Revenue and Financing Policy

1. Introduction

Section 102(1) of the Local Government Act 2002 requires the adoption of policies that outline how operating and capital expenditure for each activity will be funded. The policies are aimed at providing predictability and certainty about sources and levels of funding.

In deciding the most appropriate funding source for each activity Council has taken into account:

- the Community Outcomes to which the activity primarily contributes;
- the distribution of benefits between the Community as a whole and identifiable part of the Community, and individuals;
- the period in or over which those benefits are expected to occur;
- the extent to which the actions or inactions of particular persons or a group contribute to the need to undertake the activity;
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- the overall impact of any allocation of liability for revenue needs on the Community.

Note, Councils actual performance against the targets set in this policy may differ. As Council's aim is to maximize revenue from sources other than rates and also any changes in activity (especially in relation to resource consents and building consents) many activities may return better results than anticipated while others may return worse results. It is, however, council's intention to meet these targets in terms of the long-term averages for each activity and as such Council's ability to amend this policy.

2. Funding Sources Available

2.1 General rates

General rates are used when there are general benefits to the District as a whole, where there is typically a high public benefit from the services funded from the rate, when Council considers the Community as a whole should meet the costs of those services, and when the Council is unable to meet its user charge targets. The General rate will fund both operating and capital expenditure for all activities other than those funded by Targeted rates or other revenue sources or funding mechanisms. All ratepayers are assessed (charged) a General rate. This has previously been set differentially based on land value but ~~this rate is set differentially~~, in order to set the rates more equitably the Council is proposing to change to setting the rates based on capital value~~in proportion to the relative benefits generated by Council's expenditure~~.

~~Council has decided to depart from the previous method of calculating the differentials from previously being a percentage of the total rate income to one where the Farming Categories will have a differential factor of 0.5.~~

Therefore the proportions of general rate are proposed to change as follows:

General Rates

~~Category General Rate~~		~~Proposed (Differential Factor) 2021/41~~
~~Farming Categories~~		~~0.5~~
~~Rural~~		~~N/A~~
~~District Wide (excluding Farming)~~		~~1~~

~~a. A District Wide Differential to apply to all rating units other than those in the farming category differential.~~

~~b. The Farming Categories applies to rating units classified as Farming. These properties will be identified in the District Valuation Roll ("DVR") using the "property Category" codes from Appendix F of the Rating Valuation Rules 2008(LINZS30300), promulgated by the Valuer General. Those categories are;~~

~~"A" Arable~~
~~"D" Dairy~~
~~"F" Forestry except protected forestry~~
~~"H" Horticulture~~
~~""P" Pastoral~~
~~"S" Specialist livestock~~

~~The Farming Category also applies to rating units located outside the urban boundaries, as defined in the Urban Rating Area maps available in the Council Offices, identified as:~~

~~"LB" Lifestyle Bare~~
~~"LV" Lifestyle Vacant~~
~~"RB" Residential Bare~~
~~"RV" Residential Vacant~~

The General rates set ~~in each of the categories~~for the entire district based on capital~~land~~ value.

Council is not setting a Uniform Annual General Charge (under section 15 of the Local Government (Rating) Act 2002 ("LG(R)A") preferring instead to set Targeted rates as fixed amounts for Libraries, Representation and Community Leadership, Solid Waste and Aquatic Centres (Swimming Pools) (refer below).

2.2 Targeted Rates

Targeted rates are set to cover, in a transparent manner, the operating and capital expenditure for the following major activities. Targeted rates are used when Council considers that transparency is important, or where location or the method of rating make the use of a Targeted rate more appropriate, fairer, and more equitable.

Targeted Rates

Activity	Rating Area	Rating Method
Solid Waste	District wide where by all rural rating units pay 20% and all urban rating units pay 80% of the net solid waste costs.	(Separately Used or Inhabited Part) SUIPs
Water Supplies	District wide on all connected properties. Availability charge to those rating units that are able to be connected.	SUIPs and metered supply where applicable
Wastewater	District wide on all connected properties. Availability charge to those rating units that are able to be connected.	SUIPs
Land Transport (Roads and Footpaths)	District wide.	Capital Value
Libraries and Community Centres	District wide.	SUIPs
Representation and Community Leadership	District wide.	SUIPs
Stormwater	Urban rating units.	Capital Value
Aquatic Centre	District wide.	SUIPs

2.3 Fees and Charges

Fees and charges are set to recover the costs from users of Council facilities where there is a high private benefit accruing to those individuals or users groups.

