioner Housing

In some cases general rate funding is provided, but this is clearly identified.

Other borrowings, being those that fund district-wide activities and the general purposes of Council, are not related to specific assets and are only entered into where it is prudent to do so. The cost of servicing is allocated across these activities in proportion to the capital involved in each activity.

Council's view of the inter-generational equity concept is that it does not necessarily promote a high level of borrowing for assets that provide benefits over time, and thus over generations. Rather, it requires Council to adopt a funding strategy that charges and rates on a consistent basis over time, with each generation paying its fair share.

Further, generations do not begin and end simultaneously. Generations change their composition on a rolling basis. Each generation inherits benefits from the past and passes benefits on to the future.

Accordingly, Council's approach has been to combine a prudent approach to borrowing with a consistent level of rating so that rates are levied on a consistent basis over time with each generation making its contribution.

## Who causes the costs?

Certain activities may be undertaken by Council to remedy the negative effects of actions or inactions of any persons or categories of persons. These costs are sometimes referred to as "exacerbator pays" or "polluter pays", depending on the nature of the costs. They may not necessarily be bad or negative, but they may have negative effects on the community or environment. They typically include costs that have been caused by a person or category of persons, such as trade waste and costs arising from the lack of control of animals.

Council has, in its funding policy, sought to recover most of these costs from the persons and categories of people who cause the costs. The mechanisms mostly used are direct fees and charges.

## Overall impact of allocation of liability for revenue

The fees, charges and other funding mechanisms used are based on a sustainable approach reflecting social, economic, environmental and cultural wellbeing of both the current and future Rotorua community. In setting fees, charges, and rates, Council recognises the need to consider factors of fairness and equity including wellbeing and ability to pay. It does so by setting direct charges at a level that is sustainable and promotes wellbeing and by using differentials for the allocation of general rates.

Council has a sustainable approach for its overall funding. Having considered the allocation of liability for funding revenue needs, Council must weigh this against the current and future social, economic, environmental and cultural wellbeing of the community. This necessarily takes into account ability to pay.

Councils have found there is a limit to which they can levy rates purely according to user pays. A range of factors come into play, not least of which is the inability of some users to pay for services and the inappropriateness of depriving them the use of Council services if they cannot afford them. A specific example is libraries. Councils will only recover approximately 5%-15% of their costs by direct charges. Above this level, people use libraries less, which is undesirable in itself, and the unit cost of maintaining a library increases. Hence, both the individual and the community are worse off.

Differentials (multiplier or discounts on rates) are used to address the social, economic, environmental and cultural wellbeing of the community; in other words to achieve a level of fairness across the district. This includes the ability to pay of various groups of ratepayers. Other mechanisms for such purposes are the Council's remission policies.

## Selection of the most appropriate charging mechanism

### How does Council pay for these services?

Council derives its income from several sources, and rates form part of the gross income of Council after it has exhausted other sources of revenue.

Council considers the extent to which activities can be funded by fees, charges and other non-rating mechanisms such as:

- Income from sales, commission and investments
- Fees and charges
- Development and financial contributions
- Other forms of direct charges

These are supplemented by:

- Subsidies, where available
- Grants, where available
- Allocations from central government and regional offices, where available
- Business
- Borrowing, for intergenerational funding

### Income from sales, commission and investments

Some Council activities generate income from entrance fees, sales of product, commissions on sales, event management and similar opportunities.

### Fees and charges

Where possible, Council sets fees and charges to recover the full or part of costs for a variety of services provided. Various types of regulatory services are also bound by statutory fees, e.g. under the Building Act 2004, Sale of Liquor Act 1989.

### Development and financial contributions

Capital expenditure, relating to growth, can be funded through development contributions, as prescribed in the LGA 2002 and/or by financial contributions prescribed in the Resource Management Act 1993.

### Subsidies, grants and funding allocations

Council looks for opportunities to apply for alternative sources of funding including subsidies, grants and allocations from central government, regional offices, foundations and other organisations where this may be available.

These are discretionary based on policy and available funds of the contributing organisation and may vary from year to year.

### Business

Council may enter into business to supply another source of funding. This may include business partnerships.

### Borrowing for intergenerational funding

The LGA 2002 requirement to consider periods in or over which benefits are expected to occur relates to allocating costs of capital expenditure fairly between the ratepayers of today and tomorrow to ensure intergenerational equity. The main mechanism to achieve this is borrowing. The Treasury Policy, which deals with borrowing and investment, is designed to ensure Council is prudent in its financial decision-making, and borrowings are only entered into where it is prudent to do so.

### General Rates

General rates apply:

- if the community as a whole generally gains benefit from the service; or
- it is available to all to take advantage of, the recovery of the cost is dependent on ability to pay; or
- the cost is not directly or readily recoverable from a particular group; or
- it cannot be reasonably collected by any other means.

The general rating mechanisms are:

- a UAGC (uniform annual general charge) on each rating unit (property); and
- a general rate of cents in the dollar of value.

If one sector gets more benefit than others, a differential is adopted to:

- a) take account of the level of benefits available; or
- b) carry out specific policies of Council; or

c) take account of various purposes and wellbeing issues, including ability to pay.

Also, if a sector needs to be subsidised, then general rates are charged on a differential basis.

When costs cannot be recovered other than by way of general rate, they effectively become a tax on property value. As a tax on property value, general rates are governed by the attributes of a proportional tax (a standard rate in the dollar of value). This feature might be identified as progressive in effect.

A general rate is a tax that can be applied on property at a standard rate across the district.

Therefore high value properties pay more than low value properties. This is generally referred to as an undifferentiated system. But this may give unrealistic results that are not sustainable, which in turn means they may not be fair, equitable and reasonable. The solution may be to use differentials. Differentials exist when different general rates are applied to different categories of property.

### Targeted Rates

Targeted rates may be used for various categories of land or activities undertaken.

Council considers what activities can be funded by rates that are targeted to the users and beneficiaries of particular services. The typical examples are water, sewage, and refuse collection.

Targeted rates can be:

- a uniform fixed amount; or
- a rate of cents in the dollar of value.

Council uses direct charging (user pays) mechanisms to the extent possible and reasonable having regard to the current and

future social, economic, environmental and cultural wellbeing of the community.

### Council's approach to funding

Council takes a consolidated corporate approach to the management of its financial position. Through its Long-term Plan, it balances the level of capital expenditure required to meet strategic goals and maintain current service levels which are sustainable within the prudential guidelines set. These parameters are contained in the Treasury Policy.

Most of Council's activities are funded on a district-wide basis for the following reasons:

- Synergistic relationship between city and rural communities, and lakeshore settlements.
- Large parts of district affected by lakes or their catchments and geothermal activities.
- Much of the expenditure that is local by nature being also available to all the district e.g. rural seal extension.
- Council has been even-handed with local expenditure across the district over time.

Asset management plans are maintained for all infrastructural services and these provide information about asset condition and asset renewals required to maintain desired service levels.

Routine ongoing plant and equipment purchases are funded from depreciation charges and operating revenue.

Capital renewals are mostly funded from depreciation (funded by revenue), and from operating revenue.

New capital developments are mostly funded from borrowing, subsidies and grants (when available), user contributions, asset sales and reserves.

Borrowing is an appropriate funding mechanism to enable the effect of peaks in capital expenditure to be smoothed and also to enable the costs of major developments to be borne by those who ultimately benefit from the expenditure. Borrowing, as noted above, is managed within the framework of the Treasury Policy and together with the asset management plans, helps ensure prudent stewardship and effective use of Council resources for now and the future.

### Policy Statement

#### Funding of operating expenditure (Section 103(1)(a))

Where expenditure does not create a new asset, or extend the life or usefulness of an existing asset, it is classed as operating expenditure. Most of Council's day-to-day expenditure comes into this category. Council generates sufficient cash inflow from revenue sources (including rates) to meet cash outflow requirements for operating expenditure over the long term.

Council's operating expenditure includes the day to day costs to maintain the operation of its activities.

Council must ensure that each year's projected operating revenues are at a level sufficient to meet that years projected operating expenses. This is the balanced budget requirement.

Council's policy for funding operating expenditure is:

- a) Direct charging mechanisms to the extent considered reasonable and practical, including:
  - Sales, commission and investment income;
  - Fees and charges;
- b) Subsidies, grants and funding allocations where these are available

- c) Targeted rates where the beneficiaries can be identified and the benefit measured
- d) Balance by way of a UAGC (uniform annual general charge) and general rates levied on a differential basis.

### **Funding of capital expenditure (Section 103(1)(b))**

Capital expenditure is the category of expenditure that creates a new asset or extends the life of an existing asset.

Council must ensure that each year's funding for capital expenditure is at a level sufficient to meet that year's projected capital expenditure.

Council mostly utilises the following sources to fund capital expenditure:

- a) Borrowing where this best matches charges placed on the community against the period of benefits, with repayment over several years;
- b) Proceeds of assets sales if available;
- c) Development contributions and financial contributions where these are appropriate;
- d) Subsidies, grants, and funding allocations where these are available;
- e) Targeted rates where the beneficiaries can be identified and the benefit recovered;
- f) UAGC, general rates and transfers from reserves
- g) Interest and dividends where available.

The mix of mechanisms depends on the nature of capital expenditure. This can be categorised as:

### **Cost of renewal of assets**

This is the gross cost of replacing an existing asset with a modern equivalent asset to the same function and capacity at the end of its life.

### **Cost of backlog**

This relates to the period of a planned (or completed) capital project that is required to rectify a shortfall in service capacity to meeting

existing community direct at the current agreed levels of service.

### **Cost of growth**

This comprises the portion of planned (or completed) capital projects providing capacity in excess of existing community demand at the current agreed levels of service.

