



POLICY AND FINANCE COMMITTEE

AGENDA – 4 April 2012

A Conduct of Business

The meeting will be held in the Council Chambers, 19 Kitchener Street, Martinborough and will commence at the conclusion of the District Council meeting. The meeting will be held in public (except for any items specifically noted in the agenda as being for public exclusion).

- A1. Apologies
- A2. Conflicts of Interest
- A3. Public Participation
- A4. Minutes for Confirmation: Policy & Finance Committee 22 February 2012 Pages 1-3
- A5. Action Items from 22 February 2012 Page 4
- A6. Risk & Audit Working Party Notes (to be tabled)

B. Reports

- B1. Development Contributions or Financial Contributions Policy Pages 5-13
- B2. Liability Management Policy Pages 14-18
- B3. Investment Policy Pages 19-25
- B4. Pain Farm Expenditure Protocol Pages 26-29
- B5. Sewer Lateral Ownership and Maintenance Responsibilities Pages 30-39

C. Financial Statements



POLICY AND FINANCE COMMITTEE MEETING

MINUTES – 22 February 2012

Present: Mayor Adrienne Staples (Chairperson), councillors Margaret Craig, Dean Davies, Mike Gray, Brian Jephson, Viv Napier, Julie Riddell, Solitaire Robertson, Keith Sexton and Cr Stevens.

In attendance: Dr Jack Dowds (Chief Executive Officer), Paul Crimp (Group Manager Corporate Support) and Suzanne Clark (Committee Secretary).

Conduct of Business: The meeting was held in the South Wairarapa District Council Chambers at 19 Kitchener Street, Martinborough and was conducted in public between 12:30pm and 1:33pm.

A Preliminary Matters

A1. Apologies

No apologies were received.

A2. Conflicts of Interest

No conflicts of interest were declared.

A3. Minutes for Confirmation: Policy & Finance Committee 14 December 2011

P&F RESOLVED (P&F2012/01) that the minutes of the Policy and Finance Committee meeting held on 14 December 2011 be received and confirmed as true and correct.

(Moved Cr Stevens /Seconded Cr Sexton)

Carried

A4. Policy and Finance Committee Action List from 14 December 2011

P&F RESOLVED (P&F2012/02) to receive the action items list.

(Moved Cr Robertson/Seconded Cr Jephson)

Carried

B Reports

B1. Wairarapa Library Service Copyright Policy

The Chief Executive Officer advised that this was a new policy and that other councils had a similar policy in place.

P&F RESOLVED (P&F2012/03):

1. To receive the information
2. To adopt the Wairarapa Library Service Copyright Policy.

(Moved Mayor Staples/Seconded Cr Craig)

Carried

DISCLAIMER

Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness

B2. Focus Groups – Time for a Review

Cr Gray spoke to his report and councillors continued their discussion on the role and future of focus groups. There was general agreement that focus groups wouldn't meet on a regular cycle but that they should meet as and when required with initiation of a meeting able to be called by officers or the focus group chair.

A need for reporting against annual plan activities was discussed.

P&F NOTED:

1. Action 89: Put together a Terms of Reference for Focus Groups to be further discussed by councillors; CEO/Mayor

B3. Postponement of Rates Policy

P&F RESOLVED (P&F2012/04):

1. To receive the information.
2. To adopt the Postponement of Rates Policy, with a review date of LTP 2015 subject to a minor numerical correction.

(Moved Cr Gray/Seconded Cr Jephson)

Carried

B4. Remission or Rates Policy

Councillors' considered the proposed changes and the Group Manager Corporate Support answered councillors' questions relating to the proposed change. Councillors asked that the policy be aligned with Masterton and Carterton District Councils and that '5' months be replaced with '24' months.

P&F RESOLVED (P&F2012/05):

1. To receive the information.
2. To adopt the Remission of Rates Policy, with a review date of LTP 2015 with the amendments as discussed.

(Moved Cr Napier/Seconded Cr Davies)

Carried

3. Action 90: Update the delegations in the Rates Remission Policy and change paragraph 1 (4) from '5 months' to '24 months'; P Crimp
4. Action 91: Determine policies of Masterton and Carterton District Councils relating to rates remission for recreational buildings/facilities on council land; P Crimp

B5. Remission and Postponement of Rates on Maori Freehold Land Policy

The Group Manager Corporate Support spoke to the report and answered councillors' questions.

