Appendix 4 – 2018/28 LTP Consultation Supporting Documentation

Funding & Financing Policies

Financial Strategy

INTRODUCTION TO THE STRATEGIES AND POLICIES

The funding and financial strategy and policies have been reviewed and updated as part of the LTP 2018/2028 process along with the infrastructure strategy. A summary of changes is included in this section which provides the intent of the policy, issues relating to any changes and the expected financial implications of these changes. The following policies are included in this section:

- Significance and Engagement Policy
- Revenue and Financing Policy
- Liability Management Policy
- Investment Policy
- Development Contributions/Financial Contributions Policy
- Remission and Postponement of Rates on Maori Freehold Land Policy
- Rates Remission Policy
- Rates Postponement Policy

Also included in this section is Council's Financial Strategy for 2018/28 and the Infrastructure Strategy to 2048.

SUMMARY OF POLICY CHANGES

Revenue and Financing Policy

The policy outlines how operating and capital expenditure for each activity will be funded, what funding sources are available to Council and how spending contributes to the community outcomes included in the LTP. Changes made to the policy were minor wording changes only.

Financial Impact

There are no material financial implications arising from the adoption of the updated Revenue and Financing Policy.

Liability Management Policy

The policy outlines how Council will manage borrowing and debt. Changes made to the policy are minor wording changes.

Issues

The length of time Council may repay its loans over was extended to 35 years to mirror the length of the recently obtained resource consents to dispose of wastewater to land. Wording was also added to make it Council policy to build up cash reserves in order to meet future repayments on interest only loans.

Financial Impact

There are no material impacts arising from the adoption of these changes.

Investment Policy

The policy outlines how Council manages investments and minimises risk. The policy now includes information on LGFA borrower notes. The amendments also included the update of the name of Civic Financial Services (formerly NZ Local Government Insurance Corporation Limited) and removing references to sinking funds as these are no longer used by SWDC.

Financial Impact

There are no material financial implications arising from the adoption of the updated Investment Policy.

Development Contributions or Financial Contributions Policy

The policy outlines the requirements for financial and development contributions for subdivision and land use consents. The policy in this document replicates the Financial Contribution Chapter (23) from the Wairarapa Combined District Plan.

Financial Impact

There are no material financial implications arising from the adoption of the updated Financial Contributions Policy.

Remission and Postponement of Rates on Maori Freehold Land Policy

The policy recognises that certain Maori land is eligible for relief from rates. Changes made to the policy were minor wording changes only.

Financial Impact

There are no material financial implications arising from the adoption of these changes.

Remission of Rates Policy

The policy provides a means for allowing rates relief where it is considered fair and reasonable to do so. Changes made to the policy were minor wording changes.

Issues

Record Council policy that if rates are paid via direct debit either weekly, fortnightly or monthly, late payment penalties will not be charged if the rates for the financial year have been paid in full prior to 30 June in the rating year.

The wording for contiguous properties was updated to reflect the wording in the Local Government (Rating) Act 2002 Section 20.

Financial Impact

Reduction in administrative overhead through improved collection of rates, reducing outstanding rates debt and collection costs.

Postponement of Rates Policy

The policy outlines under what conditions Council will allow postponement of rates.

Issues

Changes made to the policy were minor wording changes only.

Financial Impact

There are no material financial implications arising from the adoption of this amendment.

SIGNIFICANCE AND ENGAGEMENT POLICY

Purpose

Council strives to enable democratic local decision making and action by and on behalf of communities. As part of this good communication is required.

Background

Council communication needs to be professional, genuine, effective and enabling with all stakeholders at all times. To further guide this the Local Government Act 2002 (LGA) requires local authorities to have a Significance and Engagement policy.

Once a decision is determined to be "significant" in accordance with the general approach, criteria and procedures in this policy, a higher standard of compliance is required. Section 76(3)(b) requires that the Council must ensure before a significant decision is made that subsection 76(1) has been "appropriately observed".

The legislation (schedule 10 LGA) only requires the Long Term Plan (LTP) to contain a summary of the Significance and Engagement policy, but the entire policy is included in the LTP in place of the summary.

South Wairarapa District Council "General Approach" to Significance

The Local Government Act 2002 requires local authorities to set out their "general approach to determining the significance of proposals and decisions in relation to issues, assets, or other matters" (s76AA(1)(a)).

The Council will determine the significance of any issue requiring a decision, by making judgments according to the likely impact of that decision on:

a) The current and future economic, cultural, environmental and social well-being of the district or region.

b) The achievement of, or ability to achieve, the Council's strategic issues and objectives as currently set out in the LTP.

c) Any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter.

d) The capacity of the local authority to perform its role and carry out its activities, now and in the future.

e) The financial, resource and other costs of the decision.

Thresholds, Criteria and Procedures

The Policy must also set out any "criteria, and procedures" that the Council uses for assessing significance (section 76AA(1)(b)).

The range of issues requiring decisions by local authorities is very wide and it is impossible to foresee every possibility. It is therefore recommended that thresholds are not used to determine significance.

The following procedure will be used to determine significance:

Procedure for Determining Significance

a) Identification of an issue requiring a Council decision (generally by officers).

b) Assessment of significance using the criteria set out in "South Wairarapa District Council's General Approach to Significance", set out above; followed by:

c) Officer or other professional advice on significance and options; followed by:

d) Council consideration and final decision-making on the:

- Degree of significance of the issue.
- Appropriate level and type of consultation.

Advice from Council officers will, in normal circumstances, be included in the Council approved report format. This format has been revised so that it specifically considers the impact of decisions as set out in the "general approach" above.

Strategic Assets[1]

This policy must also list those Council owned assets, considered by the Council to be "strategic assets" (section 76AA(3)).

"Strategic asset" is defined in the LGA as " … an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future well-being of the community" and includes:

a) Any asset or group of assets listed in accordance with section 76AA(3*)* 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 –

- A port company within the meaning of the Port Companies Act 1998;
- An airport company within the meaning of the Airport Authorities Act 1966.

The list below shows the South Wairarapa District Council owned assets that are considered to be "strategic assets". Only those assets that are important to achieving the Council strategic objectives have been included.

- Roading network (including footpaths, street lighting and parking).
- Wastewater network and oxidation ponds.
- Water treatment, storage and supply network.
- Solid waste facilities.
- Stormwater network and water races.
- Reserves and sports fields.
- Swimming pools.
- Libraries.
- Community buildings.
- Public toilets.
- Cemeteries.
- Pensioner housing.

1 Pensioner housing is a strategic asset by law.

2 The Council considers all asset classes listed in this section as single whole assets. This is because the asset class as a whole delivers the service. Strategic decisions therefore only concern the whole asset class and not individual components, unless that component substantially affects the ability of the Council to deliver the service, or would be deemed significant and strategic under the procedure.

Engagement and Consultation

Rationale

To ensure a consistent approach is taken to engagement and consultation across South Wairarapa District Council in compliance with the consultation requirements of the Local Government Act 2002.

This policy does not cover the submission process that may be required under the Resource Management Act 1991 or the subsequent Amendment Acts.

Introduction and Background

As an organisation responsible to the community it serves, South Wairarapa District Council is committed to ongoing and effective consultation.

The Council already conducts consultation with the public on many issues and this policy reflects both current practice and its responsibilities under the Local Government Act 2002.

The Council will make its consultation policy publicly available after the three-yearly Local Body election of the Mayor and councillors, as set out in section 40 (1)(h) of the Local Government Act 2002.

Note that within this policy, the word *council* refers to any decision-maker within Council. This could be the Council, a committee or sub-committee or an officer with delegated authority.

Commitment to Engagement and Consultation

A well-structured consultation process is a key part of improved decision making. The Council welcomes and values input from the people of South Wairarapa District so it can adequately reflect their views in its decision making. Decision making is improved as a result.

The Council is also committed to determining the overall community view as accurately as possible and will use the appropriate techniques to meet this objective.

Consultation will enhance the democratic process by contributing to the decision making of the Council.

The Council is committed to acknowledging the unique perspective of Māori and will consult with Council's Maori Standing Committee.

What is Consultation?

Consultation is a genuine exchange of information, points of view and options for decisions between affected and interested people and decision-makers before a decision has been made.

It does not mean that the decision will be delegated to those involved in the consultation process, but rather that the decision, when made, is likely to be improved by the public's involvement.

For the purpose of this policy South Wairarapa District Council has adopted the following definition of consultation:

Consultation is the dialogue that precedes decision-making

- Seek input on a concept, issue or proposal that has not been decided upon.
- Encourage those people who will or may be affected by, or have an interest in, the matter to present their views (section 82 (1)(b) Local Government Act 2002).
- Provide those people who will or may be affected by, or have an interest in, the matter with reasonable access to relevant information about the matter, and clear information about the purpose of the consultation and the scope of the decisions to be taken following consideration of the views presented (section 82 (1)(a) and (c) Local Government Act 2002).
- Give people a reasonable opportunity to present their views according to their preferences and needs (section 82 (1)(d) Local Government Act 2002).
- Listen to what people have to say and consider their views and comments with an open mind (section 82 (1)(e) of the Local Government Act 2002).
- Decide if and how any proposal should be changed or developed further.
- Report on the final decision and the reasons for it (section 82 (1)(f) Local Government Act 2002).
- Respond to the people involved in the process (section 82 (1)(f) Local Government Act 2002).

According to this definition, the public's role in consultation will generally be one of expressing an opinion and providing additional information. It does not usually mean that the decision has been delegated to them.

Consultation may include market research techniques such as quantitative surveys, qualitative focus groups, individual interviews and online surveys.

Consultation is Not:

- Solely providing information (although effective communication forms part of consultation).
- Always about reaching an agreement or consensus.
- Always about negotiation.

Consultation is Not Appropriate When:

- A decision has already been made or the likely decision is apparent (section 82 (1)(e) Local Government Act 2002).
- There is a need for commercial sensitivity.
- It is a small issue with little public interest.
- The likely costs of the consultation are not in proportion to the benefits (section 82 (4)(e) Local Government Act 2002).
- There is a threat to public health or safety.

Concern

At any time someone is concerned with significance or engagement, the following channels are available to elevate their concerns to a point of resolution:

- Council officers deal with matters from the public in the first instance.
- The public are encouraged to direct any unresolved concerns or complaints to the respective departmental manager.
- Should a person believe that their concern has still not been dealt with satisfactorily they are encouraged to bring the matter to the attention of the Chief Executive Officer.
- If a person remains unsatisfied with the decision of the Chief Executive Officer they may place their concern in writing for consideration by the Council.
- A register of complaints received from officers and elected members shall be kept and acted upon. A report to Council shall be supplied 6 monthly on complaints received and their resolution.