### **Cost of improved level of service**

This relates to the cost of improving the level of service to an agreed new level above that previously agreed.

Further information and analysis concerning the funding of both operating and capital expenditure for the respective activities of Council is provided in the body of Council's Long-term Plan in terms of the requirements set out in Section 101(3) of the Local Government Act 2002. This information includes:

- Beneficiaries of the activity
- Period of benefit
- Who creates the need for the activity
- The funding source
- Specific funding of estimated capital and operating expenditure.



## Funding policy table

Activities	Who benefits (user/beneficiary pay principle) and across groups								
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N
<b>Corporate and Customer Services Group</b>									
Community Engagement and Support comprising: Community Assistance, Community Halls, Community Policy and Resources, Pensioner Housing	✓					✓	Recipients of community grants, hall users and pensioner housing tenants are the beneficiaries.	Long Term	No
District Library	✓		Less	Less		✓	Users and borrowers	Long Term	No
Emergency Management (including rural fire)	✓		More	More			Whole community	Annual	No
Governance and Strategic Direction	✓		✓				All residents equally. Individual property owners.	Annual	No

## Funding policy table

Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Yes	Community group expectations of ongoing support. Perceptions of inequality in support provided.	Yes	N/A	20% - 40%		60%-80%
Yes	Ratepayers in outer rural areas possibly have less opportunity to access facility	Yes	N/A	5%-15%		85%-95%
Yes	No (Rural Fire benefits those in the rural area)	Yes	N/A	0% - 10%		90% - 100%
Yes		Yes	N/A	25%-35% (property rental)	1% (for community board)	65% - 75%

# Funding policy table

Activities	Who benefits (user/beneficiary pay principle) and across groups								
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N
<b>Economic and Regulatory Services Group</b>									
Regulatory Services									
<i>Animal Control</i>	✓					✓	Animal owners and whole community	Annual	Yes (dog owners)
<i>Inspection</i>	✓				More	✓	Individual property owners, specific businesses and the whole community.	Mostly annual	Premises servicing food and/or liquor and properties connected to geothermal.
<i>Parking Enforcement</i>	✓		✓		More (for businesses located in CBD)	✓	Visitors and residents parking in the CBD.	Long Term	Exacerbators are the visitors and residents who do not comply with parking regulations.
Building Services	✓					✓	Property owners	Long Term. Benefits of regulation are intergenerational.	Yes, property owners who undertake new building or alterations.

## Funding policy table

Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Some people may not be able to afford to own dog.	Dog owners (affordability) and ratepayers.	Yes	Yes. By setting the fees at an affordable level it does not act as a barrier to dog owners registered their dogs.	55%-65%		35%-45%
Yes	Businesses servicing food and liquor. Property owners connected to geothermal.	Yes	Yes	25%-35%		65%-75%
N/A	Lower socio economic group likely to not have WOF or registration.	Yes	Fines discourage undesirable behaviour (parking for lengthy period, driving unwarranted vehicle).	100%		
Yes	Affordability for property owners doing building or alterations	Yes	Yes. By setting the fees at an affordable level it does not discourage obtaining the necessary consents.	90%-100%		0%-10%



# Funding policy table

Activities	Who benefits (user/beneficiary pay principle) and across groups								
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N
<b>Economic and Regulatory Services Group cont.</b>									
Economic Development									
City Services Operations	✓				More	✓	Visitors and residents. Businesses in CBD. Also community as a whole.	Long Term	No
Economic Projects	✓				More		Businesses and commercial operators. Community as a whole.	Annual and long term	No
Tourism (including marketing and travel office)	✓				More	✓	Visitors, businesses and community as a whole.	Annual and long term	No
Events and Venues	✓				More	✓	Users of venues. Also businesses that benefit from visitors coming to Rotorua.	Long Term	No
Planning	✓					✓	Individual property owners and the whole community	Annual and long term	Individuals and groups wanting resource consents
Rotorua Museum	✓		Less	Less	More	✓	Visitors to museum	Long Term	No

## Funding policy table

Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Yes	Greater share of cost charged to business as considered they benefit more from activity.	Yes	Parking fees encourages use of public transport and less traffic in metered areas.	45%-55%		45%-55%
Yes	Greater share of cost charged to business as considered they benefit more from activity.	Yes	N/A	0%-10%	70%-80%	15%-25%
Yes	Greater share of cost charged to business as considered they benefit more from activity.	Yes	N/A	40%-50%	40%-50%	Up to 20%
Yes, although residents can be excluded from venues as a result of high revenue events and conferences securing bookings.	Increased visitors which assists businesses however, also increase in traffic congestion arising from major events and sports.	Yes	N/A	25%-45%		55%-85%
Yes	No	Yes	Yes. Encourages environmentally positive actions.	10%-20%		80%-90%
Yes	Residents able to access without fee. Businesses benefit from facility being an attraction.	Yes	N/A	45%-70%		30%-55%

# Funding policy table

Activities	Who benefits (user/beneficiary pay principle) and across groups								
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N
<b>Infrastructure Services Group</b>									
Aquatic Facilities	✓		Less	Less		✓	Users of Aquatic Centre	Long Term	No
Engineering Services	✓					✓	Individual property owners and the whole community.	Long Term	Individuals and groups wanting resource consents are exacerbators.
Public Gardens, Reserves and Cemeteries	✓		Less	Less		✓	Sports groups, reserve users (if area booked for event) and burials.	Long Term	No
Roads and Footpaths	✓		More	More		✓	Individual road users and community as a whole.	Long Term	No
Rotorua Airport Infrastructure	✓				More	✓	Passengers, business and community as a whole.	Long Term	No
Sewerage and Sewage	✓					✓	Properties that are connected/able to be connected to wastewater system. Also community as a whole.	Long Term	No

## Funding policy table

Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Yes (although some lower socio-economic families may not always be able to use).	Users of facility will be affected directly by any fee change.	Yes	N/A	30%-50%		50%-70%
Yes	Developers, adds to cost of development	Yes	Yes. Ensures compliance with Council requirements.	100%		0%
Yes	User groups and ratepayers.	Yes	N/A	15%-30%		70%-85%
Yes	More of roading budget spent in rural area.	Yes	N/A	20%-30%		70%-80%
Yes	Users of airport (affordability of service).	Yes (will depend on trans-Tasman flights coming to Rotorua in future).	N/A	20% - 45%		55% - 80%
Yes (where provided)	High cost for property owners connected to new schemes.	Yes	N/A	0% - 15%	85% - 100%	



# Funding policy table

Activities	Who benefits (user/beneficiary pay principle) and across groups								
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N
<b>Infrastructure Services Group cont.</b>									
Stormwater and land drainage	✓		Less	Less			Property owners where systems in place and community as whole	Long Term	No
Waste Management	✓		Less	Less		✓	Individuals disposing of waste, and community as a whole.	Long Term	Some exacerbators (fly tipping)
Water Supplies						✓	Properties that are supplied/able to be supplied water.	Long Term	No

## Funding policy table

Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
N/A	Moving a portion from general rate allocated on land value will reduce the impact on farming and rural residential. Businesses with high capital values may pay an increased share.	Yes	N/A		0% - 10%	90% - 100%
Yes	No	Yes	Landfill fees and limited collection service can result in greater level of littering.	65%-75%	20%-30%	5%-15%
Yes (where provided)	Greater cost for those connected to smaller schemes. Could consider amalgamating schemes.	Yes	No incentive to conserve water as uniform targeted rate (except those on water by meter).	45% - 55%	100% (including water by meter)	45% - 55%

# Funding policy mechanisms (in summary) 2013

Total Revenue: Fund Operational and Capital Expenditure							
User Fees and Charges and Trading Revenue	Targeted Rates for Water	Targeted Rate for Wastewater	Uniform Annual General Charge (UAGC)	General Rates	Other Targeted Rates	Loans, Interest, Grants, Subsidy, Asset Disposal	Development Contributions (DC), reserve movements and Financial Contributions (Funding Growth)
Total Rates Revenue (Funding operating and asset renewal costs)						Capital Funding	
<p>Fees and charges are to be increased regularly to ensure they are at least in line with CPI/ inflation movements.</p> <p>New charging opportunities explored such as: parking on reserves, property file access.</p> <p>Reduces impact on rates.</p>	<p>Charged on a uniform basis to residents connected and capable of being connected to a council scheme. There are some users (mostly larger commercial operations) that are charged on the basis of usage as measured by meter.</p> <p>Rates calculated on basis of annual cost for each individual scheme.</p> <p>Alternative is an equalized rate over all water supply schemes in district.</p> <p>Consider wider use of metering in longer term to assist with conservation.</p>	<p>Charged on a uniform basis to residents connected and capable of being connected to the council scheme.</p> <p>Balanced budget will be important consideration in response to the \$32m grant and payment of lump sum contribution by some property owners on the establishment of the target rate to fund capital.</p> <p>Equalisation of operating costs will need to be monitored in a transparent manner.</p>	<p>Quantum as close to 30% cap (26% for 2008/09).</p> <p>Activities funded by the UAGC (previously simply a minimum contribution to Council services)</p> <p>Activities funded from the UAGC include:</p> <ul style="list-style-type: none"> <li>▪ Animal Control</li> <li>▪ Aquatic Centre</li> <li>▪ Cemeteries and Crematorium</li> <li>▪ Community Halls</li> <li>▪ Democracy &amp; Kaupapa Maori</li> <li>▪ District Library</li> <li>▪ Emergency Management/Rural Fire</li> <li>▪ Events &amp; Venues (PART)</li> <li>▪ Governance &amp; Strategic Direction</li> <li>▪ Rotorua Museum (PART)</li> </ul>	<p>Lower amount with greater use of targeted rates and increase in the UAGC.</p> <p>Will retain the land value based system.</p> <p>Growth in rating base will continue at around 1.5% per annum which will allow increase in rates revenue without "rate in the dollar" of LV increasing.</p> <p>Activities funded from General Rates include:</p> <ul style="list-style-type: none"> <li>▪ Community Engagement &amp; Support</li> <li>▪ Parks &amp; Reserves</li> <li>▪ Stormwater &amp; Land Drainage</li> <li>▪ Roads &amp; Footpaths</li> <li>▪ Waste Management</li> <li>▪ Economic Development</li> <li>▪ Planning Services</li> <li>▪ Regulatory services</li> <li>▪ Building Services</li> <li>▪ Events &amp; Venues (PART)</li> <li>▪ Rotorua Museum (PART)</li> <li>▪ Engineering Services</li> </ul>	<p>Refuse collection rate for ratepayers receiving this service, also lake enhancement, urban sewerage development, lakes community board and economic and business development rates charged on a uniform basis.</p>	<p>New capital mostly funded from loans – exception are grants and subsidies for specific projects such as roading and sewerage schemes.</p> <p>Rotorua Partners Programme will potentially assist with capital for:</p> <ul style="list-style-type: none"> <li>▪ Civic Theatre</li> <li>▪ Airport</li> <li>▪ Museum</li> </ul>	<p>Limited new capital expenditure included in schedule of work for DC policy.</p>
<b>\$26.3m</b>	<b>\$7.0m</b>	<b>\$10.1m</b>	<b>\$15.1m</b>	<b>\$30.0m</b>	<b>\$8.3m</b>	<b>\$30.9m</b>	<b>\$5.1m</b>

