

Financial policies



Financial policies

The financial policies explain how the cost of achieving the plan will be met. The policies included in this plan include:

- Statement of Significant Accounting Policies
- Financial Contributions Policy
- Revenue and Financing Policy – shows how each activity's operational and capital expenditure is funded and explains why.
- Treasury Management Policy – policies on investing and borrowing.
- Remission and postponement of rates policies – remission of rates involve reducing the amount owing or waiving collection of rates altogether.

Statement of Significant Accounting Policies

Statement of compliance

These financial statements have been prepared in accordance with NZ GAAP (with the exception of the funding impact statements). They comply with NZ FRS-42 and any other applicable Financial Reporting Standards, as appropriate for public benefit entities (PBEs).

Reporting entity

The Northland Regional Council is a local authority governed by the Local Government Act 2002 and is domiciled in New Zealand. The Council's group comprises the Council and its subsidiary entities, namely:

- Northland Port Corporation (NZ) Ltd (53.61% owned) and its subsidiaries.
- Northland Regional Council Community Trust (100% owned) and its subsidiaries.

All Northland Regional Council subsidiaries are incorporated and domiciled in New Zealand.

The primary objective of Northland Regional Council is to provide goods or services for the community or social benefit, rather than making a financial return. Accordingly, Northland Regional Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Reporting period

The prospective financial statements are prepared for the ten year period ending 30 June 2022.

Judgements and estimates

The preparation of prospective financial statements in conformity with NZ IFRS and NZ IAS requires judgements, estimates and assumptions concerning the future that affect the application of policies and reporting amounts of assets and liabilities and income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Where material, information on the major assumptions is provided in the significant forecasting assumptions section of this Long Term Plan or will be provided in the relevant notes to the prospective financial statements.

Significant accounting policies

The accounting policies set out below have been applied consistently to all period presented in these prospective financial statements.

Basis of Preparation

The financial statements of Northland Regional Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6 and Part 1 of Schedule 10, which include the requirement to comply with New Zealand's generally accepted accounting practice (NZ GAAP).

In the interests of transparency we provide two sets of financial information –

1. the usual Generally Accepted Accounting Principles (GAAP) regulated statements of financial position, comprehensive income and the like; and
2. a funding impact statement.

Key differences between these two sets of information are – GAAP regulated financial statements as the name suggests must adhere to GAAP requirements.

The Funding impact Statement (FIS) intended to make the sources and applications of Council funds more transparent to its stakeholders than might be the case if only the usual GAAP financial statements were provided. The FIS is prescribed by the Local Government (Financial Reporting) Regulations 2011 and is required by the Local Government Act 2002.

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

equivalents to International Financial Reporting Standards.

Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain property plant and equipment, investment property, forestry assets and available for sale financial assets and financial instruments (including derivative instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of Northland Regional Council is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance, except when deferred in equity as qualifying cash flow hedges.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance sheet date.

Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Standards, amendments and interpretations issued that are not yet effective:

NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. At present, NZ IFRS 9 does not need to be applied by councils until the financial year ending 30 June 2014 and this is likely to be extended to 30 June 2016 given that IFRS 9 on which NZ IFRS 9 is based has delayed its application date. Based on the External Reporting Board's timelines, we expect new PBE standards to be in place and required to be used by councils before councils would otherwise have been required to apply NZ IFRS 9.

Significant accounting policies

Subsidiaries

Northland Regional Council consolidates as subsidiaries in the group financial statements all entities over which the Council may direct the governance policies so as to obtain benefits from the activities of the entity. This power generally exists where Northland Regional Council has an interest of 50 per cent or more of Council-controlled organisations or more than one-half of the voting rights on the governing body or where such policies have been irreversible predetermined by Northland Regional Council or where the determination of such policies is unable to materially impact on the level of potential ownership benefits that arise from the activities of the subsidiary.

Any excess of the cost of the business combination over Northland Regional Council interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the Northland Regional Council interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the statement of financial performance.

Associates

The Northland Regional Council accounts for investments in associates in the group financial statements using the equity method. Associates are all entities over which group entities have the significant influence that generally accompanies an interest of between 20% and 50% of the voting rights, and that are neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise Northland Regional Council's share of the surplus or deficit of the associate after the date of acquisition. The Northland Regional Council share of the surplus or deficit of the associate is recognised in the Statement of Financial Performance. Distributions received from an associate reduce the carrying amount of the investment.

If the NRC share of deficits of an associate equals or exceeds its interest in the associate, the Northland Regional Council discontinues recognising its share of further deficits. After the

Northland Regional Council interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Northland Regional Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Northland Regional Council will resume recognising its share of those surpluses only after its share of surpluses equals the share of deficits not recognised.

Where the Northland Regional Council transacts with an associate, surplus or deficits are eliminated to the extent of the Northland Regional Council's interest in the relevant associate.

The Northland Regional Council investments in associates are carried at cost in the Council's own "parent entity" financial statements.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Northland Port Corporation is party to several joint venture arrangements. For these jointly controlled operations Northland Regional Council recognises in its financial statements the group's share of the assets, liabilities, revenues and expenses using the proportional consolidation method.

Revenue

Revenue and expenditure are measured at the fair value of the consideration received or paid.

Rates Revenue

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

Other Revenue

User fees and charges are recognised and brought to account when invoices are issued for services provided and contracts completed. Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services provided.

Government grants and subsidies are recognised as revenue when the primary conditions of entitlement have been met.

Sale of goods is recognised when a product is sold to a customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

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

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

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividend income is recorded at the cash amount received, being net of taxation imputation credits.

Rental income from investment property is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease. Lease incentives are recognised as part of the total rental income.

Funds are collected for other organisations, including central government. Any funds held at balance date are included in current liabilities. Amounts collected on behalf of third parties are not recognised as revenue, except for the commissions or fees earned.

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract as balance date. The stage of completion is measured by reference to the contract costs incurred, up to the balance date, as a percentage of total estimated costs for each contract. Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead

expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the statement of financial performance.

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

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

Expenditure

Expenditure is recognised when goods and services have been received.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that these arise on the acquisition, construction or production of qualifying assets. In that case, borrowing costs will be capitalised as part of the cost of the asset.

Grant expenditure

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

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

Income tax

The income tax expense charged to the consolidated Statement of Comprehensive Income includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible expenses.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

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

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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

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

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

Leases

Operating Leases

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

Finance Leases

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

At the commencement of the lease term, the council recognises finance leases as assets and liabilities on the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset.

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

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

Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Debtors and other receivables

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

Derivative financial instruments and hedging accounting

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at

each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

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

The council and group designates certain derivatives as either:

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

The council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as a non-current asset if the remaining maturity of the hedged item is more than 12 months, and as a current asset if the remaining maturity of the hedged item is less than 12 months.

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

- **Fair value hedge**

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

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

- **Cash flow hedge**

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of finance costs.

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

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

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

effective will be from other comprehensive income to the surplus or deficit.

The council's subsidiary, Northland Port Corporation (NZ) Limited, uses derivative financial instruments to hedge exposure to foreign exchange and interest rate risks arising from financing activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The accounting policies detailed above are applied.

Financial assets

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

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

The council classifies its financial assets into the following four categories:

- Financial assets at fair value through surplus or deficit,
- Loans and receivables,
- Held-to-maturity investments, and
- Financial at fair value through other comprehensive income.

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

- **Financial assets at fair value through surplus or deficit**

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if

acquired principally for the purpose of selling in the short-term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking.

Derivatives are also categorised as held for trading unless they are designated as hedge accounting relationship for which hedge accounting is applied.

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

After initial recognition, financial assets in this category are measured at their fair values. Gains or losses on re-measurement are recognised the surplus or deficit.

- **Loans and receivables**

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

Council's loans and receivables comprise cash and cash equivalents, debtors and other receivables, and term depositions.

After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Loans and receivables issued with duration of less than 12 months are recognised at their nominal value. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

Prepayments comprise significant items of expenditure having a benefit to more than one accounting period and are written off over the period to which they relate.

- **Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable

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

Council does not hold any held-to-maturity investments.

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

- **Financial assets at fair value through other comprehensive income**

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

- Investments in quoted shares that have been designated in Treasury Management policy as being available for sale;
- Investments that are intended to be held long-term but which may be realised before maturity; and
- Shareholdings that are held for strategic purposes.

The council's investments in its subsidiary and associate entities are not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates), whereas this category is to be measured at fair value.

After initial recognition, these investments are measured at their fair value, with gains and losses recognised directly in equity except for impairment losses, which are recognised in the surplus or deficit.

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

Included in this category are the council's investments in Local Authority stocks. Fair value

for these investments is provided by ETOS and is determined by reference to published price quotations in an active market.

Impairment of financial assets

At each balance date the Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the surplus or deficit.

- **Loans and other receivables, and held-to-maturity investments**

Impairment of a loan or a receivable is established when there is objective evidence that council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rates. For debtors and other receivables, the carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account.

Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). Impairment in term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instrument's carrying amount.

- **Financial assets at fair value through other comprehensive income**

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

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

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference

between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

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

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

Inventories

Inventories (such as stores and materials) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition. Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost at net realisable value. The cost of purchased inventory is determined using the FIFO method.

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

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

Costs directly attributed to the development land are to be capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Marsden to Oakleigh Rail corridor Designation is made up of the costs directly attributable to securing the rail corridor designation. This inventory asset is held for distribution. The future economic benefit or service potential of this asset is not directly related to council's ability to generate future cash inflows. The value of this

inventory is at cost and when applicable, will be adjusted for any loss of service potential. Council will transfer the rail corridor to ONTRACK once ONTRACK has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link.

Non-current assets held for sale

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

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

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

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

Property, plant and equipment

Property, plant and equipment consist of:

- Operational Assets – These include land, buildings, plant and equipment, navigational aids, vehicles and vessels and dredging equipment.
- Infrastructure Assets – Infrastructure assets are the assets that comprise the Awanui River flood management system, including stop-banks and floodgates.
- Restricted Assets -There are no restrictions on the assets of the council.

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

Revaluation

The Northland Regional Council revalue the land and buildings' asset class annually, on the basis described below. All other asset classes are carried at depreciated historical costs.

Infrastructure assets are revalued triennially.

The results of revaluing are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in

equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Additions

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

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

Subsequent costs

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

Disposals

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

Depreciation

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

Owner occupied buildings are revalued annually and no depreciation is charged on these assets.

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

Buildings	5-100 years	1-20%
Forest	10 years	10%
Plant and equipment	2-20 years	5-50%
Navigational aids	10 years	10%
Vehicles	4-5 years	20-25%
Vessels and equipment	10-25 years	4-10%
Infrastructure assets	50-80 years	1.25 - 2%

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

Operational land and buildings

Land and buildings held by the council are revalued annually at fair value, as determined by market-based evidence, by an independent valuer.

Capital projects in progress

Capital expenditure projects not completed by balance date are recorded at cost.

Intangible assets

Software acquisition and development

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

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

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

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

The useful lives and associated amortisation rates for computer software have been estimated as follows:

Computer software	4-5 years	20-25%
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Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested, annually, for impairment. Assets that have a finite life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use.

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

The value in use for cash-generating assets and cash generating uses is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

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

For assets not carried at a revalued amount (other than goodwill), the reversal of an impairment loss is recognised in the surplus or deficit.

Biological assets

Forestry assets are independently revalued, annually, by Chandler Fraser Keating Ltd at fair value less estimated point-of-sale costs. Fair value is the amount for which the forest asset would be expected to exchange between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties have each acted knowledgeably and without compulsion. Fair value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach, the net present value is calculated by discounting to the present day the projected net cash flow of the forest in perpetuity. The calculated net present value is then linked to sales evidence through the application of a discount rate derived from the analysis of actual transactions. The cost-based approach is also employed in the valuation because the tree crop is a young, second rotation forest (80% by value are less than 10 years of age) and this approach better reflects how the market would likely view the tree crop value.

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

The costs to maintain the biological assets are included as an expense in surplus or deficit.

New Zealand Units (Forestry) - Emissions Trading Scheme

The council has 291 hectares of pre 1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme ("ETS"). The implication of this for the financial statements is two-fold:

- Should the land be deforested (i.e. the land is changed from forestry to some other purpose), a deforestation penalty will arise;
- As a result of the deforestation restriction, compensation units are being provided by the Government.

Compensation is to be provided to forestry owners, via the allocation of compensation units, known as New Zealand Units (NZUs) in two tranches. Council received the first tranche of 6,693 units in December 2010. Subject to there being no change in legislation, council expects to receive a further 10,767 NZU's in the second tranche allocation of units in 2013.

Compensation units are recognised at deemed cost based on the fair value at the date of receipt (i.e. historic value). The credits are recognised when they have been received and are recognised as income in the Statement of Comprehensive Income. Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount of the NZU. Gains and losses on disposals are reported in the surplus or deficit.

If at the end of any financial year there has been some deforestation (such as harvesting) that is yet to be replanted, a contingent liability will be disclosed until such time as replanting has occurred. Council's Forest Management Plan prescribes replanting will always take place subsequent to any harvest.

Investment property

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

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

After initial recognition, council measures all investment property at fair value, as determined annually by Telfer Young (Northland) Ltd who are independent valuers, and who have recent experience in the location and category of the investment property being valued and hold a recognised and relevant professional qualification. Fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of investment property reflects, among other things, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Creditors and other payables

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

Employee entitlements

Short-term Employee Entitlements

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

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

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

Council recognises that a liability and an expense are recognised for bonuses where contractually obliged, or where there is a past practice that has created a constructive obligation.

Long-term Employee Entitlements

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

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

These estimated amounts are discounted to their present value using the 10 year Government bond rate.

Presentation of employee entitlements

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

Provisions

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

Where material, provisions are recorded at the best estimate of the expenditure required to settle the obligation. Provisions to be settled beyond 12 months are recorded at their present value.

Equity

Equity is the community's interest in the Northland Regional Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Accumulated funds,
- Special reserves,
- Asset revaluation reserves, and
- Fair value through other comprehensive income reserve.

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

Restricted reserves include the Land Management Reserve, Recreational Facilities Reserve, Awanui River Management Rate Reserve, Kaihū River Management Rate Reserve and the Whangaroa - Kaeo Rivers Management Rate Reserve, Hātea River maintenance Reserve, Investment Redirection Fund, Reserve, Environment Fund reserve. These reserves are restricted by law and reflect targeted rates that must be applied to the specific activities for which the rates were collected. Other reserves are established by the council and may be altered at the discretion of the council.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and creditors and other payables, which are stated on a GST inclusive basis. GST not recoverable as input tax is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Northland Port Corporation (NZ) Limited

The Northland Regional Council owns 22,142,907 25c shares, being 53.61% of the issued capital of the Northland Port Corporation (NZ) Limited. The shares are recorded at \$7,827,563, being the deemed cost of 21.7 million shares of \$5,436,650.25 under the Northland Harbour Board Port Plan 1988, plus the cost of a parcel of shares acquired in May 2005, less the 652,294 shares sold in February 2009 as part of the share buy back process. The company has several subsidiaries, associate companies and joint venture interests which are detailed in the Notes to the Accounts in the council's Annual Report.

Comparative Figures

The comparative figures are those approved by the council at the beginning of the year in the Long Term Plan or Annual Plan. The comparative figures for the opening balances are based on the 2011/2012 Annual Plan and these are adjusted based on actual events to provide a more accurate opening position. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the council for the preparation of the financial statements.

Cost allocation

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

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity. Inter-departmental direct costs are charged to the applicable department at the time the cost is incurred. Indirect costs are charged to operating activities using a weighted average percentage, based on the gross labour costs, number of staff, gross expenditure, revenues and working capital deployed.

Financial risk management objectives and policies

Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. The Council has established council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Council's principal financial instruments comprise the investment portfolio and cash and short-term deposits. Council has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. The main risk arising from the Group's financial instruments are cashflow interest rate risk, liquidity risk and credit risk.

Details of the significant accounting policies and methods adopted, include the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset. Financial liabilities are disclosed in the notes to the financial statements.

Financial instrument risk

The Northland Regional Council has policies to manage the risk associated with financial instruments. They are both risk averse and seek to minimise exposure from their treasury activities. The council and Northland has established borrowing and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk*Fair Value Interest Rate Risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The council's and

Northland's exposure to fair value interest rate risk is limited to interest-bearing investments within the portfolio.

Cash flow interest rate risk

Cashflow interest rate risk is the risk that the cashflows from a financial instrument will fluctuate because of changes in market interest rates. Investments at variable interest rates expose the council to cashflow interest rate risk.

The policies of the Northland Regional Council require a spread of investment maturity dates to limit exposure to short-term interest rate movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The council is not exposed to any significant currency risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the council causing the council to incur a loss.

The council's investments are invested in accordance with the Treasury Management Policy which has a low risk profile. Investments are made with creditworthy institutions as determined by their Standard and Poors credit rating. Investment of surplus cash is limited to Local Authority and Government Stock and approved corporate bonds and deposits with New Zealand registered banks.

Accordingly, the council has no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that the council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the investment portfolio. The vast majority of the investment portfolio is very liquid and able to be sold on the same day.

Capital management

The council's capital is its equity (or ratepayers' funds), which comprises retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the council to manage its revenues, expenses, assets, liabilities investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the council's assets and not expecting them to meet the full costs of long term assets that will benefit ratepayers in future generations. Additionally, the council has in place asset management plans for major classes of assets, detailing renewal and maintenance programmes to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the council to make adequate and effective provision in its Long Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out under Funding and Financial Policies in the council's Long Term Plan.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Financial Reporting Standard 42: Prospective Financial Statements (FRS 42) Disclosures

The council has complied with FRS 42 in the preparation of these prospective financial statements.

The council publishes both parent entity and group financial statements for historical reporting purposes but does not publish group prospective financial statements. In accordance with FRS 42 the council is required to disclose the reasons for not presenting group prospective financial statements.

The council has not prepared group financial statements because:

- The primary focus of the Long Term Plan is on the activities of the council (Parent) and the consequent impact on rates.
- The financial impact of transactions with group entities is reflected with the Long Term Plan for funding purposes.



Financial contributions

The council is required, pursuant to section 102(4)(d) of the Local Government Act 2002 to adopt a policy setting out the purposes for which development or financial contributions may be required. Only territorial authorities have the statutory ability to charge development contributions. Accordingly the Northland Regional Council is unable to charge development contributions. However the Council is able to charge for financial contributions pursuant to the Resource Management Act 1991. No financial contributions can be levied by a council unless they are included in the terms or rules of a regional plan. The following policy outlines the council's specific policies for financial contributions.

The council has three regional plans, all of which have provisions for charging financial contributions. These are:

- Regional Air Quality Plan
- Regional Water and Soil Plan
- Regional Coastal Plan.

When the regional council grants a resource consent under the rules in one of the above plans, it may impose a condition requiring that a financial contribution be made for the purposes specified in the plan.

The term 'financial contribution' is defined in section 108(9) of the Resource Management Act 1991 to mean: "... a contribution of:

- (a) Money; or
- (b) Land, including an esplanade reserve or esplanade strip (other than in relation to a subdivision consent), but excluding Māori land within the meaning of the Māori Land Act 1993 unless that Act provides otherwise; or
- (c) A combination of money and land."

Further matters relating to financial contributions are contained in section 108(10) of the Act. Under this section of the Act, a consent authority must not include a condition in a resource consent requiring a financial contribution unless:

- (a) The condition is imposed in accordance with the purpose specified in the plan or intended plan (including the purpose of

ensuring positive effects on the environment to offset any adverse effect); and

- (b) The level of contribution is determined in the manner described in the plan or intended plan.

Financial contributions may be required for various purposes, including for the purposes of ensuring positive effects on the environment or to offset any adverse effects and/or to mitigate the adverse effects of development (environmental compensation).

Financial contributions will apply where other conditions will not adequately address community concerns or where the circumstances of an individual application point clearly to a financial contribution as the most appropriate option. The requirement for and the amount of a financial contribution are determined under pre hearing consultation during the process of applying for a resource consent. The use and appropriateness of financial contributions in any given circumstance is determined through consultation involving the council, the applicant for and any submitters to the application.

All moneys collected under the financial contributions provisions of a regional plan are collected by the council to apply in such a manner as the council deems fit for the above purposes. When deciding how financial contributions should be levied or allocated, consideration will be given to matters contained in public submissions on a resource consent application.

The Resource Management Act 1991 requires the regional council to specify in each regional plan:

- The circumstances when such contributions may be imposed.
- The purposes for which such contributions may be required and used.
- The manner in which the amount of the contribution will be determined.

Each regional plan (where relevant) also sets out the matters which the regional council will have particular regard to when deciding whether to impose a financial contribution and the type (or types) of contribution. These plans and the provisions and methodology for calculating financial contributions are available for public inspection at council offices.

Revenue and Financing Policy

Overview

This policy covers the council's funding of operating and capital expenditure and the sources of those funds – in other words, how the council pays for what it does.

The Local Government Act 2002 requires the council to adopt Revenue and Financing Policy. The council must manage its finances prudently and in a manner that promotes the current and future well-being of the community.

The council must ensure it has a "balanced budget". This means that the council's revenue should cover its operating expenses. However, a council may choose to plan for a budgeted deficit provided it takes into account the impact on levels of service, the equitable allocation of responsibility for funding the provision and maintenance of assets and services and its funding and financial policies.

To create an equitable funding policy, the council has considered the nature, benefits and beneficiaries for each of its activities, looking at:

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

The list of activities and the funding mechanisms used for each activity are included in **table one** below. An explanation of the terminology used provided follows on from the table.