In a small number of cases it is also possible and appropriate to recover the private benefit of capital expenditure (e.g. water connections, sewer connections, and subdivision infrastructure).

2.4 Interest and Dividends

The interest earned from the investment of special funds is added to those special funds, to help fund future expenditures.

Dividends and other interest earnings are used to offset General rates rather than being used to fund particular expenditures.

2.5 Borrowing

Borrowing is used primarily to fund capital expenditure where other sources of funding are not available or not appropriate, in order to spread the incidence of the expenditure over both current and future beneficiaries. Policies in relation to borrowing are presented in the Liability Management Policy. Loan servicing costs are (both internal and external borrowing) borne by the activity requiring the loan funding.

Borrowing will be used to fund operational costs only in the following circumstances;

1. To smooth rating increases where a substantial and unexpected change in costs would increase rates above the rates increase limits set out in the Financial Strategy.

2. To fund Operational projects over 10 years for projects like district plans and strategic planning documents that plan for a 10 year or more time period.
3. To reduce rates in a year where a major disaster (natural or otherwise) has had an impact on the local economy and where Council wishes to reduce the rate as a way to stimulate the economy.
~~3.~~4. To reduce rates and smooth rates increases over a five year period.

2.6 Proceeds from Asset Sales

The proceeds of asset sales are primarily used to reduce or avoid borrowing. This is to strengthen Council's Balance Sheet and to create capacity to respond to future growth opportunities.

2.7 Development Contributions and Lump Sum Contributions

The Council ~~is proposing to~~ reintroduced it's Development Contributions Policy ~~and from~~on 1 July 2021.

Contributions may be negotiated through private developer agreements. Council may set financial contributions (under the Resource Management Act 1991) to assist with the costs of providing infrastructure for developments and providing for the recreational needs of the community.

Council may set Lump Sum contributions under the Local Government (Rating) Act 2002 where infrastructural improvements have been requested or necessary to existing ratepayers.

2.8 Grants and Subsidies

Most grants and subsidies are primarily sourced from Central Government and are typically related to specific activities. Council seeks to maximize the opportunity and ensure use is made of grants and subsidy funding whenever and wherever they are available:

a. Roading subsidies are tied to specific operating and capital expenditures;

b. Petrol tax distributions are used to offset the Land Transport Targeted rate; and

c. Other grants and subsidies tend to be tied to particular expenditures, for relatively small sums, and of insecure tenure according to the policies of Central Government

2.9 Reserves

Reserves are held to ensure that funds received for a particular purpose are used for that purpose and any surplus created is managed in accordance with the reason for which the reserve was established. Surpluses held in reserves are credited with interest.

Council holds 15 reserves, with four being restricted reserves. Restricted reserves are reserves that have rules set by legal obligation that restrict the use that Council may put the funds towards. The remaining Council created reserves are discretionary reserves which the Council has established for the fair and transparent use of monies. Reserve balances are not separately held in cash and the funds are managed as part of Council's treasury management.

3. Funding of Operating Expenses

The Council's policies and practices as regards to the funding of its operating expenses are set to ensure that the policies comply with applicable legislation and generally accepted accounting practice, and after consideration of the matters set out in section 101(3) of the Local Government Act 2002.

In general terms it will use a mix of revenue sources to meet operating expenses, the major sources being rates, grants and subsidies, and fees and charges.