P&F RESOLVED (P&F2012/06):

1. To receive the information.
2. To adopt the Remission and Postponement of Rates on Maori Freehold Land Policy, with a review date of LTP 2015.

(Moved Cr Sexton/Seconded Cr Riddell)

Carried

DISCLAIMER

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C Financial Statements

The Group Manager Corporate Support tabled the financial statements to the 31 January 2012 and spoke to the financial reports.

P&F RESOLVED (P&F2012/07):

1. To receive the financial reports to 31 December 2011 and the tabled reports to 31 January 2012.

(Moved Cr Napier /Seconded Cr Stevens)

Carried

Confirmed as a true and correct record

.....(Mayor)

.....(Date)

DISCLAIMER

Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness

**Policy and Finance Committee
Action Items from
22 February 2012**

Ref #	Meeting	Date	Action Type	Responsible Manager	Resolution Number	Action or Task details	Status	Notes
960	P&F	21-Sep-11	Action	Paul		Submit updated water policy for adoption at Council on 2 November 2011	Actioned	In 4 April 2012 agenda
26	P&F	14-Dec-11	Resolution	Paul	P&F2011/39	Water by Meter Leak Write-off Policy P&F RESOLVED (P&F2011/39): 1. To receive the information. 2. To adopt the "water by meter write-off policy, subject to refinement of wording in guidelines 1, 4 and 6. 3. To agree to a five year review date. (Moved Cr Napier/Seconded Cr Robertson) Carried	Open	Will be changed and then adopted on 24 April
89	P&F	22-Feb-12	Action	Mayor		Put together a Terms of Reference for Focus Groups to be further discussed by councillors	Open	
90	P&F	22-Feb-12	Action	Paul		Update the delegations in the Rates Remission Policy and change paragraph 1 (4) from '5 months' to '24 months'	Open	Will be changed and then adopted on 24 April
91	P&F	22-Feb-12	Action	Paul		Determine policies of Masterton and Carterton District Councils relating to rates remission for recreational buildings/facilities on council land	Open	

POLICY & FINANCE COMMITTEE

4 APRIL 2012

AGENDA ITEM B1

POLICY ON DEVELOPMENT CONTRIBUTIONS OR FINANCIAL CONTRIBUTIONS

Purpose of Report

To present the policy on development contributions or financial contributions for consideration and adoption.

Recommendations

Officers recommend that the Council:

1. *Receive the information.*
2. *Adopts policy on development contributions or financial contributions, with a review date of LTP 2015.*

1. Executive Summary

S102 (2) (d) of the Local Government Act requires local authorities to have a policy on development contributions or financial contributions.

S106 of the Local Government Act sets out the required contents of the policy on development contributions or financial contributions.

The current operative policy is due for review by "LTCCP 2012".

The current policy replicates the Financial Contribution Chapter (23) of the WCDP.

2. Appendices

Appendix 1 – Policy on Development Contributions or Financial Contributions

Contact Officer: Paul Crimp, Group Manager Corporate Support

Appendix 1 – Policy on Development Contributions or Financial Contributions

23 FINANCIAL CONTRIBUTIONS

23.1 Introduction

As further subdivision occurs and new activities are established within the Wairarapa, the existing infrastructure and amenities come under pressure. Financial contributions are a way 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.

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 sewage 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.

*Refer to Section 18
Subdivision, Land
Development and Urban
Growth for the objectives and
policies on Financial
Contributions.*

23.2 Reserve Contributions Standard

23.2.1 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 Council Community 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 relevant Council's Long Term Council Community 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 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 relevant Council's Long Term Council Community Plan.

23.2.2 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 23.4.2(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).

23.2.3 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.

23.2.4 Form of Contribution

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

23.2.5 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.

23.2.6 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.