Funding of operating expenses

The council sets its long-term revenue to fund its ongoing operation and asset maintenance programme as outlined in this plan. The sources of funding used depend on the council's analysis of individual activities and are outlined in **table one**. The funding for council's activities comes from three sources:

- General rates/funds (includes investment revenue)
- Targeted rates
- Fees and subsidies.

Council receives revenue from its investments (rent, interest earned, dividends). Historically net investment revenue has been deemed to be a general funding source and has been applied to subsidise general rates. Following public consultation for the 2011/2012 Annual Plan, net investment revenue is now being diverted from a general funding source to be applied to fund activities that contribute to economic well-being. This started in July 2011 and is being phased in over a number of years.

During the transition period the net investment revenue available for general funds will be applied to reduce the rating burden and will fall within general rates/funds. At the completion of the transition period there will be no net investment revenue available as general funds.

The funds will be applied to fund specific projects to increase Northland's economic performance and improve the environmental, social and cultural well-being of Northlanders. In any year there is unspent investment revenue, the revenue will be held in a reserve (Investment and Growth Reserve) and can only be applied to economic development activities.

Following consultation on the draft plan, the Community Investment Fund (formerly known as the Northland Regional Council Community Trust Fund) is to be re-vested with council. Council intends to maintain the real value of the capital of the Community Investment Fund by increasing the capital amount of the Fund by the level of inflation forecast for each year. The balance of the revenue earned from the fund will be applied to the Investment and Growth Reserve and be available to fund activities falling within the Economic Group of Activities as described above.

Revenue and funding sources for the council activities

The funding sources and indicative funding allocation for each council activity are below. There are six primary groups for the activities that the council carries out. Each group has a number of activities. The descriptions, objectives, cost and performance targets of each activity are presented in this plan.

Table one: List of activities and funding mechanism used

Group of Activities	Activity	Sub-activities	General rates/funds	Targeted rates	Fee/subsidy
Community Representation and Engagement	Community Representation and Engagement	Community Representation and Engagement	Majority		Residual
		Environmental Education	Full		
Resource Management	Consents	Consent Applications	Residual		Majority
		Consents Advice and Information	Full		
	Monitoring	State of the Environment Monitoring	Majority		Residual
		Compliance Monitoring, Environmental Incidents Response and Waste Management and Contaminated Sites	Residual		Licence and Enforcement Fees
	Land and Biodiversity	Land and Biodiversity	Majority		Residual
	Planning and Policy	Planning and Policy	Full		
Biorecognition	Biorecognition	Majority		Residual	
Economic	Economic development	Economic Development Activities	Majority	Residual	
		Projects	Residual	Majority	
Transport	Transport	Regional Transport Management	Residual		Majority
		Passenger Transport Administration	Residual	Majority	Majority
	Harbour Safety and Navigation	Harbour Safety and Navigation	Residual		Majority
Hazard Management	Civil Defence and Emergency Management	Civil defence and emergency management	Majority		Residual
	Natural Hazard Management	Hazard and Emergency Management	Majority		Residual
	Oil Pollution Response	Oil Pollution Response	Residual		Majority
River Management	River Management	River Management	Residual	Majority	Residual
Support Services ¹	Human Resources and Health and Safety		Full	Full	Full
	Information Technology				
	Finance				
	Records Management and Administration				
	Other Support Activities				
	Commercial Investments				
	Communications				

¹ Support Services are allocated to activities based on relevant cost drivers. Support services provide corporate wide services to the council.

General Funds comprises targeted general rates, which are made up of the Targeted Council Services Rate and the Targeted Land Management Rate, investment income and income from general council reserves. The Targeted Land Management Rate is applied to land based activities or activities which have a relationship to land. The Targeted Council Services Rate is applied to all other non-land based council activities.

Targeted Rates may be levied across the region, but are 'targeted' to provide greater accountability and transparency. Equally a targeted rate may be levied on a group of individuals who may derive a direct or greater benefit from the provision of specific council activities, targeted river management rates are an example.

Capital Expenditure is generally funded from the same sources available to fund operational expenditure. While debt or internal borrowing may sometimes be used to provide the immediate funding needed to acquire an asset, repayment of the debt will be made from the same sources operating expenditure.

Explanation of notations made in the table

Full means that all, or almost all, of the cost of the activity is funded from that particular source. If the comment is made in the 'general rates/funding' column it does not preclude making minor charges for the service but indicates that the charges are a negligible part of the total funding.

Subsidy means that a portion of the activity is funded from a government subsidy.

Majority means the majority of the service is funded from this source. When used in the fees and charges column it reflects the view that the services should be recovered from users but that legislation imposes some constraints which may mean that full recovery is not possible.

Residual indicates that a portion of funds comes from this source. It reflects that in some circumstances there are constraints on council charges, or that the alternative revenue source may include enforcement revenue which is imposed to achieve compliance and may not always cover the costs of enforcement.

Licence and enforcement fees can be charged for some services. Licence fees may be set by the council or by regulation, and may not always cover the full costs of the service. Enforcement fees are charged to achieve compliance and do not necessarily meet the full costs of the enforcement activity.

How funding mechanisms are selected

Section 103(1) of the Local Government Act 2002 requires council to state policies in respect of the funding of operating and capital expenditure from the sources listed in section 103(2) of the Act.

These sources are:

- General rates, including uniform annual general charges (UAGC)
- Targeted rates
- Lump sum contributions
- Fees and charges
- Interest and dividends from investments
- Borrowing
- Proceeds from asset sales
- Financial contributions under the Resource Management Act 1991
- Grants and subsidies
- Any other source.

The council's general philosophies for applying sources of revenue to fund expenditure are as follows:

Targeted general rates

Targeted general rates (made up of the Targeted Land Management Rate and the Targeted Council Services Rate) are used to fund public goods where it is impossible or impractical to clearly identify customers or users, or to fully recover costs from users or exacerbators.

Targeted general rates are also used to fund those activities that council considers to provide a public benefit or public good. For reasons of fairness and equity, targeted general rates are considered to be the most appropriate way in which to fund these activities.

Council typically funds "public goods" from targeted general rates as the benefit is wider than just specific users and there is no practical method for charging individual users.

These targeted general rates fund a range of services which are used by individual ratepayers to

varying extents. Rates are regarded as a tax which funds the collective community benefit rather than any form of proxy for use of a service.

Council analysis indicates that there is no significant difference in incidence between multiple targeted rates and a differentiated general rate. Council has elected to use the Targeted Land Management Rate and Targeted Council Services Rate as it considers these to be a more equitable approach than setting a general rate and uniform annual general charge. The level of general rates is based on the funding required to provide agreed council activities after identifying the other income sources.

The council uses its investment returns (dividends, interest and rent) to reduce the Targeted Council Services Rate and the Targeted Land Management Rate requirement. Accordingly, for the purposes of this Revenue and Financing Policy, investment funds and the Targeted Council Services Rate and the Targeted Land Management Rate have been combined and are referred to as general funds.

Targeted rates

Targeted rates are also used to fund certain activities where an individual or group of individuals derive a direct benefit from the provision of council activities and where it is appropriate that only this group be targeted to pay for some or all of a particular service. Targeted rates may also be set by council when it considers the rating valuation system used in setting the targeted rate provides a more acceptable alignment to the expenditure to be funded, in comparison to the general rate, or where the council considers separate, targeted rating provides greater transparency and accountability to the ratepayer.

Fees and charges

User charges are direct charges to people and/or groups who use certain council services or if the actions or inactions of identified individuals or groups give rise to the need to undertake a particular activity. In these instances, a benefit exists to clearly identifiable people and/or groups and they are required to pay for all or part of the cost of using that service.

Fees and charges are set on the basis of either recovering the full cost of the service, the marginal cost added by users, or a rate that the market will pay. The market rate becomes an issue to limit

the potential for charging. It applies in circumstances where the council believes that a charge set too high will reduce use and therefore diminish the value of the service to the community and impose a greater cost on ratepayers.

Fees and charges are set in accordance with council's Fees and Charges Policy.

Interest, dividends, rent and other investments revenue

Council receives revenue from investments. Historically net investment revenue has been deemed to be a general funding source and has been applied to reduce the general rating requirement. Following public consultation for the 2011/2012 Annual Plan, net investment revenue is now being diverted from a general funding source to be applied to activities that contribute to economic well-being. This started in July 2011 and is being phased in over a number of years. These activities fall within the Economic Group of Activities.

During the transition period, net investment revenue available for general funds will be applied to reduce the rating burden and will fall within general rates/funds.

At the completion of the transition period there will be no net investment revenue available as general funds, as it will be applied to fund projects and activities that contribute to economic well-being under the Economic Development activity.

The balance of the revenue earned from the Community Investment Fund will be applied to fund activities falling within the Economic Group of Activities. Council intends to maintain the real value of the capital of the Community Investment Fund by increasing the capital amount of the Fund by the level of inflation forecast for each year.

Borrowing

The council may use borrowing, including internal borrowing, to bring forward or accelerate operating expenditure. The council will fund operating expenses from borrowing only when it is prudent to do so and subsequent to special resolution by the council. Borrowing may be from the council funds and reserves or borrowing may be external. A cost of borrowing charge will be applied to all borrowing. The cost of borrowing and repayment of borrowing is to be funded from

the same funding sources available to fund the specified activity.

Proceeds from asset sales

Proceeds from assets sales will be used to provide funding for assets. Where the council considers it financially prudent to do so, it may by special resolution of council, elect to use the proceeds of asset sales to fund operating expenditure.

The retention of strategic and investment the application of investment returns to promote economic well-being, provides inter-generational equity. Unless council resolves otherwise, proceeds from the sale of investment assets will be set aside for further reinvestment.

Financial contributions

Financial contributions will be applied in accordance with the Financial Contributions Policy.

Grants and subsidies

Central Government and other third party agencies provide various grants and subsidies for specified activities and projects. Where appropriate, the council seeks to take advantage of such funds.

Other funding sources

Use of surpluses from previous financial periods

Where the council has recorded an actual surplus in one financial period, it may pass this benefit on to ratepayers in a subsequent financial period. A surplus arises from the recognition of additional income or savings in expenditure. The council considers that passing this benefit on to ratepayers promotes equity, in that any financial benefit is passed on to those ratepayers who shared the rates-funding burden in the financial period that the surplus was generated.

The amount of any surplus carried forward from previous financial periods will be accounted for as an operating deficit in the year the benefit is passed onto ratepayers. A surplus will be available for use in future financial periods if the actual surplus/(deficit) is improved when compared to budgeted surplus/(deficit). In calculating the level of surplus to be carried forward, consideration will be given to the nature of the factors giving rise to the surplus, for example whether the surplus is cash or non cash, and after taking into account appropriate movements to and from reserves. Generally, only those factors that are cash in nature will be available for use in determining the level of

surplus to be carried forward. The council will not carry forward surpluses in relation to the:

- Sale of assets. Asset proceeds shall be used to fund further capital expenditure, unless the council resolves otherwise.
- Revenue received for capital purposes. Such surplus shall be retained to fund associated capital expenditure.
- Unrealised gains arising from fair value adjustments to assets and liabilities. These gains are unrealised accounting adjustments in the period in which they are recognised.

Reserves and special funds

Reserve funds may be applied to fund expenditure for specific purposes. In some circumstances the reserves are a legal requirement and the council may establish additional reserves as and when required.

Where the council collects targeted rates, these monies are only able to be spent on specified expenditure. Any funding surplus or deficit resulting from activities funded by way of targeted rates is set aside in a specified reserve to be utilised or repaid in subsequent financial years. Transfers may be made only for specified purposes or when specified conditions are met.

Subject to meeting any specified conditions associated with these reserves, the council may expend money, of an operating or capital nature from these reserves.

Funding of capital expenditure

Capital expenditure is funded from depreciation, general funds, targeted rates and borrowing as outlined below:

- If the capital expenditure relates to the replacement of an existing asset, that expenditure will be funded out of rates charged to recover depreciation. If accumulated cash surpluses arising from the funding of depreciation are insufficient, then reserves or borrowing may be used to provide funding. Funding of depreciation and repayment of borrowing comes from general rates, investment revenue, targeted rates and user fees and charges, as applicable to each specific project.
- If the capital expenditure relates the construction or purchase of a new asset or

to the upgrade or increase in service potential of an existing asset, that expenditure may be funded from internal or external borrowings and repaid from applicable funding sources over an agreed period of time. Borrowing is a cost effective and equitable means to fund capital expenditure as it spreads the cost of the asset over an extended period, such as the life of the asset, making it affordable to ratepayers today and spreading the incidence of cost over those who benefit from the asset.

- Where the council considers it financially prudent to do so the council may repay the borrowings on an asset at a faster rate than over the full life of the asset.
- On the basis of financial prudence and where the council considers it appropriate to do so, council may impose a targeted rate to fund capital expenditure or repay the borrowings on an asset at a faster rate than over the full life of the asset.
- The funding of capital expenditure from the sale of surplus assets is decided on a case-by-case basis.
- The funding of capital expenditure from restricted or special funds is decided on a case-by-case basis and is subject to the specified purposes and conditions governing the use of those restricted funds.

consent applications, passenger transport and monitoring compliance.

If an approved capital expenditure project is not completed by the end of the financial period, the unspent funds may be carried forward to the next financial period to enable the project to be completed.

Funding sources and factors considered

Table Two below shows a summary of the funding sources for each activity and a number of the factors considered under Section 101(3) of the Local Government Act 2002 when determining the appropriate funding sources. In addition to the factors listed the council also considered the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities. For several activities it was considered appropriate to identify different funding sources at a sub-activity level where identified beneficiaries were able to pay fees and charges for the services delivered e.g.



Farm dairy effluent pond due for cleaning

Table two: Summary of Revenue and Financing Policy

Activity	Sub-activity	Outcome	Who benefits?	Period of benefit
Community Representation and Engagement	Community Representation and Engagement	<ul style="list-style-type: none"> ▪ Business friendly environment ▪ Infrastructural improvements ▪ Sustainable use 	The community and council benefit from the community's contribution towards the council's decision-making process and involvement in council decisions.	The benefits of community representation and council/public partnership are ongoing in both the immediate and long term.
	Environmental Education	<ul style="list-style-type: none"> ▪ Sustainable use ▪ Collective pride 	The community benefit from the opportunity to learn about and participate in the sustainable use, development and protection of the region's resources.	The benefits of environmental education are on-going, but there is immediate benefit to the recipients.
Consents	Consent Applications	<ul style="list-style-type: none"> ▪ Northland's environmental areas ▪ Business friendly environment ▪ Sustainable use 	RMA and building (dams) consent holders directly benefit from gaining compliance and holding consent. The regional community benefits as they gain assurance that activities requiring consent are in accordance with regional policies and the Resource Management Act.	The benefits of these services accrue both in the immediate and long term.
	Consents Advice and Information	<ul style="list-style-type: none"> ▪ Business friendly environment ▪ Sustainable use 	Resource users benefit from guidance on regulation, appropriate use and development of resources. The regional community benefit from informed participation and decision making, sustainable use, development and protection of the region's resources, information and education.	The benefits of these services accrue both in the immediate and long term.
Monitoring	State of the Environment Monitoring	<ul style="list-style-type: none"> ▪ Sustainable use ▪ Collective pride 	The regional community benefits from improved knowledge and management of the regional environment.	The benefits of these services accrue both in the immediate and long term.
	Compliance Monitoring, Environmental Incidents Response and Waste Management and Contaminated Sites	<ul style="list-style-type: none"> ▪ Northland's environmental areas ▪ Business friendly environment ▪ Sustainable use ▪ Collective pride 	The local and regional community benefit from environmental protection via the monitoring and enforcement and clean up action carried out by the council.	The benefits of these services accrue both in the immediate and long term.
Land and Biodiversity	Land and biodiversity	<ul style="list-style-type: none"> ▪ Northland's environmental areas ▪ Sustainable use ▪ Collective pride 	Individuals and the community benefit improved image, retention/enhancement of productive values of land and reduction in adverse effects and enhancement of priority ecosystems/natural resources (improved water quality, reduced runoff and sedimentation and reduced frequency of flooding).	The benefits of these services accrue both in the immediate and long term.
Planning and Policy	Planning and Policy	<ul style="list-style-type: none"> ▪ Northland's environmental areas ▪ Business friendly environment ▪ Sustainable use ▪ Collective pride 	The entire community benefits from integrated Regional Policies and Plans which provide for the sustainable management of Northland's resources.	The benefits of these services accrue both in the immediate and long term.

Activity	Sub-activity	Actions or inactions that create need	Funding source	Funding source proportion
Community Representation and Engagement	Community Representation and Engagement	Need is created by the entire community for knowledge of and involvement in council decisions. Need is created by legislation – the Local Government Act requires councils to work with Government departments, Māori and the community to make and implement key decisions.	General rates/funds (GR/F)	GR/F – Full
	Environmental Education	Need is created by the entire community for knowledge of and involvement in council decisions.	General rates/funds	GR/F – Full
Consents	Consent Applications	Need is created by applicants seeking consent under the Resource Management Act 1991 and the Building Act 2004. Need is created by the entire community for structure, consistency and certainty.	General rates/funds Fee/subsidy (F/S)	GR/F – Residual F/S – Majority
	Consents Advice and Information	Need is created by individuals who may require information and advice on the lawfulness of intended, proposed or existing activities.	General rates/funds	GR/F – Full
Monitoring	State of the Environment Monitoring	Need is created by the community requiring information to enable community participation and informed decision making.	General rates/funds Fee/subsidy (F/S)	GR/F – Majority F/S – Residual
	Compliance Monitoring, Environmental Incidents Response and Waste Management and Contaminated Sites	Need is created by individuals who have consents those who actions or inactions risk or harm the environment.	General rates/funds Fee/subsidy (F/S)	GR/F – Residual F/S – Majority (License and Enforcement fees)
Land and Biodiversity	Land and biodiversity	Need is created by individuals and the community who undertake practices which may compromise the environment or who wish to foster and enhance the environment.	General rates/funds Fee/Subsidy (F/S)	GR/F – Majority F/S – Residual.
Planning and Policy	Planning and Policy	Need is created by the entire community in the desire to have a well structured and effective region.	General rates/funds	GR/F – Full

Activity	Sub-activity	Outcome	Who benefits?	Period of benefit
Biosecurity	Biosecurity	<ul style="list-style-type: none"> Northland's environmental areas Sustainable use Collective pride 	The regional community benefits from the containment and where practicable reduction in the distribution and density of pest plants within Northland.	The benefits of these services accrue both in the immediate and long term.
Economic	Economic Development Activities	<ul style="list-style-type: none"> Invest in Northland Business friendly environment 	The regional community benefits from improved economic activity, employment and income opportunities. Individuals and individual businesses will benefit directly from specific initiatives. The tourism sector benefits from sector support and promotion.	The benefits of these services accrue both in the immediate and long term.
	Projects	<ul style="list-style-type: none"> Invest in Northland 	The regional community benefits from improved economic activity, employment and income opportunities. Individuals and individual businesses will benefit directly from specific initiatives.	The benefits of these services accrue both in the immediate and long term.
Transport	Regional Transport Management	<ul style="list-style-type: none"> Infrastructural improvements Sustainable use Northland's environmental areas 	The regional community benefits from the provision of an affordable, integrated, safe, responsive and sustainable transport system.	The benefits are on-going, however there is immediate benefit to the transport users.
	Passenger Transport Administration	<ul style="list-style-type: none"> Sustainable use 	The entire Whāngārei district benefits from the provision of community passenger transport services and the reduced congestion and improved road safety in Whāngārei urban areas where passenger services operate.	The benefits of these services are immediate at the time using the service/ transport.
Harbour Safety and Navigation	Harbour Safety and Navigation	<ul style="list-style-type: none"> Northland's environmental areas Sustainable use Collective pride 	The regional community benefits from safer coastal areas for recreation and Commercial and recreational users benefit from safe water transport.	The benefits of these services accrue both in the immediate and long term.
Civil defence and emergency management	Civil defence and emergency management	<ul style="list-style-type: none"> Northland's environmental areas Sustainable use Collective pride 	The regional and national community benefits from the maintenance of a response capability and from planning for major emergency services.	The benefits of these services accrue both in the immediate and long term.
Hazard Management	Hazard and Emergency Management	<ul style="list-style-type: none"> Northland's environmental areas Sustainable use Collective pride 	Individuals and the community benefit from reduced risk to property, projection losses and loss of life.	The benefits of these services accrue both in the immediate and long term.
Oil pollution response	Oil Pollution Response	<ul style="list-style-type: none"> Northland's environmental areas Sustainable use Collective pride 	The regional and wider community benefit from clean seas and coastal environment. Commercial shipping benefit from a spill response system and the availability of resources for clean up of spills.	The benefits of these services accrue both in the immediate and long term.
River Management	River Management	<ul style="list-style-type: none"> Northland's environmental areas Sustainable use Collective pride Infrastructural improvements 	The community benefits from the reduction in damage to infrastructure and improved access (less road closures). Individual land owners benefit from the reduction in property damage and primary projection losses.	The benefits of these services accrue both in the immediate and long term.