FINANCIAL IMPACTS

## Introduction

The three yearly revaluation has resulted in some major shifts in values across the district. These have been most pronounced in the rural sector where farm values decreased by between 30-40%. Within the residential sector, most urban values fell slightly. The exceptions continue to be properties at the lakes, where there have been increases in land value of 5-20%. These changes have had significant impact on the rating system

## Changes for 2012/13

Council is making the following changes:

- Change from a land value to capital value system.
- Remove all general rate differentials with exceptions being to apply a:
  - 85% differential to Rural Residential properties
  - 220% differential to Business properties
  - These exceptions are envisaged to be temporary to assist with transition in the longer term to an undifferentiated rating system
- Merge targeted rates for Rooding and Stormwater & Drainage back into the General rate.
- Change the way the Business and Economic Development Targeted rate is allocated across the three targeted sectors to 80% business, 10% industrial, 10% farming.
- Replace the Business and Economic Development variable targeted rate from the home based short term accommodation (B&B) sector with a stepped fixed charge based on the number of rooms let.
- Remove rating apportionments (parts) for those properties where the minor part has not been created for the purposes of assessing rates for a higher rated use e.g. motels with a minor residential part.

- Clarified holiday homes will be rated as residential so long as not let for more than 100 days per annum. Beyond this will be considered to be principally business use.
- Move to district-wide targeted rates for water supply with the exception of Kaharoa and Reporoa schemes.

## Changes indicated for the future

- Council has indicated it will consult in the 2013/14 draft annual plan on 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.

## Policy Statement

This policy is based on a move from a land value to a capital value based rating system using a minimum of differentials. There is also a rationalisation of the business and economic development targeted rate application and changes to the rating of home based short-term accommodation properties.

## 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 promote the social, economic, environmental and cultural wellbeing of the district's communities, in the present and for the future.

## 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.

**“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.



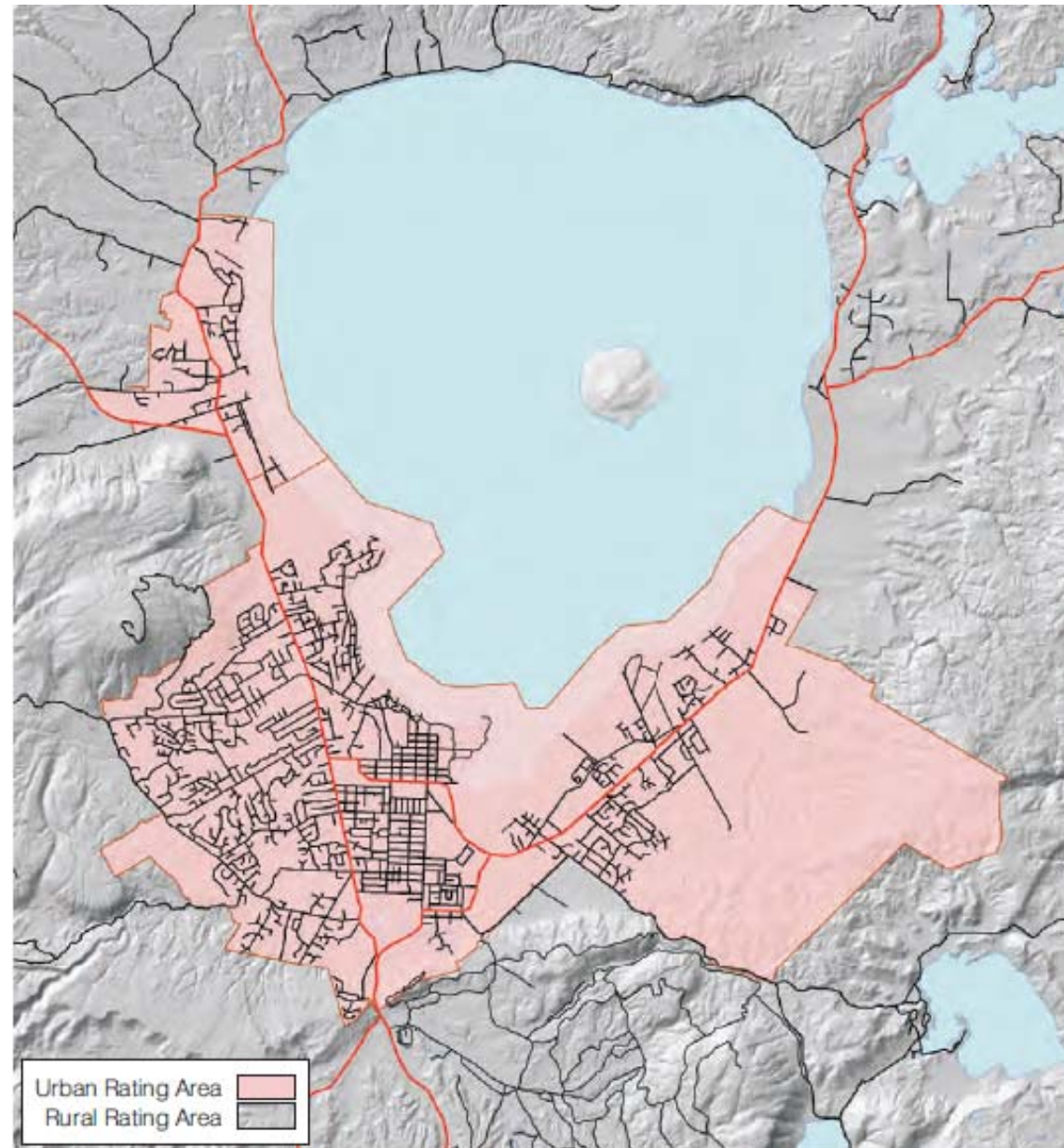
**“Urban Sector”** means the area as shown on the map below (a larger copy is available at the Council Civic Centre). The boundary has been set to recognise the urban growth trends and where properties have similar access to services (but not necessarily the same). This boundary will be reviewed from 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**



## 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 of Council:

- Democracy & Kaupapa Maori
- Governance & Strategic Direction
- District Library
- Aquatic Centre
- Rotorua Museum (part)
- Events & Venues (part)
- Community Halls
- Cemeteries & 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 general rate in the dollar on capital value set differentially according to two different rating categories to fund that part of the general revenues of Council that are 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 matters of social, economic, environmental, and cultural wellbeing.
- c) The relationship between the general rate differentials applicable for each rating category for 2012/2013 is set as follows:

		Relative differentials for the general rate
General rate differential categories		
1	Base Rate	100%
2	Business	220%
3	Residential Rural	85%

**For comparative purposes a table is included showing how the current rating categories will transition to the 2012/13 categories:**

General rate differential categories 2011/2012	General rate differential categories 2012/2013
Residential General Urban	Base Rate
Residential General Rural	Residential Rural
Residential Vacant Rural	Base Rate
Residential Two Unit Urban	Base Rate
Residential Three Unit Urban	Base Rate
Residential Four Unit Urban	Base Rate
Residential Multi Unit	Base Rate
Farming General	Base Rate
Business Urban	Business
Business Rural	Business

## 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 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:

- 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
- rating units, to which water is provided by metered supply, or
- rating units which are serviceable.

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.
- 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
- Duxton
- Hinemoa Point
- Brunswick
- Brunswick stages 4 and 6
- Rotokawa
- Lake Okareka
- Okere/Otaramarae/Whangamarino
- Paradise Valley
- Hamurana/Awahou

Council will also set targeted rates on a differential basis for the capital cost of establishing the following sewerage schemes:

- Rotoiti from 2013/14
- Rotoma from 2013/14
- Mamaku from 2014/15

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.





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.