The following sources of funding are used to finance operating expenses:

Activity Group	General Rates	Targeted Rates	Grants and Subsidies	Reserves	Fees and Charges	Borrowing
Regulatory Services	✓			✓	✓	✓
Community Infrastructure	✓		✓	✓	✓	✓
Community Facilities		✓ Library and Community Centres, Aquatics Centres	✓	✓	✓	✓
Land Transport (Roads and Footpaths)		✓	✓	✓		✓
Water Supply		✓		✓	✓	✓
Wastewater Disposal		✓		✓	✓	✓
Solid Waste		✓	✓	✓	✓	✓
Stormwater		✓		✓		✓
Property	✓			✓	✓	✓
Community Support	✓		✓	✓	✓	✓
Representation and Community Leadership	✓ Strategic Planning and District Planning	✓		✓		✓

4. Funding of Capital Expenditure

The Council's policies and practices as regards to the funding of its capital expenditure are set to ensure that it complies with applicable legislation and generally accepted accounting practice.

In general terms it will use a mix of funding sources to meet capital expenditure, the major sources being borrowings~~rates~~, grants, reserves, and ~~borrowing.~~rates funded depreciation.

The following sources of funding are used to finance capital expenditure in the order of preference shown:

1. The first source of financing capital expenditure will always be third party sources that relieve the burden on ratepayers generally. These are not commonly available, but would include any government subsidies for water and wastewater schemes, and third party donations, development contributions, financial contributions lump sum contributions and Special Purpose Vehicles (SPVs) under the Infrastructure Funding and Financing Act 2020.
2. The second source considered will be asset sales. Such sales will be applied firstly to the activity to which the asset is attributed to. This may also result in early repayment of any borrowing relating to this activity. However, Council is setting up an Economic Development Trust which may be involved in selling non-core property assets and utilising the funds for economic development activities and growth initiatives and projects.
3. The third source considered will be depreciation through rates. This reflects a prudent propensity on the Council's part to ensure that special purpose reserves are only utilised on a selective basis on relatively significant works in the context of long-term planning, rather than on minor works over a shorter term, and a prudent reluctance to increase loan indebtedness unless necessary.
4. The fourth source considered will be reserves, and in particular funds that may be held for larger capital works in specific activities. Examples include water, wastewater, road and property works financed from the Foxton Beach Freeholding Account, cemetery extensions financed from the Capital Projects Fund and vehicle purchases financed from the Plant Depreciation Fund.
5. The final source considered for the financing of capital expenditure will be borrowing. This reflects a prudent reluctance to increase loan indebtedness unless necessary. Although it is the last option considered, the Long Term Plan (LTP) provides for substantial new borrowing to achieve an element of intergenerational equity in the financing of a range of major capital expenditure works. Loan funding is also used for infrastructural asset renewals where the rate generated reserves are inadequate due to the level of renewals in any one year.

Funding of Capital Expenditure

Activity group	General Rates	Targeted Rates	Grants and Subsidies	Reserves	Borrowing	Development/Financial Contributions	Lump Sum Contributions
Regulatory services	✓			✓	✓		
Community Infrastructure	✓		✓	✓	✓	✓	
Community Facilities and Services		✓ Library, Community Centres and Aquatics Centres		✓	✓	✓	✓
Land Transport (Roads and Footpaths)	✓		✓	✓	✓	✓	✓
Water Supply		✓	✓	✓	✓	✓	✓
Stormwater		✓		✓	✓	✓	✓
Wastewater		✓	✓	✓	✓	✓	✓
Solid waste		✓			✓	✓	
Property	✓			✓	✓		
Community support	✓			✓	✓		
Representation and Community Leadership		✓		✓	✓		

5. Depreciation Reserves

Depreciation reserves have generally been funded from rates (or other funding from a surplus within the activity in any particular year). Depreciation reserves are only used to fund replacements and renewals of operational and infrastructural assets.

The Council currently use any rated funding received for depreciation to reduce the borrowings in the activity areas.

6. Funding Allocations between Ratepayers and Users

6.1 Regulatory Services

6.1.1 Resource Consent Applications

Processing applications within the confines of the Resource Management Act (RMA) 1991 and the Horowhenua District Plan.

Matters that must be considered under the Local Government Act (LGA 2002).