Activity	Sub-activity	Actions or inactions that create need	Funding source	Funding source proportion
Biosecurity	Biosecurity	Need is created by the community who benefit from the active control of animal and plant pests and the protection of our region's unique ecosystems.	General rates/funds Fee/subsidy (F/S)	GR/F – Majority F/S – Residual.
Economic	Economic Development Activities	Need is created by the community in their desire to attract business to the region, improve regional wealth.	General rates/funds (Investment and Growth Reserve) Grants/subsidy Income from Community Investment Fund	GR/F – Majority G/S – Residual Income from Community Investment Fund – Residual
	Projects	Need is created by the community in their desire to attract business to the region, improve regional wealth and in their demand for community infrastructure.	General rates/funds (Investment and Growth Reserve) Targeted rate (TR) Grants/subsidy	GR/F – Majority TR – Majority G/S – Residual
Transport	Regional Transport Management	Need is created by the entire community in the desire for an integrated transport network and by legislation.	General rates/funds Fee/subsidy (F/S)	GR/F – Majority G/S – Residual
	Passenger Transport Administration	Need is created the public who access the public transport services and total mobility schemes.	General Rates/funds Fee/subsidy (F/S) Targeted rates	GR/F – Residual F/S – Majority TR – Majority
Harbour Safety and Navigation	Harbour Safety and Navigation	Need is created by coastal water users, including recreational and commercial.	General rates/funds Fee/subsidy (F/S)	GR/F – Residual F/S – Majority
Civil defence and emergency management	Civil defence and emergency management	Need is created by the community who benefit from the response capability and advanced warning provided in emergency events.	General rates/funds Fee/subsidy (F/S)	GR/F – Majority F/S – Residual
Hazard Management	Hazard and Emergency Management	Need is created by the environment which is subject to natural hazards and by individuals and the communities who live or plan development in as risk areas.	General rates/funds Fee/subsidy (F/S)	GR/F – Majority F/S – Residual
Oil pollution response	Oil Pollution Response	Need is created by fuel tankers visiting Marsden point Oil Refinery which constitutes a major oil spill risk. Need is created by the local commercial tourism service and fishing fleets, as well as the substantial recreational vessel fleet using the region's coastal waters and associated refuelling facilities.	General rates/funds Fee/subsidy (F/S)	GR/F – Residual F/S – Majority
River Management	River Management	Need is created by the public and individuals who require flood risk reduction when living or undertaking developments in at risk areas. Need is created by the community who benefit from reduced incidence of damaging floods in Northland.	Fee/subsidy (F/S) Targeted rates (TR)	F/S – Residual T/R – Majority

Treasury Management Policy

1.0 Introduction

The Treasury Risk Management Policy ("Policy") outlines the principles and procedures for Northland Regional Council's treasury activity. The formalisation of such policies and procedures will enable treasury risks within council to be prudently managed.

2.0 Scope and objectives

2.1 Scope

- This document identifies the policy and procedures of the council in respect of treasury management activities.

2.2 Objectives

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

Statutory objectives

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- The council is governed by the following relevant legislation:
 - Local Government Act 2002, in particular Part 6 including sections 101,102,104 and 105.
 - Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part II Investments.
 - Public bodies Lease Act 1969 and Property Law Act 2007.
 - Other.

- All projected borrowings are to be approved by the council as part of the Annual Plan process or resolution of the council before the borrowing is effected.
- All legal documentation in respect to borrowing and financial instruments will be approved by the council's solicitors prior to the transaction being executed.
- The council will not enter into any borrowings denominated in a foreign currency.
- The council will not transact with any council-controlled trading organisation (CCTO) on terms more favourable than those achievable by the council itself.
- A resolution of council is not required for hire purchase, credit or deferred purchase of goods if:
 - the period of indebtedness is less than 91 days (including rollovers); or
 - the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of council.

General objectives

The general objectives of this Policy are to:

- Manage investments to optimise returns in the long term whilst balancing risk and return considerations.
- Safeguard the council's assets/capital.
- Manage risk.
- Have a diverse investment portfolio (to manage the risk) but increase the investment in Northland over time.
- Focus on economic benefits/economic well-being from investments in projects or activities.
- Maintain the council's investment in the Northland Port Corporation (NZ) Limited as a strategic asset.
- Minimise the council's costs and risks in the management of its borrowings.
- Minimise the council's exposure to adverse interest rate movements.
- Borrow funds and transact risk management instruments within an environment of control and compliance under the council approved Treasury Risk Management Policy so as to protect council's financial assets and costs.
- Comply with financial ratios and limits stated within this Policy.

- Maintain appropriate liquidity levels and manage cash flows within the council to meet known and reasonable unforeseen funding requirements.
- Minimise exposure to credit risk by dealing with and investing in credit-worthy counterparties.
- Ensure that all statutory requirements of a financial nature are adhered to.
- Ensure adequate internal controls exist to protect the council's financial assets and prevent unauthorised transactions.

3.0 Liability management policy

The council's liabilities comprise borrowings and various other liabilities. The council's Liability Management Policy focuses on borrowings as this is the most significant component and exposes the council to the most significant risks.

3.1 Debt ratios and limits

Debt will be managed within the following macro limits.

Financial covenant	Lending policy covenants
Net Debt/Total Revenue	<175%
Net Interest/Total Revenue	<20%
Net Interest/Annual Rates Income	<25%
Liquidity	>110%

- Total Revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.
- Net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services

provided and for which the other local authorities rate.

- Financial covenants are measured on council only, not consolidated group.

3.2 Asset management plans

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

3.3 Borrowing mechanisms

The council is able to borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP) and debentures, direct bank borrowing, borrowing from the Local Government Funding Agency (LGFA), accessing the short and long-term wholesale/retail debt capital markets directly or indirectly, or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:

- Available terms from banks, LGFA, debt capital markets and loan stock issuance.
- The council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and margins relative to term for loan stock issuance, LGFA, debt capital markets and bank borrowing.
- The market's and council's own outlook on future interest rate movements.
- Ensuring that the implied finance terms and conditions within the specific debt (e.g. project finance) are evaluated in terms such as cost/tax/risk limitation compared to the terms and conditions the council could achieve in its own right.
- Legal documentation and financial covenants together with credit rating considerations.
- For internally funded projects, to ensure that finance terms for those projects are at least as equitable with those terms from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

3.4 Security

Council's borrowings and interest-rate risk management instruments will generally be secured by way of a charge over rates and rates revenue. Where appropriate the council may seek project financing which may have a charge over the project or a specific asset/s rather than rates. The utilisation of special funds and reserve funds and internal borrowing of special funds/reserve funds and other funds will be on an unsecured basis.

Should council undertake external borrowing, it is likely that the council will ultimately need to move to putting in place a Debenture Trust Deed prior to accessing material funding from the external financial markets.

Under a Debenture Trust Deed the council's borrowing is secured by a floating charge over all council rates levied under the Rating Act, excluding any rates collected by the council on behalf of any other local authority. In such circumstances, the security offered by the council ranks 'Pari Passu' for all stock issued by the council including any security stock issued.

Under a Debenture Trust Deed the council offers deemed rates as security for general borrowing programmes. From time to time, with prior council and Debenture Trustee approval, security may be offered by providing a charge over one or more of council's assets.

Physical assets will be charged only where:

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

3.5 Debt repayment

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

The council will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so.

4.0 Investment policy and limits

4.1 General policy

The council is currently a net investor of funds and should apply surplus funds to any debt repayment and internally borrowing from special reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt. Investments are maintained to meet specified business reasons, such as:

1. For strategic purposes consistent with the council's Long Term Plan.
2. To provide income to be used to promote economic and social well-being in Northland.
3. To reduce the ratepayer burden.
4. The retention of vested land.
5. Holding short term investments for working capital requirements.
6. Holding investments that are necessary to carry out council operations consistent with Annual Plans.

The council recognises that as a responsible public authority all investments held, should be low risk (with the exception of the Community Investment Fund which has a different risk/return profile). Council also recognises that lower investments risk generally means lower returns.

Where investments are undertaken where a key driver is to promote economic well-being, council may accept a higher risk or lower return. Such investments will be made by resolution of council or in accordance with proposals approved in Annual Plans or other special consultative procedures.

In its financial investment activity, the council's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

4.2 Investment mix

The council maintains investments in the following assets from time to time:

- Equity investments, including investment held in CCO/CCTO and other shareholdings.
- Property investments incorporating land, buildings, a portfolio of ground leases and land held for development.

Externally managed equity and fixed income funds portfolio (restricted to the Community Investment Fund formerly called the Northland Regional Council Community Trust Fund).

- Financial investments incorporating longer term and liquidity investments.
- Other.

4.2.1 Equity investments

The council maintains equity investments and other minor shareholdings. The council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the Long Term Plan.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and its stated philosophy on investments. Dividends received from CCO's and unlisted companies not controlled by the council are recognised when they are received in the Statement of Financial Performance.

Any purchase or disposition of equity investments requires council approval and any gains or losses arising from the sale of these investments will be recognised in the surplus or deficit. Any purchase or disposition of equity investments will be reported to the next meeting of council. Unless otherwise directed by the council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then for other capital expenditure or alternative investment as determined by the council.

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

4.2.1.1 Equity investment - Northland Port Corporation (NZ) Ltd

The objective of holding shares in the Northland Port Corporation (NZ) Ltd is to hold an investment asset on behalf of, and for the benefit of Northland that has both strategic and economic significance to the region.

The council owns a majority of the issued equity capital of the Northland Port Corporation (NZ) Ltd, which is held at cost. Shares are issued at par value as ordinary shares of 25c each. The remainder of the share capital is publicly owned and all shares are listed on the Stock Exchange of New Zealand.

The port's activities are integrated with the economic structure of the Northland region. The council regularly reviews the contribution of all of its investments against its overall investment and economic goals in line with council objectives. Should the council determine that an alternative investment may more effectively meet its current and future goals, then the council may sell all or part of its majority shareholding.

The Local Government Act 2002 classifies a local authority's shareholding in a port company as a "Strategic Asset" that requires the special public consultative procedure to be adopted and followed before any transfer of ownership or control is made to any person (Section 84(3)).

Any purchase or disposition of shares in the Northland Port Corporation (NZ) Ltd requires council approval. Any gain or loss arising from the sale of these investments is to be recognised in surplus or deficit.

The investment in the Northland Port Corporation (NZ) Limited is not without risk. Returns to all shareholders are dependent upon the profitability of the company's operations.

The council's risk management procedures include:

- Appointing external directors with appropriate expertise to the Board of Directors.
- Appointing the council's Chief Executive Officer as reporting officer to the council on matters affecting the company and through him/her, other officers who are appropriately qualified.
- Reviewing the company's strategic intentions at least every three years, subject to the limitations imposed by the Port Companies Act 1988 and the Stock Exchange of New Zealand's listing rules.
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4.2.1.2 Community Investment Fund – externally managed equity and fixed income fund portfolio

The equity and fixed income fund portfolio is restricted to the Community Investment Fund (formerly known as the Northland Regional Council Community Trust Fund) only. The equity portfolio must be externally managed by a reputable Investment Manager appointed by council after receiving appropriate professional advice and conducting due diligence. In conjunction with the appointed Investment Manager, council will determine the required allocation between growth assets (equities) and income assets. This allocation can be amended from time to time by resolution of council.

The council intends for the Community Investment Fund to be regularly rebalanced back to targeted apportionment between growth and income assets. In approving a rebalancing, the council can take into account transaction costs, recent volatility and the likelihood that major movements may result in the position moving back within specified ranges. The Community Investment Fund will be rebalanced back to target weights when any asset class position is outside the applicable range.

The performance of the equity portfolio will be monitored against agreed benchmarks and quarterly reports will be provided to council.

Council will not participate in currency hedging or derivatives with this portfolio.

As set out in the Financial Strategy, council intends to maintain the real value of the capital of the Community Investment Fund by increasing the capital amount of the Fund by the level of inflation forecast for each year. The Fund's capital value may be subject to market fluctuations that are beyond the control of the council. Council aims to increase the capital value of the Fund, from the opening value of \$10.25 million (as at 30 June 2011).

4.2.2 Property investments

The council holds property investments (including owner occupied land and buildings, commercial land and buildings, ground leases, land held for development and land and buildings held or acquired for strategic purposes) that are necessary to achieve its operational, investment and strategic objectives as stated in the Long Term

Plan and/or Annual Plan. The council may also hold and maintain property investments which have been vested to the council.

The council seeks to achieve an acceptable commercial rate of return from all property investments held. The determination of an acceptable return must be consistent with the nature of the property investment held. All operational income together with any gain or loss arising from any sale of the council's property investments is included in the surplus or deficit of the Statement of Comprehensive Income. Any gain or loss on sale will be taken to the Investment reserve for further investment, unless the council directs otherwise.

For leasehold land, subject to the powers and provisions conferred under the Local Government Act 2002, Public Bodies Leases Act 1969 and the Property Act 2007, the sale of any ground leases and approval of lease discounts (which may be used to incentivise lessees to adopt short rent review periods) requires council approval.

Any purchase or disposition of property investments requires council approval. Property investments may include, but are not limited to ground leases, undeveloped land, forestry, commercial and industrial investments. The proceeds from the disposition of property will be used to repay any debt relating to the investment and then taken to the investment reserve for further investment, unless the council directs otherwise.

The council recognises that there are risks associated with holding investment property. To minimise these risks the council will undertake regular reviews of the property portfolio to ensure stated objectives are being achieved. The council seeks professional advice regarding its property investments when it considers this appropriate.

4.2.3 Forestry

The council's objective in holding forestry investment is to develop, maintain and protect the council's timber plantations, to maximise long term revenue whilst meeting the council's environmental responsibilities. The general policy is to maximise returns while meeting soil conservation, water quality and recreational interests. This Policy presumes that harvesting is on a sustainable yield basis in the medium term.

The council currently owns 524 hectares of plantation and soil conservation forests, in the Whāngārei district. Of the total area, 190 hectares remain in native bush.

Any purchase or disposition of forestry investments requires council approval. Forestry investments may include, but are not limited to: purchase and/or disposition of underlying land and purchase, disposition and harvest of forestry plantation held by the council. The proceeds from the disposition of property will be used to repay any debt relating to the investment and then transferred to the Investment Reserve for further investment, unless council directs otherwise.

The forest is managed and maintained by competent, suitably experienced council staff or contractors. Where council staff do not hold the expertise deemed necessary, the services of a qualified forestry consultant and manager are engaged to manage the council's forestry interests under contract. Silviculture is carried out in accordance with the Forest Management Plan. A Forest Management Plan is to be prepared triennially by the Chief Executive Officer or his delegate in liaison with the Forest Manager or contractor, and is submitted to the Audit and Finance Committee or similar committee for approval. The Chief Executive Officer provides the Audit and Finance Committee or similar committee with a report on his stewardship and the state of the council's forests by 30 June each year.

Revenue risk is mitigated by the council's ability to defer harvesting and to invest in forestry using a mix of debt, reserve funds and other revenue streams. The forest is fully insured for loss arising from fire or tempest. A significant risk relates to revenue flows upon the commencement of harvesting. Product prices are dependent on world markets and commodity prices as well as the NZD/USD exchange rates. There are presently no proven commodity hedging solutions for log and pulp prices and the council is prohibited by law from entering into incidental arrangements in foreign currencies.

4.2.4 Financial investments

For the foreseeable future, the council will be in a net investment position and until such time that the council becomes a net borrower, liquid investment funds will be prudently invested as follows:

- Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
- Interest income from financial investments is credited to general funds or transferred to the Investment and Growth Reserve as appropriate, except for income from investments for special funds, reserve funds and other funds where interest may be credited to the particular fund.
- Internal borrowing will be used wherever possible to avoid external borrowing.

Financial investment objectives

- The council's primary objectives when investing are protecting its investment capital and maximising returns. Accordingly, the council may only invest in creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 5.3. Credit ratings are monitored and reported quarterly to council.
- The council may invest in acceptable short term debt instruments such as Commercial Paper or Floating Rate Notes (FRNs) and may make interest rate duration positions using investor swaps. These investments are aligned with the council's objective of investing in high credit quality and highly liquid assets while allowing for optimal interest rate investments to be made.
- The council's net investment interest rate profile will be managed within the parameters outlined in section 6.0.

Special funds and reserve funds

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

Through adopting this Treasury Management Policy, the council supersedes any previous council resolutions relating to the continued funding or internal borrowing of specific special funds and reserve funds.

Unless otherwise directed by the council, internal borrowing to/from reserves will be undertaken at the internal cost of borrowing. Accounting entries representing interest accrual allocations will be made using the agreed internal cost of borrowing for that period.

Trust funds

Where the council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the trust deed. If the Trust’s investment policy is not specified then this Policy should apply.

5.0 Risk recognition/ identification/management

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

5.1 Interest rate risk

5.1.1 Risk recognition

For the foreseeable future, the council will be a net investor of liquid funds and the following interest rate control limits are designed to manage interest rate risk on the investment portfolio, until such time as the council becomes a net borrower. Should the council become a net borrower, the investment interest rate risk control limits will cease to be applicable and the net debt interest rate risk control limits will accordingly apply.

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

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing of investment returns or funding costs. This is achieved through the active management of underlying interest rate exposures.

5.1.2 Approved financial Instruments

Dealing in interest rate products must be limited to financial instruments approved by the council.

Approved interest rate instruments are as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft. Committed cash advance and bank accepted bill facilities (short term and long term loan facilities). Uncommitted money market facilities. LGFA borrower notes/CP/bills/bonds/Floating Rate Note (FRNs). Wholesale Bond and FRN Issues. Commercial paper (CP). NZD denominated Private Placements. Retail Bond and FRN Issues.
Investments	Short term bank deposits. Bank bills. Bank certificates of deposit (CDs). Treasury bills. LGFA borrower notes/CP/bills/bonds/FRNs. Local Authority stock or State Owned Enterprise (SOE) bonds and FRNs (senior). Corporate bonds (senior). Floating Rate Notes (senior). Promissory notes/Commercial paper (senior).
Interest rate risk management	Forward rate agreements (“FRAs”) on: – Bank bills. – Government bonds. Interest rate swaps including: – Forward start swaps (start date <24 months). – Amortising swaps (whereby notional principal amount reduces). – Swap extensions and shortenings. Interest rate options on: – Bank bills (purchased caps and one for one collars). – Government bonds. – Interest rate swaptions (purchased only).

Any other financial instrument must be specifically approved by the council on a case-by-case basis and only be applied to the one singular transaction being approved. All investment securities must be senior in ranking. The following types of investment instruments are expressly excluded:

- Structured debt where issuing entities are not a primary borrower/issuer.
- Sub-ordinated debt, Junior debt, Perpetual Notes and Hybrid Notes such as convertibles.

Borrower notes - Local Government Funding Agency (LGFA)

Borrower Notes. Should the council borrow from the LGFA it will be required to contribute part of that borrowing back as equity in the form of "Borrower Notes". A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the council) at a future date (in this instance upon the maturity of the loan). A return is paid on the Borrower Notes and can take the form of a dividend if the Borrower Notes are converted to redeemable preference shares.

5.1.3 Interest rate risk control limits

Net debt/borrowings

The following risk control limits will only be in place where net debt does not exceed \$25 million. If net debt exceeds \$25 million the fixed rate maturity profile limit will be revised.

The council's debt/borrowings should be within the following fixed/floating interest rate risk control limit.

Master fixed/floating risk control limit

Master fixed / floating risk control limits	
Minimum fixed rate	Maximum fixed rate
55%	90%

"Fixed rate" is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis.

"Floating rate" is defined as an interest rate repricing within 12 months.

The percentages are calculated on the rolling 12 month projected net debt level calculated by management (signed off by the Chief Financial Officer, or equivalent).

Net debt is the amount of total debt net of liquid financial assets/investments and cash/cash equivalents. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

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

Fixed rate maturity profile limit		
Period	Minimum cover	Maximum cover
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	60%

- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 1.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.
- Any interest rate swaps with a maturity beyond 10 years must be approved by council.

Financial investment portfolio

Financial investments should be restricted to a term that meets future cash flow projections and be mindful of forecast debt associated with future capital expenditure programs as outlined within the LTP. Financial investments will match off against external debt in terms of interest rate risk and duration (gap risk) with the balance being defined as the Net Financial Investment Portfolio (NFIP).

The following interest rate re-pricing percentages are calculated on the projected 12-month rolling Net Financial Investment Portfolio (NFIP) total. This allows for adjustments in advance of materially changing forecasts. When cash flow projections are changed, the interest rate re-

pricing risk profile may have to be adjusted to comply with the Policy limits.

Interest rate re-pricing period	Minimum limit	Maximum limit
0 to 1 year	40% of NFIP	100% of NFIP
1 to 3 years	0% of NFIP	60% of NFIP
3 to 5 years	0% of NFIP	40% of NFIP
5 to 10 years	0% of NFIP	20% of NFIP

- To ensure maximum liquidity any interest rate position beyond 5 years must be made with acceptable financial instruments such as investor swaps.
- The re-pricing risk mix can be changed, within the above limits through sale/purchase of fixed income investments and/or using approved financial instruments such as swaps.

Special funds/reserve funds

- The council may require funding for capital expenditure which provides benefit over multiple years (asset's useful life) . Where council incurs such capital expenditure, internal funds may be used (if available), rather than requiring external borrowing . This will negate counterparty credit risk and any interest rate gap risk that occurs when the council borrows at a higher rate compared to the investment rate achieved by special/reserve funds. In such circumstances a reserve will be established to account for any internal borrowing.
- Liquid assets will not be required to be held against special funds or reserve funds unless such funds are held within a trust requiring such; instead, the council will manage these funds using internal borrowing facilities. Accounting entries representing interest accrual allocations will be made using the council's average weighted cost of external funds for that period.