23.3 Infrastructure Contributions Standard

23.3.1 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 sections 23.3.2(a) to (f) and a contribution under section 23.3.2(h) or (i), provided that an infrastructure contribution towards those particular works and a contribution under section 23.3.2(h) or (i) have not already been made at the time of the subdivision creating that lot or under the relevant Council's Long Term Council Community 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 relevant Council's Long Term Council Community 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 23.3.2(h) or (i), with the payment of the contribution(s) to be made prior to the issuance of 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(h) or (i) have not already been made at the time of the subdivision creating that lot or under the relevant Council's Long Term Council Community Plan.

23.3.2 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 \$5000 (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 \$5000 (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.

23.3.3 Assessment Criteria for Remission or Waiver of Infrastructure Contribution

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 relevant 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.

23.3.4 Form of Contribution

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

23.3.5 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.

23.3.6 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.

23.4 Roads, Access, Parking & Loading Contributions Standard

23.4.1 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 23.4.2(a) to (f) and a contribution under section 23.4.2(g) provided that a roads, access, parking and loading contribution towards those particular works and a contribution under section 23.4.2(g) have not already been made at the time of the subdivision creating that lot or under the relevant Council's Long Term Council Community 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 23.4.2(a) to (f) and a contribution under section 23.4.2(g) provided that a roads, access, parking and loading contribution towards those particular works and a contribution under section 23.4.2(g) have not already been made under the relevant Council's Long Term Council Community 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 23.4.2(a) to (f) and a contribution under section 23.4.2(g) with the payment of the contribution(s) to be made prior to the issuance of 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 23.4.2(g) have not already been made at the time of the subdivision creating that lot or under the relevant Council's Long Term Council Community 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.

23.4.2 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 district-wide reserves contribution taken under Rule 23.2.2(a) shall be \$7,500 (plus GST) per allotment created by a subdivision.

23.4.3 Form of Contribution

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

23.4.4 Purpose

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

23.4.5 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.

POLICY & FINANCE COMMITTEE

4 APRIL 2012

AGENDA ITEM B2

LIABILITY MANAGEMENT POLICY

Purpose of Report

To present the liability management policy for consideration and adoption.

Recommendations

Officers recommend that the Council:

1. *Receive the information.*
2. *Adopts the Liability Management Policy, with a review date of LTP 2015.*

1. Executive Summary

S102 (2) (c) of the Local Government Act requires local authorities to have a Liability Management Policy.

S104 of the Local Government Act sets out the required contents of the Investment Policy.

The current operative policy is due for review by "LTCCP 2012".

The current policy has been reviewed against current legislative requirements, and current operating conditions.

It is recommended the current policy be rolled over, with a review date of LTP 2015.

2. Discussion

S104 of the Local Government Act was amended during 2010.

The effect of the amendment was to remove the requirement to include specific borrowing limits, and security in the liability management policy.

However, as these two disclosures are required to be included in the new section 101A Financial Strategy it was felt prudent to retain these disclosures in this policy document.

The recommended liability management policy is attached as Appendix 1.

3. Appendices

Appendix 1 – Liability Management Policy

Contact Officer: Paul Crimp, Group Manager Corporate Support

Appendix 1 – Liability Management Policy

Liability Management Policy

General policy

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 Planning process.

Council may borrow from itself, any registered bank or wholesale investor by the issue of local authority stock, [or the Local Government Funding Authority \(following special consultative procedure adoption during the 2012-22 LTP process\)](#) 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.

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 at present 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 established sinking funds in respect of all interest only loans. Council has not forecast to make any repayments of principal on the loans it has sinking funds for, as the loans are intended to be for the same length of time as the asset life and the sinking fund repayment schedules are calculated based on the same. Most of the loans are for assets that have a life of either 10 or 20 years and as a result – none of these mature within the period of this LTCCP. This spreads the principal and interest costs related to the asset purchase evenly over the period of the assets life, and therefore achieves inter-generational equity for the ratepayers. While the loan principal is not paid off progressively, the sinking fund deposits accumulate progressively and therefore accumulate more interest earned.

Council has introduced a policy of building up its cash reserves in order to meet future renewals of its assets.

Council is under no obligation to establish sinking funds for new borrowings but must consider and record how it intends to effect repayment.

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 30 years or the life of the project.

Specific borrowing limits

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

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Security

Council does not offer assets as security for borrowings.