REVENUE AND FINANCING POLICY

Introduction

The Revenue and Financing Policy (Policy) contains Council's policies with respect to the funding of operating expenditure and capital expenditure from various revenue sources. When read in conjunction with the Funding Impact Statement (Rating), this policy provides the link between the funding decisions taken at the activity level, with the eventual rates assessment that each ratepayer will receive. It is also the lead policy for other funding and financial policies including:

- Liability Management Policy.
- Investment Policy.
- Development and/or Financial Contributions Policy.
- Rates Remission Policies.
- Rates Postponement Policy.

Section 101 (3) of the Local Government Act 2002 (LGA) sets out the requirements Council must consider as part of the development of the policy. Section 103 of the LGA sets out the general contents of the Policy.

The first step requires consideration, at activity level of each of the following:

- Community outcomes - the community outcomes to which the activity primarily contributes (in other words Council's rationale for service delivery).
- The user/beneficiary pays principle – the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals.
- The intergenerational equity principle – the period over which those benefits are expected to accrue.
- The exacerbator pays principle – the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

Community Outcomes

The requirement to consider community outcomes in the funding process is seen as an obligation for Council to consider why it is engaged in an activity and to what level. To that extent, possible funding of activities should be consistent with achievement of desired outcomes.

Distribution of Benefits

At this stage, Council is required to consider who benefits from the activities performed by Council. This is expressed as the public/private split. Economic theory suggests there are two main characteristics that need to be considered when looking at a particular good or service:

Rivalry in Consumption

A good is a rival in consumption if one person's consumption of the good or service prevents others from doing so, e.g. a chocolate bar is a good with a large degree of rivalry in consumption, i.e. if Bill eats it, Jane cannot.

Excludability

A good or service is excludable if a person can be prevented from consuming the good or service, e.g. if Bill does not 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 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 a public good 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.

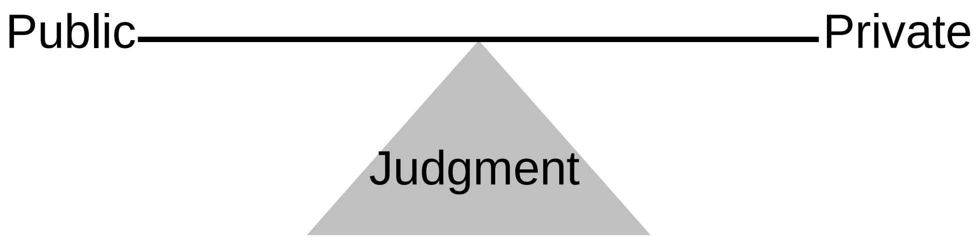
At the other end of the continuum are 'private goods' which are both rival and excludable. Most daily consumables are private goods.

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.

The characteristics of a good or service determine what type of funding mechanism might be used to fund a particular service. Council has already made judgements about what it considers are public goods when deciding whether or not to undertake a particular activity.

For example, a good towards the public end of the continuum may not be a good candidate for user charges as people cannot be prevented from consuming it, or because everyone consumes it whether they wish to or not. Such goods will generally be candidates for funding from some general source such as a general rate. A good towards the private end of the spectrum may be a candidate for a targeted rate or a user charge.

In the end, it is likely to come down to 'reasonable' judgment. Both the LGA and previous case law place the responsibility on elected members to make decisions about who benefits and who should pay.



Distribution of Benefits Over Time

Council needs to consider something called 'intergenerational equity' which means that funding decisions are required to consider future generations, not just today. Many of the activities provided by local government are either network or community infrastructure which have long service lives. Benefits from these services can be expected to accrue over the entire life of the asset. Current ratepayers should not be expected to subsidise the benefits that future ratepayers receive nor should future ratepayers subsidise current ratepayers.

One way that Council applies the intergeneration equity principle is by spreading costs over the future. Council will typically borrow to fund the cost of a project and future ratepayers will repay the loan (and interest cost), say over a 25 year period. Council typically only borrows to fund capital expenditure but Council may use short term borrowing to spread some operating costs or smooth funding over a limited period to avoid rates spikes.

Council also needs to ensure that appropriate funding has been allocated to reasonably meet the levels of service that each activity is targeting to meet and financial sustainability into the future needs to be considered.

Actions or Inactions of Individuals or Groups

This generally refers to how to make the 'exacerbators' pay. This could include funding mechanisms to allow for the fining of people that cause unwanted Council activity, e.g. cleaning up abandoned cars or rubbish. However, Council has very limited funding mechanisms to enable targeted charging. In many cases, it is not possible to pass this cost on to the exacerbator, therefore, Council needs to identify the quantum of the issue and decide who should bear the cost, if not the exacerbator.

Costs, Benefits and Separate Funding

Council is required to consider whether an activity should be separately funded and what the cost implications might be. There are administration costs associated with separate funding and these need to be weighed against any benefits of targeting specific beneficiaries/users of a service, including transparency and accountability.

Transparency and accountability are most evident when an activity is totally distinctly funded. This allows ratepayers, or payers of user charges, as the case may be, to see exactly how much money is being raised for and spent on the activity, and to assess more readily whether or not the cost to them of the activity represents good value.

However, funding every activity this way would be extremely complex. For some activities, the quantity of rates funding to be collected amounts to only a few cents per ratepayer. The administrative costs and lack of significance lead Council to fund a number of activities by way of a general rate. To aid in transparency and accountability, Council separates the total general rate into reasonable activity breakdowns when presenting the ratepayer with their rates assessment notices. This then allows the ratepayer to make some form of meaningful assessment down to activity level.

Selection of Tools

Section 103(1) requires Council to identify the funding of operational expenditure and capital expenditure.

Operational expenditure is normally funded by way of revenue (income) while capital expenditure can be funded by way of both revenue and non-revenue items such as loans and the use of Council created reserves.

Capital expenditure is expenditure when the benefit of that expenditure is greater than one year and therefore benefits obtained by those assets spread according to the life of the asset.

Section 103 (2) LGA requires Council to identify its funding tools.

A number of tools can be used to allocate both public and private good. The use of targeted rates is good example of this. An activity with a very high percentage of public good can be allocated over a small geographical area and therefore the most appropriate tool to recover the expenditure would be a targeted rate. In this instance a targeted rate is used to recover a public good. However targeted rates can be used to recover a private good such as use of water from a closed network. This is where Council can restrict people using that network and before they can join they have to formally join to it and are charged the appropriate fee(s).

Revenue

General Rates (Including Uniform Annual General Charge) (UAGC).

The Council differentiates the General Rate based on land valuation (Schedule 2 Local Government (Rating) Act 2002).

The differential categories are:

a) *Group 1 Commercial* – all rating units that are used (or available) primarily for any commercial or industrial purpose.

b) *Group 2 Urban* – all rating units used for residential and related purposes within the urban areas of the District Plan.

c) *Group 3 Rural* – all rating units within the rural area in the District Plan.

This is usually used to recover public good.

Council believes that land value allocates the costs fairly between the rural and urban communities.

When Council considered the advantages and disadvantages of rating based on land values versus capital values it identified that:

- The ratio of land value to capital value was inconsistent across the district and changing the rating basis to land values would have lead to more ratepayers having a rates increase than those having a decrease in rates payable.
- The table below indicates the likely spread of increases and decreases in rates from a move to using capital values to charge for rates.

RATING USING LAND VALUES VS CAPITAL VALUES

Movement in General Rates	Percent of General Properties with Movement
Decrease between 0% and 30%	35%
Increase between 0% and 30%	14%
Increase between 30% and 100%	31%
Increase greater than 100%	20%

- As land value is the current method it is accepted and understood by the majority of ratepayers.
- There would be additional costs in moving to capital values and additional costs in maintaining the rating database without out any significant increase in benefit to Council or ratepayers.

Targeted Rates

Targeted rates, are rates set on a differential on value, rates set over an area of benefit and rates for a service or for an activity.

Targeted rates can be used to rate for both private good and public good services.

Current targeted rates include the Uniform Annual Charge (UAC) – Reserves and Civic Amenity rate.

Lump Sum Contributions

Lump sum contributions are used for the recovery of specific capital expenditure.

There must have a high component of private good to use lump sum contributions.

Fees and Charges

Any fee, recovery fine or charge made Council for service or activity.

This must have a high component of private good.

Interest and Dividends from Investments

Income from an investment. This would be generally public good.

Financial & Development Contributions

These are used to recover costs to upgrade services to provide for and mitigate the effects of development. Council currently has a Development Contributions and Financial Contributions Policy. Financial Contributions are levied under the provisions of the Resource Management Act through the Wairarapa Combined District Plan. Development contributions are levied under the Local Government Act. As part of the LTP process, Council has reviewed the Development Contributions Policy to better reflect recent changes in legislative requirements for such contributions.

This must have a high component of private good.

Grants and Subsidies

Income from external funding entities. These generally would be of a public good.

Borrowing

Loans, both short term and long term. This is a funding tool and does not need a split between public and private good as it is only deferring the eventual charge.

Proceeds from Asset Sales

This would only need to be recognised where an asset was being sold and not replaced with a similar asset. For the example where the proceeds from the sale of corporate property where used to fund another activity.

Council Created Reserves

Council created reserves result from surplus revenues over expenditure being held for a particular purpose or the transfer of non-cash expenditure (e.g. depreciation).

Rates Payments Applied to Oldest Debt

Payments received for rates will be applied to the oldest debt first, regardless of whether the payer requests the payment be applied to the current debt. Rates debt becomes unenforceable after a period of time; this policy assists in avoiding debt falling into this category.

Expenditure Funding Mechanism

The following table summarises Council's view with regard to the appropriate funding mechanism for different types of Council expenditure. This table summarises the distribution of private and public benefits and indicates the funding sources SWDC uses for each category of activity.