Foreign currency

- The council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services and plant and equipment.
- Generally, all significant commitments for foreign exchange are hedged using

foreign exchange contracts, once expenditure is approved. Both spot and forward foreign exchange contracts can be used by council.

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

5.2 Liquidity risk/funding risk

5.2.1 Risk recognition

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing facilities.

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

- Local Government risk is priced to a higher fee and margin level.
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- A large individual lender to council experiences its own financial/exposure difficulties resulting in council not being able to manage their debt portfolio as optimally as desired.
- New Zealand investment community experiences a substantial "over supply" of council investment assets.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to market conditions.

Liquidity/funding risk control limits

- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

- External term loans and committed debt facilities together with available liquid investments must be maintained at an amount of 110% over existing external debt.
- The council has the ability to pre-fund up to 12 months forecast debt requirements including re-financings.
- The CEO has the discretionary authority to re-finance existing debt on more favourable terms. Such action is to be reported and ratified by the council at the earliest opportunity.
- The maturity profile of the total committed funding in respect to all loans and committed facilities, is to be controlled by the following system:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	10%	40%

- A maturity schedule outside these limits will require specific council approval.

The following matrix guide will determine limits:

Counterparty/issuer	Minimum long term / short term credit rating – stated and possible	Investments maximum per counterparty (\$ million)	Interest rate risk management instrument maximum per counterparty (\$ million)	Total maximum per counterparty (\$ million)
NZ Government	N/A	unlimited	none	unlimited
Local Government Funding Agency (LGFA)	N/A	unlimited	none	unlimited
NZD registered Supranationals	AAA	20.0	none	20.0
State Owned Enterprises [name]	A-/ A2	5.0	none	5.0
NZ registered bank [name]	A-/ A2	20.0	10.0	30.0
Corporate bonds/ CP [names]*	A-/ A2	2.0	none	2.0
Local Government stock/ bonds/ FRN/ CP [name]**	A-/ A2 (if rated) unrated	20.0 5.0	none none	20.0 5.0

- *Subject to a maximum exposure no greater than 20% of the NFIP being invested in corporate debt securities at any one point in time.
- ** Subject to a maximum exposure no greater than 60% of the NFIP being invested in Local Government debt at any one point in time. The maximum portfolio exposure limit does not apply to the LGFA.

This summary list will be expanded on a counterparty named basis which will be authorised by the CEO

5.3 Counterparty credit risk

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

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

Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's or Moody's) being A- and above or short term rating of A2 or above; with the exception of New Zealand Local Authorities, who may be unrated.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

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

- Investments (e.g. bank deposits) – transaction notional × weighting 100% (unless a legal right of set-off over corresponding borrowings exist whereupon a 0% weighting may apply).
- Interest rate risk management (e.g. swaps, FRAs) – transaction notional × maturity (years) × 3%.
- Foreign exchange – transactional principal amount × the square root of the maturity (years) × 15%.

Risk management

To avoid undue concentration of exposures, financial instruments should be used with as wide a range of counterparties as possible. Where possible transaction notional sizes and maturities should also be well spread. The approval process to allow the use of individual financial instruments must take into account the liquidity of the market the instrument is traded in and repriced from.

6.0 Measuring treasury performance

In order to determine the success of the council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to council or an appropriate sub-committee of council on a quarterly basis.

6.1 Operational performance

All treasury limits must be complied with including (but not limited to) counterparty credit limits, dealing limits and exposure limits.

All treasury deadlines are to be met, including reporting deadlines.

6.2 Management of debt, investments and interest rate risk

The actual funding cost for the council (taking into consideration costs of entering into interest rate risk management transactions) should be below the budgeted interest cost and investment returns above budgeted interest rate income.

7.0 Exceptions to this policy

This Treasury Management Policy will apply to all investment activity undertaken from 1 July 2012. In accordance with the Treasury Management Policy adopted 26 June 2012, the council may hold legacy investments which may not conform with the revised policy. All non-conforming legacy investments will be transitioned in an orderly fashion, while taking into consideration risk factors and the maturity dates and the cost of (or losses on) redemption. All non-complying investments will be reported to the council on a regular basis.

In the event council receives investments or equity which may be vested or previously held by council subsidiaries or associates, which do not conform to the Treasury Management Policy, with the approval of council, the investments will be transitioned to meet policy conditions over an orderly period. Consideration will be given to market conditions, risk/return considerations and the maturity dates and the cost of (or losses on) redemption.

Rating policies

Introduction

Rates are assessed under the Local government (Rating) Act 2002.

Where rates are based on value, the values assessed by Quotable value New Zealand will apply.

The region's three district council's collect regional rates. The rating information database for each district is maintained by the relevant district council.

Rating philosophy and objectives

The Northland Regional Council reviews its rating policies annually and has targeted and differentiated rates in order to better direct rate funding to those activities suited to either fixed and/or differentiated charges.

The Revenue and Financing Policy sets out the sources of funding applied to activities undertaken by the council. Where the council considers there to be an advantage in funding the activity separately from a general funding source, such as general rates, the council may apply targeted rates. In general terms, the council may consider applying a targeted rate to better align the rating basis to the activity to be funded or where the distribution of benefits of providing particular activities is attributable to a subset of a community. The application of targeted rates promotes equity, transparency and accountability of funding decisions.

Rates collection and rates postponement and remission policies

Rates collection

The Northland Regional Council's rating resolutions will be consistent with the collection agency agreement reached with all Northland territorial authorities to collect the regional rate, in order to minimise the marginal costs of collection. The dates for payment of instalments of rates shall be resolved by the Far North District Council, the Kaipara District Council and the Whāngārei District Council.

Penalties and policies for rates relief and postponement

The rates remission and postponement policy and the policy on the application and remission of penalties of the Northland Regional Council is that of the region's three district councils who collect the rates on the council's behalf. Whilst these policies differ from council to council, it would be administratively inefficient to adopt uniform policies across the region and then require each district council to apply two sets of policies. Specific details in relation to each remission and postponement policy and application and remission of penalties can be obtained by reference to the respective district council. The intended rates relief policies for the constituent districts of the Northland region that will apply to the regional rates levied in those districts are set out in the following sections of this Plan.

Far North district

Introduction

The Local Government Act (LGA) and Local Government Rating Act 2002 require that if a Council wishes to provide for the remission and/or postponement of rates, it must first introduce policies to provide for this, using the Special Consultative Procedure (SCP).

The LGA also provides that councils must adopt a Policy for the Remission and Postponement of Rates on Māori Freehold Land. The eleventh Schedule to the LGA sets out a number of matters that Council must consider when adopting this Policy.

This section of the plan sets out the Remission and Postponement Policies that the Far North District Council has adopted for the period of this plan.

Background

The LGA sets out a number of policies that Council can adopt, some of these are mandatory while others are optional. Included in these are:

- A Policy for the Remission and Postponement of Rates on Māori Freehold Land – this is a mandatory policy;
- A Rates Remission Policy – this is an optional policy,
- A Rates Postponement Policy – this is also an optional policy.

The existing policies were first introduced in the 2004 Long Term Council Community Plan. Since then, they have been reviewed a number of times however have remained largely unaltered.

Significant changes

Remission of rates

Council proposed a number of changes to the policy in the draft plan. The outcome of these proposals are discussed below and where required the policy has been amended to reflect the change.

Remission of charges on contiguous properties (Policy 04/06)

Council proposed to alter the basis of when and how it charges the UAGC and other charges, other than those for water, sewerage and stormwater, on contiguous lots owned by the same ratepayer. A number of submissions were received on this proposal which broadly opposed the change. For

this reason, Council decided not to proceed with the amendment.

Remission of school sewerage charges (Policy R04/07)

Council reviewed the policy which grants a remission on rates for school sewerage charges (Policy R04/07). Council does not believe that this policy is appropriate in a district where a significant portion of the children and staff attending schools come from the rural areas, and therefore make no contribution to the cost of the sewerage schemes. Council believes that the policy is inconsistent with the proposed new rating system outlined in this Long Term Plan. Council does recognise that the standard pan based method may adversely affect some schools so it has modified its policy to use a nominal pan method for charging. The current discount on pan fees will cease.

Remission of rates on land owned or used by charitable or community organisations (Policy R04/04)

Council introduced a minor change of wording to clarify that "op-shops" or similar "commercial" undertakings owned by charitable and community organisations will not be eligible for remission.

Postponement of rates

No significant changes have been introduced.

Remission and postponement of rates on Māori freehold land

Council made the following changes:

The definition of qualifying land has been altered to exclude certain categories of land.

Vacant or unoccupied land which has a residential or commercial characteristic and which is located within townships and urban settlements will no longer qualify for a remission of rates. The reason for this proposed change is that Council does not consider it appropriate that land which is located in urban communities and that can easily be developed for residential or other purposes should qualify for a remission of rates.

As an example, Council has previously granted rating relief on small residential lots located within urban communities. Council's view is that this is unreasonable and does not meet the purposes for which the policy was introduced.

Vacant or unoccupied land that has a particular amenity value that can be enjoyed by the owner/owners will no longer qualify for a remission of rates. The reason for this proposed change is that there have been a number of instances where the occupiers of Māori freehold land enjoy an amenity benefit on unoccupied land.

As an example, Council has previously granted rating relief on Māori freehold land where the land provides an amenity benefit to the occupiers of the land or the adjoining land. An amenity benefit includes such things as coastal views, access to the sea and or access to roading or other facilities. Council's view is that where the land is providing an amenity benefit, it is being used and therefore does not qualify for a remission of rates.

Council agreed to repeal the policy "Rates Postponement to Assist Forestry Development on Māori Land (Policy ML04/04)". The reason for this is that this policy has never been used and there are limited opportunities to obtain adequate security over Māori freehold land to secure the rating debt.

Policy on the remission of rates (Policy # R06)

Background

The Local Government (Rating) Act 2002 Section 85 sets out that a Council may remit rates, including penalties, only if it has adopted a remission policy under Section 109 of the LGA.

The policy set out below has been prepared in accordance with LGA. It consists of a number of policy statements each of which deal with specific rate remission requirements.

Definitions

For the purposes of this policy the following definitions apply:

Occupier – a person, persons, organisation or business entity that is using a rating unit under a formal agreement for a term of not less than ten (10) years.

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

Policy statements

Each set of policy statements deals with a different set of remission criteria.

They have all been prepared in the following format. Firstly, a brief background will explain the reason for the policy. This will be followed by a description of the objectives to be met by the policy, then a statement of the conditions and criteria that will be used to determine applications in respect of each policy statement.

- Policy Statements have been developed to meet the following requirements:
- Remissions of Penalties (Policy R04/01)
- Remissions of Additional Penalties (Policy R04/02)
- Remission of Rates on Land Owned or Used by Charitable or Community Organisations (Policy R04/04)
- Remission of Charges on Properties only partly within District (Policy # R04/05)
- Remission of Charges on Contiguous Properties (Policy 04/06)
- Remission of School Sewerage Charges (Policy R04/07) Policy subject to review
- Remission of Excess Water Charges (Policy R04/08)
- Remission of Postponed Rates (Policy R04/09)
- Remission of Rates on Land that has made Lump Sum Contributions (Policy R04/10)
- Remission of Rates on Land Subject to Protection for Outstanding Landscape, Cultural, Historic or Ecological Purposes (Policy R04/11)
- Remission of Sewerage Charges on Schemes funded by Government Subsidy Schemes (Policy R06/12).

Applications for remissions in excess of those provided for in the policies set out below

Any application for a remission of rates in excess of that allowed under these policies must be made in writing to Council. It must set out in detail the reasons why the application is being made outside of the policies established under the Local Government (Rating) Act 2002.

Council is under no obligation to approve any applications that do not comply with the established policies and Council's decision on the matter is final.

Remissions of penalties (Policy # R04/01)

Background

From time to time Council receives requests for remission of rates penalties on the grounds of financial hardship. Council recognises the economic hardship faced by some ratepayers and has therefore adopted criteria for considering requests for remission of rates penalties.

Policy objectives

To ensure the fair and equitable collection of rates from all sectors of the community,
To provide the ability to remit penalties on rates where reasonable grounds exist.

Conditions and criteria

The penalties on rates may be remitted upon written application from the ratepayer subject to the following conditions:

1. There is evidence of a previous good record of payment, including all instalments of rates in the past 2 years paid on time, a reasonable reason for remission has been supplied and an honest attempt has been made to have payment delivered on time; or
2. The rating unit has a new owner who has been given insufficient notice of invoice due date; or
3. If a request is made on compassionate grounds and the granting of a remission would extend Council's "goodwill"; or
4. The ratepayer has entered into a Rates Easy Pay agreement and has maintained the arrangement to clear their outstanding rates; and¹
5. If there is no cost to Council i.e. where, as an action of Council's revenue recovery process, the remission of penalty results in immediate full payment of arrears.

Remissions of additional penalties (Policy # R04/02)

Background

Council has resolved to make additional penalties of 10% on all rates arrears outstanding at the commencement of each new financial year and at 6 monthly intervals thereafter.

¹ Clarifying that successfully completing a **Rates Easy Pay** arrangement will result in a remission of penalties

These additional charges may act as a disincentive to ratepayers agreeing to make formal arrangements for payment of arrears particularly when they are on limited income and/or facing business downturn.

This policy statement provides that where a ratepayer enters into a **Rates Easy Pay** agreement to pay outstanding arrears over an agreed period of time, no additional penalties will be charged to the ratepayer subject to their keeping to the arrangement.

Policy objectives

The fair and equitable collection of rates from all sectors of the community.
To improve the payment of rates by encouraging ratepayers to enter into formal agreements for the payment of rate arrears.

Conditions and criteria

The additional penalties on a rating unit may be remitted subject to the following conditions:

1. The ratepayer/s must enter into a Rates Easy Pay agreement to pay the outstanding arrears on the rate account over a period to be negotiated with Council, but of not more than 2 years.
2. The current rates must be paid not later than the penalty date of each instalment.
3. In the event that the agreement is not maintained, Council reserves the right to levy future additional charges.

Remission of rates on land owned or used by charitable or community organisations (Policy # R04/04)

Background

From time to time, Council receives applications from charitable or community organisations which are seeking rating relief for land that they own or occupy. This policy statement addresses these remissions and refers to particular organisations or classes of organisations that operate for the community good².

Any remission of rates under this policy statement will not apply to rates for the supply of services such as water or sewerage, etc.

It is of note that the Local Government (Rating) Act 2002 provides for a 100% non rateability of land owned or used by certain categories of

² Just a wording clarification

charitable and community organisations. In addition, a 50% non-rateability is provided in respect of land owned or used by organisations for sports or any branch of the arts, except where these organisations operate a club licence under the Sale of Liquor Act.

For more details on the rateability of this type of land refer to the Local Government (Rating) Act 2002, 1st schedule, Parts 1 and 2.

Policy objectives

To provide a fair and equitable collection of rates from all sectors of the community.

To recognise that there is a community benefit in providing assistance through rating relief to certain charitable and community organisations.

Conditions and criteria

Council may agree to remit up to 100% of the rates payable on land owned or used by charitable or community organisations subject to the following conditions:

1. All applications must be made in writing and provide such financial and other information as Council may require from time to time.
2. A 100% remission of rates will be granted on Māori Reserves created under the Te Ture Whenua Māori Act 1993 (Māori Land Act 1993).
3. Land owned or used by the following organisations will receive a 50% remission of rates other than service charges:
 - a. Royal NZ Plunket Society
 - b. Youth Hostel Association of New Zealand, Inc.
 - c. Order of St John
 - d. New Zealand Scouts Association.
4. From time to time Council may decide that the following land may receive a 50% remission of rates other than targeted rates for water, sewerage or other utilities and where appropriate such land will be assessed rates on the general differential:
 - a. Land owned or used by such other society or association of persons, whether incorporated or not, whose object or principal object is to promote any purpose of recreation, health, education, or instruction for the benefit of residents or any group or groups of residents of the district.
 - b. Land that is owned or used by, or in trust of any society or association or persons, to run a camping ground for the

purpose of recreation, health, education or instruction, for the benefit of residents of the district.

5. Land owned or used by, or in trust for, any society or association of persons, whether incorporated or not, which is used principally to provide free family counselling, assessment and counselling for people with alcohol and drug related problems may receive up to a 100% remission of rates, other than targeted rates for water sewerage or other utilities and where appropriate such land will be assessed rates on the general differential.
6. No remission will be given on any land in respect of which a licence under the Sale of Liquor Act is held.
7. No remission will be given on any land where any member of the society, association, administering body, or governing body receiving any private pecuniary profit from any of the activities carried out on the land.
8. Land that is used for an activity which is commercial in nature, for example an "op-shop" will not qualify for rating relief under this policy.³

Remission of charges on properties only partly within district (Policy # R04/05)

Background

There are a small number of rating units that are on the boundary between the Far North and Whāngārei districts that incur a Uniform Annual Charge from both Councils.

The previous legislation provided that in these circumstances a pro-rata UAGC may be assessed in respect of the portion of the rating unit that falls within the Far North District.

This provision is not repeated in the new legislation therefore this policy statement has been prepared to achieve a similar effect.

For example, this policy provides that if a property is 75% within the Far North District and 25% in the

³ There have been a number of applications for rating relief from charitable and not-for-profit organisations for shops that they operate as fund raising ventures. Whilst Council may agree to grant rating relief on the administrative buildings and meeting rooms of these organisations, it does not believe that this should apply to their commercial operations. This is because it could potentially create an inequity when compared to the private sector.

Whāngārei District, it will only bear 75% of the Far North Uniform Annual General Charge.

Policy objectives

The fair and equitable rating of all sectors of the community.

To provide a fair method of assessing the charges on rating units that are partly within the boundaries of the Far North District.

Policy statements

This policy will only apply to rating units that are situated across the boundaries of the Far North District and an adjoining district.

Conditions and criteria

Where any property is situated only partially within the district any Uniform Annual General Charge in respect of that rating unit, will be reduced to such proportion of the whole charge as the area of that part of the property which is situated within the Far North District bears to the total area of the property.

Remission of charges on contiguous properties (Policy # R04/06)

Note:

Council sought submissions on a possible change to this policy provision. After considering these, Council decided not to introduce the change.

Background

This policy statement has been developed to provide for the remission of rates in situations where two or more uniform annual general charges, or other selected targeted charges, are assessed on contiguous, separately owned rating units which are being used jointly as a single property or business. In addition, the policy also provides for a limited remission of uniform charges and targeted rates to the original developer of multi lot subdivisions, multi unit commercial developments or multi apartment residential complexes for the periods described below.

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

- A residential dwelling and associated garden and ancillary buildings where the property occupies a maximum of two rating units and those rating units are used jointly as a single property.
- A farm that consists of a number of separate rating units that are either

contiguous or are located within a 2 kilometre radius.

- A commercial, retail, or industrial business that operates from more than 1 rating unit where those rating units are contiguous and are used jointly as a single property.
- A subdivision for the period that the individual lots continue to be in the ownership of the original developer. This provision has a maximum term of 3 years in respect of all charges plus a further term of 3 years in respect of charges excluding those that are set to fund utility services such as stormwater, wastewater and water supplies.
- A commercial development consisting of two or more separate rating units, for the period that the individual units remain vacant and continued to be in the ownership of the original developer. This provision has a maximum term of 3 years in respect of all charges, plus a further term of three years in respect of charges excluding those that are set to fund utility services such as stormwater, wastewater, and water supplies.
- A residential development consisting of two or more separate rating units, for the period that the individual units remain vacant and continued to be in the ownership of the original developer. This provision has a maximum term of 3 years in respect of all charges plus a further term of three years in respect of charges excluding those that are set to fund utility services such as stormwater, wastewater and water supplies.

Policy objectives

To enable Council to act fairly and equitably with respect to the imposition of uniform charges on 2 or more separate rating units that are contiguous, separately owned and used jointly for a single residential or farming use.

To deal equitably with the imposition of uniform charges on 2 or more separate rating units that have resulted from a subdivision to facilitate the development of the district.

Conditions and criteria

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

1. The rating units must be contiguous, or in the

case of a farm, must be situated within a radius of 2 kilometres from the primary property⁴.

2. The rating units must:
 - a. In the case of a residential property, be owned by the same ratepayer who uses the rating units jointly as a single residential property:
 - i) It should be noted that lifestyle properties do not comply with this policy
 - ii) There must be some significant development that combines the properties in to one. A vacant section adjoining a residential lot does not comply
 - iii) The individual areas of the rating units concerned must not exceed the size of a typical residential lot.
 - b. In the case of a farm, be owned by the same owner, or be leased for a term of not less than 10 years, to the same ratepayer who uses the rating units jointly as a single farm. The owners of each of the individual rating units must confirm in writing that their unit/s is being jointly used as a single farming operation.
 - c. In the case of a subdivision, commercial or residential development, be owned by the original developer who is holding the individual rating units pending their sale or leasing to subsequent purchasers or lessees.
 - i) It should be noted that this remission is limited for a term of 3 years for all charges and subsequently for a further 3 years in respect of all charges, other than those that are set for the funding of utility services such as stormwater, wastewater and water supplies
 - ii) It should be further noted that the remission under this clause does not extend to subsequent purchasers.
 - iii) The term of this provision will be calculated from 1 July in the year that the rates were first remitted.
3. Council may on written application from a ratepayer of such rating units remit any separate uniform annual general charge levied on the rating units if it considers it to

be reasonable in the circumstances to do so.