POLICY & FINANCE COMMITTEE

4 APRIL 2012

AGENDA ITEM B3

INVESTMENT POLICY

Purpose of Report

To present the liability management policy for consideration and adoption.

Recommendations

Officers recommend that the Council:

1. *Receive the information.*
2. *Adopts the Investment Policy, with a review date of LTP 2015.*

1. Executive Summary

S102 (2) (c) of the Local Government Act requires local authorities to have an Investment Policy.

S105 of the Local Government Act sets out the required contents of the Investment Policy.

The current operative policy is due for review by "LTCCP 2012".

The current policy has been reviewed against current legislative requirements, and current operating conditions.

2. Discussion

S105 of the Local Government Act was amended during 2010.

The effect of the amendment was to remove the requirement to include a statement outlining the objectives in terms of which financial and equity investments are to be managed.

This statement is included in the first three bullet points of the current policy.

It is recommended these be retained as, while not now mandatory, the statements provide a concise overview of the policy.

There are a number of minor amendments that have been highlighted using "track changes", these include:

- Inclusion of AIRTEL, and Farmlands existing equity investments for completeness
- Inclusion of Emissions trading scheme units
- Inclusion of Local Government Funding Agency policy
- Inclusion of statements regarding the objectives for holding the investments, and the return targets for the investment. This is a new requirement brought about by the enactment of Section 101A of the Local Government Act

3. Appendices

Appendix 1 – Investment Policy

Contact Officer: Paul Crimp, Group Manager Corporate Support

Appendix 1 – Investment Policy

Investment Policy

General Policy

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, and 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 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 which provides 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 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%.

Equity Investments

Council has a small shareholding s in the following organisations:

- New Zealand Local Government Insurance Corporation Limited.
- AIRTEL Limited
- Farmlands 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

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Local Government Funding Authority

~~Council may, after following the special consultative procedure, borrow funds from the Local Government Funding Authority.~~

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

A Council resolution will be required to manage these shares.

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Property

Council does not hold 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.

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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.¹

It is unlikely that Council will invest in shares or investment properties 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.
- Interest earned on sinking funds which shall remain in the sinking funds.

¹ Means the Chief Executive and /or other officers to whom the Chief Executive may delegate from time to time
Adopted 29/6/09 as part of the LTCCP Amended 3/2/10 Review: LTCCP 2012

Disposition of Proceeds of Sale of Investments

Equity and property investments may be disposed of by resolution of Council and the proceeds will be available for Council's general use unless it resolves otherwise. These proceeds may only 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 before the end of March each year.

Treasury investments will be managed under delegated authority by the Chief Executive. All realisations, transfers and reinvestments will comply with this policy. All treasury transactions are required to be validated by way of a deal ticket (as contained in Council's Treasury Policy).

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Council will receive a schedule of all treasury investments each month as part of the Chief Executive Officer's report.

Investment Risk Assessment and Management

Council has no investment properties and only one equity investment.² 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 cashflow to meet current and future needs
- To ensure sufficient funding is available to meet future loan repayments as they fall due through the maintenance of sinking fund accounts

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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.

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² New Zealand Local Government Insurance Corporation Ltd 26,965 shares,

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 its nature provides modest returns

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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

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POLICY & FINANCE COMMITTEE

4 APRIL 2012

AGENDA ITEM B4

PAIN FARM EXPENDITURE PROTOCOL

Purpose of Report

To present the liability draft Pain Farm expenditure protocol for information / discussion.

Recommendations

Officers recommend that the Council:

1. *Receive the information.*

1. Executive Summary

This protocol has been developed over a number of months and the current draft is presented following consideration of public submissions and a meeting of submitters.

2. Discussion

The draft protocol as presented was finalized at a meeting of submitters and Martinborough Community Board members on Monday 19 March 2012.

This draft is presented for discussion.

It is intended that a "final draft" expenditure protocol be included with the LTP material that is circulated (but as a separate document) to seek further comment prior to finalisation.