## Remission and Postponement of Rates policies

### Brief Statement

Council has the following rates relief policies, (and a grant in lieu of remission policy), effective from 1 July 2012, pursuant to the Local Government (Rating) Act 2002, as follows:

- Remission of penalties on current overdue instalments;
- Remission of penalties on current overdue metered water invoices;
- Remission of penalties on arrears (including past overdue instalments);
- Remission of rates on land used for certain purposes;
- Policy for grants in lieu of rate remissions;
- Remission of targeted rates for sewage from schools;
- Remission of rates for QEII National Trust Open Space Covenants;
- Remission of rates in extraordinary circumstances;
- Remission of metered water charges where leak has been detected and repaired;
- Discount for early payment of rates;
- Rates postponement;
- Remission policy on uncollectable rates;
- Remission of targeted rates for capital cost of sewerage schemes on payment of capital cost owing;
- Remission of rates on Maori freehold land;
- Postponement of rates on Maori freehold land

Generally all first time remissions and postponements approved will apply from 1 July in the year in which they are applied for. Subsequent applications will require the necessary supporting documentation to be provided in accordance with the renewal process as advised by Council. The exception will be remission of arrears penalties

Council has delegated to Council officers authority to consider and approve all applications for remission or postponement of rates pursuant to Council's policies, except for "remission of rates in extraordinary circumstances" As a general rule and where practicable documentary evidence or statutory declaration should be provided in support of a written application. Applications for remission or postponement, or a grant in lieu of remission, must be in writing unless otherwise indicated in a policy.

All rates remission policies are at the discretion of Council, having regard to both the policy and circumstances.

### Remission of Penalties on Current Overdue Instalments

#### Policy objective

To enable Council to act fairly and reasonably in its consideration of penalties on rates where payments have not been received by Council by due date.

#### Conditions and criteria

Council will remit a penalty on the first instalment when the full year's rates are paid before the penalty date for the second instalment.

Council will consider remission of penalties on a current overdue instalment when the late payment has resulted from:

- a) significant family disruption, including death, illness, or accident to a family member as at the due date; or
- b) matters outside the ratepayer's control, including payments going astray in the post, non receipt of the instalment notice before penalty date, the late issue of a sale notice, and a late clearance payment by the solicitor on a property settlement.

Council may also consider remission of a penalty when the late payment has apparently been inadvertent and the ratepayer has a good payment history.

"Good payment history" would generally be where there has been no penalty incurred during the previous 12 months.

All remissions will be considered on their merits and remission will only be given where Council considers it just and equitable to do so. Applications for remission must be in writing.

### Remission of Penalties on Current Overdue Metered Water Invoices

#### Policy objective

To enable Council to act fairly and reasonably in its consideration of penalties on metered water invoices where payments have not been received by Council by due date.

#### Conditions and criteria

Council will consider remission of penalties on a current overdue metered water invoice when the late payment has resulted from:

- a) significant family disruption, including death, illness, or accident to a family member as at the due date; or
- b) matters outside the ratepayer's control, including payments going astray in the post, non receipt of the instalment notice before penalty date, the late issue of a sale notice, and a late clearance payment by the solicitor on a property settlement.

Council may also consider remission of a penalty when the late payment has apparently been inadvertent and the ratepayer has a good payment history.

“Good payment history” would generally be where there has been no penalty incurred during the previous 12 months.

All remissions will be considered on their merits and remission will only be given where Council considers it just and equitable to do so. Applications for remission must be in writing.

## Remission of Penalties on Arrears

(arrears comprises rates from any previous rating year)

### Policy objective

To enable Council to act fairly and reasonably in its consideration of penalties on rates that are in arrears.

### Conditions and criteria

Council will consider remission of penalties on arrears when:

- a) a request for remission has been made in writing; and
- b) the request includes full supporting reasons and evidence satisfactory to Council; and
- c) the remission contributes to prompt settlement in full of the remaining debt or to the sale of the property and clearance of the debt in the short term.

### Conditions and criteria for remission of future penalties on arrears and on future instalments in cases of severe hardship

Council will consider remission of future penalties on arrears in cases of severe hardship when:

- a) a request for remission has been made in writing; and
- b) the request includes full supporting reasons and evidence satisfactory to Council; and
- c) the purpose of the request is for the ratepayer to reach and maintain a fully paid status; and
- d) the ratepayer enters into a rates settlement arrangement that provides for collection of

both current rates and arrears in full over an acceptable timeframe, provided that:

- (i) the arrangement will be annulled if the applicant does not adhere to it; and
- (ii) Council may vary the arrangement on request; and
- (iii) Council may in extreme cases elect to also remit some or all of the penalty arrears existing at the time the arrangement was entered into if the arrangement has been adhered to and this brings about settlement in full.

All remissions will be considered on their merits and remission will only be given where Council considers it just and equitable to do so.

## Remission of Rates on Land Used for Certain Purposes

### Policy objective

To facilitate the ongoing provision of non-commercial community services and non-commercial sporting and recreational opportunities for the residents of the District. Providing rates remissions will achieve this by assisting the organisation's survival, and making services of the organisation more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, aged people, and economically disadvantaged people.

### Conditions and criteria

This part of the policy will apply to land owned or occupied by a charitable, sports or recreation organization where they are recorded in Council's Rating Information Database as the ratepayer, and which is used exclusively or principally for sporting, recreation or community purposes. For the purposes of this policy the terms “occupied” means exclusive use of all or part of a rating unit.

The policy does not apply to organisations operated for private pecuniary profit.

Applications for remission must be made on the prescribed form (available from the Council offices). New applications for rate remission should be made to the Council prior to the commencement of the rating year. Organisations that successfully applied in the previous year must re-apply, and their re-application **must** be received by 15 June prior to the rating year being applied for.

Organisations making application should include the following documents in support of their application:

- Statement of objectives; and
- Constitution or rules or equivalent; and
- Financial accounts; and
- Information on activities and programmes; and
- Details of membership or clients.

The policy shall apply to such organisations as approved by the Council as meeting the relevant criteria.

The remission for successful applicants using land for sporting or recreation purposes is 50% of the non service-related rates applicable to the exclusive use part of the rating unit occupied.

The remission for successful applicants using land for community purposes is 100% of the non service-related rates applicable to the exclusive use part of the rating unit occupied.

## Policy for Grants in Lieu of Rate Remissions

This policy is not part of Rotorua District Council's rate remission policies. However reference to it is included here to highlight its availability to ratepayers that previously, but no longer, qualify for the "certain purposes" remission due to changes in legislation i.e. the Local Government (Rating) Act 2002 specifies who must be entered as ratepayer in the Rating Information Database.

Council may provide grants in lieu of rates through its community assistance program to organisations which are not entitled to rate remission because they are not the ratepayer under the Local Government [Rating] Act 2002). The intention is to mitigate any adverse financial impact of the provisions in the Local Government (Rating) Act 2002 on affected organisations.

For further details of Council's Community Assistance (grants) schemes, please refer to the Community Engagement and Support Activity section in the Long-term Plan.

## Remission of Targeted Rates for Sewage from Schools

### Policy objective

To enable Council to fairly and reasonably rate schools for sewerage disposal having regard to the number of water closets and urinals needed for the number of pupils and staff rather than for the actual number of water closets and urinals available.

### Conditions and criteria

Targeted rates for sewerage disposal from schools will be remitted to the extent that they exceed the rates on the deemed number of water closets and urinals:

- a) The deemed number of water closets and urinals will be the lesser of one water closet and urinal for every 20 persons (teachers and students) or part thereof on the roll at 1 April in the preceding financial year, and the actual number of water closets and urinals.
- b) A school is defined as a state school under section (2) (1) of the Education Act 1989, or an integrated school under section (2) (1) of the Private School Conditional Integration Act 1975.

Schools will be required to file an annual return of staff and student numbers in the prescribed form in order to qualify for the remission.

## Remission of Rates for Queen Elizabeth II National Trust Open Space Covenants

### Policy Objective

To provide rates relief where land is legally protected under a QEII Open Space Covenant.

### Conditions and criteria

Council will consider remissions of rates on land that have a QEII Open Space Covenant where the land or portion of land has a legal binding QEII Open Space Covenant registered on the title.

Calculation of such remissions are to be on a case by case basis, with the determination of land value for the covenanted land to be made by Council's Valuation Service Provider.

## Remission of Rates in Extraordinary Circumstances

### Policy Objective

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

of the policy is to provide for the possibility of rates remission in circumstances which have not been specifically addressed but in which, for the reasons set out below, Council considers it appropriate to remit rates.

### Conditions and criteria

Council may remit rates on a rating unit where it considers it just and equitable to do so because extraordinary circumstances have arisen by virtue of a change to Council's Rating or Rates Remission policies has resulted in unintended consequences for a rating unit.

The amount of any such relief will be determined by Council having regard to the quantum of additional rates caused by the extraordinary circumstances.

Any such remission granted will be determined on a case by case basis, and will not be delegated to Council officers .

## Remission of Metered Water Charges Where Leak Has Been Detected and Repaired

### Policy Objective

The objective of this remission policy is to provide a measure of rates relief where a water leak has been detected on the ratepayer's property, and prompt remedial action to repair the leak has been undertaken. However the ratepayer is responsible for water leaks and the usage of water on their property.

### Conditions and criteria

Council will consider remissions of metered water charges under the following circumstances;

- a) where a leak has been detected on the ratepayer's property, and that leak has been promptly repaired; and



- b) the leak has resulted in charges in excess of expected usage ; and
- c) when applied for in writing, with evidence that a leak has occurred and documentation of the repairs undertaken.

The amount to be remitted is determined from the average of the previous four quarterly readings. The amount is doubled and deducted from the total water consumption of the period in question. Up to 50% of the difference will be remitted. Ratepayers are limited to one application for a water leak remission within any one year period for a particular property. Re-occurring annual remission requests may be declined.

## Discount for Early Payment of Rates

### Policy Objective

To provide a discount to ratepayers who choose to pay their annual rates in full by the due date for the first instalment.