4. The applicant must provide sufficient evidence as is necessary to prove that the properties are being jointly used as a single property and Council's decision on the matter is final.
5. Council may also consider reducing or cancelling any targeted charge on such rating units if it considers it to be reasonable in the circumstances to do so.
6. Council reserves the right to determine that any specific targeted charge will be excluded from this policy.

Remission of school sewerage charges (Policy R04/07)

Policy to be modified

In the draft plan Council proposed to alter the following policy and replace it with alternative wording as set out on the following page. Council received no submissions on the issue and was concerned that the education sector had not understood the implications of the proposal. For that reason Council has decided to defer the introduction of this change for a further twelve months to allow for direct consultation with the affected educational establishments.

Current wording

Background

On 1 July 2002, an Act of Parliament established a new method of charging for sewage disposal for educational establishments.

This Act, The Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendments Act 2001 was introduced to limit the level of charges that Local Authorities could set for sewage disposal for schools and other educational establishment. While the provisions of that Act were not included in the Local Government (Rating) Act 2002, provisions have been made for the Governor-General to introduce regulations to determine how councils set these charges.

Section 26 of LGA sets out that the Minister of Education may carry out a review of the charging for sewerage and in particular the methods that councils have used to remit those rates.

It is implicit in LGA that if councils do not develop remission policies for sewerage charging for educational establishments, regulations may be introduced to impose such policies.

⁴ Clarification of the 2 km rule

This policy statement deals with that issue:

Policy objectives

To provide relief and assistance to education establishments as defined in the Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendments Act 2001 in paying sewerage charges.

Conditions and criteria

1. The policy will apply to the following educational establishments:
 - a) Established as a special school under section 98(1) of the Education Act 1964; or
 - b) Defined as –
 - i) A state school under section 2 (1) of the Education Act 1989; or
 - ii) An integrated school under section 2 (1) of the Private Schools Conditional Integrated Act 1975; or
 - iii) A special institution under section 92 (1) of the Education Act 1989; or
 - iv) An early childhood centre under section 308 (1) of the Education Act 1989, but excluding any early childhood centre operated for profit.
2. The policy does not apply to schoolhouses occupied by a caretaker, principal or staff.
3. The sewage disposal rate in any one year may not exceed the amount calculated under clause 4.
4. The sewage disposal rate is the rate that –
 - a) Would be levied using the same mechanisms as are applied to other separately rateable rating units within the district divided by the number of toilets as determined in accordance with condition 5 below (the full charge); and
 - b) Reduced in accordance with the following graduated formula:
 - i) The full charge for each of the first 4 toilets or part thereof;
 - ii) 75% of the full charge for each of the next 6 toilets or part thereof;
 - iii) 50% of the full charge for each toilet after the first 10.
5. For the purpose of clause 4 (a) above the number of toilets for separately rateable units occupied for the purposes of an educational establishment is 1 toilet for every 20 students and staff or part thereof.
6. The number of students in an educational establishment is the number of students on its roll on 1 March in the year immediately

before the year to which the charge relates.

7. The number of staff in an educational establishment is the number of teaching staff and administration staff employed by that educational establishment on 1 March immediately before the year to which the charge relates.

The following wording sets out the revised version of this policy provision. Council will reconsider introducing this change after it has undertaken further consultation with the education sector.

Background

Council recognises that schools may be adversely affected by the current method of charging for sewerage. This is because there are a number of schools with large numbers of toilets but because of falling school rolls these are now surplus to their requirements.

Council is also of the view that there is an increasing use of schools for after hours, weekend and holiday programmes. The effect of this is that schools are making an increasing use of the reticulated sewerage systems. Given that a significant number of the pupils and users of the schools come from outside the rating areas, there is a limited level of contribution to the cost of providing the service.

To address these issues, Council is proposing to continue to use the nominal pan method (20 pans per student or staff member) that it previously used to assess the number of chargeable pans in a school, but it will no longer grant the discount.

Policy objectives

To provide relief and assistance to education establishments as defined in the Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendments Act 2001 in paying sewerage charges.

Conditions and criteria

1. The policy will apply to the following educational establishments:
 - a) Established as a special school under section 98(1) of the Education Act 1964; or
 - b) Defined as –
 - i) A state school under section 2 (1) of the Education Act 1989; or
 - ii) An integrated school under section 2 (1) of the Private Schools

- Conditional Integrated Act 1975; or
 - iii) A special institution under section 92 (1) of the Education Act 1989; or
 - iv) An early childhood centre under section 308 (1) of the Education Act 1989, but excluding any early childhood centre operated for profit.
2. The policy does not apply to schoolhouses occupied by a caretaker, principal or staff
 3. For the purpose of determining the number of toilets for separately rateable units occupied for the purposes of an educational establishment, the following formulae will be used
 - a) 1 toilet for every 20 students and staff or part thereof. The number of pans determined by this formula will be known as the "nominal" number of pans.
 4. The number of students in an educational establishment is the number of students on its roll on 1 March in the year immediately before the year to which the charge relates.
 5. The number of staff in an educational establishment is the number of teaching staff and administration staff employed by that educational establishment on 1 March immediately before the year to which the charge relates.
 6. Note: No discount will be provided on any pan charges except where the nominal number of pans is less than the actual chargeable number of pans. In that instance, the educational establishment will be charged for sewerage on the nominal number of pans and the balance will be remitted.

Remission of excess water charges (Policy R04/08)

Background

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

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

for a reduction in charges to these consumers in certain circumstances.

This policy statement addresses that decision.

Policy objectives

To standardise procedures to assist ratepayers who have excessive water rates due to a fault (leak) in the internal reticulation serving their rating unit whilst at the same time ensuring that consumers retain responsibility for the maintenance of their private reticulation.

Conditions and criteria

1. The policy will apply to applications from ratepayers who have incurred excessive water rates due to a fault(s) in the internal reticulation.
2. All applications must be made in writing and signed by the owner(s) of the property.
3. The ratepayer must supply a report from a registered plumber that the property has experienced a water loss as a result of a leak.
4. Proof of the repairs to the internal reticulation is submitted for verification (i.e. Plumber's repair account).
5. Meter readings will be taken after application has been received to ensure all leaks have been repaired.
6. The ratepayer must not previously have had an application for a relief under this policy granted.
7. The maximum relief that will be provided will be 50% of the difference between the normal consumption and the actual water consumption for that period.

Note: The "normal consumption" will be calculated from the average consumption for the previous 3 meter readings for the property concerned.

Remission of postponed rates (Policy R04/09)

Background

Council has adopted a number of policy statements which grant a postponement of rates to ratepayers under certain circumstances. A number of these contain **provisions which** allow the postponed rates to be written off, or remitted after a predetermined period, subject to the terms and conditions of the policy being complied with. This policy statement provides the power for those postponements to be remitted in accordance with the postponement policies.

Policy objectives

To remit postponed rates that have reached the predetermined age or term as provided for in the rates postponement policies.

Conditions and criteria

1. The conditions that gave rise to the postponement of the rates must have been fully complied with over the term of the postponement period.
2. Subject to the conditions and criteria being complied with as set out in (1) above, Council will remit the applicable postponed rates without any further applications being required from the ratepayer.
3. This policy statement will only apply to those rate postponement policy statements that provide for the rates to be remitted after a predetermined period of time.

Remission of rates on land that has made lump sum contributions (Policy R04/10)

Background

Prior to local government reorganisation in 1989, a number of sewerage schemes were established or enhanced using loans. In certain cases, the ratepayers were offered the opportunity to make a lump sum contribution rather than paying an annual loan rate. There are still a few schemes where these loans have not yet been fully extinguished; therefore any new rate that incorporates debt-servicing costs will include costs relating to these schemes.

Because some ratepayers made the lump sum contributions, it would be inappropriate to charge them any costs relating to these loans. The most appropriate solution to resolving this problem would be to offer these ratepayers a remission of rates equal to the amount of the rate that they were previously exempt from paying.

This policy statement provides the authority to make the necessary remissions.

Policy objectives

To fairly deal with those ratepayers that have previously made lump sum contributions in lieu of loan rates, who would otherwise become liable to the new sewerage rates.

Conditions and criteria

1. Rating unit must have previously paid a lump sum contribution in lieu of paying a loan rate
2. The amount of the remission must not exceed the amount of the exemption from paying the loan rate.
3. The remission will only apply for so long as the underlying loan which gave rise to the loan rate remains in existence.

Remission of rates on land subject to protection for outstanding landscape, cultural, historic or ecological purposes (Policy # R04/11)

Background

The Far North District Council recognises that certain rateable land within the district, both general and Māori freehold land, is protected for outstanding landscape, cultural, heritage, or ecological purposes.

In its District Plan, the Far North District Council states "Council will postpone or remit rates where an area is afforded permanent legal protection through a covenant or reserves status where Council's Rates Remission Policy is met⁵, and "Where heritage resources are afforded permanent legal protection through means such as a covenant, an application may be made to Council for rates relief according to Council policy"⁶

Where the land is subject to permanent protection, Council will consider applications for a remission of rates on the land as set out below.

Where the protection is for a finite period, but for a term of not less than 10 years, Council has introduced a policy to provide for a postponement of rates for the period that the protection is in place.

Policy objectives

To provide for the fair and equitable collection of rates from all sectors of the community. To recognise and/or reward the efforts of landowners who have preserved for future generations, lands that have particular outstanding landscape, cultural, historic or ecological values.

⁵ Clause 12.2.5.13
⁶ Clause 12.5.5.14

Policy statement

The Far North District Council will consider remitting the rates on land that is subject to one of the protection mechanisms set out in the conditions below.

This policy statement applies to land that is subject to permanent protection under an agreed mechanism and is not used. Where any part of the area that is protected is in use, that part will not receive any rate relief.

- Where the entire rating unit is the subject of the application, the remission of rates will apply to all rates levied on the property
- Where part of the rating unit is being used, the used and unused parts will be separately valued and assessed as separate parts pursuant to Section 45 (3) of the Local Government Rating Act 2002. In these instances, the remission of rates will only apply to the unused part and will apply only to the land value based rates
- It should be noted that these separate parts will not constitute separately used or inhabited parts for rating purposes and a full set of UAGC and other charges will be assessed against the part of the rating unit that is being used.

Any remissions on the land will be cancelled immediately in the event that the land ceases to be protected under the agreement.

Conditions and criteria

Council will consider remitting the rates on the land upon written application from the ratepayer, subject to the following conditions:

1. No person must actually be using the land, or the part of land that is the subject of the application, as set out below:
For the purposes of this Policy, the definition of person actually using land is taken from the Local Government (Rating) Act 2002. It means a person who, alone or with others: –
 - (1) Leases the land; or
 - (2) Does 1 or more of the following things on the land for profit or other benefit:
 - a) Resides on the land
 - b) Depastures or maintains livestock on the land
 - c) Stores anything on the land
 - d) Uses the land in any other way.

Notes: Notwithstanding the above, work undertaken to preserve or enhance the features

covenanted on the land, including weed control, will not impact the “unused” status of the land. The removal of traditional medicinal tree and plant material by Iwi for personal use will not constitute actual use of the land.

2. The land must be subject to a formal protection agreement in perpetuity, as set out below and in a form acceptable to Council:
 - a) An open space covenant under section 22 of the Queen Elizabeth the Second National Trust Act 1977; or
 - b) A conservation covenant under section 77 of the Reserves Act 1977; or
 - c) A declaration of protected private land under section 76 of the Reserves Act 1977; or
 - d) A management agreement for conservation purposes under section 38 of the Reserves Act 1977; or
 - e) A covenant for conservation purposes under section 27 of the Conservation Act 1987; or
 - f) A management agreement for conservation purposes under section 29 of the Conservation Act 1987; or
 - g) A Māori reservation for natural, historic, or cultural conservation purposes under sections 338 to 341 of the Te Ture Whenua Māori Act 1993 (Māori Land Act 1993).
3. The part of the land for which remission of rates is sought must only be for that area protected by a legal covenant, and must have a nil or minimal value of improvements.
4. The application must be supported by a written assessment of the outstanding landscape, historic, cultural or ecological values of the land prepared by a suitably qualified person or organisation, and a Management Plan detailing how the values are to be maintained, restored, and/or enhanced.
5. Council, their duly authorised officers or agents, be authorised to enter and inspect the land from time to time to confirm compliance with the criteria or to request such information as is reasonably necessary to assess the application of the policy.
6. Any remission under this policy will come in to effect on 1 July in the year following the approval of the application.

Remission of sewerage charges on schemes funded by government subsidy schemes (Policy # R06/12)

Background

Council operates a Rate Remission Policy to address a requirement of the government funded subsidy schemes. These subsidies have been provided to enable Council to establish reticulated sewerage schemes in communities where, because of inability of that community to afford the cost, the scheme would otherwise not be developed.

It is a condition of these subsidies, that the ratepayers in those communities that are of greatest need receive a benefit from the subsidy in the form of reduced charges. This policy provides for a remission of rates to those communities that have a deprivation index of 7 or worse.

The purpose of the remission is to recognise that the capital costs of the new scheme have been funded by the subsidy and therefore it reduces the sewerage charge to the level of the operational cost for the scheme.

The remission has a limited term of 10 years from the date at which the scheme became operational.

Policy objectives

To assist with the establishment of reticulated sewerage schemes in communities of greatest need.

To comply with the requirements of the Government Funded Sewerage Subsidy Scheme.

Policy statement

The Far North District Council will provide a remission to the sewerage charge in respect of the capital portion of that charge in respect of new sewerage schemes that are funded by the Government Sewerage Subsidy Scheme and where the deprivation index of that community is 7 or less.

Conditions and criteria

1. Where the policy applies, Council will automatically grant the remission to the rate accounts that qualify.
2. The remission will only apply to the capital portion of each year's rate and is only available to existing properties and to the owners of these at the time that the schemes become operational .
3. The remission will only remain in place for a

period of 10 years after which time no further remissions will be granted.

4. Where any qualifying property is subdivided, any new rating units that are created over and above the original single existing rating unit will not be eligible for this remission.
5. The remission will terminate at the earlier of the date of sale, disposal or transfer of the rating unit (other than to a member of the family as the result of a gift or bequest), or ten years after the date at which the sewerage scheme became operational.

Policy for the postponement of rates (Policy # P04)

Background

The Local Government (Rating) Act 2002, Section 87, sets out that a Council must postpone rates, including penalties, if it has adopted a postponement policy under section 110 of the LGA and Council is satisfied that the conditions and criteria set out in the policy, are met.

The Local Government (Rating) Act 2002 provides that a postponement fee based on the cost of funds together with administrative costs can be charged to the ratepayer concerned. This fee becomes part of the rate and is added to the postponed rates.

If a postponement fee is not charged, Council is required to show the cost of the postponement in their accounts as paid on behalf of the ratepayer.

Council's policy is that, unless otherwise proscribed by legislation, it will charge a postponement fee which will be added to the postponed rates.

The policy set out below has been prepared in accordance with LGA. It consists of a number of policy statements, each of which deal with specific rate postponement requirements.

Definitions

For the purposes of this policy the following definitions apply:

Occupier – a person, persons, organisation, or business entity that is using a rating unit under a lease, license or other formal agreement for a term of not less than 10 years.

Ratepayer – under the Local Government (Rating) Act 2002, the ratepayer is either the owner of the rating unit or a lessee under a registered lease of not less than 10 years, and where the lease

provides that the lessee is required to be entered into the Rating Information Database as the ratepayer.

Landlocked – For the purposes of this Policy, the definition of landlocked land is that set out in the Property Law Act 1952: – “Landlocked” means land to which there is no reasonable access.

Reasonable access includes access from the sea and practical access across adjoining land not owned by the owner of the land concerned.

Person actually using land – For the purposes of this Policy, the definition of person actually using land is taken from the Local Government (Rating) Act 2002. It means a person who, alone or with others: –

1. Leases the land; or
2. Does 1 or more of the following things on the land for profit or other benefit:
 - a) Resides on the land
 - b) Depastures or maintains livestock on the land
 - c) Stores anything on the land
 - d) Uses the land in any other way.

Farmland postponement value – a value attributed to land by Council’s valuation service provider which is based on the value of land as farmland:

1. So as to exclude any potential value that, at the date of valuation, the land may have for residential purposes, or for commercial, industrial, or other non-farming use; and
2. So as to preserve uniformity and equitable relativity with comparable parcels of farmland, the valuations of which do not contain any such potential value.

Policy statements

Each set of policy statements deals with a different set of postponement criteria.

They have all been prepared in the following format. Firstly, a brief background will explain the reason for the policy. This is followed by a description of the objectives to be met by the policy, a statement of the grounds upon which the postponement will be terminated, and finally a statement of the conditions and criteria that will be used to determine applications in respect of each policy statement. Other matters may be included, where appropriate in particular policy statements

Policy Statements have been developed to meet the following requirements:

- Postponement of Rates on Land Subject to Protection for Outstanding landscape,

Cultural, Historic, or Ecological Purposes, (Policy P04/01)

- Postponement of Rates on Unusable Land (Policy P04/02)
- Postponement of Rates on Landlocked General Title Land (Policy P04/03)
- Transitional Policy for the Postponement of Rates on Farmland (Policy P06/04)
- Postponement of Rates on Residential Land (Policy P04/05).

Conditions and criteria applicable to all postponement policy statements

1. All applications must be made in writing and signed by the owner(s) or trustees of the land.
2. The owner must agree to a statutory land charge being entered on the Certificate of Title.
3. As provided for in the legislation, a postponement fee will be calculated added to the postponed rates.
4. The basis of calculating the postponement fee is included in each year’s Funding Impact Statement.⁷

In the event that a rating unit ceases to qualify for a postponement of rates but, in terms of the relevant policy statement is not required to repay any accumulated postponed rates held against the rating unit, the policy will continue to apply in respect of any fees and charges that continue to be applied pursuant to the policy.

Note:

For the sake of clarity, this provision has been included to ensure that the ratepayer is not required to commence paying any fees and charges that may be applied each year and provides that these can continue to be postponed until the later of either:

- The total postponed rates are repayable by the ratepayer, or
- The total postponed rates are remitted in accordance with the provisions of the policy.

⁷ To clarify how the postponement fee will be calculated

Postponement of rates on land subject to protection for outstanding landscape, cultural, historic or ecological purposes (Policy # P04/01)

Background

The Far North District Council recognises that certain rateable land within the district, both general and Māori freehold land, is protected for outstanding landscape, cultural, historical or ecological purposes.

In its District Plan, the Far North District Council states *"Council will postpone or remit rates where an area is afforded permanent legal protection through a covenant or reserves status where Council's Rates Remission Policy is met⁸ and "Where heritage resources are afforded permanent legal protection through means such as a covenant, an application may be made to Council for rates relief according to Council policy".⁹*

Where the land is subject to permanent protection, Council will consider applications for a remission of rates on the land as set out in the Remissions Policy.

Where the protection is for a finite period, but for a term of not less than 10 years, Council has introduced a policy to provide for a postponement of rates for the period that the protection is in place.

This policy statement applies to land that is subject to a finite term of protection, but for a term of not less than 10 years.

This policy provides that Council will postpone rates, for a period of ten (10) years and then will remit those rates on land which complies with the criteria set out in this policy.

This policy applies to land which is subject to protection under an agreed mechanism and is not used. Where any part of the area that is protected is in use, that part will not receive any rate relief.

Where the entire rating unit is the subject of the application, the postponement of rates will apply to all rates assessed on the property.

Where part of the rating unit is being used, the used and unused parts will be separately valued and assessed as separate parts pursuant to

Section 45 (3) of the Local Government Rating Act 2002. In these instances, the postponement of rates will only apply to the unused part and will apply only to the land value based rates.

It should be noted that these separate parts will not constitute separately used or inhabited parts for rating purposes and a full set of UAGC and other charges will be assessed against the part of the rating unit that is being used.

The rates postponement will cease to apply and the postponed rates will be repayable if the covenant conditions, and/or the Management Plan objectives are not upheld¹⁰.

Policy objectives

To provide for the fair and equitable collection of rates from all sectors of the community. To recognise and/or reward the efforts of landowners that have preserved for future generations, lands that have particular outstanding landscape, historical, ecological, or cultural values.

Conditions and criteria

The rates on the subject land will be postponed upon written application from the ratepayer, subject to the following conditions:

1. No person must actually be using the land, or the part of land that is the subject of the application, as set out below:
For the purposes of this Policy, the definition of person actually using land is taken from the Local Government (Rating) Act 2002. It means a person who, alone or with others: –
2. Leases the land; or
3. Does 1 or more of the following things on the land for profit or other benefit:
 - a. Resides on the land
 - b. Depastures or maintains livestock on the land
 - c. Stores anything on the land
 - d. Uses the land in any other way.

Notes:

- Notwithstanding the above, work undertaken to preserve or enhance the features covenanted on the land, including weed control, will not impact the "unused" status of the land
- The removal of traditional medicinal tree and plant material by tangata whenua for personal use will not constitute actual use of the land).