Activity	Community Outcomes	User/Beneficiary pays principle	Intergenerational equity principle	Exacerbator pays *	Costs and benefits	Distribution of benefits: Private	Distribution of benefits: Public	Rationale	Funding Sources: Operational	Funding Sources: Capital
Governance/Leadership/Advocacy										
Representing the community	Vibrant and strong communities, Sustainable South Wairarapa	NIL	NIL	L	L	0%	100%	The democracy process is available to all residents and ratepayers, therefore all ratepayers benefit from this activity	General rate & Reserve Funding	
Public Protection										
Protection of public health	Healthy & economically secure people	M	NIL	M	M	70-80%	30-20%	Council has a statutory obligation to enforce public health legislation	Fees & Charges General Rate	
Noise control and enforcement		NIL	NIL	H	L	10%	90%	Ability to charge for monitoring and recover other costs	Fees & Charges General Rate	
Building consents and enforcement including swimming pool inspections		H	NIL	L	M	80-90%	20-10%	Council has a statutory obligation to enforce the Building Act	Fees & Charges General Rate	
Dog and animal control		L-M	NIL	H	L	60-70%	40-30%	For dog control the urban community receive a higher benefit than the rural community., while for animal control the rural community receives a higher benefit than urban	Fees & Charges General Rate	
Liquor licensing		H	NIL	L	L	100%	0%	Council has a legal obligation to enforce Liquor Act	Fees & Charges General Rate	
Emergency management and civil defence		NIL	NIL	L	H	0%	100%	Emergency Management is for the protection of life and restoration of essential services	General rate	
Community Development										
Cultural and community development	Vibrant and strong communities, Sustainable South Wairarapa	L	NIL	NIL	H	0%	100%	Supporting community activities for which council believes there is a high public benefit	General rate Targeted rate	
Economic Development		NIL	NIL	NIL	L	0%	100%	Economic Development is there for the benefit of the district, but there are occasions where parts of the district benefit to a different degree	General rate Targeted rate	
Economic Development - Tourism		M	NIL	NIL	M	60-70%	40-30%	Tourism is a very important part of economic activity within SW therefore has a high public good. However the benefit received from tourism also directly benefits the tourist related businesses	General rate Targeted rate	
Resource Management										
District Plan (reviews and development)	Vibrant and strong communities, Sustainable South Wairarapa	L	NIL	M	L	5%	95%	DP is a strategic and statutory planning document for the benefit of the district however members of the community can apply and fund a private plan change	General rate, fees and charges, reserves short term loans (1-3 yrs)	
Resource consent applications		H	NIL	H	H	95%	5%	Element of public good for enquiries, and consents that have a high public interest	General rates, Fees & Charges, surpluses	
Resource consent appeals		H	NIL	H	L	50%	50%	Appeals potentially cover a wide range of effects and have a wide range of benefits	General rates / surpluses	
Amenities										
Parks and Reserves including playgrounds	Healthy & economically secure people. Educated and knowledgeable people. Vibrant & strong communities.	L	H	M	M-L	20%	80%	Reserves are there for recreational purposes and are open to all without restriction except for specific areas and times	Targeted rate, fees & charges	Targeted rate, contributions, surplus funds & loans
Swimming Pools in Featherston, Greytown & Martinborough.		L	M-H	L	L	30-40%	70-60%	While pools provide rec value council can restrict access	Targeted rate, fees & charges	Targeted rate, contributions, surplus funds & loans

Ownership of Camping Grounds in Martinborough, Greytown & Lake Ferry.	Healthy & economically secure people. Educated and knowledgeable people. Vibrant & strong communities.	H	M	L	L	70-85%	30-15%	Mba is a restricted area and Gtn is unrestricted however council may in the future may look at options for Gtn	Targeted rate, fees & charges	Targeted rate, contributions, surplus funds & loans
Civic Amenities										
Libraries in Featherston, Greytown and Martinborough.	Healthy & economically secure people. Educated and knowledgeable people. Vibrant & strong communities.	H	L-H	L	M	30-40%	60-70%	This activity provides public benefit by increasing people's knowledge, but also provides a private benefit. that as has a private benefit	General rate, fees & charges	General rate, surplus funds & loans
Pensioner housing units in Featherston, Greytown and Martinborough.	Healthy & economically secure people. Educated and knowledgeable people. Vibrant & strong communities.	H	M	H	L	95%	5%	There is high private benefit by the tenants and council provides this facility for the wellbeing of a select number of the	Fees & charges	Surplus funds & loans
Public toilets in Featherston, Greytown and Martinborough and at various rural and coastal sites.		H	M	L	L	80-90%	20-10%	Providing essential service to ensure clean environment	Targeted rate	Targeted rate, surplus funds & loans
Public halls in Featherston, Greytown and Martinborough.		M-H	M	M	L	40-60%	60-40%	While used for private benefit there are wider community benefits of having halls available, Halls are the focal point of the community	Targeted rate, fees & charges	Targeted rate, contributions, surplus funds & loans
Cemeteries in Featherston, Greytown and Martinborough.		H	H	L	L	90%	10%	Can restrict access and there are alternatives, providing service to public there are benefits from memorial status	Targeted rate, fees & charges	Targeted rate, surplus funds & loans
Roading / Land Transport	A place that's accessible and easy to get around.	H	H	H	H	70-80%	30-20%	Road corridor provides high public good however the use of the road is predominantly for private benefit purposes	Fees & charges, NZTA subsidy, tolls, contributions, general rate	Fees & charges, NZTA subsidy, tolls, contributions, general rate
SOLID WASTE MANAGEMENT										
Waste collection	Healthy & economically secure people	H	L	H	M	70-80%	30-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rate	Surplus funds, fees & charges, targeted rate & loans
Closed Landfill		NIL	M	L	L	0%	100%	Protect environment from impacts of previous events	General rates	General rate, surplus funds, & loans
Transfer stations		H	L	H	M	70-80%	30-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rate	Surplus funds, fees & charges, targeted rate & loans

Recycling	Healthy & economically secure people	H	L	H	M	70-80%	30-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rate	Surplus funds, fees & charges, targeted rate & loans
STORMWATER										
Storm water Collection	Sustainable South Wairarapa	H	H	H	L-M	20%	80%	Collection predominantly to prevent flooding of private and public property	Fees & Charges, targeted rate, general rate	Fees & charges, contributions, targeted rate, general rate, surplus funds & loans
Storm water Treatment		L	H	H	L-M	5%	95%	To protect the environment	Fees & Charges, targeted rates, general rates	Fees & charges, targeted rate, general rate, surplus funds & loans
Water Supply	Healthy & economically secure people	H	H	H	M	90%	10%	Provides safe potable drinking water	Fees & Charges, targeted rate, contributions	Fees & charges, contributions, targeted rate, subsidies & grants, surplus funds & loans
Wastewater	Healthy & economically secure people, Sustainable South Wairarapa	H	H	H	M	75%	25%	Provide safe/sanitary treatment & disposal environment for waste	Fees & Charges, targeted rate, contributions	Fees & charges, contributions, targeted rate, subsidies & grants, surplus funds & loans

LIABILITY AND MANAGEMENT POLICY

Introduction

The borrowing management policy will be consistent with Council's overall objectives and plans. The amount of borrowing is driven on a project by project basis. Council approves borrowing by resolution as part of the Annual and Long Term Planning processes.

Council may borrow from itself, any registered bank or wholesale investor by the issue of local authority stock, or the Local Government Funding Agency or in any other manner which it considers appropriate.

Interest Rate Exposure

Council's borrowing gives rise to direct exposure to interest rate movements. Given the long term nature of Council's assets, projects and intergenerational factors, Council's policy is to have a high percentage of fixed rate borrowing, however in certain circumstances it may be prudent to consider a more even balance between floating and fixed rate instruments. Interest rate risk is managed by adjusting the maturity of borrowings to avoid a concentration of debt reissues or rollovers in line with interest rate predictions.

All matters concerning borrowing which can be lawfully delegated are delegated to the Chief Executive.

The use of hedging instruments for risk management on Council's borrowing is not appropriate. Should Council wish to use hedging instruments an ordinary resolution approving their use will be adopted by Council.

Liquidity

Liquidity refers to the availability of cash resources to meet all obligations as they arise.

Short term liquidity management is monitored and controlled through daily cash management activities with long term liquidity being monitored and controlled through the Annual Plan and Long Term Financial Strategy processes.

Council ensures debt maturity is spread widely to minimise the risk of large concentrations of debt maturing at any one time. Council may maintain an overdraft facility to meet short term cash requirements as and when necessary.

Credit Exposure

Council is readily able to attract cost effective borrowing because of the strength of security offered by its powers to rate, and the very low historical incidence of default by local authorities.

Debt Repayment

Council has traditionally entered into two types of loans. These comprise reducing balance and interest only loans. Reducing balance (table mortgage) loans are repaid from operational funds over the life of the loan. Council can liquidate these loans at any point of time if allowed under the terms of the loan agreement. Interest only loans are taken out over the life of the project and refinanced at three to five year intervals.

Council has forecast to make repayments of principal on interest only loans. The loans are intended to be for the same length of time as the asset life. Most of the loans are for assets that have a life of between 7 years and 35 years and as a result some of these mature within the period of the current Long Term Plan (LTP).

Council's goal is to spread the principal and interest costs related to asset purchases evenly over the period of the assets life, and therefore achieve inter-generational equity for ratepayers. While the loan principal is not paid off progressively, Council sets aside deposits to accumulate progressively to prepare for repayment of the loans.

Council has introduced a policy of building up its cash reserves in order to meet future renewals of its assets and repayment of its interest only loans.

Terms of repayment should be determined after consideration of the cost of finance and any intergenerational benefits of the assets being financed.

The maximum period over which borrowings are to be repaid is the lesser of 35 years or the life of the project, unless otherwise resolved by Council.

Specific Borrowing Limits

The gross interest expense of all borrowings will not exceed 12% of rates income.

Security

Council does not offer assets as security for borrowings.

INVESTMENT POLICY

Introduction

The investment policy will be consistent with Council's overall objectives and plans. Council acknowledges that there are financial risks associated with its investment activities but is risk averse. The treasury function is based on managing risk and protecting investments. There is no involvement in speculative transactions.

The management of trusts, special funds and reserves will be reviewed on a regular basis. This will ensure that their holding complies with any statutory or other special requirements and that their use is consistent with these requirements and with Council policy at the time.

Investments generally will be made having regard to the following objectives:

- To manage short term cash flows in an efficient and prudent manner providing cash for approved expenditure needs and in the event of urgent requirements.
- To provide cash for the future retirement of debt on maturity.
- To maximise interest income and minimise risk to the capital invested.

Treasury Investments

Council's treasury investments comprise sums reserved for special purposes and funds held for working capital requirements. These funds are managed using the following guidelines:

- Funds are invested only with institutions which offer an excellent degree of security. These include the New Zealand Government, State Owned Enterprises, Local Authorities (including itself) and New Zealand registered banks.
- The maximum amount to be invested with any one approved institution is 30% of Council's total investments except for the Wairarapa Building Society which shall be 10%.
- Occasional and short term exceedances of the 30% rule are allowed, such exceedances are to be reported to the Audit and Risk Working Party.

Equity Investments

Council has small shareholdings in the following organisations:

- Civic Financial Services Limited.
- AIRTEL Limited.
- Farmlands Trading Society Limited.

A Council resolution is required to dispose of these shares.

Council is risk averse and does not wish to expose itself to the risks associated with equity investments. It will not as a general rule seek to acquire further equity investments.

Emissions Trading Scheme

Council has a number of "New Zealand Emissions Units" that were issued as a result of the introduction of the emissions trading scheme.

A Council resolution is required to transact these units.

Local Government Funding Agency

Council may borrow funds from the Local Government Funding Agency (LGFA).

Council holds borrower notes with the LGFA. Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority.

Under certain very limited circumstances, the borrower notes can convert to shares.

If this were to occur, a Council resolution will be required to manage these shares.

Property

Council holds a limited amount of real property for investment purposes. It may and does purchase property from time to time to assist in the provision of its core services to the community. Surplus properties will be disposed of wherever possible. Council will review its property holdings on a regular basis.