Community Outcomes	The Outstanding Environment Community Outcome is supported by this service as it involves managing development within the confines of the District Plan and the RMA.
Who Benefits	The benefits are primarily a private good. Planning consents are undertaken within the confines of the RMA. The guiding principle, as stated in section 2 of the RMA is "to promote the sustainable management of natural and physical resources". In the RMA sustainable management is defined as "managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic and cultural wellbeing and for their health and safety". It is possible to directly charge the primary beneficiaries i.e. the applicant. The wider public however also benefits since they are protected from "unsustainable practices" and have the opportunity to participate in the decision making process either via the District Plan development or the notification process. The wider public also benefit from this activity as it helps to protect high class soils which are a national asset.
Period of Benefit	At the time the consent is processed.
Whose acts create a need	The applicant for resource consent benefits the most directly from resource consent, although the public at large also benefits in certain instances.
Separate funding	A large degree of private benefit makes user charging feasible.
Funding Source	Public good - General rate: 30% - 40% Private Benefit - Fees and Charges: 60% - 70%

Rationale	Although primarily a private benefit the RMA exists to protect the wider environment for the benefit of all residents

6.1.2 Resource Management Policy and Enforcement, District Plan, Strategic Planning

The development and review of a Strategic Plan and District Plan and enforcement of the district planning consent as required by the RMA.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Outstanding Environment and Exuberant Economy Community Outcomes are supported by means of enabling growth while managing development of the District within the confines of the District Plan and RMA.
Who Benefits	All residents are given the opportunity to participate in realising the future of the District via the development of Strategic and District Plans. The activity contributes to a well organised Community and a sustainable environment in which all residents have the opportunity to participate in formulating the desired outcomes.
Period of Benefit	This activity should be funded over the life of the District Plan and Strategic Plan. Public enquiry and enforcement should be funded in the year the work was carried out.
Whose acts create a need	Those who create the need for enforcement. However, the enforcement action protects the wider Community by enforcing consent conditions.
Separate funding	No private benefit exists from this activity.
Funding Source	Public good - General rate: 100% Private Benefit: 0%
Rationale	This activity is strategic in nature and is primarily involved in setting strategic goals and enabling growth while protecting the environment for the benefit of the wider Community. The activity also aids in public understanding and compliance with the RMA.

6.1.3 Building Consents

The provision of services as required under the Building Act 2004 and associated legislation. To ensure that building work undertaken in the District is done with an approved consent and inspection process that ensures standards are met.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities and Vibrant Economy Community Outcomes are supported as everyone needs to be able to assume that the buildings in the District are not dangerous or unsanitary.
Who Benefits	It is possible to directly charge the primary beneficiaries i.e. the applicant. The wider public however also benefits since they are protected from "unsustainable practices" and poor building practices especially in relation to commercial buildings. Potential buyers of property benefit from surety around previous work undertaken.
Period of Benefit	At the time the permit is processed.
Whose acts create a need	The applicant for building permits benefits the most directly from the permitting process.
Separate funding	A large degree of private benefit makes user charging feasible.
Funding Source	Public good- General rate: 10% - 20% Private Benefit - Fees and Charges: 80% - 90%
Rationale	Although primarily a private benefit the Building Act 2004 exists to protect the wider Community from poor building practices.

6.1.4 Building Policy, Accreditation, Public liaison

The provision of services as required under the Building Act 2004 and associated legislation. To ensure that building work undertaken in the District is done with an approved consent and inspection process that ensures standards are met.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities and Vibrant Economy Community Outcomes are supported as everyone needs to be able to assume that the buildings in the District are not dangerous or unsanitary.
Who Benefits	The wider public benefit since they are protected from "unsustainable practices" and poor building practices especially in relation to commercial buildings. Potential buyers of property benefit from surety around previous work undertaken.
Period of Benefit	Over the period of the accreditation.
Whose acts create a need	The economic activity that leads to the need for building permits activity to be undertaken and for the need for standards to be set.
Separate funding	No private benefit exists from this activity.
Funding Source	Public good - General rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	Although the building consenting activity is a private benefit, the Building Act 2004 and the accreditation process exists to ensure standards set by regulatory agencies are met to protect the wider Community from poor building practices.

6.1.5 Health Licensing

To provide inspection and licensing of premises service to ensure hygiene and other regulatory standards are met for the health and safety of users.