### Conditions and criteria

A discount will be allowed for early payment of rates in compliance with the following conditions:

- a) The discount will be allowed to any ratepayer who pays the total annual rates as specified on the rates assessment by the due date for the first instalment;
- b) The discount will not apply to charges for water by meter;
- c) The discount will be at a rate fixed annually by resolution.

## Rates Postponement

### Policy Objective

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

### General Approach

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

Current and all future rates may be postponed indefinitely, or until the sale of the property, if at least one ratepayer (or, if the ratepayer is a family trust, at least one named occupier) is 65 years of age or older. Where the ratepayer is younger than 65, current and all future rates may be postponed to a date not more than 15 years from June 30th in the rating year in which the application was made. The applicant may elect to postpone the payment of a lesser sum than that which they would have been entitled to have postponed pursuant to this policy.

Owners of units in retirement villages will be eligible provided that Council is satisfied payment of postponed rates can be adequately secured.

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

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

### Criteria and Conditions

#### Eligibility

Any ratepayer is eligible for postponement provided that the rating unit is used by the

ratepayer for personal residential purposes. This includes, in the case of a family trust owned property, use by a named individual or couple. People occupying a unit in a retirement village under an occupation licence will be able to apply for postponement of the rates payable by the retirement village on their unit with the agreement of the owner of the retirement village.

#### Risk

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

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

Where a ratepayer wishes to postpone the rates assessed by Waikato Regional Council a separate application would have to be made to Waikato Regional Council.

#### Exclusions

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



## Insurance

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

To assist ratepayers who are currently uninsured, Council is anticipating the development of a group insurance policy to provide all risks cover, designed to achieve cover against catastrophic loss at minimum cost. The premium will be treated as part of the postponement fee and thus come within the postponement arrangements.

Arrangements for the group insurance policy are currently on hold, but Council will continue to monitor progress.

## Mortgage

Postponement of rates on a property subject to mortgage to a mortgagee will be available only if Council holds a letter from the mortgagee agreeing to the postponement.

## Independent Advice

To protect Council against any suggestion of undue influence, applicants will be referred to an appropriately qualified and trained independent agency contracted by Council. The agency will work with the applicant to ensure they are aware of all aspects of the policy before deciding to proceed with postponement. A certificate confirming this will be required by Council before the postponement is granted. The cost of this is included in the initial charges set out in the Funding Impact Statement.

## Rates Able to be Postponed

All rates are eligible for postponement except for: targeted rates for water supplied by volume (water by meter rates) and lump sum options.

## Security

Postponed rates will be registered as a statutory land charge on the rating unit title. This means

Council will have first call on proceeds of any revenue from the sale or lease of the rating unit. Postponement will not be granted if a statutory land charge cannot be registered on the rating unit Certificate of Title.

Council has the right to decline postponement if the property is situated in a known hazard zone.

## Conditions

Any postponed rates (under this policy) will be postponed on the following conditions:

- (a) Until the death of the ratepayer(s) or named individual or couple, (in this case the Council will allow up to 12 months for payment so that there is ample time available to settle the estate or, in the case of a trust owned property, make arrangements for repayment); or
- (b) Until the ratepayer(s) or named individual or couple ceases to be the owner or occupier of the rating unit. (If the ratepayer sells the property in order to purchase another within the Council's district, Council will consider transferring the outstanding balance, provided it is satisfied that there is adequate security in the new property for eventual repayment); or
- (c) If the ratepayer(s) or named individual or couple continue to own the rating unit, but are placed in residential care, Council will consider them to still be occupying the residence for the purpose of determining when postponement ceases and rates are to be paid in full; or
- (d) Until a date specified by Council. Council will charge an annual fee including interest on postponed rates for the period between the due date and the date they are paid. This fee is designed to cover Councils

administrative and financial costs and may vary from year to year.

## Fees

### Annual Fees

Annual fees will be charged in accordance with the fees outlined in the Funding Impact Statement.

### Application Fee

An application fee will be charged in accordance with the fees outlined in the Funding Impact Statement. This will be added to the postponed rates.

### Financial Costs

The financial cost will be charged in accordance with the interest rate outlined in the Funding Impact Statement. This will be added to the postponed rates.

### Payment

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

### Review or Suspension of Policy

The policy is in place indefinitely and can be reviewed subject to the requirements of the Local Government Act 2002 at any time. Any resulting modifications will not change the entitlement of people already in the scheme to continued postponement of all future rates. Council reserves the right not to postpone any further rates once the total of postponed rates and accrued charges exceeds 80% of the rateable value of the property as recorded in Council's rating information database. This will require the ratepayer(s) for that property to pay all future rates but will not require any payment in respect

of rates postponed up to that time. These will remain due for payment on death or sale.

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

## Procedures

Applications must be on the required form which will be available from Council's Civic Centre at 1061 Haupapa Street, Rotorua. The policy will apply from the beginning of the rating year in which the application is made although Council may consider backdating past the rating year in which the application is made depending on the circumstances.

Applications for postponement under this part of the policy will be determined by officers of council, acting under delegated authority from Council as specified in the delegations resolution.

## Remission policy on uncollectable rates

### Objectives

1. To allow for situations where all practicable methods of enforcing rates collection have been exhausted and it is in council's and ratepayers best financial interests to remit such rates. One benefit of this is to achieve early recovery of the GST content of these uncollectable rates instead of having to wait until the expiration of six years as required by the Limitation Act 2010, which then prompts write off of the debt and recovery of the GST at that time. Most, if not all the properties that meet this objective are expected to be multiply owned Maori Freehold Land that is unoccupied and unused.
2. To allow for situations where due to the relatively small size of the amount owing it is not economical to collect such rates debts.

### Conditions and criteria

- a) All rates, both arrears and current, including service charges will be remitted in cases where council considers either of the above objectives will be achieved in so doing. This policy will be applied at Council's instigation.
- b) Delegated authority to apply this policy rests with the Group Manager Corporate and Customer Services.
- c) Properties receiving a remission under 1 above are to be reviewed whenever fresh aerial images are available to confirm or otherwise their continued remission status.

## Remission of Targeted Rates for Capital Cost of Sewerage Schemes on Payment of Capital Cost Owing

### Policy Objective

The objective of this policy is to allow ratepayers who did not originally take up the lump sum option within the timeframe allowed for any of Council's sewerage schemes to repay the capital cost balance owing.

### Conditions and criteria

At any point during a rating year, a ratepayer who is currently paying a targeted rate for the capital cost of a sewerage scheme may request the capital cost balance owing as at 30 June for that rating year (note: each rating year begins on 1 July). The amount quoted will not contain any loan charges for any subsequent rating year (i.e. it will be the remaining capital cost balance owing as at 30 June of that rating year), but as the targeted rate has been set for the full current rating year, this targeted rate must be paid for that year as assessed.

Provided the amount quoted by Council is paid in full on or before 30 June of that rating year, the rating unit will automatically be credited with a 100% remission of the sewerage capital cost

targeted rate each year until the end of the loan repayment term.

## Remission of rates on Maori Freehold Land

In developing this policy Council has given consideration to how either providing or not providing rates remissions would contribute to the following objectives.

### Objectives

1. Supporting the use of the land by the owners for traditional purposes.
2. Recognising and supporting the relationship of Maori and their culture and traditions with their ancestral lands.
3. Avoiding further alienation of Maori freehold land.
4. Facilitating any wish of the owners to develop the land further for economic use.
5. Recognising and taking account of the presence of waahi tapu that may affect the use of the land for other purposes.
6. Recognising and taking account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere).
7. Recognising and taking account of the importance of the land for community goals relating to:
  - a) the preservation of the natural character of the lakes environment
  - b) the protection of outstanding natural features
  - c) the protection of significant indigenous vegetation and significant habitats of indigenous fauna
8. Recognising the level of community services provided to the land and its occupiers.
9. Recognising matters relating to the physical accessibility of the land.

10. Encouraging productive use or occupation of part or all of the land and payment of rates on part or all of the land.
11. Taking into account other factors (e.g. value of land based on highest and best use, compared with actual or most practical use) that contribute to the block being unoccupied and unproductive.

## Specific conditions and criteria

- a) 50% rates remission may be provided where any of the objectives 1-9 are supported.
- b) 75% rates remission may be provided for a period of 5 years where land that is previously not used is brought into productive economic use. After 5 years the remission will either be removed or reduced where conditions continue to prevent full economic use of the land e.g. zoning value, access difficulties, flooding or erosion. This remission may only be applied for once every ten years in respect of the same property. (objectives 4 and 10 supported).
- c) Multiple sets of uniform annual general charges and uniform targeted rates may be remitted where multiple rating units are being used as one property e.g. forestry, farming. Rating units need not necessarily be contiguous (objectives 4 and 10 supported).
- d) Part of the rates may be remitted where some other aspect beyond the reasonable control of the owners prevents the full economic use of the land e.g. access, flooding, erosion etc. Remission amount will be on a case by case basis at the discretion of council (objective 9 supported).
- e) Part of the rates may be remitted where:
  - i. The land is multiply-owned and unoccupied, and
  - ii. Remission of part of the rates assessed will enable all or part of the land to be utilised, and enable payment of the balance of the rates assessed (objective 10 supported).

- f) Part of the rates may be remitted where:
  - i. The land is multiply-owned, and
  - ii. The rateable value exceeds the value that is relevant for the purpose for which the land will be used e.g. land is zoned residential yet is used for farming (objective 11 supported).

Calculation of remissions under objective 11 are to be on a case by case basis, with the determination of 'actual use' rateable value to be made by Council's valuation service provider.