Mix of Investments

The mix of investments will be determined having regard to the overall funding needs of Council. Investment mix is also influenced by risk management considerations. Council will maintain sufficient general funds for day to day operational needs.

Council may establish, alter or dissolve a fund for a particular purpose by ordinary resolution.

Acquisition of New Investments

Treasury investments are acquired under delegated authority to the Chief Executive.[2]

It is unlikely that Council will invest in shares in the foreseeable future. Any such acquisitions would require a resolution by Council.

When acquiring treasury investments Council seeks to:

- Optimise return on investments.
- Ensure investments are secure.
- Manage potential interest rate movement losses.

Disposition of Revenue from Investments

All dividends, interest and other income from investments will be available for Council's general use except where Council has resolved that interest earned on funds invested in an account shall be reinvested in that account. These accounts shall be subject to review each year.

Disposition of Proceeds of Sale of Investments

Equity and property investments may be disposed of by resolution of Council. In general terms, these proceeds will not be available for operational purposes unless Council resolves otherwise. These proceeds will normally be used for capital investments or the retirement of debt.

On maturity, treasury investments may be realised for Council's general use or reinvested under delegated authority by the Chief Executive.

Procedures

Equity and property investments will be reviewed by Council each year.

Treasury investments will be managed under delegated authority by the Chief Executive. All realisations, transfers and reinvestments will comply with this policy. The Audit and Risk Working Party will receive a schedule of all treasury investments for each month. A schedule of investments will be provided to Council on a regular basis as part of the financial statements included in the Chief Executive Officer's report.

[2] The Chief Executive and/or other officers to whom the Chief Executive may delegate from time to time.

Investment Risk Assessment and Management

Council has a number of investment properties and only one equity investment.[3] [Council does hold shares in Airtel Ltd and Farmlands Trading Society Limited, however these are not held for investment purposes]. The exposure to risk in these areas is minimal.

Council's primary objective in respect of treasury investments is the protection of those investments. Only credit worthy counter parties are acceptable. Council will manage its exposure to credit risk by maintaining a diverse investment portfolio with prescribed limits for each counter party. The exposure to interest rate risk will be managed by a mix of terms and staggered maturity dates to mitigate the effect of market fluctuations.

Objectives for Holding and Managing Financial Investments and Equity Securities

The objectives of holding financial investments are:

- To maintain sufficient cash flow to meet current and future needs.
- To ensure sufficient funding is available to meet future loan repayments as they fall due.

The objectives of holding equity investments are:

- Equity investments are held solely for strategic purposes and are not held for financial return.
- Equity investments will only be made to support companies that provide a service that may not otherwise be provided, for the benefit of either the three Wairarapa local authorities, or a wider base of local authorities.

Targets for Returns on Financial Investments and Equity Investments

The targets for returns on financial investments are:

- The key rationale of the holdings of financial investments is risk minimisation. Due to the levels of cash holdings these are managed solely for cashflow purposes. Council policy limits investment to very low risk investment, which by it's nature provides modest returns

The objectives of holding equity investments are:

- Equity investments are held solely for strategic purposes and are not held for financial return
- There is no quantified target for equity investments for the reasons outlined above.

[3] Civic Financial Services Ltd 53,390 shares.

DEVELOPMENT CONTRIBUTIONS AND FINANCIAL CONTRIBUTIONS POLICY

Introduction

As further subdivision occurs and new activities are established within the Wairarapa, the existing infrastructure and amenities come under pressure. Financial contributions and Development contributions are ways of ensuring that any adverse effects from subdivision and development on the environment or on community resources are minimised, including ways of offsetting any adverse effects with a contribution toward environmental improvements. Such contributions can be in the form of money, land, works or services and may include the provision of roads and services, the protection of an important historic or natural feature, the visual enhancement of a site through landscape treatment or the provision of access to a hitherto inaccessible river or stream.

Council does not take Development Contributions, instead Council utilises the Financial Contributions policies and rules contained in the Wairarapa Combined District Plan (WCDP). Council will continue with that practice until such time as it develops a new legally compliant Development Contributions Policy in accord with the provisions of the Local Government Act 2002. It is Councils intention to introduce a new and compliant development contributions policy in advance of the Resource Management Amendment Act 2017 repeal on 18 April 2022 of S108 (2) (a) of the Resource Management Act 1991, which currently enables Council to take Financial Contributions through the WCDP.

Financial contributions for subdivision and land use consents may include the costs of upgrading and expanding community works and services as a result of the proposal, including (but not limited to) public roads, public water supplies, and the disposal of wastewater and stormwater.

This section deals with the requirements for financial contributions, either as a standard of a permitted activity, or a land use or subdivision consent.

Where a financial contribution is required as a condition of a permitted activity or resource consent, the purpose, circumstances in which a contribution may be required, and the amount of that contribution are stated. For some types of contributions, a maximum contribution is specified to ensure such contributions are equitable and not unreasonably onerous for some forms of development.

Contributions for land use development through the resource consent process will be sought in full, unless a previous contribution has been received in the subdivision of the site. Conversely, if a contribution was paid at the time of land use development, then no contribution may be required at the time of any subsequent subdivision consent in recognition of the previous contributions.

Reserve Contributions Standard

Circumstances when a general reserves contribution is required as a condition of a permitted activity or a resource consent:

a) As a condition of a land use resource consent for any additional residential unit, provided that a general reserve contribution has not already been made at the time of the subdivision creating that lot or under the relevant Council's Long Term Plan.

b) As a condition of subdivision resource consent for any new allotment, provided that a general reserve contribution has not already been made under the Council's Long Term Plan.

c) As a standard of a permitted land use activity for any additional residential unit, with the payment of the contribution to be made prior to the issuance of a code of compliance certificate for the building consent, provided that a general reserve contribution has not already been made at the time of the subdivision creating that lot or under the Council's Long Term Plan.

Reserve Contribution Amount

Amount of contribution for reserves as a standard of a permitted activity or as a condition of resource consent:

a) For subdivision, a general district-wide reserves contribution of 3% of the land value of each allotment to be created in the Residential, Commercial and Industrial Zones (plus GST), and 2% of the land value of each allotment to be created in the Rural Zone (plus GST). In the Rural Zone, the maximum amount of the sum of this general district-wide reserves contribution and any general district-wide roads, access, parking and loading contribution taken under Rule 4.A(g) shall be $7,500 (plus GST) per allotment created by a subdivision; or

b) For land use development for residential purposes, a general district-wide reserves contribution of 0.25% of the value of each additional residential unit (plus GST).

Assessment Criteria for Remission or Waiver of Reserves Contribution

In determining whether to grant a remission or waiver of any reserves contribution, regard shall be had, but not limited to, the following criteria:

a) The activity's impacts on the reserve network and the cost to the relevant Council to avoid, remedy, or mitigate these impacts.

b) Measures proposed by the developer to enhance an existing reserve or the open space of the locality.

c) Other methods proposed by the developer to avoid, remedy or mitigate any adverse effects on the reserve network.

d) Whether any site of natural and cultural heritage can and should be enhanced or protected as part of the development.

Form of Contribution

a) The contribution may be required in the form of money or land or any combination thereof.

b) If the reserve contribution is in the form of land which is acceptable to Council, the value of the land to be vested as reserve shall be established on the basis of a registered valuer's report. Registered valuer's reports shall be produced at the consent holders cost and be no older than 3 months at the time the contribution is paid.

Purpose

a) To provide for the acquisition and development of reserves and open spaces in response to the needs arising from subdivision and development.

b) To protect conservation values of riparian and coastal margins, and associated water quality and aquatic habitat.

c) To provide opportunities for public access to and along water bodies including the coast.

d) To provide recreational opportunities near water bodies.

Contributions Payable

a) For permitted activities involving construction of a residential building, contributions shall be made prior to the issuance of the Code of Compliance Certificate for the Building Consent.

b) For land use resource consents, contributions shall be payable as and when required by any condition of that consent.

c) For subdivision resource consents, contributions shall be made prior to the issuance of the Certificate under Section 224 of the Resource Management Act 1991 (RMA).

Infrastructure Contributions Standard

Circumstances when an infrastructure contribution is required as a standard of a permitted activity or as a condition of a resource consent:

a) As a condition of a land use resource consent for any additional residential unit or administrative, commercial or industrial purposes towards particular works of one or more of the types referred to in the WCDP section 23.3.2 (a) to (f) and a contribution under section 23.3.2 (g) or (h), provided that an infrastructure contribution towards those particular works and a contribution under section 23.3.2 (g) or (h) have not already been made at the time of the subdivision creating that lot or under the Council's Long Term Plan.

b) As a condition of subdivision resource consent for any new allotment towards particular works of one or more of the types referred to in sections 23.3.2 (a) to (f) and a contribution under section 23.3.2 (g), provided that an infrastructure contribution towards those particular works and a contribution under section 23.3.2 (g), have not already been made under the Council's Long Term Plan.

c) As a standard of a permitted land use activity towards particular works of one or more of the types referred to in sections 23.3.2 (a) to (f) and a contribution under section 23.3 (g) or (h), with the payment of the contribution(s) to be made prior to the issuance of a code of compliance certificate for the building consent, provided that an infrastructure contribution towards those particular works and a contribution under section 23.3.2 (g) or (h), have not already been made at the time of the subdivision creating that lot of under the Council's Long Term Plan.

Infrastructure Contribution Amount

Amount of contribution for infrastructure as a standard of a permitted activity or as a condition of a resource consent:

a) The actual cost of water supply, wastewater or stormwater disposal systems to the development; and

b) The actual cost of all necessary water supply, wastewater or stormwater disposal reticulation within the development for each allotment or building; and

c) The actual cost of connections between the water supply, wastewater or stormwater disposal reticulation in the development and the Council's water supply, wastewater and stormwater disposal system; and

d) The actual cost of upgrading of any existing Council water supply, wastewater or stormwater disposal system to the extent that it is necessary to service the development; and

e) A share of the cost of the existing water supply, wastewater or stormwater disposal system where additional capacity has been created in anticipation of future development. The share will be calculated on the proportion of the additional capacity required to serve the development; and

f) A share of the cost of new water supply, wastewater or stormwater disposal system or upgraded water supply, wastewater or stormwater disposal system where additional capacity will be required by the cumulative effects of an area's development - the share will be calculated on the proportion of the additional capacity required by the development; and

g) For subdivisions, a general district-wide infrastructure contribution of $5,000 (plus GST) per allotment that connects with public infrastructure and services; or

h) For land use development for residential, administrative, commercial and industrial purposes, a general district-wide infrastructure contribution of $5,000 (plus GST) per new unit for linking with public infrastructure and services; plus 0.5% of the assessed value of any building development in excess of $1,000,000 (plus GST). The assessed value of the development will be based on the estimated value of the building as stipulated on the building consent application; or

i) For land use development for additions and alterations for administrative, commercial or industrial purposes that connects with public infrastructure and services, a general district-wide infrastructure contribution of 0.5% of the assessed value of any building development in excess of $50,000 (plus GST). The assessed value of the development will be based on the estimated value (excluding GST) of the building as stipulated on the building consent application.