Matters that must be considered under the LGA 2002:

Community Outcomes	The Strong Communities Community Outcome is supported as Council will monitor and mitigate problems, nuisances, and threats to public health.
Who Benefits	The public benefit as the purpose of licensing is to enforce legal provisions under the Health Act and relevant Bylaws for the benefit of the wider public. It also gives users of premises surety around hygiene and food standards. The activity is a statutory requirement and the provision of the service provides direct health benefits to the Community. To be more specific this activity area has been split into Licensing and Environmental
Period of Benefit	Over the period of the license.
Whose acts create a need	Premises operators will incur direct costs in not complying and such costs should be passed on to them to ensure standards set are established and maintained. The cost incurred in obtaining a licence should also be borne to some degree by the Premises Operators.
Separate funding	A degree of private benefit to the premises operators makes user charging feasible.
Funding Source	Licensing (both health and liquor) Public good – General rate: 20~~65~~% - 40~~75~~% Private Benefit - Fees and Charges: 60~~25~~% - 80~~35~~% Environmental (community health and safety) Public good – General rate: 95% - 100% Private Benefit - Fees and Charges: 0 - 5%
Rationale	The activity is serviced by specifically qualified staff with direct responsibility for licensing, inspections and work associated with enquiries and complaints in relation to public health matters for which the Council is responsible. The general ratepayer is the widest beneficiary of the service which is a statutory requirement.

6.1.6 Dog and Animal Control

This Activity is undertaken to meet the Council's obligations under the Dog Control Act 1996 and associated legislation and Bylaws. It involves the provision of services in respect of animals, particularly dogs, for the general safety and wellbeing of the Community.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is supported. The public has concerns about risks associated with dogs and wandering livestock e.g. can be dangerous to people, traffic and flora.
Who Benefits	By legislation, dog owners are required to register their dog/s. Other residents benefit from dog and animal control services by having dog and stock rangers to ensure public safety. Any person may require the service. To be more specific this activity area has been split into Dog Control and Animal Control.
Period of Benefit	Over the period the service is rendered.
Whose acts create a need	Animal owners, through the need to regulate for the care of those animals, and to protect the public from any health and safety issues caused by the keeping of those animals.
Separate funding	User charging for stock has proven ineffectual; the cost is not so significant as to warrant a separate rate.
Funding Source	Dog Control Public good - General rate: 10~~20~~% - 20~~30~~% Private Benefit - Fees and Charges: 80~~70~~% - 90~~80~~% Animal Control Public good - General rate: 0% - 5% Private Benefit - Fees and Charges: 95% - 100%
Rationale	Although primarily a private benefit, the Dog Control Act exists to protect the wider Community form errant dogs.

6.1.7 Parking Enforcement

This service exists to carry out the enforcement of parking restrictions that apply, including traffic safety policing but also ensuring vehicle car park turnover i.e. the public availability of parking.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Vibrant Economy Community Outcome is supported by ensuring that parking is made available for retailers in the Commercial Business District.
Who Benefits	Shopkeepers ensuring parking turnover availability to their premises and the wider public by ensuring convenient car parking is available.
Period of Benefit	Continuously as wardens carry out their duties.
Whose acts create a need	The errant motorist who overstays the permitted time.
Separate funding	Being predominantly self-funding there is no need for separate rating mechanisms.
Funding Source	Public good - General rate: 0 -10% Private Benefit - Fees and Charges: 90 - 100%
Rationale	Predominantly funded from exacerbators.

6.1.8 Liquor Licensing

As the District Licensing Authority, considering and approving or declining liquor licence applications.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is supported by ensuring there are controls on availability and appropriate controls on the sale of liquor.
Who Benefits	The wider public by ensuring that licensees are reliable and the public's health and safety is maintained by compliance with the statutory standards.
Period of Benefit	Continuously as licenses are issued.
Whose acts create a need	Licensee of clubs, premises etc. fees set by legislation.
Separate funding	Being of relatively small cost there is no need for separate rating mechanisms.
Funding Source	Public good - General rate: 60-80% Private Benefit - Fees and Charges: 20-40%
Rationale	License fees are set by regulation and cannot be altered by Council.