3. Appendices

Appendix 1 – Draft Pain Farm Expenditure Protocol

Contact Officer: Paul Crimp, Group Manager Corporate Support

Appendix 1 – – Draft Pain Farm Expenditure Protocol

DRAFT PAIN FARM TRUST LANDS INCOME DISTRIBUTION POLICY

1. Rational

The Martinborough Community Board under the guidance of Council has a governance role of the Pain Farm Trust Lands and the recommendation of the expenditure of the income. There has been a widespread lack of understanding of the bequest and how the funds can be spent. This policy will be reviewed in accordance with SWDC requirements.

2. Purpose

- To provide guidelines for the distribution of funds from the income from the various leases of the Pain Farm Trust Lands.
- To allow greater efficiencies, understanding and transparency and give direction how and where the funds can be expended.

3. Guidelines

3.1 Administration

1. The Council shall recover fair and reasonable administration costs.
2. The Council will ensure that all leases, the land, homestead and cottage and Landfill /Transfer station will be reviewed and the intent of the bequeath and High Court judgment be complied with.
3. Council will advertise where the funds have been expended annually

3.2 Repairs and Maintenance

1. A fund of \$40,000 will be set aside for repairs and maintenance of the property and buildings, if expensed at any one time the amount will be accrued by \$10,000 amount per year until the fund is replenished.

3.3 Funding Distribution

1. The Community Board with the guidance of Council will ensure that the Council's Martinborough Parks and Reserves will have priority over available funds and will be expended as directed by the High Court's Judgement in 1966. It is recommended that the funds are spent on capital equipment/facilities.

2. Funds may be spent purchasing and funding capital sporting equipment and facilities where it will benefit the residents of Martinborough Community and with the support and guidance of Council.
3. Applications for funding community sporting (2. Above) equipment/amenities will be called for annually and will not exceed \$25,000 and if the funds are available.
4. All expenditure above \$35,000 will be subjected to the SWDC Annual Plan
5. Any funding distribution must be of benefit to the residents of Martinborough; this removes the confines of any town boundary as a sporting facility, club or reserve may be located on the outskirts of the town yet be a Martinborough amenity.
6. The Community Board may wish to accumulate funds for a specific project or raise a loan using some of the income; this will be permitted under Council guidance.

4. Background

George Pain, known as Tiny Pain or Hura Rorere (king of the road) born 1847 Wellington died 1937. A "pioneer" shepherd/farmworker, hawker, hotelier, storekeeper, landlord, run-holder/farmer and wool baron.

George Pain in 1932 made a will bequeathing the 210 acre property known as the Pain Farm to the then Borough Council (now the SWDC) with this wife having a life interest. In 1960 Mrs Pain died and the land was handed to the Martinborough Borough Council. The land that was bequeathed

'to be held on behalf of the inhabitants of Martinborough and he particularly desired that the property should as far as possible be made available as a sports ground for the residents of Martinborough and as a playground for the children'

In 1965 due to the practicality, uncertainty (the farm being held in a 21 year lease), location and the Borough Council already having a number of under utilised reserves, resolved to apply to the Supreme Court for a judgement on a scheme for the use of the income from the Pain Farm.

Under provisions of the Charitable Trust Act 1957 in February 1966 the Court directed:

"That the income from the Trust Lands should be used, in maintaining and improving the borough's parks, sports grounds, camping ground, swimming baths, providing equipping and maintaining sports facilities and a children's playground in such manner and in such proportion as the Council may from time to time decide."

POLICY AND FINANCE COMMITTEE

4 APRIL 2012

AGENDA ITEM B5

SEWER LATERAL OWNERSHIP AND MAINTENANCE RESPONSIBILITIES

Purpose of Report

For the Committee to consider adopting a policy in respect of ownership and maintenance responsibilities for household sewer laterals that form part of the wider community wastewater reticulation system.

Recommendations

Officers recommend that the Committee:

1. *Receive the information.*
2. *Adopt the policy approach as per the model bylaw NZS 9201 part 22: 1999 (with local variations as required) with the point of discharge to be located at the property boundary as in 1(A).*

1. Executive Summary

Council earlier this year discussed the possibility that maintenance and/or renewal responsibility could rest with Council and that all such assets should be included in the asset register.

As council is currently reviewing its bylaws to provide consistency regionally and internally to council's policies it is therefore appropriate to decide on the point of discharge within this bylaw prior to development and adoption.