Assessment Criteria for Remission or Waiver of Infrastructure Contributions

In determining whether to grant a remission of any infrastructure contribution, regard shall be had, but not limited to, the following criteria:

a) Whether any allotment or any part of the development is proposed to be connected to public infrastructure and services.

b) The effect of the proposed subdivision or development on the infrastructure and the cost to the Council to avoid, remedy, or mitigate these impacts.

c) Measures proposed by the developer to upgrade any existing infrastructure.

d) Whether any contribution had been previously made towards the establishment or upgrade of the infrastructure.

Form of Contribution

a) The contribution may be required in the form of money or works or any combination thereof.

Purpose

a) To provide a potable water supply.

b) To safeguard the health of inhabitants and protect the natural environment from inappropriate disposal of sewage.

c) To prevent damage to property or amenity from the indiscriminate and uncontrolled runoff of stormwater.

d) To ensure sufficient water is available for fire fighting purposes.

Contributions Payable

a) For permitted activities involving construction of a residential building, contributions shall be made prior to the issuance of the code of compliance certificate for the building consent.

b) For land use resource consents, contributions shall be payable as and when required by any condition of that consent.

c) For subdivision resource consents, contributions shall be made prior to the issuance of the certificate under section 224 of the Resource Management Act 1991.

Roads, Access, Parking & Loading Contributions Standard

Circumstances when a roads, access, parking and loading contribution is required as a standard of a permitted activity or as a condition of a resource consent:

a) As a condition of a land use resource consent for any residential, commercial or industrial activity towards particular works of one or more of the types referred to in sections 24.4.2 (a) to (f) and a contribution under section 24.4 (g) provided that a roads, access, parking and loading contribution towards those particular works and a contribution under section 24.4 (g) have not already been made at the time of the subdivision creating that lot or under the Council's Long Term Plan.

b) As a condition of a subdivision resource consent for any new allotment towards particular works of one or more of the types referred to in sections 24.4 (a) to (f) and a contribution under section 24.4 (g) provided that a roads, access, parking and loading contribution towards those particular works and a contribution under section 24.4 (g) have not already been made under the Council's Long Term Plan.

c) As a standard of a permitted land use activity towards particular works of one or more of the types referred to in sections 24.4 (a) to (f) and a contribution under section 24.4 (g) with the payment of the contribution(s) to be made prior to the issuance of a code of compliance certificate for the building consent, provided that a roads, access, parking and loading contribution towards those particular works and a contribution under section 24.4 (g) have not already been made at the time of the subdivision creating that lot or under the Council's Long Term Plan.

d) As a condition of land use resource consent in the Commercial or Industrial Zones in which the waiver of all or some of the required on-site parking is sought.

Roads, Access, Parking and Loading Contribution Amount

Amount of contribution for roads, access, parking and loading as a standard of a permitted activity or as a condition of a resource consent:

a) The actual cost of providing a road or access to the development concerned; and

b) The actual cost of all necessary roads and accesses within the development area for each allotment or building; and

c) The actual cost of road or access crossings between allotments, or buildings in the development; and

d) A share of the cost of the existing roads and access where additional capacity has been created in anticipation of future subdivision or development. The share will be calculated on the proportion of that additional capacity which is to serve the development; and

e) A reasonable share of the cost of new or upgraded roads or access where additional capacity or safety improvements are necessary to accommodate the cumulative effects of the development within an area. The share will be calculated on the proportion of additional traffic likely to be generated by the development; and

f) The cost of forming of the parking spaces (where a waiver from the District Plan parking requirements is sought, the cost of forming a parking space is deemed to be at a rate of $5,000 (plus GST) per space); and

g) For subdivision, a general district-wide roads, access, parking and loading contribution of 2% of the land value of each allotment to be created in the Residential, Commercial and Industrial Zones (plus GST), and 3% of the land value of each allotment to be created in the Rural Zone (plus GST). In the Rural Zone, the maximum amount of the sum of this general district-wide roads, access, parking and loading contribution and any general districtwide reserves contribution taken under Rule 24.4.2 (g) shall be $7,500 (plus GST) per allotment created by a subdivision.

Form of Contribution

a) The contribution may be required in the form of money or land or any combination thereof.

Purpose

a) To provide for the safe and convenient movement on roads of motor vehicles, bicycles and pedestrians within and through the Wairarapa.

Contributions Payable

a) For permitted activities involving construction of a residential building, contributions shall be made prior to the issuance of the code of compliance certificate for the building consent.

b) For land use resource consents, contributions shall be payable as and when required by any condition of that consent.

c) For subdivision resource consents, contributions shall be made prior to the issuance of the certificate under section 224 of the Resource Management Act 1991.

REMISSION AND POSTPONEMENT OF RATES ON MAORI FREEHOLD LAND POLICY

Objectives

a) To recognise that certain Maori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide for relief from rates.

b) To recognise that the Council and the community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered non-collectable.

c) To meet the requirements of section 102 of the Local Government Act 2002 to have a policy on the remission and postponement of rates on Maori freehold land.

Conditions and Criteria

a) Application for remission or postponement under this policy should be made prior to the commencement of the rating year. Applications made after the commencement of the rating year may be accepted at the discretion of the Council.

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

    1. Details of the rating unit or units involved.
    2. Documentation (e.g. a copy of the Certificate of Title) that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Maori Land Court.

c) The Council may of its own volition investigate and grant remission or postponement of rates on any Maori freehold land in the district.

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

e) Council will give a remission or postponement of up to 100% of all rates for the year for which it is applied and subsequent years unless the status of the land changes or based on the extent to which the remission or postponement of rates will:

    1. Support the use of the land by the owners for traditional purposes.
    2. Support the relationship of Maori and their cultural traditions with their ancestral lands.
    3. Avoid further alienation of Maori freehold land.
    4. Facilitate any wish of the owners to develop the land for economic use.
    5. Recognise and take account of the presence of waahi tapu that may affect the use of the land for other purposes.
    6. Recognise and take account of the importance of the land for community goals relating to:
        - The preservation of the natural character of the coastal environment.
        - The protection of outstanding natural features.
        - The protection of significant indigenous vegetation and significant habitats of indigenous fauna.
    7. Recognise the level of community services provided to the land and its occupiers.
    8. Recognise matters relating to the physical accessibility of the land.
    9. Provide for an efficient collection of rates and the removal of rating debt.

f) Council may review the status of Maori freehold land from time to time and advise ratepayers of a change in status if it is considered the land no longer meets the criteria for remission of rates.

g) Decisions on the remission and postponement of rates on Maori freehold land may be delegated to council officers or a committee of the Council. All delegations will be recorded in the Council's delegation schedule.

REMISSION OF RATES POLICY

Introduction

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

Remission of Penalty Rates

Objectives

- To enable Council to act fairly and reasonably in its consideration of rates which have not been received by the due date.
- To provide relief and assistance to those ratepayers experiencing financial hardship.
- To encourage an efficient payment regime, recognising the significant benefits accruing by ratepayers using the direct debit payment system.

Criteria and Conditions

Council will consider each application on its merit and remission may be granted where it is considered that the application meets the following criteria and conditions.

a) Council will remit penalty rates where it is demonstrated that penalty rates have been levied due to an error by Council.

b) Remission of one penalty will be considered in any one rating year where payment had been late due to significant family disruption. Significant family disruption is likely to be the ratepayer, or a member of the household being affected by serious illness, serious accident, hospitalisation or death.

c) Remission of penalty may be granted if the ratepayer is able to provide evidence that their payment has gone astray in the post or the late payment has otherwise resulted from matters outside their control. Applications under these criteria will only be accepted if the ratepayer has a history of regular payments of rates and has not incurred penalty rates in the previous two years.

d) Remission of penalty rates will be considered for those ratepayers who due to financial hardship, are in arrears and who have entered into an agreement with Council to repay all outstanding and current rates. This repayment scheme will generally be up to a period of 12 months. Penalty rates remission will not be considered if the agreement plan is not being adhered to, or a prior repayment scheme has not been adhered to.

e) Remission will be considered if a new owner receives penalty rates through the late issuing of a sale notice, a wrong address on the sale notice or late clearance of payment by the Solicitor on a property settlement. This only applies to penalty rates incurred on one instalment. Future instalments do not qualify under these criteria.

f) Application for remission of penalty rates must be in writing using the prescribed form.

g) Penalty rates will not be considered for remission if the penalty rates were incurred in a previous rating year, regardless if the application otherwise meets the criteria.

h) Where a ratepayer agrees to pay rates by direct debit on a weekly, fortnightly, monthly or quarterly basis, no penalties will be charged if the rates for the financial year have been paid in full prior to 30 June in the rating year.

Delegation

Council delegates the authority to remit penalty rates to the Chief Executive Officer or the Group Manager Corporate Support.

Remission of Rates for Land used by Sporting, Recreational and Community Organisations

Objectives

- To facilitate the ongoing provision of non-commercial sporting, recreational and community services that meet the needs of the residents of the district.
- To provide indirect financial assistance to community organisations.
- To make membership of the organisation more accessible to the general public, particularly disadvantaged groups. These may include children, youth, young families, aged people and economically disadvantaged people.

Conditions and Criteria

a) This policy will apply to land owned by the Council or owned or occupied by a not for profit organisation, which is used exclusively or principally for sporting, recreation or community purposes.

b) Council will remit 50% of rates, with the exception of targeted rates, for organisations that qualify under this policy, and with the exception of Rural Halls which will receive 100% remission. Sporting organisations will qualify for 50% remission regardless of whether they hold a current license under the Sale and Supply of Alcohol Act 2012.

c) The policy does not apply to organisations operated for pecuniary profit or which charge tuition fees.

d) The policy does not apply to groups or organisations whose primary purpose is to address the needs of adult members (over 18 years) for entertainment or social interaction, or who engage in recreational, sporting or community services as a secondary purpose only.

e) Applications for remission must be made to the Council prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated. All rating units that have remissions in place at 1 July 2002 are not required to make application.

f) Organisations making application should include the following documents in support of their application: information on activities and programmes, details of membership and statement of objectives.

g) Remissions will apply to the following rating year and will not be retrospective.

h) Remissions will remain in force until the purposes of the organisation change such that the criteria is no longer met. No annual applications are required following the granting of a remission.

Delegation

Council delegates the authority to remit 50% of rates for sporting, recreational and community organisations to the Chief Executive Officer or the Group Manager Corporate Support.

Remission Of Rates On Land Protected For Natural, Historical or Cultural Conservation Purposes.