6.1.9 Health and Liquor Policy and Public liaison

The provision of services as required under the health and sale of alcohol legislation. This helps to ensure that Council is able to react to changes in legislation and policy and to enable public education and liaison.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is supported as everyone needs to be able to assume that there are appropriate general and legislatively required policies in place to regulate health and liquor licensing activities.
Who Benefits	The wider public.
Period of Benefit	As changes in legislation occur and public liaison occurs.
Whose acts create a need	The need to educate the public and react to changes in legislation results in the public at large creating the need.
Separate funding	No private benefit exists from this activity.
Funding Source	Public good - General rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	This activity is entirely for the benefit of the public at large and should therefore be funded from the General rate.

6.1.10 General Inspection services

Regulatory activities required to be provided for which the user generally cannot be identified (e.g. Bylaw and Policy Reviews, Enforcement, Abandoned Vehicles, Noise, Litter, and Gaming Machine Venue consents).

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is supported by ensuring a clean environment from litter, abandoned vehicles, noise etc.
Who Benefits	The wider public.
Period of Benefit	Continuously as the inspections and enforcement actions occur.
Whose acts create a need	Offenders, noise, abandoned vehicles, litterers etc.
Separate funding	Being of relatively small cost there is need for separate rating mechanisms.
Funding Source	Public good - General rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	As it is not practicable to charge the exacerbators of the service which necessitates rating the general public through the general rate.

6.2 Community Support

6.2.1 Emergency Management

To meet Council's obligation under the Civil Defence Emergency Management Act 2002 including provide access resources, coordinate support, and assist welfare and recovery measures in the Community in the case of an emergency.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is supported by this activity. Preparing the Community under the 4Rs 'Readiness, Reduction, Response and Recovery'. Protecting life and property and removing potential fire hazards.
Who Benefits	The emergency management activity is carried out for and on behalf of the public.
Period of Benefit	Continuously as the service is predominantly to ensure public education and preparedness.
Whose acts create a need	In certain circumstances costs may be recovered from landowner where culpability exists.
Separate funding	Being of relatively small cost there is no need for separate rating mechanisms.
Funding Source	Public good- General rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	With emergency management there is limited ability to secure external funding except for minor annual subsidises on expenditure. As a Community activity, fees and charges cannot be charged.

6.2.2 Community Grants and Funding

Grants for; maintenance of Community Halls, general grants, grants of $10k to $100k towards sporting, environmental or cultural developments of a capital nature, artistic and cultural products and events, Beach Wardens, one off grants, lifesaving and international representation.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Outcome has been identified as being enhanced through the provision of Community grants funding.
Who Benefits	It is possible to identify those receiving the grants but to charge those people would defeat the purpose of making the grant. Only qualifying Community groups or individuals are eligible for grants.
Period of Benefit	Continuously the grant pool is available and replenished each year.
Whose acts create a need	None exist, unless the applicants themselves are considered exacerbators but to charge those people would defeat the purpose of making the grant.
Separate funding	Being of relatively small cost there is no need for separate rating mechanisms.
Funding Source	Public good - General rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	The activity should be funded as a true tax with no user charge element.

6.2.3 Community Development

The function of Council's Community Development activity includes coordination, facilitation and advocacy for Community organisations and it aims to improve the wellbeing of our Community. This activity includes the implementation of Council's Youth, Positive Ageing, Arts, Culture and Heritage, Education, Disability, and Pride and Vibrancy Action Plans.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Vibrant Economy and Strong Communities Outcomes are being supported by the Community Development activity.
Who Benefits	All residents and ratepayers of the Horowhenua District.
Period of Benefit	Immediate and ongoing, however, these benefits cannot be easily quantified. The effect of Council's expenditure is indeterminate.
Whose acts create a need	None exist.
Separate funding	Being of relatively small cost there is no need for separate rating mechanisms.
Funding Source	Public good - General rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	The activity should be funded as a true tax with no user charge element.

6.2.4 District Communications and Marketing

These activities help keep residents and ratepayers informed of the Council's activities and promote Horowhenua as a valued destination to visit, work in, live in and play in. This function also supports Council's legislative requirements surrounding consultation and emergency management.