⁸ Clause 12.2.5.13

⁹ Clause 12.5.5.14

¹⁰ Minor wording changes

4. The land must be subject to a formal protection agreement, as set out below and in a form acceptable to Council, for a finite period of not less than ten (10) years:
 - a. An open space covenant under section 22 of the Queen Elizabeth the Second National Trust Act 1977; or
 - b. A conservation covenant under section 77 of the Reserves Act 1977; or
 - c. A declaration of protected private land under section 76 of the Reserves Act 1977; or
 - d. A management agreement for conservation purposes under section 38 of the Reserves Act 1977; or
 - e. A covenant for conservation purposes under section 27 of the Conservation Act 1987; or
 - f. A management agreement for conservation purposes under section 29 of the Conservation Act 1987; or
 - g. A Māori reservation for outstanding landscape, historic, cultural, or ecological purposes under [sections 338 to 341 of the Te Ture Whenua Māori Act 1993 (Māori Land Act 1993)] (this includes covenants registered with Nga Whenua Rahui).
5. The part of the land for which postponement of rates is sought must only be that area protected by a legal covenant, and must have a nil or minimal value of improvements.
6. The application must be supported by a written assessment of the outstanding landscape, historic, cultural or ecological value of the land, prepared by a suitably qualified person or organisation, and a Management Plan detailing how the values are to be maintained, restored and/or enhanced (Council may be able to assist with this process).
7. That Council, their duly authorised officers or agents, be authorised to enter and inspect the land from time to time to confirm compliance with the criteria or to request such information as is reasonably necessary to assess the compliance with the policy.
8. Any postponement under this policy will come in to effect on 1 July in the year following the approval of the application.

Termination and repayment of postponed rates

1. The repayment of postponed rates will not be required merely because of a change of ownership of the land provided that the land continues to comply with the criteria.
2. Council will not seek repayment of postponed rates where future postponement is revoked due to Council changing its criteria for postponement.
3. At the conclusion of the 10 year term, the rates for the first year of the covenant period will be remitted together with all charges for that year. In subsequent years, an additional year of the postponed rates will be remitted so that at any time there is a maximum of 10 years of postponed rates held against that rate account.
4. If, at the conclusion of the 10 year term, the owner does not renew the covenant or other agreement for a further term, the postponement will cease to apply to the land in respect of future rates. Any rates that are postponed against the land at that time will not become payable unless the land ceases to comply with the criteria as set out in 5 below.
5. If the land ceases to comply with the criteria set out in the covenant or other agreement, due to a change in use or action by the ratepayer(s), all postponed rates that have not been otherwise remitted, will become immediately due and payable.

Postponement of rates on unusable land (Policy # P04/02)

Background

From time to time, Council is approached by the owners of land that has become unusable either for a long period of time, or in perpetuity, as a result of a natural calamity such as erosion, inundation etc.

These owners seek Council's assistance by way of rating relief for the period that their land remains unusable as a result of the calamity.

Policy objectives

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

Conditions and criteria

All applications must be made in writing and signed by the owner(s) of the land.

1. The application must set out in detail the grounds for the application. This must describe the nature of the natural calamity that has caused the land to be unusable and must give an estimate of the time that it is expected that the land will remain in that state.
2. The application must outline the steps that the owner has taken or will take to return the land to a usable state, or if that is not possible, it must state why.
3. The application must be supported by a report from a Registered Engineer or other similarly qualified expert setting out the reasons why the land has become unusable.
4. The applicant will be required to sign an agreement that the rates will be immediately repayable if the land is made usable during the period of the postponement.
5. The owner must agree to a statutory land charge being entered on the Certificate of Title.
6. The maximum term for the postponement of rates will be five years. At the end of that period, if the land remains unusable a new application will be required.
7. If a second or subsequent application is approved, rates that have been postponed for a period of 5 years will be remitted.
8. As provided for in the legislation, a postponement fee will be added to the postponed rates.

Termination and repayment of postponed rates

1. The repayment of postponed rates will not be required merely because of a change of ownership of the land, provided that the land continues to comply with the criteria
2. Any rates postponed and not remitted under this policy, will become payable as soon as the land becomes usable or at the end of the postponement period, unless renewed.

Postponement of rates on Landlocked General Title Land Policy (P04/03)**Background**

From time to time, Council is approached by the owners of general title land that is landlocked by either general title or Māori title freehold land.

These ratepayers claim that they cannot gain access to their land and they are not in a position to remedy this through actions under section 129B of the Property Law Act 1952.

This policy does not include any land that has access from the sea nor any land that has practical access across adjoining land.

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

Policy objectives

To enable Council to act fairly and equitably with respect to the rating of landlocked General Title Land, in the same manner as has been provided for Māori freehold title land.

Conditions and criteria

1. The application must be made in writing and signed by the owner(s) of the land
2. The land must be landlocked in the manner as defined above.
3. The application must include a statutory declaration that the land is not being actually used by any person, see definition of "Person Actually Using Land" above and that there is no practical access across adjoining land.
4. The owner must provide evidence that they have taken all steps to obtain access and must show why the provisions of section 129B of the Property Law Act is not available to them.
5. The maximum term for the postponement of rates will be five years. At the end of that period, if the land remains landlocked a new application will be required.
6. If a second or subsequent application is approved, rates that have been postponed for a period of five years will be remitted.
7. The owner must agree to advise Council if the status of the land changes, if access is obtained, or if any person commences to use the land.
8. The applicant will be required to sign an agreement that the rates will be immediately repayable if the land ceases to be landlocked during the period of the postponement.
9. The owner must agree to a statutory land charge being entered on the Certificate of Title.
10. As provided for in the legislation, a postponement fee will be added to the postponed rates.

Termination and repayment of postponed rates

1. The repayment of postponed rates will not be required merely because of a change of ownership of the land provided that the land continues to comply with the criteria.
2. Any rates postponed and not remitted under this policy will be immediately repayable if the land ceases to be landlocked during the period of the postponement.

Transitional policy for the postponement of rates on farmland (Policy # P06/04)

Background

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

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

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

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

This Transitional Policy is restricted to those farms which are owner operated, where the owner is a natural person and/or is a company where the owners live on and operate the farm as a personal business. The policy specifically excludes those farms which are held as investment properties where the owners, corporate or otherwise, live either outside the district¹¹.

¹¹ This amendment to the policy is to clarify that the provision only applies to those farms where the farmer lives on the property and manages it as their main source of revenue. It is not designed apply to properties that are held as investments by owners who live outside the district.

This policy is a transitional policy which will remain in force until council so decides or until the last affected property no longer qualifies, whichever is the sooner. No further applications will be considered under this policy.

Effect of rates postponement values:

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

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

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

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

Policy objectives

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

Conditions and criteria

1. This policy provision only applies to those rating units which previously qualified for a postponement of rates under policy P04/04, which was repealed on 30 June 2006, and which continues to be owned by the same ratepayer/s who owned it at that date¹².
2. Council will not accept any new applications under this policy.
3. For the purposes of this transitional policy, the definition of qualifying farmland has

¹² See footnote 11 above

been revised as follows:

- a) Farmland means land which is used principally or exclusively for agricultural, horticultural, or pastoral purposes but excludes land that is used for forestry, life style, or farm park type purposes
 - b) The farming operation must provide the principal source of revenue for the owner of the land, who must be the actual operator of the farm and who must reside on the land¹³.
 - c) The area of the land that is the subject of the application must be not less than 50 hectares
4. The properties that are the subject of this policy will be identified and the rates postponement values determined by Council's Valuation Service Provider and will
 - exclude any potential value, at the date of valuation, that the land may have for residential use or for commercial, industrial, or other non-farming use; and will
 - preserve uniformity and equitable relativity with comparable parcels of farmland, the valuations of which do not contain any such potential value.
 5. No objection to the amount of any rates postponement value determined under this policy will be accepted by Council (other than where the objector proves that the rates postponement value does not preserve uniformity with existing roll values of comparable parcels of land having no potential value for residential use, or for commercial, industrial, or other non-farming use)
 6. The Postponement Value will be reviewed after each triennial revaluation and the revised value will be advised to the ratepayer. At that time Council will seek the advice of its valuation service provider as to whether they believe that the land continues to be actively farmed and qualifies under the terms of this policy provision. Council reserves the right to ask the owner to provide evidence showing that the land continues to operate as a farm¹⁴.
 7. The owner must agree to a statutory land charge being entered on the Certificate of Title of the farmland before receiving a postponement of rates.

Termination and repayment of postponed rates

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

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

$$\frac{A \quad x \quad C}{B}$$

Where---

- A – is the difference between the rateable value and rates special value of the balance of the land retained by the person who was the occupier on the date on which the rates postponement value was entered on the valuation roll; and
 - B – is the difference between the rateable value and the special value of the whole of the land immediately before the date of the vesting of that interest in that other person. That special value shall be specially re-determined if, because of a general revaluation of the district in which the land is situated, the special value appearing on the valuation roll is no longer directly related to the rateable value on the date of the vesting; and
 - C – is the total amount of the rates postponed immediately before the date of vesting. In all cases the amount of the rates to be repaid will be not less than 20% (twenty per cent) of the value of the total amount of rates currently postponed.
4. Subject to the land continuing to qualify for the special postponement value, any rates postponed under this policy will be remitted at the expiration of ten (10) years from the date on which they were assessed.

¹³ See footnote 11 above

¹⁴ To clarify that Council will review the use of the land as part of every triennial revaluation

Postponement of rates on residential land (Policy # P04/05)

Background

Council operates a policy provision for the postponement of rates on residential land. This policy has been designed to assist the elderly remain in their homes by allowing them to postpone or defer their rates and for these to be paid at their death from the settlement of their estate. In general, this policy is aimed at those ratepayers who are over 65. However, Council will also consider applications from people who are younger than 65, but in those instances there is a limit of 15 years, after which time the postponements must be repaid.¹⁵

In adopting this policy, Council considered:

- The objectives (target group / purpose).
- Conditions and criteria
- Duration
- Repayment.
- Objectives - Target Group / Purpose

Generally, rates bear down most heavily on those ratepayers who are in the low income bracket and who also have the least scope to increase their income. The most obvious group is the so-called "asset rich/income poor" elderly, who may own a debt free home but have difficulty meeting fixed outgoings, especially rates – approximately 65% of older people are mainly dependent on New Zealand superannuation with little or no other income. The next most obvious group is those ratepayers who are beneficiaries or otherwise on low incomes.

For both these groups, rates, especially when they are increasing to meet the cost of investing in areas such as infrastructure renewal or upgrade, may impose a very heavy burden on their disposable income. People in these groups may be significantly better off in terms of quality of life if they can indefinitely postpone the obligation to pay (until they sell the property or die), or for younger ratepayers for a period whilst they are coping with heavy costs – perhaps establishing a business, or as a single parent, bringing up children. For a council, postponement can provide a means of relieving cash flow pressure on those groups with consequent benefits including, for councils, reducing a source of community resistance to significant rates-based infrastructure funding.

The main issue for a council adopting an indefinite postponement policy is the risk that, when the postponement period ends, accrued rates and charges will exceed the value of the property. As a general statement, the older a ratepayer is at the beginning of the postponement period, the lower the risk.

Both the nature of the problem and the requirements for managing risk suggest a two-part policy. People aged 65 years and over are the largest group under pressure from the obligation to pay rates from limited income. They are also lower risk than younger ratepayers as their life expectancy is shorter. The policy objective could be defined as giving 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.

For cases where one or more owners (including people occupying a family trust owned property) is aged 65 or older, postponement would be available until either sale or the death of whoever was named in the application as occupier(s). The intention is that postponement should be available until the sale of the property or the death of the individual or survivor of the couple named in the application as the occupier(s).

For cases where all the owners are younger than 65 years at the time of application, any postponement would be available for a maximum of 15 years. In these circumstances, the intention is to provide a temporary benefit on the grounds of particular hardship. To qualify, the applicant must acknowledge that, at the end of the postponed period, repayment in full will be required and that the applicant must accept a responsibility to do, at that time, whatever is required to make full repayment and resume paying normal rates.

In each case, the impact of postponement will be tested by Council as part of its confirmation of eligibility. This will be done by running the details of the property concerned through an actuarial model designed to calculate the total rates and accrued charges outstanding at the end of the postponement period and the expected value of the property, in each case using assumptions (inflation, interest rates, rates, life expectancy) developed by the actuary. If it appears that the total of accrued rates and charges could exceed 80% of the expected value of the property,

¹⁵ Minor wording changes

Council will offer partial rather than full postponement; set at a level that will keep the forecast final total within the 80% limit.

The next question is whether (or to what extent) people whose property is subject to a mortgage should be eligible. Technically, this need not concern a Council as postponed rates have priority over mortgages. In practice, it would not be sensible for a Council to treat the interest of mortgagees in a cavalier manner. It is proposed to deal with these by advising applicants that they should seek their mortgagee's approval before proceeding with an application.

Māori freehold land

At present, the law does not allow councils to register a charge on Māori freehold land. Accordingly, Māori freehold land is not eligible for the postponement of rates under this policy statement, unless and until the law is changed so that councils can register a statutory land charge and can enforce such a charge.

Policy objectives

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.

Conditions and criteria

1. Any ratepayer is eligible for postponement provided that the rating unit is used by the ratepayer for personal residential purposes (whether as a principal residence or as a holiday home). This includes, in the case of a family trust owned property, use by a named individual or couple. People occupying a unit in a retirement village under an occupation licence will be able to apply for postponement of the rates payable by the retirement village on their unit with the agreement of the owner of the retirement village.
2. If a property is in a known hazard zone, Council has the right to decline to offer rates postponement to the property
3. 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, an actuary has been engaged to develop a model that will forecast, on a case by case basis, expected equity, when repayment falls due. If that is likely to be less than 20%, Council will offer partial

postponement, set at a level expected to result in final equity of not less than 20%.

4. The property must be insured at the time the application is granted and must be kept insured and evidence of this produced annually.
5. To assist ratepayers who are currently uninsured, Council is arranging for the development of a group insurance policy to provide all risks cover, with an excess of \$10,000. This will achieve cover against catastrophic loss at minimum cost. The premium will be treated as part of the postponement fee and thus come within the postponement arrangements. Once the policy is available, all ratepayers whose rates are postponed under this policy will be required either to have their own insurance, and produce evidence of that to Council on an annual basis, or to have their properties insured under the group insurance policy.
6. Any postponed rates (under this policy) will be postponed until:
 - a) The death of the ratepayer(s) or named individual or couple, (in this case Council will allow up to 12 months for payment so that there is ample time available to settle the estate or, in the case of a trust owned property, make arrangements for repayment); or
 - b) Until the ratepayer(s) or named individual or couple ceases to be the owner or occupier of the rating unit (if the ratepayer sells the property in order to purchase another within 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
 - c) In the case of ratepayers under the age of 65 at the time of application, until a date specified by Council.
7. 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.
8. The financial cost will be the interest Council will incur 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, a 1% p.a. levy on outstanding balances to cover external management and promotion costs, a reserve fund levy of 0.25% p.a., and a contribution to cover the cost of

independent advice).

The purpose of the reserve fund levy is to protect Council and the applicants against the possibility that, in some instances, the proceeds of the sale of a property may not be sufficient to repay accrued rates and charges. Neither the applicants, nor the estate will be required to repay any part of a shortfall; instead this will be paid from the reserve fund.

9. 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.
10. 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.
11. 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.

Termination and Repayment of postponed rates

The policy is in place indefinitely and can be reviewed subject to the requirements of the LGA at any time. Any resulting modifications will not change the entitlement of people already in the scheme to continued postponement of all future rates.

Council reserves the right not to postpone any further rates once the total of postponed rates and accrued charges exceeds 80% of the rateable value of the property as recorded in Council's rating information database. This will require the ratepayer(s) for that property to pay all future rates but will not require any payment in respect of rates postponed up to that time. These will remain due for payment on death or sale.

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

Remission and postponement of rates on Māori freehold land (Policy # ML04)

Background

Sections 108 and 109 of the LGA require that all councils introduce policies for the remission and postponement of rates on Māori freehold land. In compliance with LGA and in recognition that the nature of Māori land is different to General Land the Far North District Council has formulated a policy "The Remission and Postponement of Rates on Māori Freehold Land" to deal with these issues.

Definitions

Māori freehold land – as set out in Te Ture Whenua Act/ Māori Land Act 1993 Part VI section 129(2)(a) means "Land, the beneficial ownership of which has been determined by the Māori Land Court by freehold order, shall have the status of Māori freehold land".

Policy goals

To introduce policies which promote the collection of rates from Māori freehold land in order that a fair and equitable collection of rates from all sectors of the community can be achieved.

To recognise that certain unoccupied Māori freehold land may have particular conditions, ownership structures, or other circumstances which make it appropriate to remit or postpone rates for defined periods of time. To comply with the provisions of the 11th Schedule of the LGA¹⁶.

Principles

The principles used in establishing this policy are:

- That as defined in Section 91 of the Local Government (Rating) Act 2002 Māori freehold land is liable for rates in the same manner as if it were general land,
- That pursuant to Sections 108 and 109, Council is required to adopt a policy for the remission and postponement of rates on Māori freehold land,
- That Council and the community benefit through the improved collection of rates that are collectable and the removal from the rating debt of that debt which is considered non collectable,

¹⁶ Recording that Council considered the requirements of the LGA when developing these policies.

- That applications for remission and/or postponement of rates meet the criteria set by Council or LGA,
- That the policy does not provide for the permanent remission or postponement of rates on the lands concerned,
- That Council's GST liability in respect of rate arrears is minimised, That all land that receives the benefit of this policy be included in a Register, the "Māori Land Rates Relief Register" (The Register) and the total amount of the remissions and/or postponements will be separately disclosed in each year's Annual Plan and Annual Report.

In preparing this policy, Council has taken account of the provisions of the 11th Schedule of the LGA, which states

- 1 The matters that the local authority must consider under Section 108(4) are—
 - (a) the desirability and importance within the district of each of the objectives in clause 2; and
 - (b) whether, and to what extent, the attainment of any of those objectives could be prejudicially affected if there is no remission of rates or postponement of the requirement to pay rates on Māori freehold land; and
 - (c) whether, and to what extent, the attainment of those objectives is likely to be facilitated by the remission of rates or postponement of the requirement to pay rates on Māori freehold land; and
 - (d) the extent to which different criteria and conditions rates relief may contribute to different objectives.
- 2 The objectives referred to in clause 1 are—
 - (a) supporting the use of the land by the owners for traditional purposes:
 - (b) recognising and supporting the relationship of Māori and their culture and traditions with their ancestral lands:
 - (c) avoiding further alienation of Māori freehold land:
 - (d) facilitating any wish of the owners to develop the land for economic use:
 - (e) recognising and taking account of the presence of waahi tapu that may affect the use of the land for other purposes:
 - (f) recognising and taking account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga

- housing (whether on the land or elsewhere):
- (g) recognising and taking account of the importance of the land for community goals relating to—
 - (i) the preservation of the natural character of the coastal environment;
 - (ii) the protection of outstanding natural features;
 - (iii) the protection of significant indigenous vegetation and significant habitats of indigenous fauna;
 - (h) recognising the level of community services provided to the land and its occupiers;
 - (i) recognising matters related to the physical accessibility of the land.¹⁷

Policy statements

Policy Statements have been developed to meet the following requirements:

- Remission of Rates on Unoccupied Māori Freehold Land (Policy ML04/01)
- Remission of Rates on Māori Freehold Land Used For the Purposes of Papakainga or Other Housing Purposes Subject to Occupation Licenses or Other Informal Arrangements (Policy ML04/2)
- Postponement of Rates on Māori Freehold Land (Policy ML04/03)
- Rates Postponement to Assist Forestry Development on Māori Land (Policy ML04/04) – to be repealed

General conditions

- Burden of proof of eligibility is on the owner/s of the property and as confirmed against relevant information held in Council records.
- Where land is in multiple ownership, a signed statement authorising an individual to act for 1 or more owners must be enclosed.
- Properties will remain on the Register for a maximum term of 3 years after which time the owners will be required to make a fresh application for consideration by Council.
- In the event of the land or any portion of the land being sold within that 3 year period, a claw back provision applies to enable Council to recover the rates remitted for the applicable period. This claw back may, at Council's sole discretion, relate to the whole

¹⁷ Refer LGA Schedule 11: previously not referred to LGA

property or only to that portion of the land that has been sold.

- Council or duly designated officers are given approval to undertake periodic inspection of land to confirm unoccupied status.
- Council reserves the right to seek further information, e.g. Memorial Schedule of Owners, if Council deems it necessary.

Remission of rates on unoccupied Māori freehold land (Policy ML04/01)

Background

The Far North District contains large tracts of Māori freehold land which are unoccupied and unimproved. This land creates a significant rating burden on the Māori owners who often do not have the means nor, in some cases, the desire to make economic use of the land. Often this is due to the nature of the ownership or, because the land has some special significance which would make it undesirable to develop or reside on, is isolated and marginal in quality.

Policy objectives

To recognise and take account of the presence of waahi tapu sites of cultural significance or other cultural values that may affect the use of the land for other purposes,

To avoid further alienation of Māori freehold land as a result of pressures that may be brought by the imposition of rates on unoccupied lands,

To recognise matters related to the physical accessibility of the land,

To recognise land that the owners have set aside for non-use because of recognised natural features,

To recognise situations where there is no person using or gaining an economic or financial benefit from the land,

To provide the ability to grant remission for the portions of land not occupied,

In general, reasons for placement on the Register and receiving a remission of rates, would include some or all of the following: -

- Unoccupied and Unimproved – The land is unoccupied and has no, or minimal improvements
- The Land is Land Locked – much Māori Land is land locked, i.e. does not have legal access to Council or National Rooding Network.
- Fragmented Ownership – Ownerships vary in number and individual share proportions. Owners are scattered throughout the country and even

worldwide. Attempts to contact a majority representation are often painstaking and difficult.