Objectives

- To preserve and promote natural resources and heritage.
- To encourage the protection of land for natural, historic or cultural purposes.

Conditions and Criteria

a) Ratepayers who own or occupy rating units which have some feature of cultural, natural or historic heritage which is voluntarily protected may qualify for remission of rates under this part of the policy.

b) Land that is non-rateable under section 8 of the Local Government (Rating) Act and is liable only for rates for water supply, wastewater disposal or refuse collection will not qualify for remission under this part of the policy.

c) Applications must be made in writing. Applications should be supported by documentary evidence of the protected status of the rating unit e.g. a copy of the covenant or other legal mechanism. Receipt of evidence of protection without a written application will not be considered.

d) In considering any application for remission of rates under this part of the policy the Council will consider the following criteria:

   1. The extent to which the preservation of natural, cultural or historic heritage will be promoted by granting remission of rates on the rating unit.
   2. The degree to which features of natural, cultural or historic heritage are present on the land.
   3. The degree to which features of natural, cultural or historic heritage inhibit the economic utilisation of the land.

e) In granting remissions under this part of the policy, Council may specify certain conditions before remissions will be granted. Applicants will be required to agree in writing to these conditions and to pay any remitted rates if the conditions are violated.

f) Council will decide what amount of rates will be remitted on a case-by-case basis. Remissions will apply to the following rating year and will not be retrospective.

Delegations

Applications for the remission of rates for protection of heritage will be considered by Council.

Remission of Uniform Annual General Charge in Certain Circumstances

Objectives

- To encourage continued subdivision activity by providing rates relief to new subdivisions by limiting the rates impact of multiple Uniform Annual General Charges (UAGCs).
- To assist ratepayers who have multiple rating units that are contiguous and used as a single farming operation.

Conditions and Criteria

a) For subdivision purposes, this policy will apply to land that is:

  1. Subdivided into two or more lots; and
  2. where title has been issued; and
  3. the unsold lots remain in common ownership.

  Remission will be the charge for each unsold lot except one.

b) For multiple rating units, this policy will apply to land that is:

  1. Owned by the same person or persons; and
  2. used jointly as a single unit (including being used as part of the same farming operation);and
  3. contiguous or separated only by a road, railway, drain, water race, river, or stream.

  Remission will be the UAGC for each unit except the main farm residence unit. Remissions will apply to the following rating year and will not be retrospective.

Delegation

Council delegates the authority to remit UAGCs to the Chief Executive officer or the Group Manager Corporate Support.

Remission of Reserves and Civic Amenities Charge

Objectives

- To encourage continued subdivision activity by providing rates relief to new subdivisions by limiting the rates impact of multiple Reserves and Civic Amenities Charges (UACs).
- To assist ratepayers who have multiple rating units that are contiguous and used as a single farming operation.
- To provide relief to rural farming properties for a vacant unit used as a run-off.

Conditions and Criteria

a) For subdivision purposes, this policy will apply to land that is:

  1. Subdivided into two or more lots; and
  2. Where title has been issued, and
  3. The unsold lots remain in common ownership.

  Remission will be the charge for each unsold lot except one.

b) For multiple rating units, this policy will apply to land that is:

  1. Owned by the same person or persons; and
  2. used jointly as a single unit (including being used as part of the same farming operation); and
  3. contiguous or separated only by a road, railway, drain, water race, river, or stream.

  For a run-off unit the policy will apply to one unit used as a run-off for a farming operation. A separate application in writing must be made for consideration of this remission. Remissions will apply to the following rating year and will not be retrospective.

Delegation

Council delegates the authority to remit Reserves and Civic Amenities Charge to the Chief Executive Officer or the Group Manager Corporate Support.

Remission of Rates for Natural Disasters

Objective

- To provide relief to properties affected by natural disasters.

Conditions and Criteria

a) Council will remit rates to those properties identified according to the conditions and criteria set by Central Government.

The level of remission will be to the extent of funding provided by central government.

POSTPONEMENT OF RATES POLICY

Introduction

These policies are prepared under section 110 of the Local Government Act 2002.

Extreme Financial Circumstances

Objective

To assist ratepayers experiencing extreme financial circumstances which affects their ability to pay rates.

Conditions and Criteria

Council will consider, on a case by case basis, all applications received that meet the criteria listed below.

Criteria

a) The ratepayer(s) is unlikely to have sufficient funds left over, after the payment of rates, for normal health care, proper provision of maintenance of the home and chattels at an adequate standard as well as making provision for normal day to day living expenses.

b) The ratepayer(s) must be the current owner of the rating unit and have owned or resided on the property or within the District for not less than five years.

c) The rating unit must be used solely for residential purposes and the ratepayer(s) must reside on the property.

d) The ratepayer(s) must not own any other rating units or investment properties, whether in this District or another.

Conditions

a) Application must be in writing by the ratepayer(s) or by an authorised agent.

b) The ratepayer(s) is required to disclose to Council, all personal circumstances, including the following factors: age, physical or mental disability, injury, illness and family circumstances so that Council can consider these factors to establish whether extreme financial hardship exists.

c) Applications for postponement of rates will only be considered from the beginning of the rating year in which the application is made.

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

e) The financial cost will be the interest Council at the rate of Council's cost of borrowing for funding rates postponed, plus a margin to cover other costs (these will include Council's own in-house costs and a contribution to cover the cost of independent advice).

f) Any postponed rates will be postponed until;

   1. The death of the ratepayer(s); or
   2. The ratepayer(s) ceases to be the owner or occupier of the rating unit; or
   3. The ratepayer(s) ceases to use the property as their residence; or
   4. A date specified by the Council as determined by Council in any particular case.

g) 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 be entitled to have postponed pursuant to this policy.

h) Postponed rates will be registered as a statutory land charge on the rating unit under the Statutory Land Charges Registration Act 1928 and no dealing with the land may be registered by the ratepayer while the charge is registered except with the consent of Council. This means that Council will have first call on the proceeds of any revenue from the sale of the rating unit.

i) 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, the Council uses a model developed by an actuary to forecast, on a case by case basis, expected equity, when repayment falls due. If that is likely to be less than 20%, the Council will offer partial postponement, set at a level expected to result in final equity of not less than 20%.

j) Insurance
The property must be insured for its full value and evidence of this produced annually.

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

l) *Rates Able to be Postponed*

All rates are eligible for postponement except targeted rates for water supplied by volume (water by meter rates)

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

Delegation

Council delegates the authority to approve applications for rate postponement to the Chief Executive Officer.

Ratepayers Aged 65 Years and Over

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 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.

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 levied.

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

Conditions and Criteria

a) *Eligibility*

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

b) *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, the Council uses a model developed by an actuary to forecast, on a case by case basis, expected equity, when repayment falls due. If that is likely to be less than 20%, the Council will offer partial postponement, set at a level expected to result in final equity of not less than 20%.

Council will register a statutory land charge against the property to protect its right to recover postponed rates. At present the law does not allow councils to register such a 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).

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

c) *Insurance*

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

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

d) *Rates Able to be Postponed*

All rates are eligible for postponement except for targeted rates for water supplied by volume (water by meter rates).

e) *Conditions*

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

1. 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

2. 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, or as much as is needed, to facilitate the purchase, provided it is satisfied that there is adequate security in the new property for eventual repayment); or
3. A date specified by Council.

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;

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

The financial cost will be the interest Council at the rate of Council's cost of borrowing for funding rates postponed, plus a margin to cover other costs (these will include Council's own in-house costs and a contribution to cover the cost of independent advice).

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

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

Review of Suspension of Policy

This 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 ratable 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 any Council office. The policy will apply from the beginning of the rating year in which the application is made.

LONG-TERM PLAN DISCLOSURE STATEMENT

Long-term plan disclosure statement for the period commencing 1 July 2018

What is the Purpose of this Statement?

The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its long-term plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Rates Affordability Benchmark

The Council meets the rates affordability benchmark if—

- Its planned rates income equals or is less than each quantified limit on rates; and
- Its planned rates increases equal or are less than each quantified limit on rates increases.

Rates (Income) Affordability

The following graph compares the council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is based on rate revenue increasing by no more than 2% above the BERL "overall Local Government Cost Index as set in the financial strategy.

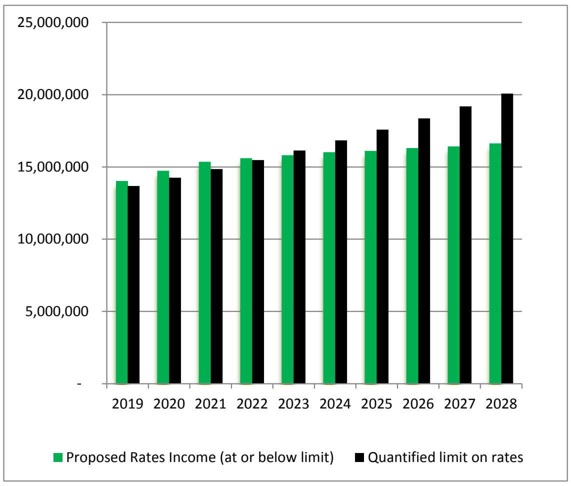
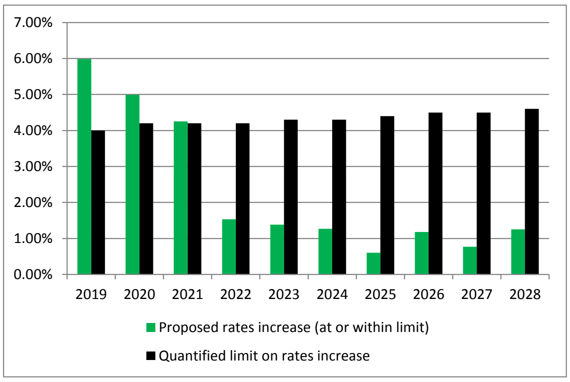


Figure - Rates (Increases) Affordability

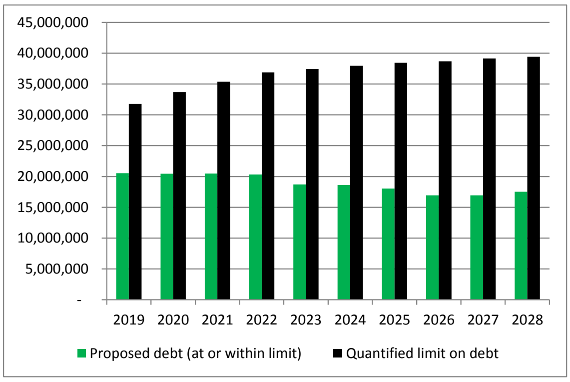
The following graph compares the Council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is 2% above the BERL "overall Local Government Cost Index".