The point of discharge from a customer marks the boundary of responsibility between the customer and the council. The options for point of discharge 9201 part 22: 1999 are either;

- a. located at the boundary
- b. at the point of physical connection to the public sewer
- c. or a local variation of the two options as written.

Making property owners responsible for all costs associated with their laterals is probably the more politically attractive option as it helps to keep Council's rates down. However, it results in practical difficulties when replacements or repairs are required as a relatively large cost is involved for the average household. Hence from an asset manager's point of view the preferred approach would be:

1. Council should continue to charge for new connection costs and contributions where applicable (to be regarded as an entry fee to the system).

2. Council should accept structural failure and renewal replacement responsibility to the property boundary for all laterals (existing and new), except where owner-induced problems (tree roots, blockages and abnormal pipeline deterioration etc.) can be identified as an individual property owner responsibility (Option 1 NZS 9201 part 22: 1999).
3. The asset registers be updated to include all lateral assets (existing and new).
4. Normal depreciation rates be applied to the included lateral assets.
5. Provision be made on a recurring basis for lateral replacement each year with a condition assessment to be undertaken in the medium term to more accurately assess the needs and funding requirements.
6. Council adopt standard model bylaw with variations to underpin the new council policy.

2. Background

Council has received requests for the maintenance and renewal of laterals for various reasons. These requests included (but were not limited to) the following:

- Council assets (trees) causing damage to the lateral.
- Works on council mains (or associated works) causing damage to laterals.
- Excessive costs for replacement of laterals where crossings have been under highways or local roads.
- Suspected damage to laterals caused by heavy vehicle movements
- Private contractor's works on laterals exacerbating a blockage by pushing a blockage from private land onto public land.

Council is also undergoing an intensive review of mains due to the infiltration and ingress (I & I) of water. It has been determined in preliminary investigations that there is a substantial amount of I & I coming from laterals which are in poor condition.

3. Discussion

3.1 Infiltration and Ingress

As I & I does not adversely affect the user there is little motivation for the remedial action to be taken. This can be dealt with through investigation and enforcement, but it can be difficult due to the nature of the defense as seen in the points above.

Council will need to take a strategic approach to I & I in the coming years due to the development of its wastewater treatment options. While considered more costly, it would provide a more coordinated approach for dealing with issues as they arise.

3.2 Legal

The adoption of the model bylaw will replace Council's existing policy. The bylaws have a history of supporting precedent and are considered legally robust and defensible.

Council would be able to recovery costs from an individual property owner where owner-induced problems arise (such as tree roots, blockages and abnormal pipeline deterioration etc.) that can be identified as falling within the responsibility of the owner.

3.3 Financial Considerations

Council must consider the overall cost burden to the ratepayers when taking on these works. The overall accumulated cost will be borne by the community, whether individually by users or collectively as ratepayers.

It is considered that the strategic approach will decrease the accumulated cost to the ratepayers as works can be prioritised and programmed for operational efficiencies rather than carried out in singularity.

As works are carried out on mains, laterals can be repaired as works are undertaken allowing for an economy to the ratepayers. As mentioned previously, laterals are predominately not maintained or checked by users until blockages affect use. A proactive approach will increase costs initially in dealing with the highest priority cases but would also help to identify and address previously unresolved problems.

4. Supporting Information

4.1 LTP/Annual Plan

Provision in made in councils LTP for the reduction of I & I and the increased works required will be allowed for in the cost recovery in wastewater rates.

4.2 Current Statistics and approximation

The following is overall estimates of the value of laterals within public land currently.

Total pipe length over the four communities excluding Lake Ferry is about 66km for an ORC of about \$11.4M.

There are (according to the current asset register) about 1920 laterals which is understated as there are 3650 properties connected across the district.

Conservative approximation for 3500 laterals (discounting Lake Ferry) at 10 metres average length (in the public land area) laterals will approach 50% of the total reticulation meters.

At \$150 per metre that is \$1500 per lateral or \$5.25M full replacement, over 20 years equating to \$260K per annum (unadjusted).