- The land has Particular Conservation Value – Because of their remoteness and inaccessibility, much Māori Land has a high conservation value, which Council or the community may wish to preserve.
- Unsecured Legal Title - Many land titles have not been surveyed. Therefore, they cannot be registered with the District Land Registrar. Owners seeking finance for development of their land are restricted, as mortgages cannot be registered against the title.
- Isolation and Marginal in Quality – The lands are geographically isolated and are of marginal quality.
- No Management Structures – Lands have no management or operating structures in place to administer matters.
- Rating Problems – Because of the above factors, there is a history of rate arrears and/or a difficulty in establishing who is/should be responsible for the payment of rates.

Conditions and criteria

The Far North District Council may, upon receipt of an application in writing from the owners, or authorised agents of the owners, or Council itself acting for the owners of multiply owned Māori land, agree to remit the rates on such unoccupied land for a period not exceeding 3 years subject to that land complying with the criteria set out below.

1. The land must be Māori freehold Land (as defined in Te Ture Whenua Act 1993 Part VI section 129 as set out above).
2. It must have particular historical, ancestral, or cultural significance which marks the land as requiring special treatment for rating purposes.
3. In general it will be remote and have limited access.
4. It must not be used by any person – for the purposes of this policy land will be defined as "used" if any person, alone or with others carries out any of the following activities on the land as set out in section 96 of the Local Government (Rating) Act 2002 -
 - a. leases the land; or does one or more of the following things on the land for profit or other benefit:
 - b. resides on the land

- c. depastures or maintains livestock on the land
- d. stores anything on the land
- e. uses of the land in any other way
- 5. In addition, the land must not provide an amenity value to any resident of the land or any adjacent land. An amenity value means that the land provides an indirect benefit to the owners or to some other person. For example if the land provides access to the coast, or to a right of way, or to Council road, then Council may regard the land as providing an indirect benefit.¹⁸
- 6. If the land is maintained in its unimproved state to provide or improve the views of the residents of the land or to add to their enjoyment of the land or adjacent land, then Council may regard the land as providing an indirect benefit.¹⁹
- 7. Under no circumstances will this policy apply to any land that is has a residential or commercial characteristic and that is located within an urban township or settlement.²⁰
- 8. It must not be subject to an Occupation Order issued by the Māori Land Court.²¹
- 9. Council will have the sole judgement on whether or not to grant the application and may seek such additional information as they may require before making their final decision.
- 10. If the status of the land changes, so that it no longer complies with the criteria, Council will immediately remove the land from The Register.
- 11. Council expects that any rating relief will be temporary; each application will be limited to a term of 3 years. However, Council may

¹⁸ Council has decided that where land has an amenity value it should not qualify for any rating relief except in extraordinary circumstances.

¹⁹ There have been occurrences in the past where the owners of Māori freehold land deliberately do not use areas of land so as to preserve views to the coast. Council does not believe that this land should qualify for any rating relief except in extraordinary circumstances.

²⁰ There have been a number of instances rating relief has been granted on small parcels of land located within urban communities. Council's view is that the primary purpose of this policy is to address rates on more remote parcels of land, and it does not believe that it is equitable to grant rating relief where the land is located with urban areas, except in extraordinary circumstances.

²¹ An occupation order grants exclusive use and occupation of the whole or any part of an area of land as a site for a house to a person or a group of persons. On that basis, the land may be considered "used" and therefore cannot qualify under this policy.

consider renewing the rate relief upon the receipt of further applications from the owners. The owners shall endeavour to bring the land back into the rating base as soon as practicable.

- 12. In the event that subsequent applications for rating relief are made by only one or a minority of owners, Council may require that these are signed or supported by such greater proportion of owners as may be required from time to time. (The purpose of this requirement is to ensure that all the owners of the land are aware that Council is providing rate relief and to encourage economic use of the land).

Remission of rates on Māori freehold land used for the purposes of papakainga or other housing purposes subject to occupation licenses or other informal arrangements (Policy #ML04/2)

Background

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

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

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

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

The occupier of land that is the subject of an occupation license or informal agreement is generally not required to pay any rental to the

owners of the land, i.e. it is not a commercial arrangement.

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

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

The policy is consistent in effect to the treatment of multiple housing on general title land, where the separate parts are occupied on a rent-free basis by members of the owner’s family. To assist the occupiers pay the rates of the parts of a rating unit that are the subject of occupation licenses, Council will issue a separate rate assessment for each part as set out in Section 45 (3) and (4) of the Local Government (Rating) Act 2002.

Policy objectives

To put in place processes to allow the residents of occupation licenses or other informal arrangements to pay their portion of the rates in respect of the land that they occupy, thus reducing the overall rate debt on Māori freehold land.

To assist Māori to establish papakainga or other housing on Māori freehold land.

To assist Māori to establish a economic base for future development.

Conditions and criteria

The Far North District Council recognises that the imposition of multiple UAGCs or other non-service related charges might act as a disincentive to Māori seeking to occupy Māori freehold land for housing purposes. Council will consider applications for the remission of multiple UAGCs and other charges, with the exception of those that are set for the provision of utilities such as water, sewerage etc., in respect of separately used or inhabited parts of a rating unit where these are the covered by occupation licenses, or other informal

arrangements subject to the conditions and criteria set out below:

1. The land must be Māori freehold Land (As defined in Te Ture Whenua Act 1993 Part VI Section 129 as set out above),
2. The part of the land concerned must be the subject of an occupation license or other informal arrangement for the purposes of providing residential housing for the occupier on a rent free basis,
3. The area of land covered by each arrangement must have a separate valuation issued by Council’s valuation service providers and will be issued with a separate rate assessment pursuant to Local Government (Rating) Act 2002 Section 45 (3).²²
4. Council reserves the right to cancel the agreement on any part of a rating unit if the rates remain unpaid for a period of more than 3 months after the due date.²³
5. The application must be in writing signed by the owners, and the occupier must agree to pay any rates assessed in respect of the part or division of the rating unit that is the subject of the arrangement.
6. Any remissions will not include rates set for the provision water, sewerage or other services to the separate division of the rating unit,
7. The remission of the UAGC and other charges will remain on the land so long as the arrangement is in force subject to the occupation complying with the conditions and criteria set out above.

Postponement of rates on Māori freehold land (Policy ML04/03)

Background

The Far North District Council recognises that significant rate arrears can act as a disincentive to any new occupation of the Māori freehold land, where a new occupier could become responsible for the payment of any existing arrears of rates on the land.

It has therefore introduced policies that provide for the postponement of rates in respect of Māori freehold land that is to be used by a new person or persons and the person or persons, agree to

²² Clarifying that separate assessments will be issued for each part of the rating unit that is separately occupied.

²³ This allows Council to cancel the arrangement if rates are not paid on the land.

pay the future rates for such period that they continue to use the land.

This policy provides for the remission of outstanding penalties and the postponement of rate arrears outstanding at the time that the agreement comes into force.

It further provided that in the event that the rates continue to be paid, the postponed rates will be remitted 6 years after the date upon which they were charged to the land.

Policy objectives

To facilitate the development and use of the land for economic use, where Council considers utilisation would be uneconomic if full rates were payable.

Conditions and criteria

The Far North District Council will agree to postpone the arrears of rates on Māori freehold land subject to the land being continuously used by a new person or persons as defined by Section 96 of the Local Government (Rating) Act 2002 and that person or persons agreeing to pay the current and future rates while they are using the land, subject to the criteria set out below.

1. The land must be Māori freehold land (as defined in Te Ture Whenua Act 1993 Part VI Section 129 as set out above).
2. The application must be in writing signed by the owner/s, or their agent or by the person or persons proposing to use the land.
3. The person or persons proposing to use the land must be a new user or users,
4. The new person or persons using the land must enter in to an agreement in writing to keep the current and future rates up to date whilst they are using the land.
5. All previous instalments of the current year's rates must be paid in full within 1 month of the agreement date, or in part payments, by the 30 June of the current year.
6. Council will have the sole judgement on whether or not to grant the application and may seek such additional information as they may require before making their final decision.
7. An application will only be considered in respect of a new user or users of the land.
8. Pursuant to Section 88 of LGA, a postponement fee will be added to the postponed rates.

Note:

In this context a "new person" means a person who has not previously had a connection with the land. It does not include new trustees appointed to a Māori trust or incorporation because the ratepayer remains the trust or incorporation.

Termination and repayment of postponed rates

1. Postponed rates will remain as a charge on the property for period of six years from the date on which the rate was assessed, after which time they will be remitted.
2. If the current and future rates are not paid within one month of the due dates, Council reserves the right to reapply the postponed rates to the land.

Whāngārei district

Policy 12/101

Remission of some uniform annual general charges and/or targeted rates on separately used and inhabited parts of rating units

Background

This Council levies rates on separately used and inhabited parts of a rating unit (including separate areas capable of separate occupation). In some cases, the application of this may result in inequity, and where the property is used for both business and residential purposes, or where the residential property has a separate dwelling, unit, flat or apartment which is used by family members a remission may apply.

Objectives of the Policy

The policy provides the ability for rates relief where the rating unit has more than one separately used and inhabited part and the rates assessed include more than one uniform annual general charge and/or targeted rate and where the rating unit is:

- (a) Separately used by one occupier for both business and residential purposes; or
- (b) Used for residential purposes and the separately inhabited part is occupied by a member of the family (first degree relative) of the owner of the rating unit on a rent free basis.

Conditions and Criteria

Council may remit the specified rates where the application meets the following criteria:

1. The rating units in (a) above must be occupied (either as owner or lessee) by the same person(s) and separately used by that/those person(s) for his/her or their business and residence; or -
2. The rating units in (b) above must be used as the owner's residence but also contain a minor flat or other residential accommodation unit which is inhabited by a member of the owner's family on a rent-free basis. The family member must be a first degree relative to the owner for example, grandparent, parent, children, or sibling.
3. The owner(s) of the rating unit must complete and provide to the council a statutory declaration stating that the

conditions in either (1) or (2) above apply. Such a declaration will be effective from 1 July following the date of application for 3 years or until the conditions cease to be met, whichever is earlier. A fresh declaration must be completed and provided in order to qualify for consideration for remission beyond the first 3 year period.

4. The rates which may be remitted are as follows:
 - (a) for rating units in both (a) and (b) above, any uniform annual general charge and/or uniform targeted rate for waste facilities and/or any other targeted rate assessed in respect of the rating unit, apart from the first of each; and
 - (b) in addition, for rating units in (b) above, any uniform targeted rate for sewerage services assessed in respect of the rating unit, apart from the first.
5. The Financial Services Manager or Group Manager – Support Services will be given delegated authority to consider applications for the remission of any rates in terms of this policy and to approve or decline them as appropriate. This delegated authority does not preclude any application for remission being referred to the council or a committee of council if considered appropriate to do so.

Policy 12/102

Remission of some general rates and uniform annual general charges and targeted rates on rating units which are in common ownership but do not meet the criteria of a contiguous property

Background

Developers face significant costs in the early stages of subdivision development, including the payment of development contributions to Council. Once titles are issued, all properties are rated individually and the holding costs can be quite high until properties are sold.

Objectives of the Policy

To allow Council to remit any uniform annual general charge or any targeted rate on any rating unit created as a result of subdivision that falls outside the automatic exemption provisions of

section 20 of the Local Government Rating Act 2002. To encourage development in the district, if it is in Council's interests to do so, by allowing short term relief from full rates to property developers.

Conditions and Criteria

Council may remit the specified rates where the application meets the following criteria:

1. The rating units must have been created in accordance with Council's subdivision development requirements.
2. The rating units must be vacant land.
3. The rating units must be in the name of the ratepayer actually subdividing the land.
4. The rates which may be remitted for all properties are any uniform annual general charge and/or uniform targeted rate for waste facilities and/or any other targeted rate.
5. In addition, all properties rated as commercial will receive a remission of 20% (twenty per cent) of the value based general rates.
6. The remissions will apply to only the second or subsequent rating units of any subdivision.
7. From 1 July 2012 any remissions will only apply for a period of five years. Where remissions have been granted in previous years, further remissions will apply for the next four rating years.
8. The Financial Services Manager or Group Manager – Support Services will be given delegated authority to consider applications for the remission of any rates in terms of this policy and to approve or decline them as appropriate. This delegated authority does not preclude any application for remission being referred to the council or a committee of council if considered appropriate to do so.

Policy 09/103

Remission of Some Uniform Annual General Charges and Targeted Rates on Separately Used or Inhabited Parts of a Rating Unit

Background

There are some instances where properties are used in conjunction with each other, but they may not be contiguous or adjacent. This particularly applies in farming situations where properties may

be separated, but they are used in one farm operation. Strict compliance with the legislation results in an inequitable result, and this policy allows for remissions in these rare circumstances.

Objectives of the Policy

To allow Council to remit any Uniform Annual General Charge or any targeted rate on any separately used or inhabited part of a rating unit where common or like occupancies occur or where the separately occupied portions are deemed to be operating as a single purpose unit. To allow Council to remit any Uniform Annual General Charge or any targeted rate on any separately used or inhabited part of a rating unit where special circumstances apply and it is considered fair and reasonable to do so.

Conditions and Criteria

Council may remit the specified rates where the application meets the following criteria:

1. Council is satisfied that the separately used or inhabited parts of a rating unit are considered to be a single purpose function.
2. In the case of (1) above remission will apply to all separately used or inhabited parts of the rating unit, apart from the first.
3. The Financial Services Manager or Group Manager – Support Services will be given delegated authority to consider applications for the remission of any rates in terms of this policy and to approve or decline them as appropriate. This delegated authority does not preclude any application for remission being referred to the council or a committee of council if considered appropriate to do so.

Policy 09/204

Discount for Early Payment of Rates in Current Financial Year

Background

A discount is granted where the full annual rates are paid on the due date of the first instalment.

Objectives of the Policy

The objective of the early payment policy is to encourage ratepayers to pay their rates early and in one sum so as to minimise processing costs and improve cash flow.

Conditions and Criteria

1. A discount will be allowed if the total rates assessed for the current year and all arrears are paid in full on or before the due date for the first instalment. In exceptional circumstances where an extended date for payment has been granted, on or before the extended date.
2. That the amount of the discount be set each year in accordance with that provided in Council's Annual Plan or Long Term Plan.
3. The Financial Services Manager or Group Manager – Support Services will be given delegated authority to resolve any matters pertaining to the discount provisions of Council policy.

Policy 12/205 Remission of Penalties

Background

Penalties are charged where instalments are not paid on due dates. In addition, where previous years arrears remain unpaid three months after the end of each rating year a further penalty is applied.

Objectives of the Policy

The objective of the remission policy is to provide remission of penalties charged where it is fair and equitable to do so. To provide the ability to remit penalties on rates where reasonable grounds exist or to encourage payment of arrears and/or payment by Council's preferred direct debit option.

Conditions and Criteria

Council may remit the penalty rates where the application meets the following criteria:

1. Remission of penalties will be considered in any rating year where payment has been late due to significant family disruption. Remission will be considered in the case of death, illness, or accident of a family member, as at the due date.
2. Remission of the penalty will 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. Each application will be considered on its merits and remission will be granted where it is considered just and equitable to do so.

3. In considering the remission of any penalty a good payment record or otherwise may be taken into account.
4. Where the remission will facilitate the collection of overdue rates and it results in full payment of arrears and savings in debt collection costs.
5. Where it facilitates the future payment of rates by direct debit within a specified timeframe.
6. Council may remit small balances due to cash rounding or where the balance outstanding is considered uneconomical to pursue.
7. Where a ratepayer enters into an agreed payment arrangement to pay off arrears in a specified timeframe, penalty suppression may be granted for future penalties that fall due within that period.
8. The Financial Services Manager or Group Manager – Support Services will be given delegated authority to resolve any matters pertaining to the remission of penalties in accordance with this policy.

Policy 12/306 Remission of Excess Water Rates

Background

Consumers are liable for water supplied through the water meter and are responsible for the maintenance of the supply system on their property. However they may experience a leak or damage to the supply of which they are unaware. Council considers it is reasonable to allow a reduction in charges in these circumstances.

Objectives of the Policy

To provide relief to ratepayers who have excessive water rates due to a fault (leak) in the internal reticulation serving their rating unit where it is Council's interests to do so.

Conditions and Criteria

Council may remit the excess water rates where the application meets the following criteria:

1. A remission will only be considered where immediate action to repair or minimise water loss is taken on notification. Any remission will only apply up to the date the ratepayer became aware of or was notified of the leak.

2. A remission will not normally be granted where the leak is the result of poor workmanship or incorrect installation.
3. That all applicants are requested to submit their application in writing.
4. That details of the location and the repairs to the reticulation be submitted for verification (e.g. plumbers repair account) and information supplied showing due diligence in the repair of the leak.
5. That residential ratepayers and small businesses with residential like usages be charged for consumption based on the daily average for the period in question for the given property, plus 50% (fifty per cent) of the said average consumption. Excess consumption over and above that charged is considered for remission.
6. That commercial ratepayers be charged for consumption based on the daily average for the period in question for the given property, plus 50% (fifty per cent) of the said average consumption. Excess consumption above that is charged at a marginal rate (as determined by the Water Services Manager) at the time of the leak.
7. That the ratepayer be offered the opportunity to pay the account off by instalments where the excess amount is considered excessive and demand for payment in full may cause financial hardship.
8. Any remission under this policy is a "one-off" and any further remissions for subsequent leaks on the same reticulation supply line may only be granted if the full reticulation system is replaced. Where there are special circumstances which prevent this any remission will only be given at the discretion of the Water Services Manager.
9. The Financial Services Manager or Group Manager – Support Services will be given delegated authority to consider applications for the remission of any rates in terms of this policy and to approve or decline them as appropriate. This delegated authority does not preclude any application for remission being referred to the council or a committee of council if considered appropriate to do so.

Policy 09/308

Remission of School Sewerage Charges

Background

Educational establishments are required to provide a larger number of toilet facilities than would normally be required. The increase in number of available pans, does not necessarily reflect in an increase in use or impact on the sewerage network. Council believes it is more equitable to allow a reduction based on the number of students actually using the facilities.

Objectives of the Policy

To provide relief and assistance to education establishments as defined in the Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendments Act 2001 in paying sewerage charges.

Conditions and Criteria

1. The policy will apply to the following educational establishments:
 - (a) established as a special school under section 98(1) of the Education Act 1964; or defined as -
 - (b) a state school under section 2 (1) of the Education Act 1989; or
 - (c) An integrated school under section 2 (1) of the Private Schools Conditional Integrated Act 1975; or
 - (d) A special institution under section 92 (1) of the Education Act 1989; or
 - (e) An early childhood centre under section 308 (1) of the Education Act 1989, but excluding any early childhood centre operated for profit.
2. The policy does not apply to school houses occupied by a caretaker, principal or staff.
3. The sewage disposal rate in any one year may not exceed the amount calculated under clause 4.
4. The sewage disposal rate is the rate that -
 - (a) would be levied using the same mechanism as are applied to other separately rateable rating units within the district divided by the number of toilets as determined in accordance with condition 5 below (the full charge); and
 - (b) reduced in accordance with the following graduated formula:
 - the full charge for each of the first 4 toilets or part thereof;

- 75% of the full charge for each of the next 6 toilets or part thereof;
 - 50% of the full charge for each toilet after the first 10.
5. For the purpose of clause 4 (a) above the number of toilets for separately rateable units occupied for the purposes of an educational establishment is 1 toilet for every 20 students and staff or part thereof.
 6. The number of students in an educational establishment is the number of students on its roll on 1 March in the year immediately before the year to which the charge relates.
 7. The number of staff in an educational establishment is the number of teaching staff and administration staff employed by that educational establishment on 1 March immediately before the year to which the charge relates.
 8. The Financial Services Manager or Group Manager – Support Services will be given delegated authority to consider applications for the remission of any sewerage charges in terms of this policy.

Policy 09/309

Remission of Rates for Community, Sports and Other Organisations

Background

Community and voluntary groups provide facilities for residents which enhance and contribute to their wellbeing. Council wishes to encourage such groups by providing a reduction in rates levied.

Objectives of the Policy

- To facilitate the ongoing provision of non-commercial (non-business) community services and/or recreational opportunities that meets the needs of Whāngārei residents.
- To facilitate the ongoing provision of non-commercial (non-business) recreational opportunities for Whāngārei residents.
- To assist the organisation's survival; and
- to make membership of the organisation more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, aged people, and economically disadvantaged people.

Conditions and Criteria

Council may remit rates where the application meets the following criteria:

1. The policy will apply to land owned by the council or owned and occupied by a charitable or non-profit organisation, which is used exclusively or principally for sporting, recreation, or community purposes.
2. The policy will not apply to organisations operated for private pecuniary profit, or which charge tuition fees.
3. The policy will 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.
4. The application for rate 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. No applications will be backdated.
5. Organisations making application should include the following documents in support of their application:
 - Statement of objectives;
 - Full financial accounts;
 - Information on activities and programmes;
 - Details of membership or clients.
6. The policy shall apply to such organisations as approved by the Group Manager – Support Services as meeting the relevant criteria.
7. The rates to be remitted will be 50% of all property rates applied, including targeted rates for sewerage connection (but not including metered water) with the exception of community halls which will receive 100% remission.

Policy 09/410

Postponement of Rates – Extreme Financial Hardship

Background

From time to time Council is approached by ratepayers who are experiencing financial hardship. Staff will work with applicants to help meet their commitments with payment options, payment arrangements and penalty relief. This

policy covers the circumstances where these options will not provide the desired outcome.