## General conditions and criteria

- a) If any remaining rates after a remission is applied are not paid by the relevant due date no further remission will be provided.
- b) No remission of service charges will be provided.
- c) No rates postponements will be provided on Maori Freehold Land.
- d) Consideration will be given to the following matters (but not limited to these) as part of the decision-making process:
  - i. The number of owners
  - ii. The rateable land value per hectare relative to similar parcels of land
  - iii. Any restriction of access, bearing in mind this will have been accounted for to some extent by Council's valuers
  - iv. Potential for future use/economic development of the land.
- e) For the purposes of this policy, multiply-owned Maori freehold land means Maori freehold land owned by more than two persons.
- f) Each case will be considered on its individual merits at council's discretion. This can mean that an application for remission that seems to meet the conditions and criteria may not necessarily be approved.
- g) Properties approved to receive a remission will be subject to regular review and generally this will be on an annual basis.

- h) Application for rates remissions under any of the above conditions is required to be submitted on the "MFL remission application form". Please contact Council's customer service centre to obtain. Further information may be requested by council officers to support any application lodged.

## Postponement of rates on Maori freehold land

Council's policy in respect of postponement of rates on Maori freehold land follows past policy. This is to not postpone rates but to use the remission policy where appropriate.



## Introduction

Council's Treasury Policy establishes borrowing limits that are realistic in the current and anticipated future financial climate. The policy also ensures inter-generational equity and enables prudent financial management for ratepayers of the district.

## Philosophy

Council has treasury risks arising from raising loans, investments and associated interest rate management activity.

Council carries out its borrowing and investments (in total referred to in this document as treasury activity) within its finance function. Council's broad objectives in relation to treasury activity are as follows:

- to comply with the Local Government Act 2002, amendments, and other relevant local authority legislation
- to develop and maintain professional relationships with the financial markets
- to manage all of Council's investments within its strategic objectives; invest surplus cash in liquid and credit worthy investments
- to raise appropriate finance, in terms of both maturity and interest rate
- to manage the overall cash position of Council's operations

Council's treasury policy is managed by the Treasury Management Group (TMG), being officers of council with delegated authority.

## Liability Management Policy

### Borrowing Policy

Council borrows as it considers appropriate. Council exercises its flexible and diversified borrowing powers within the Local Government Act 2002. Council approves borrowing by resolution arising from the Annual and Ten Year Planning processes. Projected debt levels are ascertained from cashflow forecasts prepared during the Long Term Council Community Plan and Annual planning processes.

Council raises borrowing for the following primary purposes:

- General debt to fund Council's Balance Sheet, including borrowing to fund Council-Controlled Organisations (CCOs).
- Specific debt associated with "special one-off" projects and capital expenditure.
- To fund assets with inter-generational qualities.

Council is able to borrow through a variety of market mechanisms including the issue of stock and debentures and direct bank borrowing or by accessing the capital markets directly.

In evaluating new borrowings (in relation to source, term, size and pricing) the TMG will take into account the following:

- The size and the economic life of the project as appropriate.
- The impact of the new debt on borrowing limits.
- Relevant margins under each borrowing source.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates relative to term for both stock issuance and bank borrowing, and management's view of future interest rate movements.
- Available term from bank and stock issuance.

- Implied finance terms within any specific debt (e.g. project finance) to ensure these are at least as favourable as Council could achieve in its own right.
- Legal documentation and financial covenants.

### Borrowing Limits, Liquidity and Credit Risk Management

In managing borrowing, Council determines appropriate control limits based on the following covenants:

- The gross interest expense of all borrowings will not exceed 15% of total annual revenue.
- Net cashflows from operating activities are to exceed gross annual interest expense by a multiple of at least 2.
- Maximum debt not to exceed 20% of total assets.

To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond Council's control, Council ensures debt maturity is spread over a band of maturities. Council manages this specifically by ensuring that:

- No more than \$60 million or 50% of existing external borrowing (whichever is the greater) is subject to refinancing in any financial year.

### Interest Rate Risk Management

Council's borrowing gives rise to direct exposure to interest rate movements. Table 1 overleaf outlines the maximum unhedged or floating rate exposure requirements allocated into various time bands. The actual percentage will be determined and reviewed on a regular basis, by the TMG.

**Table 1: Percentage of Fixed Rate Borrowing**

These hedging percentages relate to total existing and forecast debt identified as “Core” debt by the TMG after reference to the current Ten Year Plan and Annual Plans. The level of Core debt used in determining policy compliance will be reviewed as appropriate, but at least on an annual basis.

Term of Exposure	Minimum Fixed Rate Exposure	Maximum Fixed Rate Exposure
0 – 1 year	60%	100%
1 – 2 years	40%	90%
3 – 5 years	30%	70%
5 – 10 years	0%	60%
10 years and over	Any hedging must be approved by Council	

The TMG sets interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook for short term rates in comparison to the rates payable on its fixed rate borrowing, and managing these risks using approved risk management instruments.

### Security

In general Council will secure its borrowings against its rate revenue. In unusual circumstances, with prior Council approval, a charge over one or more of the Council's assets may be offered.

### Contingent Liabilities

Council from time to time provides financial guarantees to recreation and service organisations pursuant to Council policy for such guarantees.

### Investment Policy

Council maintains investments in the following financial assets:

- Equity investments, including shareholdings and loan advances, to trading and service enterprises, charitable trusts, and incorporated societies (e.g. sporting and community organisations), and for residential and rural housing purposes, which are consistent with Council's normal course of business.
- Investments in land and buildings (property) and from time to time commercial mortgages and deferred payment licenses.
- Treasury instruments for cash flow management.

### Equity Investments and Loan Advances

Investments may include shareholdings in and advances to CCOs, charitable trusts, incorporated societies, residential and rural housing, and other long term investments which are consistent with Council's strategic plan and subject to legislation requirements.

### Property Investments

Council's overall objective is to only own property that is necessary to achieve its strategic objectives.

Council reviews the performance of its property investments on a regular basis.

### Treasury Investments

Council maintains treasury investments:

- to invest amounts allocated to special funds, sinking funds and reserves
- for short term Investment of proceeds from the sale of assets
- to invest surplus cash, and working capital funds

### Liquidity Management

The TMG sets overall investment strategy, but in general terms Council will use surplus funds to decrease its overall level of borrowings by proactive management of its bank facilities.

- Liquidity risk management is implemented by ensuring that cash investments are capable of being liquidated and in any case are for a term of less than twelve months. Committed bank facilities are also held to assist in the management of short term funding requirements as well as contributing to the funding of core debt.

### Interest Rate Risk Management

The TMG sets interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook, and determining the interest rate profile to adopt for investments.

### Foreign Exchange Policy

Council may have foreign exchange exposure through the occasional purchase of foreign exchange denominated plant and equipment.

Significant commitments in excess of NZD50,000 are defined as an exposure. Foreign exchange dealings are hedged using foreign exchange contracts, once expenditure is approved by management and/or Council.

### Cash Management

Council maintains rolling daily, monthly and yearly cashflows. These cashflows determine Council's borrowing requirements and surpluses for investment. Cash investments are generally covered by Section 3 of this policy.



## Performance Measurement

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective and objective measures. The predominant subjective measure is the overall quality of treasury management information including the development of Key Performance Indicators (KPIs) by agreement with the Chief Executive.

## Delegated Authorities and Key Internal Controls

### Delegated Authorities

Delegated authorities are in place as per the Delegated Authority Manual.

### Key Internal Controls

Sound treasury procedures with appropriate controls are in place to minimise risks the Council may experience through unauthorised treasury activity or unintentional error, and such controls are outlined in the relevant treasury procedures documentation.

The Local Government Act 2002 (s.278), requires that every local authority adopt a policy on "significance".

The terms "significant" and "significance" are defined in s.5 of the act as follows;

**"significance**, in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for,—

- A) the current and future social, economic, environmental, or cultural wellbeing of the district or region;
- B) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter;
- C) the capacity of the local authority to perform its role, and the financial and other costs of doing so."

**"significant**, in relation to any issue, proposal, decision, or other matter, means that the issue, proposal, decision, or other matter has a high degree of significance."

Section 90 requires that the policy must set out;

"...(the) general approach to determining the significance of proposals and decisions in relation to issues, assets or other matters; and

Any thresholds, criteria or procedures that are to be used by the local authority in assessing the extent to which issues, proposals, decisions or other matters are significant."

Section 90 also requires that the policy list all strategic assets.

### **The council's general approach to determining the significance of proposals and decisions in relation to issues, assets, or other matters**

The council will consider every issue, proposal, decision, or matter requiring a decision on a case by case basis to determine whether the matter is significant.

In determining whether the matter is significant, the council will consider the following:

- the likely impact/consequences of the decision on the current and future social, economic, environmental and cultural wellbeing of the community; and
- the likely impact that the impact / consequence(s) of the decision might have on achievement of the agreed community outcomes for the district; and
- (if any proposed action involves a decision in relation to land or a body of water) the likely impact/consequence(s) of the decision on the relationship of Maori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna and other taonga; and
- the parties who are likely to be particularly affected by, or interested in, the issue, proposal, decision or matter and the likely impact/consequences of the decision from the perspective of those parties (including if the decision is likely to affect a large number of residents and ratepayers to a moderate or greater extent; or a small number of residents and ratepayers to a large extent); and
- the financial and non-financial costs and implications of the decision; and
- the extent (if any) to which the issue, proposal, decision or matter (or type of issue, proposal, decision or matter) has had a history of

generating public interest within the Rotorua district, the bay of plenty region, or New Zealand.