4.3 Existing Policy

Councils existing policy "Waste Water Disposal Policy– Connections to Sewer Reticulation System" states:

3.1.9 New and existing users own the asset relating to laterals including the actual connection with the sewer main, and are responsible for the maintenance and replacement in future of that asset. Sewer laterals are to be maintained in leak-proof condition.

The rationale behind this policy is that the "Sewer Reticulation to urban areas requires a significant investment by Council to meet ratepayers

expectations. This policy is to protect Council's investment by setting standards for connections to the system and identifying where the costs of connection lie".

The change in maintenance and ownership does not contravene this but rather is to protect council's investment in wastewater treatment at the bottom end of the system.

5. Financial Implications

If the Council adopts the recommended policy change and associated bylaw, the following additional costs will need to be funded.

They are:

a) Lateral Replacement

Allowing for the replacement of five laterals per year a sum of \$15000 should be provided until further condition information is available. Note that this would be over and above the laterals that would be renewed during the overall reticulation renewal programme which is separately budgeted for within Council's works programme.

b) Lateral Depreciation

These assets will need to be depreciated and will be additional to the general wastewater network depreciation.

If the recommendation is adopted, Council will own an asset worth \$5.25M which is required to be depreciated, and this depreciation funded.

Depreciation cost will be, at 2.8% per year, \$147,000 per annum. Across the approximately 3,500 connections this will equate to a rates increase of \$42.00. The sewerage rate will increase from \$341 per serviced connection to \$383.

Note that the figures quoted are estimated will be subject to further adjustment should the policy change be adopted.

6. Appendices

Appendix 1 – Councils Policy, Waste Water Disposal Policy– Connections to Sewer Reticulation System

Appendix 2 – Summary of Other Council Policy

Contact Officer: Mark Allingham, Group Manager Infrastructure and Services.

**Appendix 1 – Councils
Policy, Waste Water
Disposal Policy–
Connections to Sewer
Reticulation System**

Waste Water Disposal Policy– Connections to Sewer Reticulation System

1.0 RATIONALE:

Sewer Reticulation to urban areas requires a significant investment by Council to meet ratepayers expectations. This policy is to protect Council's investment by setting standards for connections to the system and identifying where the costs of connection lie.

2.0 PURPOSE:

To set out conditions and cost responsibilities relating to Council owned Sewer Reticulation Schemes in the District.

3.0 GUIDELINES:

3.1 GENERAL

- 3.1.1 All new connections are charged an administration fee set by the Council each financial year.
- 3.1.2 Work shall not commence until an administration fee has been paid by an applicant, and the Manager Works and Services (or his representative) has approved the specifications for the connection work in writing.
- 3.1.3 The cost of connection work (lateral) from the sewer mains to the road boundary and any other associated costs are met by applicants.
- 3.1.4 Connection work referred to above may include (but is not limited to) pipe work, attendance by the Council's contractor at the time of connection to the sewer mains, a New Zealand Transport Agency permit for trenching (if required), reinstatement of the road and other disturbed infrastructure, relocation of any other services, and any other related work.
- 3.1.5 Applicants have a choice of engaging either Council's contractor or other contractor acceptable to the Council to carry out the connection work(s) referred to. Applicants pay all the costs to the contractor, direct.
- 3.1.6 If applicants engage a contractor other than Council's contractor, that contractor does the connection to the mains in the presence of Council's contractor. Applicants pay the necessary cost of attendance to Council's contractor, direct.
- 3.1.7 Costs of extending the sewer mains where required are met by applicants.