Objectives of the Policy

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

Conditions and Criteria

Council will postpone rates in accordance with the policy where the application meets the following criteria:

1. When considering whether extreme financial circumstances exist, all of the ratepayer's personal circumstances will be relevant including the following factors: age, physical or mental disability, injury, illness and family circumstances.
2. As a general rule the ratepayer must be the current owner of the rating unit and have owned or resided on the property or another property within Whāngārei District for not less than 2 years.
3. The rating unit must be used solely for residential purposes.
4. Council must be satisfied that the ratepayer is unlikely to have sufficient funds left over, after the payment of rates, for normal health care, proper provision for maintenance of his/her home and chattels at an adequate standard as well as making provision for normal day to day living expenses.
5. The ratepayer must not own any other rating units or investment properties or other investment realisable assets.
6. The ratepayer must make application to the council on the prescribed form.
7. Even if rates are postponed, as a general rule the ratepayer will be required to pay the first \$500 of the rate account.
8. The ratepayer must make acceptable arrangements for payment of future rates, for example by setting up a system for regular payments.
9. The council may add a postponement fee to the postponed rates for the period between the due date and the date they are paid. This fee will not exceed an amount which covers the council's administration and financial costs.
10. The policy will apply from the beginning of the rating year in which the application is made although the council may consider backdating past the rating year in which the application is made depending on the circumstances.
11. Any postponed rates will be postponed until:
 - (a) the death of the ratepayer(s); or
 - (b) until the ratepayer(s) ceases to be the owner or occupier of the rating unit; or
 - (c) until the ratepayer(s) ceases to use the property as his/her residence; or
 - (d) until a date specified by the council as determined by the council in any particular case.
12. 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.
13. Postponed rates will be registered as a statutory land charge on the rating unit title.
14. The Group Manager – Support Services will be given delegated authority to consider applications for rates postponement and approve or decline them as appropriate. This delegated authority does not preclude any application for postponement being referred to the council or a committee of council if considered appropriate to do so.

Policy 12/412 Postponement and Remission on Specific Farmland Properties

Background

Land may continue to be farmed, but in some situations, such as proximity to the coast, means the land value has increased significantly, and the rates levied would be a disincentive to the continued use of the land in its current form. Council recognises that forced development in these situations is not necessarily desirable and there are advantages in the land remaining as farmland.

Objective of the Policy

The objective of the policy is to afford relief to farmers whose farmland has increased in value by the factor of potential residential, commercial or other non-farming use, carrying with it rates disproportionate to a farming use when compared to other farming properties within the district.

Conditions and Criteria

1. The properties will be identified and the rates postponement values will be determined by Council's Valuation Service Provider in conjunction with a general revaluation. Council may at any time, on the written application of the owner of any farmland requesting that the property be considered for postponement values, forward that application to Council's Valuation Service Provider for their determination. If so determined, the postponement values will take effect from the commencement of the financial year following the date of the application.
2. The rates postponement value of any land is to be determined:
 - (a) So as to exclude any potential value that, at the date of valuation, the land may have for residential purposes, or for commercial, industrial, or other non-farming use; and
 - (b) So as to preserve uniformity and equitable relativity with comparable parcels of farmland the valuations of which do not contain any such potential value.
 - (c) May apply to one or more rating units in the same ownership and is therefore conditional upon all rating units remaining in the same ownership.
3. In this policy, "farmland" means a property rated under the category of "rural" in Council's differential rating system.
4. The farming operation should provide the majority of revenue for the owner of the land who should be the actual operator of the farm.
5. The area of land that is the subject of the application is not less than 30 hectares. Discretion will be allowed to extend the relief to owner-operators of smaller intensive farming operations where there is clear evidence that it is an economic unit in its own right.
6. No objection to the amount of any rates postponement value determined under this policy may be upheld except to the extent that the objector proves that the rates postponement value does not preserve uniformity with existing roll values of comparable parcels of land having no potential value for residential purposes, or

for commercial, industrial or other non-farming development.

7. The Financial Services Manager and the Group Manager – Support Services have delegated authority to grant or refuse remissions under this policy.
8. Any appeals against the decision of the Group Manager – Support Services will be referred to the Finance & Support Committee for final determination.

Effect of Rates Postponement Values

1. The postponed portion of the rates for any rating period shall be an amount equal to the difference between the amount of the rates for that period calculated according to the rateable value of the property and the amount of the rates that would be payable for that period if the rates postponement value of the property were its rateable value.
2. The amount of the rates for any rating period so postponed shall be entered in the rate records and will be included in or with the rates assessment issued by the council in respect of the rateable property.
3. Any rates so postponed, and, as long as the property still qualifies for rates postponement, will be written off after the expiration of five years.

Rates Levied before Postponement Values Set

Where Council has levied rates in respect of any property for any year before the rates postponement value has been determined, the council may make and deliver to the owner an amended rate assessment for that year.

Additional Charges

No additional charges will apply on any rates postponed under the rates postponement values system.

When Postponed Rates Become Payable

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

- (a) The land ceasing to be farmland;
- (b) The interest of the owner of any part of the land is passed over to or becomes invested in some person or other party other than;
- (c) the owners spouse; or
- (d) the executor or administrator of the owner's estate.

For avoidance of doubt, where rates have been postponed and not written off in respect of land comprising one or more rating units in the same or common ownership, and one or more of the rating units meets the criteria for payment above, all postponed rates on all rating units will become payable.

Transitional arrangements

Where a property currently receives a remission under this policy and it no longer meets the amended criteria when the property was reviewed as at 1 July 2012, the property will continue to receive postponement until the triennial district revaluation as at 1 September 2012 takes effect. The rates postponed up to that date will become payable in accordance with this policy or will be remitted at the expiry of five years after the end of the rating year (30 June) to which the postponement applies.

Postponed Rates to be a charge on the Rating Unit

Where Council has postponed the requirement to pay rates in respect of a rating unit, a charge will be registered on the rating unit under the Statutory Land Charges Registration Act 1928.

Policy 09/413 Postponement and/or Remission of Rates and Charges on Properties Affected by Natural Calamity

Background

This policy recognises that where land has been affected to the extent that the land is irretrievably damaged, where it cannot be used, then the application of full rates could cause financial hardship.

Objective of the Policy

The objective of the policy is to enable rate relief to be provided where the use that may be made of any land has been detrimentally affected by natural calamity.

Conditions and Criteria

1. All applications must be in writing and should be supported by documentary evidence as to the extent of the damage.
2. Council may remit wholly, or in part, any rate or charge made and levied in respect of any land affected by natural calamity,

where it considers it fair and reasonable to do so.

3. The Group Manager – Support Services will be given delegated authority to consider applications for rate relief and to approve or decline them as appropriate. This delegated authority does not preclude any application for relief being referred to the council, or a committee of council, if considered appropriate to do so.
4. If an application is approved, the Council may direct its valuation service provider (if considered appropriate to do so) to inspect the rating unit and prepare a valuation that will take into account any factor that could affect the use of the land as a result of the natural calamity. As there are no statutory rights of objection or appeal for valuations of this nature then the valuation service provider's decision will be final.

Policy 09/611 Remission of Rates on Unoccupied Maori Freehold Land

Background

Some Maori freehold land in the Whāngārei District is unoccupied and unimproved. This land creates a significant rating burden on the Maori owners who often do not have the ability or desire to make economic use of the land. Often this is due to the nature of the ownership or it is isolated and marginal in quality.

Policy

A remission of all or part of rates may be granted in respect of multiple-owned Maori freehold land which is unoccupied or unproductive.

Objectives of the Policy

- To recognise situations where there is no occupier or no economic or financial benefit is derived from the land.
- Where part only of a block is occupied, to grant remission for the portion of land not occupied.
- To encourage owners or trustees to use or develop the land.
- Where the owners cannot be found, to take into account the statutory limitation of time for the recovery of unpaid rates.
- Any other matter in accordance with schedule 11 of the Local Government Act 2002.

Conditions or Criteria

1. The land must be multiple-owned and unoccupied Maori freehold land which does not produce any income.
2. The land or portion of the land must not be "used". This includes leasing the land, residing on the land, maintaining livestock on the land, using the land for storage or in any other way.
3. In order to encourage the development of the land, the rating unit may be apportioned into useable and non- useable portions and the remission applied based on the percentage of non- useable land.
4. A request for rates remission by the owners must include:
 - a) Details of the land
 - b) Documentation that shows the ownership of the land
 - c) Reasons why remission is sought.
5. Where after due enquiry the owners of an unoccupied block cannot be found, the Council may apply a remission without the need for a request.
6. If circumstances changes in respect of the land, the council will review whether this remission policy is still applicable to the land. All land identified under this policy for remission, will be reviewed triennially.
7. The Financial Services Manager and the Group Manager – Support Services have delegated authority to grant or refuse remissions under this policy.
8. Any appeals against the decision of the Group Manager – Support Services will be referred to the Finance & Support Committee for final determination.

**Policy 12/614
Postponement of Rates on Maori Freehold Land**

Background

The difficulty in establishing and contacting owners or occupiers of Maori land means that there are often rate arrears when ownership or use is finally established. Also new occupiers or owners may wish to use the land, but are reluctant to take on the outstanding rate arrears. In order to facilitate and encourage the use of the land, the arrears may be postponed if the current rates are met.

Objectives of the Policy

To encourage the development and use of Maori freehold land where Council considers the full payment of the rate arrears would be a disincentive.

Conditions and Criteria

Council will postpone rates in accordance with the policy where the application meets the following criteria:

1. The land must be Maori freehold land.
2. The owners or occupiers of the land (or portion of the land) must agree in writing to meet all future rates commitments whilst they are using the land.
3. The rates will remain as a statutory charge against the property until six years from the date they were assessed and will then be remitted.
4. Council reserves the right to reapply the rates postponed should the agreement not be met.

Discount of full payment of annual rates

Where the total year's land rates and any arrears are paid in full by the due date of the first instalment, a discount will apply. Full details of the actual discount amount available will be included on the rates assessment/invoice. Some targeted rates may not have discount applied.

	Due date	Discount
Full payment of annual land rates and any arrears (water rates no longer receive discount for early payment	20 August 2012	Discount 3%

Due dates for rates paid by instalments

Due dates and penalty dates for land rates

A penalty will be added to each instance, or part thereof, which remains unpaid after the due date for payment.

	Due date	Late payment penalty
Instalment one	20 August 2012	Penalty 10%
Instalment two	20 November 2012	Penalty 10%
Instalment three	20 February 2013	Penalty 10%
Instalment four	20 May 2013	Penalty 10%

Due dates and penalty dates for water rates

Water accounts are processed monthly, two-monthly or six-monthly. The due dates of these accounts will be relative to the consumer's cyclic billing period and will show on the water rates invoice. A penalty of 10% will apply to amounts unpaid after the applicable due date.

Direct debit options

A ratepayer may elect to pay both land and water rates weekly, fortnightly, monthly, quarterly or annually by direct debit.

Additional charges

Additional penalty on arrears for land rates

All rates (including penalties previously added) from the previous rating year ended 30 June that still remain unpaid as at 1 September will have a further 10% penalty added.

Additional penalty on arrears for water rates

A further penalty of 10% will be added to any rates (including penalties previously added) which continue to remain unpaid at every six-monthly interval after the due date.

Kaipara district

Rating Policies Schedule: February 2012

One	Differentials on Land-based General Rates
Two	Early Payment of Rates
Three	Instalments
Four	Method of Payment
Five	Penalties
Six	Place of Payment
Seven	Postponement for Financial Hardship
Eight	Rates Remission: Extreme Financial Hardship
Nine	Rates Remission: Māori Freehold Land
Ten	Rates Remission: Community, Sporting and Other Organisations
Eleven	Rates Remission: Penalties
Twelve	Rates Remission: School Sewerage Charges
Thirteen	Rating of Subdivided Properties in Drainage Districts

Policy One: Differentials on Land Based General Rates

The land based general rates of Kaipara District Council are undifferentiated.

Policy Two: Early Payment of Rates

In accordance with Sections 54 and 56 of the Local Government (Rating) Act 2002, which empowers councils to accept early payment of rates, Council will accept payment in full of all rates assessed in the current or future year on or before the due date for the first instalment of the year. Early payment of rates will attract neither a discount, nor interest on the sum paid.

Policy Three: Instalments

Rates are payable in six instalments. The due dates (which in future will also be the penalty dates) are as follows:

Instalment Number	Due Date
One	20 August
Two	20 October
Three	20 December
Four	20 February
Five	20 April
Six	20 June

Policy Four: Method of Payment

Payment of rates will be accepted in the following ways:

- 1 By hand (refer Policy 6: Place of Payment)
- 2 By mail to:

<i>The Chief Executive Kaipara District Council Private Bag 92201 Auckland 1020</i>	<i>The Chief Executive Kaipara District Council Private Bag 1001 Dargaville 0340</i>	<i>The Chief Executive Kaipara District Council State Highway 1 Kaiwaka 0542</i>
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- 3 By telephone banking
- 4 By automatic payment
- 5 By direct debit
- 6 By eftpos
- 7 Online Banking
- 8 By Credit card online, *MasterCard and Visa only*

Policy Five: Penalties

In accordance with Section 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10% will be added by Council to each instalment or part thereof which is unpaid after the due date for payment. Previous years' rates which remain unpaid will have a further 10 per cent added on 10 July each year, and again on 10 January each year.

Policy Six: Place of Payment

Payment of rates by hand will be accepted during normal business hours at either of the following two Council offices:

<i>42 Hokianga Road Dargaville</i>	<i>State Highway 1 Kaiwaka</i>
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Policy Seven: Postponement for Financial Hardship

Objective

The objective of this Policy is to assist ratepayers (including Māori freehold land ratepayers) experiencing financial hardship which affects their ability to pay rates.

Conditions and Criteria

Only rating units used solely for residential purposes (as defined by Council) will be eligible for consideration for rates postponement for financial hardship.

Only the person entered as the ratepayer, or their authorised agent, may make an application for rates postponement for financial hardship. The ratepayer must be the current owner of, and have owned for not less than five years, the rating unit which is the subject of the application. The person entered on the Council's rating

information database as the "ratepayer" must not own any other rating units or investment properties (whether in the District or in another District).

The ratepayer (or authorised agent) must make an application to Council on the prescribed form (copies can be obtained from the Council Offices, at either Dargaville or Kaiwaka).

The Council will consider, on a case-by-case basis, all applications received that meet the criteria described in the first two paragraphs under this section. The Council will delegate authority to approve applications for rates postponement to the Chief Executive.

Before approving an application the Council must be satisfied that the ratepayer is unlikely to have sufficient funds left over, after the payment of rates, for normal health care, proper provision for maintenance of his/her home and chattels at an adequate standard as well as making provision for normal day-to-day living expenses.

Council reserves the full right to have the question of hardship addressed by any outside agency with relevant expertise eg budget advisors or the like.

Where the Council decides to postpone rates the ratepayer must first make acceptable arrangements for payment of future rates, for example by setting up a system for regular payments.

Any postponed rates will be postponed until:

- the death of the ratepayer(s); or
- until the ratepayer(s) ceases to be the owner or occupier of the rating unit; or
- until the ratepayer(s) ceases to use the property as his/her residence; or
- until a date specified by Council.

The 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 the Council's administrative and financial costs and may vary from year-to-year.

Council reserves the full right to levy additional penalties on a half-yearly basis, on the amount postponed.

The Policy will apply from the beginning of the rating year in which the application is made

although the Council may consider backdating past the rating year in which the application is made depending on the circumstances.

The postponed rates or any part thereof may be paid at anytime. 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 the Council will have first call on the proceeds of any revenue from the sale or lease of the rating unit.

Policy Eight: Rates Remission: Extreme Financial Hardship

Objective

The objective of this Policy is to assist ratepayers experiencing extreme financial hardship which affects their ability to pay rates.

Conditions and Criteria

Remission may be given cases of extreme financial hardship.

Extreme financial hardship occurs when the ratepayer has no assets except a low value property which will not realise sufficient funds to pay at least 50 percent of the outstanding rates, and where the ratepayer relies on supplementary benefits and food banks for day-to-day living. Written confirmation must also be provided from the ratepayer's budget advisor.

Only rating units used solely for residential purposes (as defined by Council) will be eligible for consideration for rates remission for extreme financial hardship.

Only the person entered as the ratepayer, or their authorised agent, may make an application for rates remission for extreme financial hardship. The ratepayer must be the current owner of, and have owned for not less than five years, the rating unit which is the subject of the application. The ratepayer (or authorised agent) must make a statutory declaration to Council as to their financial circumstances.

The Council will consider, on a case by case basis, all applications received that meet the criteria described in the first five paragraphs under this section. The Council will delegate authority to

approve applications for rates remission to the Chief Executive.

Policy Nine: Rates Remission: Māori Freehold Land 2012 Policy

1 Objectives

This Policy is to ensure the fair and equitable collection of rates occurs from all sectors of the community. It is important to also recognise that Māori freehold land has particular conditions, and ownership structures which may make it appropriate to provide relief from rates.

Specifically this Policy is intended to:

- 1 Recognise situations where there is no occupier, or person gaining an economic or financial benefit from the land
- 2 Recognise matters related to the physical accessibility of the land
- 3 Facilitate development or use of the land.

2 Conditions

- 2.1 Decisions as to remission of rates, and the extent of any remission, are at the sole discretion of the Council.
- 2.2 Council will write off penalties and/or arrears of rates subject to the following conditions;
 - a. The land is Māori freehold land as defined under the Local Government Rating Act 2002.
 - b. The land has been unoccupied for the period which the write off is requested.
 - c. The person or entity requesting the remission will contract to Council to keep all future rates paid in full.
- 2.3 Council officers will be delegated authority to consider applications for remission of rates, and may approve or decline them in accordance with any of the criteria set out below.

3 Criteria

- 3.1 Application for land to be granted remission of rates must be made by the owners or trustees, or any person who has gained a right to occupy through the Māori Land Courts.
- 3.2 The land is Māori freehold land as defined in the Local Government (Rating) Act 2002
- 3.3 Owners or trustees or any person who has gained a right to occupy through the Māori Land Court must include the following information in their application:

- a. The details of the property for which the application for remission is being made
- b. The objectives (as outlined under Objectives above) that will be achieved by providing a remission, together with an explanation as to how the land fits within the objectives
- c. Documentation that proves the land which is the subject of the application is Māori freehold land, as defined in 3.2 above

Policy Ten Rates Remission: Community, Sporting and Other Organisations

Objective

To assist in facilitating the provision of non-commercial (business) community services, and non-commercial (business) recreational opportunities for the residents of Kaipara District.

Conditions and Criteria

Basis of Remission	Full Remission / 50% Remission
Public halls, libraries, museums	Full
Wildlife Management Reserve	50%
Sports Clubs	50%
Community health	Full
Recreation, health, education	50%
A & P Society	50%
The Arts	50%

Specific Criteria

Public Halls, Libraries, Museums

Land owned or occupied by or in trust for any society or association of persons, whether incorporated or not, and used for the purposes of a public hall, library, athenaeum, museum, art gallery, or other similar institution, or, not being Māori land within the meaning of the Māori Affairs Act 1958, is land on which a Māori meeting house is erected:

Wildlife Management Reserve

Any lands of the Crown that comprise a wildlife management reserve, wildlife refuge, or wildlife sanctuary within the meaning of the Wildlife Act 1953.

Sports Clubs

Land owned or occupied by or in trust for any society or association of persons, whether incorporated or not, and used principally for games or sports other than horse racing, trotting, and dog racing.

Community Health

Land owned or occupied by or in trust for any society or association of persons, whether incorporated or not, the object or principal object of which is to conduct crèches or to conserve the health or well-being of the community or to tend the sick or injured.

Recreation, Health, Education

Land classified under the Reserves Act 1977 as an historic reserve, a nature reserve, a recreation reserve, a scenic reserve, a scientific reserve, Government purpose reserve, or any other type of reserve within the meaning of the Reserves Act 1977, any land being managed pursuant to sections 61 and 62 of the Conservation Act 1987.

A & P Society

Land owned or occupied by or in trust for or under the control of a society incorporated under the Agricultural and Pastoral Societies Act 1908 and used by that society as a showground or place of meeting.

The Arts

Land owned or occupied by or in trust for any society or association of persons, whether incorporated or not, and used for the purpose of any branch of the arts, being land that is not used for the private pecuniary profit of any members of the society or association.

Policy Eleven: Rates Remission: Penalties**Objective**

To provide incentive to those property owners with rates arrears, to eliminate those arrears.

Conditions and Criteria

The Council will grant delegated authority to the management team to waive all accumulative 10% penalties applied on a six monthly basis in cases where the ratepayer is under budgetary control and/or has entered into an agreement with Council for payment of rates where the budgetary control and/or agreement is being satisfactorily maintained.

Policy Twelve: Rates Remission: School Sewerage Charges**Objective**

Compliance with Central Government legislation.

Conditions and Criteria

Council will adopt as its Policy compliance with the provisions of the Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendment Act 2001, and any future amending or repealing legislation in respect of that Act. The Act presently provides for the following remissions:

- i) All toilet pans in excess of a notionally calculated one pan per 20 pupils/teaching and/or part thereof, support staff, will attract no charge;
- ii) Only the first four toilet pans will attract the full 100% price paid by normal residential/commercial ratepayers. The next six will be discounted by 25%, and all thereafter will be discounted by 50%.

Policy Thirteen: Rating of Subdivided Properties in Drainage Districts

The Council grants delegated authority to the Chief Executive to refund rates and remove the subdivided property outside the catchment area from the drainage district where anomalies are created in the rating of properties by subdivision.