Thresholds and criteria that the council will use in assessing the extent to which matters are significant

### **The more significant or material the likely impact of the required decision, the more likely it will be that the matter is 'significant'.**

Significant decisions will include, but will not be limited to, the following:-

- a proposal or decision requiring more than \$10 million of budgeted, or \$2 million of unbudgeted, expenditure;
- a proposal or decision to significantly alter the intended level of service for any significant activity - including a decision to commence or cease such activity (s.97(1)(a));
- a proposal or decision to transfer ownership or control of a strategic asset (s.97(1)(b),
- the sale of all or a majority of the council's shareholding in any council-controlled trading organisation, or council-controlled organisation;
- a proposal to enter into a partnership with the private sector to carry out a significant activity.
- for the avoidance of doubt, this policy does not apply to:
  - - carry forwards
  - - emergency works.

## The council's general approach to determining decisions in relation to issues, assets, or other matters

Decisions pursuant to this policy will be made in accordance with the provisions of the council's governance statement that is required to be prepared pursuant to section 40(1) of the act.

If the matter is deemed to be significant, the council will decide whether the special consultative procedure should be used – or if the requirement to 'appropriately observe' (see s.76(3)(b)) the provisions of sections 77, 78, 80, 81 and 82 will be sufficient.

## The council's strategic assets

Strategic assets are defined in s.5 of the Local Government Act 2002 as:

"**strategic asset**, in relation to the assets held by a local authority, means an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future wellbeing of the community; and includes—

- A) any asset or group of assets listed in accordance with section 90(2) by the local authority; and
- B) any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and
- C) any equity securities held by the local authority in—
  - i) a port company within the meaning of the port companies act 1988;
  - ii) an airport company within the meaning of the airport authorities act 1966."

The assets and groups of assets that the council considers to be "strategic assets" are:-

- the council's roading network; and
- the council's wastewater network and treatment plant; and
- the council's water supply network; and
- the council's stormwater network; and
- the council's public library, museum, pensioner housing, community halls, event facilities, aquatic facilities, parks and reserves, cemeteries and crematorium; and
- shares in Rotorua regional airport limited and civic assurance; and
- Rotorua regional airport infrastructure.
- waste management infrastructure consisting of:
  - Rotorua landfill
  - Rotorua recycling centre
  - transfer stations.

## Note:

Legislative references to "significance" include sections 5, 90 and 278 of the Local Government Act 2002.

# Funding impact statement

as at 30 June:	Annual Plan	Long Term Plan Budget >>										
	Budget 2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	
<b>Sources of operating funding</b>												
General Rates, uniform annual general charges, rates penalties	32,029	45,054	47,381	48,616	50,112	51,526	53,735	56,047	57,993	60,327	62,505	
Targeted rates (other than a targeted rate for water supply)	31,944	20,659	20,135	20,762	21,401	22,180	22,948	23,754	24,620	25,553	26,494	
Subsidies and grants for operating purposes	3,932	3,382	3,304	3,457	3,395	3,361	3,553	3,480	3,433	3,616	3,522	
Fees, charges and targeted rates for water supply	7,223	7,138	7,645	8,227	8,683	9,132	9,562	9,975	10,442	10,946	11,467	
Interest and dividends from investments	60	36	36	36	36	36	36	36	36	36	36	
Local authorities fuel tax, fines, infringement fees and other receipts	22,667	23,368	24,378	25,079	26,864	28,060	28,917	31,198	32,397	33,878	36,291	
<b>Total operating funding (A)</b>	<b>97,855</b>	<b>99,637</b>	<b>102,879</b>	<b>106,177</b>	<b>110,490</b>	<b>114,295</b>	<b>118,750</b>	<b>124,490</b>	<b>128,922</b>	<b>134,357</b>	<b>140,315</b>	
<b>Applications of operating funding</b>												
Payments to staff and suppliers	73,280	75,110	75,659	77,582	79,279	81,622	84,094	86,523	89,404	92,332	95,227	
Finance costs	9,499	9,178	9,625	10,063	10,533	11,480	12,173	12,891	12,951	12,667	12,073	
Other operating funding applications												
<b>Total applications of operating funding (B)</b>	<b>82,779</b>	<b>84,287</b>	<b>85,284</b>	<b>87,644</b>	<b>89,812</b>	<b>93,102</b>	<b>96,266</b>	<b>99,414</b>	<b>102,354</b>	<b>104,999</b>	<b>107,300</b>	
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>15,076</b>	<b>15,350</b>	<b>17,595</b>	<b>18,532</b>	<b>20,678</b>	<b>21,193</b>	<b>22,483</b>	<b>25,076</b>	<b>26,567</b>	<b>29,358</b>	<b>33,015</b>	
<b>Sources of capital funding</b>												
Subsidies and grants for capital expenditure	19,962	21,302	14,358	8,883	16,323	12,197	18,311	11,301	4,044	5,791	4,191	
Development and financial contributions	1,418	1,300	1,322	1,344	1,574	1,812	2,052	2,299	2,560	2,832	3,112	
Increase (decrease) in debt	2,144	5,036	3,529	2,549	3,541	4,978	579	380	(315)	2,074	1,830	
Gross proceeds from sale of assets	203	500	324	178	572	502	362	392	456	376	721	
Lump sum contributions	1,346	1,293	2,068	2,542	2,185	1,788	1,804	3,613	2,295	3,214	2,473	
<b>Total sources of capital funding (C)</b>	<b>25,073</b>	<b>29,430</b>	<b>21,601</b>	<b>15,495</b>	<b>24,195</b>	<b>21,276</b>	<b>23,107</b>	<b>17,985</b>	<b>9,039</b>	<b>14,287</b>	<b>12,328</b>	
<b>Applications of capital funding</b>												
Capital expenditure												
- to meet additional demand	23,207	16,598	14,864	6,123	13,837	14,562	23,964	14,057	764	794	679	
- to improve the level of service	11,011	15,417	15,774	15,730	21,787	12,295	12,351	6,689	9,257	9,125	6,971	
- to replace existing assets	14,766	16,568	19,932	14,505	19,874	19,746	18,381	21,677	20,566	24,301	24,864	
Increase (decrease) in reserves	(8,835)	(3,803)	(11,372)	(2,331)	(10,626)	(4,135)	(9,105)	637	5,019	9,425	12,829	
Increase (decrease) in investments												
<b>Total applications of capital funding (D)</b>	<b>40,149</b>	<b>44,779</b>	<b>39,197</b>	<b>34,027</b>	<b>44,872</b>	<b>42,469</b>	<b>45,590</b>	<b>43,061</b>	<b>35,606</b>	<b>43,645</b>	<b>45,342</b>	
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(15,076)</b>	<b>(15,349)</b>	<b>(17,596)</b>	<b>(18,532)</b>	<b>(20,678)</b>	<b>(21,192)</b>	<b>(22,483)</b>	<b>(25,076)</b>	<b>(26,567)</b>	<b>(29,358)</b>	<b>(33,014)</b>	
<b>Funding balance ((A - B) + (C - D))</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Rates for 2012/2013

Council has set the following rates, pursuant to the Local Government (Rating) Act 2002, for the 2012/2013 rating year:

- a) A uniform annual general charge;
- b) A differential general rate;
- c) Targeted rate for lakes enhancement;
- d) Targeted rates for water supply;
- e) Targeted rates for sewage disposal;
- f) Targeted rates for capital costs of sewerage schemes (including scheme connection costs);
- g) Targeted rate for urban sewerage development;
- h) Targeted rates for refuse collection;
- i) Targeted differentiated fixed rate for part of the business and economic development costs;
- j) Targeted differentiated rate in the dollar on capital value for part of the business and economic development costs.
- k) Targeted rate for Lakes Community Board costs.

### Proportion of total rates paid by each sector

	Land Value 2011 Valuations	Capital Value 2011 Valuations	Rates Take 2010/11	Rates Take 2011/12	Rates Take 2012/13
Farming	33%	23%	14%	14%	11%
Business	12%	18%	22%	22%	28%
Residential	55%	59%	64%	64%	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 \$15,103,173.

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

2012/2013	\$525.00
2011/2012	\$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 \$440,185

The lakes enhancement rate is set at:

2012/2013	\$16.50
2011/2012	\$16.00

## 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 \$32,621,022

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

		Relative differentials %	Rate per \$ of rateable value 2011/12	2012/13
1	General Rate - Base	100	0.0022100	0.002281
2	General Rate – Rural Residential	85	0.001680	0.001939
3	General Rate - Business	220	0.007930	0.005018



## Targeted Rates for Business and Economic Development

(plus GST at the prevailing rate)	(per rating unit)	
	2011/12	2012/13
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:

(plus GST at the prevailing rate)	(rate in \$ on CV)	
	2011/12	2012/13
Business Urban and Rural	0.002600	0.002341
Industrial	0.000580	0.000750
Farming	0.000040	0.000150

The total amount to be collected is \$4,851,915.