Debt Affordability Benchmark

The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

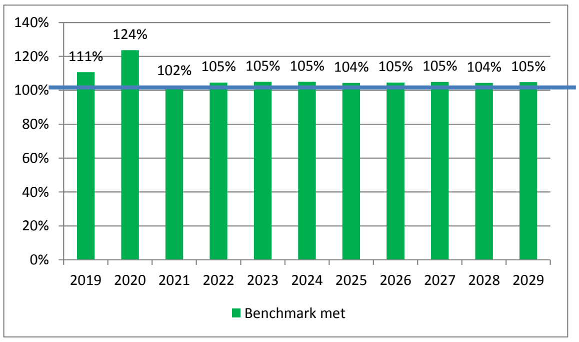
The following graph compares the Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is based on the covenant that interest cost, using a default rate of 5%, will be no more than 12% of rates revenue.



Balanced budget benchmark

The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

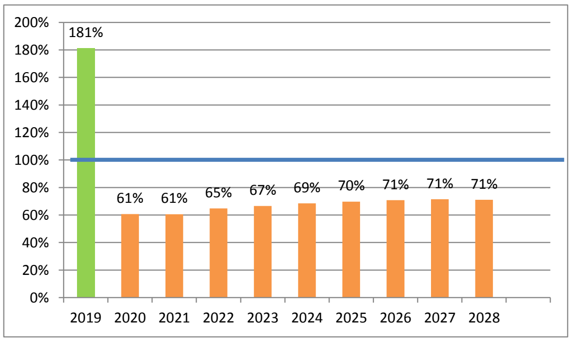
The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential Services Benchmark

The following graph displays the Council's planned capital expenditure on network services as a proportion of expected depreciation on network services.

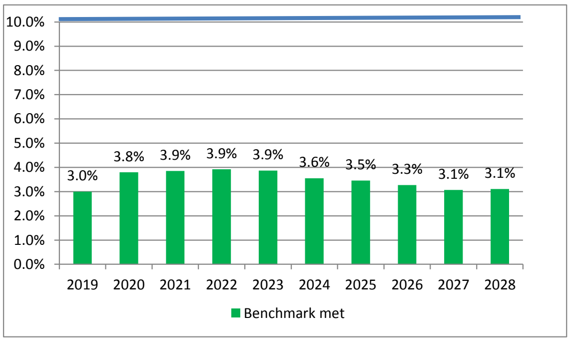
The Council meets the essential services benchmark if its planned capital expenditure on infrastructure services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays the Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because ID Consultants project the District's population will grow over the period of this LTP, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.



Additional Information/Comment

Essential Services Benchmark

Care needs to be taken in interpreting this benchmark. With the benchmark set at "100%" the interpretation of this could be that unless you spend all your depreciation charge every year there is a problem. This is not correct as many assets have different depreciation rates even within the same asset class (for example underground pipes made of different material). Spending 100% would lead to the situation where longer lasting assets would not have any depreciation reserves left when the time came to replace them. Any unspent depreciation is held in reserve. SWDC asset management plans are structured to ensure assets are maintained in what is effectively perpetuity.

FINANCIAL STRATEGY 2018/28

South Wairarapa District Council is a small rural local authority, with a relatively high infrastructural asset base per capita, and a relatively small ratepayer base. Small local authorities generally have very little discretionary expenditure and are therefore required to focus heavily on maintaining current service levels and their infrastructural asset base.

The 2018/28 LTP reflects this focus, and we are confident the plan will ensure the longevity of the asset base and maintenance of service levels while retaining financial health.

At the same time, Council is cognisant that raising debt locks ratepayers into repayments for 25 to 35 years and takes a prudent approach to raising debt. Debt raising is generally only undertaken for new assets, replacement of existing assets should be made from depreciation reserves built up for that purpose.

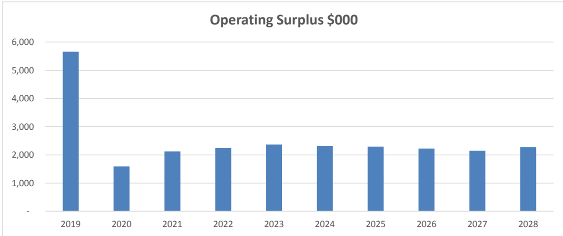
Financial sustainability is fundamental to the long term sustainability of the district, and while this plan has steered away from being austere, the limited revenue base compared to the high asset base requires very careful consideration of operational and capital expenditure.

The forecasts have been prepared on the basis that, as a minimum, existing levels of service will be maintained. The rates and other revenue requirements set out in this LTP are set at levels that will achieve this goal.

This strategy is prepared pursuant to Section 101A of the Local Government Act 2002.

Balanced Budget Requirement

The Local Government Act requires us to run a balanced budget. This Plan achieves that requirement and shows consistent surpluses and cash reserves. Future councils may decide to repay debt early or commit more funding to renewals expenditure. There are accumulating cash balances through the ten years which are taken account of in reporting 'Net Debt'. In general, we do not fund all of the depreciation expense. There are a number of reasons for this, including choosing to fund debt repayment instead, deciding not to put aside depreciation funds on certain assets and relying on financial contributions income to fund infrastructure renewals. Also, our planned use of carried forward funds and reserves for some operating costs means we risk not achieving the balanced budget. Over the ten years of the Plan we have built in consistent increases in the funding of depreciation, except on assets we do not expect to replace, allowing us to consistently achieve a balanced budget and remain financially sustainable.



Statement of the Factors that are Expected to have a Significant Impact on South Wairarapa District Council

The local government sector is facing significant uncertainty; there are a number of initiatives being mooted, however there is no concrete indication as to the future shape of local government, or how services will be delivered.

The 2018/28 Long Term Plan will be based on the existing service delivery model.

South Wairarapa District Council, like many local authorities throughout the country, has been, and will continue to investigate shared services delivery options where the opportunity exists.

One of the key pressures facing all local authorities is the level of borrowing. A significant majority of local authorities have infrastructural assets that will require replacement or upgrade in the short to medium term, and SWDC is no different. Council is very conscious of the long term impact of debt, and has policies in place to ensure debt is managed to prudent levels.

Council has prepared this LTP with a view to ensuring cash reserves will more closely match the total of "special reserves", trust funds and depreciation reserves. This plan will continue after the term of this LTP.

Statement of Factors

In terms of the known factors expected to have a significant impact the following is a summary from SWDC perspective:

a) Governance

- No changes to the governance model have been factored in to this LTP.

b) Land Transport

- Land Transport is Council's largest, by dollar value, output.

- Council policy is to only fund those activities that attract a subsidy from New Zealand Transport Agency (NZTA), apart from 1km seal extension each year which is unsubsidised and will be funded from rates.
- The two key factors impacting the land transport output are oil prices, and availability of roading contractors to deliver services.
- This LTP has used the cost indices promulgated by BERL. These indices indicate that the cost of delivering the land transport programme (which includes projected oil prices, and contractors costs) will increase by an average of 2.46% each year for the term of this LTP.
- NZTA have indicated that they plan to reduce the level of subsidy on the Cape Palliser special purpose road (SPR) from 100% to 52%. Council are in discussion with NZTA regarding this change in funding and the financial impact on SWDC which is significant.

c) Water Supply

- There is significant pressure to provide a higher standard of water supply, ultra violet treatment plants have been installed. It is expected there will be further regulation as a result of the investigation into the Havelock North water supply issues and some provision has been made in the LTP to cover potential new legislation.
- The Featherston and Greytown emergency supplies require additional investment, and this has been factored into this LTP.

d) Wastewater

- Council continues to work towards increasing the quality of discharge well above the levels that have been included in the previous resource consent.
- The government National Policy Statement (Freshwater) signalled that discharges to freshwater systems need to be reduced and eliminated over time. SWDC are working to complete projects to discharge wastewater to land for all three towns during this LTP period.
- At the end of these projects, South Wairarapa District Council will be able to distribute 100% of the wastewater to land except in exceptional circumstances.
- The timing and level of expenditure required to meet the terms of the Featherston resource consents is uncertain at present. There is more certainty around the Greytown and Martinborough projects where 35 year consents have been obtained to discharge treated water to land.
- The timing and level of expenditure has been included in this LTP is based on an estimate of the quantum and timing of the consents that have been lodged and are under negotiation.
- The levels of expenditure are expected to be the maximum spent.

e) Debt Levels

- Current forecast will result in increases in debt levels for the first three years of this LTP, followed by reducing debt levels over the remaining years of the LTP. Debt levels are within SWDC debt cap which states interest expense cannot exceed 12% of rates revenue.

Expected Changes in Population

As at the last full census taken during 2013, the resident population of South Wairarapa district was 9,528. This was an increase of 639 over the 2006 census.

SWDC has obtained population projections through to 2043 compiled by ".id Consultants' (ID), a Melbourne based company with a New Zealand presence since 2010. The forecasts from ID have allowed us to explore what is driving population change in the South Wairarapa communities.

The ID forecast predicts how the population, age structure and household types will change between now and 2043.The resident population in the district is currently around 10,406 people and is expected to increase to approximately 11,421 by 2028.

Capital Costs of Providing for Those Changes

SWDC anticipates the population growth will exceed existing wastewater infrastructure capacity in Greytown, and allowance has been made for capital to build additional capacity.

Operating Costs of Providing for Those changes

As SWDC anticipates population growth will exceed existing wastewater infrastructure capacity, allowance has been made for additional operating costs, apart from normal inflation.

Expected Changes in Use of Land

The following table summarises the numbers of rateable units by land type identified by Quotable Value.

LAND CATEGORY ASSESSMENTS

	2014	2017
Commercial	198	213
Dairy	240	173
Forestry	24	21
Horticulture	137	116
Industrial	131	126
Lifestyle	1,065	1,181
Mining	2	4
Other/Utilities	431	450
Pastoral	604	541
Residential	4,038	4,246
Specialist Livestock	7	6

Historical changes in land use have been relatively low, and it is anticipated this low rate of change will continue.

Existing budget and infrastructural levels have been adequate to meet the historical land use changes without the need for substantial investment.

There are two areas of change in land use that put pressure on infrastructure and cost, these are dairy conversions, and rural subdivisions.

While dairy conversions result in a significant increase in vehicle movements, the rate of these conversions has slowed considerably and current levels of expenditure are sufficient to maintain serviceability of the infrastructure.

Rural subdivisions and 'urban sprawl" creates pressure for seal extensions. As this activity no longer attracts New Zealand Transport Authority (NZTA) subsidy, the full cost of any extensions fall on the ratepayer. However in mitigation of these pressures, expenditure on seal extensions is entirely discretionary.

In summary, it is not anticipated land use will change to the extent that additional expenditure is required.

SWDC existing infrastructure levels have sufficient capacity to meet anticipated future growth levels.

Capital Costs of Providing for Those Changes

As SWDC does not anticipate significant change in land use, no allowance has been made for capital to build additional capacity. The majority of capital works required for subdivisional activity is funded from financial contributions by the subdivider.