- 3.1.8 For connections to new subdivision lots and other properties, and buildings including multi-dwellings and occupancies, applicants pay financial contributions to join the existing system at a rate set by the Council from time to time.
- 3.1.9 New and existing users own the asset relating to laterals including the actual connection with the sewer main, and are responsible for the maintenance and replacement in future of that asset. Sewer laterals are to be maintained in leak-proof condition.
- 3.1.10 Each property receives only one connection. Additional connections may be available at Council's discretion where the Council permits more than one house, a commercial building or any other building in a section. In such cases, applicants pay the initial financial contribution referred to above and subsequently sewer charges for each separate connection.
- 3.1.11 For new connections, applicants are required to provide double flush cisterns to conserve town water.
- 3.1.12 All new or existing users must ensure that no storm water leaks to or is made to discharge into the sewer laterals.
- 3.1.13 Charges are recovered through sewerage rates set by the Council each year. That allows for the use of two WC pans, and additional charges apply for any additional pans (one additional charge for each additional pan or equivalent).
- 3.1.14 Users (commercial and industrial users in particular) are required to seek specific written approval for the discharge of any trade waste to the sewer reticulation system. Each case is dealt with on its own merits after giving due consideration to alternative disposal systems available to applicants, the impact on oxidation ponds and the environment. If approved, specific financial contributions and disposal charges shall apply depending upon the type of trade waste.
- 3.1.15 Applicants are required to provide as-built plans of connections on completion for Council records.
- 3.1.16 Council's obligation to provide sewer connection and liability complies with Wastewater Drainage Model Bylaw NZS 9201:Part 22:1999. Council's goal, strategies and policies are made public through the Annual Plan / LTCCP process.
- 3.1.17 To reduce pressure on Council's wastewater treatment systems, no new or replacement of existing waste disposal unit is permitted.
- 3.1.18 This policy will be reviewed and amended from time to time.

3.2 URBAN AREAS

- 3.2.1 Urban boundaries are those defined in the District Plan Maps.
- 3.2.2 Domestic sewer connections shall be 100 mm minimum diameter (internal) or as approved by the Manager Works & Services. For industrial purposes, specific design is to include features such as grease traps which require prior approval of the Manager Works & Services. Financial contributions set by the Council year to year referred to in 3.1.8 above are for standard 100mm connections. For bigger diameter connections if and where permitted shall be on pro-rata bases e.g. for 150mm diameter pipe connection, financial contributions will be 2.25 times that of 100mm diameter connection financial contributions.

3.3 RURAL AREAS

- 3.3.1 Rural areas are those areas adjoining the urban boundaries defined in item 3.2.1 above. Any rural areas included in the urban zone as a result of further District Plan changes remain classified as rural areas for sewer connection financial contributions purposes. Except for rural properties for which council has already committed to provide sewer connections, no other new connections shall be provided to any rural property.
- 3.3.2 In rural areas, sewer connections, if available, are for domestic use only. As mentioned in clause 3.3.1 above, except for rural properties for which council has already committed to provide sewer connections, no other new connections shall be provided to any rural property.
- 3.3.3 Sewer connections are as stated in 3.2.2 above. As mentioned in clauses 3.3.1 and 3.3.2 above, except for rural properties for which council has already committed to provide sewer connections, no other new connections shall be provided to any rural property.
- 3.3.4 Despite clauses 3.3.1 to 3.3.3 above, Council may provide a new connection of any specification to a rural property provided that the connection is for a Council deemed significant commercial use and it promotes the social, economic, environmental and/or cultural well-being of the community. Any connection provided under this clause will be at Council's absolute discretion. For the avoidance of doubt, no connection will be provided under this clause for an agricultural use or a residential subdivision.

Appendix 2 – Summary of Other Council Policy

Local Authority	Lateral Ownership (on Public Land)	Maintenance/ Replacement responsibility on Public land	Point of Discharge (between public sewer and private drain)	NZS 9201:Part 22: 1999 adoption with modifications to suit
Christchurch City	Council	Council for structural repairs. Owner for blockages up to main	Private Property Boundary	NOT KNOWN
Wellington City	Owner to the main	Owner responsible for structural repairs, one free tree root removal	Council Main	NOT KNOWN
Taupo District Council	Council	Council maintains in public spaces	Private Property Boundary	NOT KNOWN
Central Hawke's Bay District	Council	Council	Private Property Boundary	YES
New Plymouth District Council	Council (in asset register)	Council	Council main internally and property boundary externally	YES
Waimakariri District Council	Council	Council for structural repairs. Owner for blockages to main	Private Property Boundary	IN PROGRESS
Tararua District Council	Owner to the main	Owner to the main	Council Main	YES
Masterton District Council	Owner to the main	Owner to the main	Council Main	YES
Manukau City Council	Council	Council	Private Property Boundary	NO
Carterton District Council	Council (in asset register)	Council	Private Property	YES