## 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):

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)	Charging unit	2011/2012	2012/2013
The amount to be collected is \$6,612,354 (plus GST at prevailing rate) (Metered water \$3,091,067; General water rate \$3,521,287)			
A differential targeted rate of:			
<ul style="list-style-type: none"> <li>A fixed amount on each separately used or inhabited part of a rating unit connected (and not metered)</li> </ul>	Annual for rating units connected	\$172.00	\$186.00
<ul style="list-style-type: none"> <li>A fixed amount on each serviceable rating unit capable of connection.</li> </ul>	Annual for rating units capable of connection	\$86.00	\$93.00
<ul style="list-style-type: none"> <li>A fixed amount on each separately used or inhabited part of a rating unit connected (and metered)</li> </ul>	Annual for rating units connected and metered	\$172.00	\$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	\$0.78	\$0.83

# Funding impact statement

<b>Kaharoa</b> (Plan number 11015 Sheet 7)	<b>Charging unit</b>	<b>2011/2012</b>	<b>2012/2013</b>
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	\$282.88	\$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
<b>Reporoa</b> (Plan number 11015 Sheet 8)			
The amount to be collected is \$493,734 (plus GST at the prevailing rate)			
A differential targeted rate:			
▪ A fixed amount per connection on each Domestic/Non-Farming rating unit connected	Annual for rating units connected	\$125.12	\$132.00
▪ A fixed amount per connection on each Farming/Dairy-Factory rating unit connected.	Annual for rating units connected	\$195.84	\$207.00
A differential targeted rate:			
▪ 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	\$0.38	\$0.40
▪ 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	\$0.24	\$0.25

## Targeted Rates for Sewage Disposal

Council sets the following targeted rate on a differential basis for all rating units from which sewage is collected or 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):

<b>Urban</b> (Plan number 11163 Sheet 2) and <b>Eastern and Rural</b> (Plan number 11163 Sheets 4, 5 and 14)	<b>Charging Unit</b>	<b>2011/2012</b>	<b>2012/2013</b>
The amount to be collected is \$10,130,587 (plus GST at the prevailing rate)			
<b>1. Rating unit connected:</b>			
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
<b>2. Availability</b>			
- 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:	2012/2013	\$2.70
	2011/2012	\$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):

	Charging Unit	2011/2012	2012/2013
<b>Mourea</b> (Plan number 11163, Sheet 4) 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
<b>Hinemoa Point</b> (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

## 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	2011/2012	2012/2013
<b>Brunswick Stages 4 and 6</b> (Plan Number 11608, Sheet 11) The amount to be collected is \$10,336 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$313.24	\$313.24
<b>Brunswick</b> (Plan Number 11608, Sheet 10) The amount to be collected is \$58,696 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$652.18	\$652.18
<b>Duxton</b> (Plan number 11163, Sheet 5) The amount to be collected is \$12,535 (plus GST at the prevailing rate) A fixed amount	Annually	\$12,535.24	\$12,535.24
<b>Hamurana/Awahou</b> (Plan Number 13222, Sheet 6) The amount to be collected is \$267,693 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$805.53	\$805.53
<b>Hinemoa Point</b> (Plan Number 11608, Sheet 8) The amount to be collected is \$33,858 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$529.96	\$529.96
<b>Lake Okareka/Blue Lake</b> (Plan Number 11608, Sheet 3) The amount to be collected is \$161,973 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$870.83	\$870.83



# Funding impact statement

	Charging Unit	2011/2012	2012/2013
<b>Marama Point</b> (Plan Number 11163, Sheet 14) The amount to be collected is \$15,032 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$238.61	\$238.61
<b>Mourea</b> (Plan number 11163, Sheet 4) The amount to be collected is \$28,206 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$298.48	\$298.48
<b>Okawa Bay</b> (Plan number 11163, Sheet 5) The amount to be collected is \$8,779 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$462.06	\$462.06
<b>Okere Falls / Otaramarae / Whangamarino</b> (Plan Number 13222, Sheet 1) The amount to be collected is \$143,946 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$623.28	\$423.37
<b>Paradise Valley</b> The amount to be collected is \$7,213.16 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$624.52	\$379.64
<b>Rotokawa</b> (Plan Number 11608, Sheet 2) The amount to be collected is \$44,024 (plus GST at the prevailing rate) A fixed amount on each household unit equivalent (HUE)	Per HUE Annually	\$201.11	\$201.11

## Voluntary Lump Sum Capital Contributions

Council sets the following amounts (plus GST at the prevailing rate) for ratepayers who elect to pay a one-off voluntary lump sum capital contribution for the capital cost of these sewerage schemes:

Hamurana/Awahou	Per HUE	\$6,427.36
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## Targeted Rate 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:

2012/2013	\$19.50
2011/2012	\$19.00

## 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 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):

<b>Refuse Collection</b> (Plan numbers 10196-002 [urban] and 10196-001 [rural])	<b>Charging Unit</b>	<b>2011/2012</b>	<b>2012/2013</b>
The total amount to be collected is \$2,103,264 (plus GST at the prevailing rate)			
Urban (weekly collection)	Annual	\$73.00	\$73.00
Urban (CBD twice-weekly collection)	Annual	\$146.00	\$146.00
Rural (weekly collection)	Annual	\$75.50	\$75.50
Urban serviceable	Annual	\$0.00	\$36.50
Rural serviceable	Annual	\$0.00	\$37.75

## Rates Postponement

To cover costs, the following fees and charges are set for the 2012/2013 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.

<b>Initial Charges - One-Off</b> (plus GST at the prevailing rate)	<b>Charging Unit</b>	<b>2011/2012</b>	<b>2012/2013</b>
Application Fee	One-Off	\$88.89	\$88.89
Contribution to Counselling	One-Off	\$266.67	\$250.00
<b>Half Year Interest Charges</b>			
Interest calculated on councils marginal borrowing rate 6 monthly on all amounts outstanding			
<b>Annual Charges</b> (plus GST at the prevailing rate)			
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.

## 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 2012
Instalment Number 2	20 November 2012
Instalment Number 3	20 February 2013
Instalment Number 4	20 May 2013

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 2012/2013 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 2012.
- 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 2013.
- 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.

Overall, the general rate including the new rates for roading and business and economic development will increase by 2.9% (excluding the impact of growth from subdivisions). However, this will not necessarily be the amount by which each ratepayer's rates will increase. Other factors are involved. These are:

- The impact of the triennial revaluation on the District Valuation Roll; and
- Changes to the way Council charges rates as indicated in the Rating Policy document. These include :
  - Changing the general rating base from land value to capital value.
  - Reducing the number of differential groups from 9 to 3.
  - Dis-establishing the roading fixed and variable targeted rates, collecting these amounts from the general rate.
  - Dis-establishing the stormwater and land drainage rate, collecting this amount from the general rate.

The following charts show average increases to land value and capital value across the district as a result of the triennial revaluation.

Note: not all properties within each rating category will have increased by the same percentage.

If residents wish to determine their Rotorua District Council rates for 2012/13 please refer to the Rates Calculation Worksheet.

## Land value

Rating Categories	Average Land Value (\$)			Average % 2005-2008 increase	Average % 2008-2011 Increase
	2005	2008	2011		
Residential general urban	89,006	130,378	115,691	46%	-11%
Residential vacant urban	104,411	155,142	132,315	49%	-15%
Residential general rural	199,769	242,526	260,188	21%	7%
Residential vacant rural	118,206	150,436	152,754	27%	2%
Residential two unit	102,963	151,389	135,962	47%	-10%
Residential multi unit	151,857	249,427	307,189	64%	23%
Farming general	819,493	1,457,743	995,616	78%	-32%
Business urban outside CBD	253,852	373,748	332,874	47%	-11%
Business inside CBD	388,924	577,872	503,544	49%	-13%
Business rural	437,604	291,373	247,847	-33%	-15%

## Capital value

Rating Categories	Average Capital Value (\$)			Average % 2005-2008 increase	Average % 2008-2011 Increase
	2005	2008	2011		
Residential general urban	218,977	274,972	253,469	26%	-8%
Residential vacant urban	116,530	168,374	154,021	44%	-9%
Residential general rural	370,944	455,387	447,406	23%	-2%
Residential vacant rural	123,060	157,517	164,091	28%	4%
Residential two unit	261,310	333,211	310,909	28%	-7%
Residential multi unit	397,611	522,187	691,541	31%	32%
Farming general	1,110,753	1,772,065	1,301,075	60%	-27%
Business urban outside CBD	769,699	817,737	807,697	6%	-1%
Business inside CBD	1,229,404	1,648,916	1,415,788	34%	-14%
Business rural	1,418,135	983,005	912,941	-31%	-7%



## Indicative rates 2012/13

Category	Land Value (\$)	Capital Value (\$)	Total RDC 2012/2013 Rates (\$)	Total RDC 2011/2012 Rates (\$)	Increase/ (decrease) in total RDC rates (\$)	% Increase/ (decrease) in total RDC rates	Average % change for category
<b>Business (1,952 properties)</b>							
Lower capital value	129,000	255,000	2,999	3,173	(173.94)	-5.48%	
Medium capital value	154,000	459,000	4,500	4,038	462.66	11.46%	5.66% *
Upper capital value	360,000	895,000	8,766	8,685	81.53	0.94%	
<b>Farming General (2,017 properties)</b>							
Lower capital value	500,000	522,000	1,839	2,009	(170.34)	-8.48%	
Medium capital value	757,000	837,000	2,620	3,117	(496.75)	-15.94%	-12.1%
Upper capital value	1,300,000	1,580,000	4,411	5,927	(1,515.94)	-25.58%	
<b>Residential Rural General (4,073 properties)</b>							
Lower capital value	104,000	214,000	1,050	1,019	31.91	3.13%	
Medium capital value	185,000	360,000	1,223	1,161	61.76	5.32%	5.5%
Upper capital value	350,000	570,000	2,069	1,917	151.65	7.91%	
<b>Residential Urban General (18,529 properties)</b>							
Lower capital value	86,000	172,000	1,523	1,535	(11.51)	-0.75%	
Medium capital value	127,000	222,000	1,637	1,668	(31.12)	-1.87%	2.67%
Upper capital value	147,000	315,000	1,849	1,761	87.73	4.98%	

The table identified above shows the effects of the new valuations and proposed change to capital value rating to a number of different properties in each of the main sector groups. A rates calculation worksheet is included so you can identify the your proposed 2012/13 rates. Alternatively, a rate calculator is available on the Council's website [www.rdc.govt.nz/rates/2012/13](http://www.rdc.govt.nz/rates/2012/13) rates calculator.

\* This excludes the Rotorua District Council commercial rates of \$1,389,767 (2011/12) and \$2,497,453 (2012/13).