Operating Costs of Providing for Those Changes

As SWDC does not anticipate significant change in land use, no allowance has been made for increased operating costs to cover land use changes.

Expected Capital Expenditure Required to Maintain Existing Levels of Service on Network Infrastructure

Land Transport

The value of SWDC land transport assets as at 30 June 2018 is $315 million (Optimum Depreciated Replacement Cost per Opus valuation).

The following table highlights the capital requirement to maintain existing levels of service for roading.

These costs are the gross cost to SWDC, a minimum of 52% of these costs are reimbursed to SWDC by NZTA as part of our funding agreement with them.

Capital requirements to maintain Roading service

	2018/ 2019 $000	2019/ 2020 $000	2020/ 2021 $000	2021/ 2022 $000	2022/ 2023 $000	2023/ 2024 $000	2024/ 2025 $000	2025/ 2026 $000	2026/ 2027 $000	2027/ 2028 $000
Roading (all aspects)	6,449	1,851	1,873	2,080	2,171	2,272	2,365	2,418	2,473	2,530

Water

The value of SWDC water assets at 30 June 2018 is $24 million (Optimum Depreciated Replacement Cost per Opus valuation).

The following table highlights the capital requirement to maintain existing levels of service for water supply.

Capital requirements to maintain Water Supply service

	2018/ 2019 $000	2019/ 2020 $000	2020/ 2021 $000	2021/ 2022 $000	2022/ 2023 $000	2023/ 2024 $000	2024/ 2025 $000	2025/ 2026 $000	2026/ 2027 $000	2027/ 2028 $000
Reticulation Renewals	333	342	350	358	366	374	381	389	397	405
Storage tank refurbishment GTN	307	-	-	-	-	-	-	-	-	-

Wastewater

The capital value of SWDC wastewater assets at 30 June 2018 is valued at $14.9 million (Optimum Depreciated Replacement Cost per Opus valuation).

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The following table highlights the capital requirement to maintain existing levels of service for wastewater.

Capital requirements to maintain Wastewater service

	2018/ 2019 $000	2019/ 2020 $000	2020/ 2021 $000	2021/ 2022 $000	2022/ 2023 $000	2023/ 2024 $000	2024/ 2025 $000	2025/ 2026 $000	2026/ 2027 $000	2027/ 2028 $000
Reticulation Renewals	307	315	322	329	337	344	351	358	365	373
Gravity Main FTN	204	-	-	-	-	-	-	-	-	-

Flood protection

The majority of flood protection services are carried out by Greater Wellington Regional Council; however SWDC does provide urban drainage services.

The value of SWDC stormwater assets at 30 June 2018 is $3.2 million (Optimum Depreciated Replacement Cost per Opus valuation).

The following table highlights the capital requirements to maintain existing levels of service for stormwater. No capital improvements are planned for the period of this LTP. The stormwater assets will be maintained in accordance with the Asset Management Plan.

Capital requirements to maintain Stormwater service	2018/ 2019 $000	2019/ 2020 $000	2020/ 2021 $000	2021/ 2022 $000	2022/ 2023 $000	2023/ 2024 $000	2024/ 2025 $000	2025/ 2026 $000	2026/ 2027 $000	2027/ 2028 $000
Reticulation Renewals	55	56	58	59	60	61	63	64	65	67

Flood Control Works

Flood control works is generally the responsibility of Greater Wellington Regional Council.

Other significant factors affecting the LA's ability to:

a) Maintain existing levels of service.

There are no other significant factors not covered above that are known to affect SWDC's ability to meet existing levels of service.

b) Meet additional demands for services.

There are no other significant factors not covered above that are known to affect SWDC's ability to meet existing levels of service.

Rates Requirements

Quantified Limits on Rates	2018/ 2019 $000	2019/ 2020 $000	2020/ 2021 $000	2021/ 2022 $000	2022/ 2023 $000	2023/ 2024 $000	2024/ 2025 $000	2025/ 2026 $000	2026/ 2027 $000	2027/ 2028 $000
BERL Local Authority Index	2.00%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
Maximum Rates Increase	4.00%	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.50%	4.60%

Future Rates Requirements	2018/ 2019 $000	2019/ 2020 $000	2020/ 2021 $000	2021/ 2022 $000	2022/ 2023 $000	2023/ 2024 $000	2024/ 2025 $000	2025/ 2026 $000	2026/ 2027 $000	2027/ 2028 $000
Rates Increase	5.99%	4.99%	4.25%	1.53%	1.38%	1.27%	0.60%	1.18%	0.77%	1.25%
Rates Revenue	$ 14,037	$ 14,738	$ 15,365	$ 15,601	$ 15,816	$ 16,017	$ 16,114	$ 16,304	$ 16,429	$ 16,635

Note: These limits anticipate some additional costs that may result from changes in legislation regarding drinking water standards, other unexpected requirements to increase service levels have not been factored into the rates calculations.

Based on provision of existing levels of service, SWDC anticipates it will be able to meet future requirement within the BERL "Local Authority Cost index" as issued from time to time +2%.

Council is required by legislation to include a statement on quantified limits on rates. The Local Government Rates Inquiry suggests that around 50% of a council's operating revenue should be taken from rates. Currently, Council draws about 56% from rates because it does not have alternative revenue streams; for example, significant financial investment funds or investments in corporate enterprises, and has taken a fairly low risk approach to borrowing.

The BERL Local Government Cost Index does not take into account individual local authorities significant new capital projects, such as South Wairarapa' s current wastewater projects. The impact of these projects could result in a breach of the policies.

Borrowings

- Borrowings are capped at interest cost no greater than 12% of rates revenue.
- The following table outlines rates revenue, 12% of rates revenue, being maximum interest payable, maximum borrowings, and forecast borrowing in this LTP.

Debt Cap	2018/ 2019 $000	2019/ 2020 $000	2020/ 2021 $000	2021/ 2022 $000	2022/ 2023 $000	2023/ 2024 $000	2024/ 2025 $000	2025/ 2026 $000	2026/ 2027 $000	2027/ 2028 $000
Rate Revenue	14,037	14,738	15,365	15,601	15,816	16,017	16,114	16,304	16,429	16,635
12% of Rates Revenue	1,684	1,769	1,844	1,872	1,898	1,922	1,934	1,956	1,972	1,996
Forecast Interest Expense	719	775	801	828	834	780	771	743	708	732
Maximum Debt at 5% interest rate	33,690	35,372	36,877	37,441	37,959	38,441	38,673	39,130	39,430	39,925
Forecast LTP Debt	20,529	20,448	20,482	20,313	18,712	18,627	18,032	16,949	16,949	17,508

Assessment of its Ability Within the Quantified Limits (Above) to Provide and Maintain:

Existing Levels of Service

SWDC is confident it can maintain existing levels of service within the quantified limits described above. Renewals funding is based around the standard depreciation rates, which are linked to engineering estimates of infrastructure life.

Meet Additional Demands

Council faces significant pressure to increase levels of service in certain areas.

SWDC has made provision in this LTP to cover the costs of meeting the additional demands, within the limits set above.

The two key areas of additional demand are:

- Provision of potable water to all residents which meet the drinking water standards.
- Treatment and disposal of wastewater effluent to a much higher level than was agreed in previous consents.
- Potential additional expenditure to maintain the Cape Palliser Road if NZTA proposals to significantly reduce their subsidy proceed.

New assets will be funded by loan, and in some cases grant funding (where this is available). Loan funding ensures intergenerational equity.

Water Supply

The following table indicates the forecast costs of providing for the increased level of service. It is anticipated there will be a need to increase the level of service during the course of this LTP. There is some carried forward work that will be finalised during 2018/19 from prior periods.

Increased Cost of Water Supply	2018/ 2019 2019	2019/ 2020 2020	2020/ 2021 2021	2021/ 2022 2022	2022/ 2023 2023	2023/ 2024 2024	2024/ 2025 2025	2025/ 2026 2026	2026/ 2027 2027	2027/ 2028 2028
Meet additional demand	-	-	-	-	-	-	-	-	-	-
Increased levels of service	161	126	430	176	-	-	-	-	-	-

Wastewater

The following table indicates the forecast costs of providing for the increased level of service. These costs have been factored in to this LTP; therefore SWDC is confident the required work can be completed within the covenants set. The increased level of service relates to improved environmental outcomes resulting from discharging treated wastewater to land.

Increased Cost of Wastewater Service - disposal to land	2018/ 2019 $000	2019/ 2020 $000	2020/ 2021 $000	2021/ 2022 $000	2022/ 2023 $000	2023/ 2024 $000	2024/ 2025 $000	2025/ 2026 $000	2026/ 2027 $000	2027/ 2028 $000
Alternative disposal systems (Greytown)	767	-	-	-	-	-	-	-	-	-
Alternative disposal systems (Martinborough)	-	-	-	-	-	-	-	-	-	559
Alternative disposal systems (Featherston)	409	504	516	-	-	-	-	-	-	-

The above table refers to the programme for the current 2018/28 LTP. For the years after this current LTP the following is a brief summary of the requirements.

Increased Cost of Wastewater Service - disposal to land

	2029 $000	2030 $000	2031 $000	2032 $000	2033 $000	2034 $000	2035 $000	2036 $000	2037 $000	2038 $000
All sites	-	633	633	633	633	645	645	-	1,233	1,233

	2039 $000	2040 $000	2041 $000	2042 $000	2043 $000	2044 $000	2045 $000	2046 $000	2047 $000	2048 $000
All Sites	1,233	-	1,053	1,053	-	-	829	829	259	-

	2049 $000	2050 $000	2051 $000	2052 $000	2053 $000	2054 $000	2055 $000	2056 $000	2057 $000	2058 $000
All sites	653	653	-	-	-	-	-	-	-	-

In proportionate terms, the most significant capital expenditure has been made, that is the purchase of land. The remaining cost is around the irrigation infrastructure, and the on-going inflow and infiltration issues and maintenance.

The rest of the project includes:

- Complete the irrigation aspect to get as close to 100% discharge to land.
- Complete remaining high priority/high-benefit reticulation inflow & infiltration works.
- Investigate and construct storage.

This expenditure is for new assets; accordingly these assets are required to be loan funded.

SWDC Policy on the Giving of Securities for its Borrowing

Council does not offer assets as security for borrowings.

SWDC Objectives for Holding and Managing

a) Financial investments.

Refer to Councils Investment Policy for the objectives for holding and managing financial investments.

b) The quantified targets for returns on financial investments.

The Council's long term special funds will be retained in their present form throughout the Plan. Additions and withdrawals from the funds have been accounted for each year through the Plan where identified and required. An interest rate of 3.17% has been assumed for the return on the special funds investment.

c) Equity securities.

Council holds a very limited portfolio of equity investments. These are held for strategic purposes only and are not held for specific investment.

d) The quantified targets for returns on equity securities.

There is no quantified target for equity investments for the reasons outlined above.