Matters that must be considered under the LGA 2002.

Community Outcomes	All Community Outcomes are being supported as all areas of Council are supported by the provision of this function.
Who Benefits	All residents and ratepayers of Horowhenua District benefit from this activity as well as local businesses and industries.
Period of Benefit	Ongoing, but difficult to quantify.
Whose acts create a need	No specific acts create a need.
Separate funding	Being of relatively small cost there is no need for separate rating mechanisms.
Funding Source	Public good - General rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	The activity should be funded as a true tax with no user charge element.

6.2.5 Economic Development and Visitor Information

To fund a broad range of proactive strategies to encourage new investment and strengthen present industries to provide greater economic security for the District and lower levels of unemployment. There is a focus on encouraging downstream processing of primary produce.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Vibrant Economy and Strong Communities Community Outcomes have been identified as being enhanced through the provision of this activity.
Who Benefits	The private benefit of providing assistance and advice is outweighed by the wider economic security of the District as a whole. The benefits are difficult to assign to any one industrial group or group of individuals.
Period of Benefit	Costs incurred may have long term benefits. However, these benefits cannot be easily quantified. Increased economic activity is created from a number of factors. The effect of Council's expenditure is indeterminate.
Whose acts create a need	None exist.
Separate funding	Relatively low costs suggest there is no particular need for separate funding to achieve greater transparency or accountability.
Funding Source	Public good - General rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	The activity should be funded as a true tax with no user charge element.

6.3 Community Facilities and Services

6.3.1 Library and Community Centres

The operational cost of Libraries and Community Centres throughout the District to provide for the social and cultural wellbeing of the Community.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome has been identified as being enhanced through the provision of this activity.
Who Benefits	The Libraries and Community Centres provide a research facility, and community services, that anyone can access. People are willing to pay for a library to ensure they have access even if they are not current users. Libraries are seen as core business and an essential service that needs to be preserved for the main urban centres of the Horowhenua District. Educational costs to other institutions such as universities and schools are lowered due to the resources held in the library.
Period of Benefit	Benefits accrue in the year the costs are incurred. Capital expenditure will benefit future periods in line with resultant asset lives. The capital costs will be evenly allocated to operating expenditure over the life of the asset by use of loan interest and repayments costs and straight line depreciation costs.
Whose acts create a need	Borrowers who retain items issued from the libraries beyond the loan period are exacerbators, since they are limiting access to other potential readers. Renewal and overdue fees are charged as well as the cost of lost books.
Separate funding	A Targeted rate would aid in the transparency and accountability to residents of the District. Through a Targeted rate using a fixed charge to every used or inhabited part of any rating unit across the District. Capital expenditure for the new facilities will be funded by loan with interest payments funded through the fixed charge rate. Book renewals, asset renewals, and loan capital repayments will be funded from the Targeted rate overtime.
Funding Source	Public good - Targeted rate: 75-85% Private Benefit - Fees and Charges: 15-25%
Rationale	A fixed charge rate better matches the benefit to individual households than a value based rate. High levels of user fees and charges have proven to be a barrier to participation and accessibility, especially among low income groups to which the service is targeted. Also the Local Government Act (LGA) 2002 has the following section. Section 142 of the LGA 2002 - Obligation to provide free membership of libraries: *"If a local authority or a council-controlled organisation provides a library for public use, the residents in the district or region are entitled to join the library free of charge."*

6.3.2 Passive Recreation Reserves, Urban Cleansing and Street Beautification

The provision of passive reserves, street cleaning, roadside rubbish bin collection and beautification of District streets.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities and Outstanding Environment Community Outcomes are enhanced by this activity.
Who Benefits	The general public benefits from this activity as the reserves tend to be available to all unless congested. However there are occasions where reserves are used to hold events where the public is charged entry. Ratepayers generally are prepared to pay for the option of using reserves for recreation while others would be prepared to pay rates to ensure the continued existence of reserves and for the collection of rubbish from roadside bins. Most Districts and towns of any size would be expected to have reserves. Some reserves are iconic and attract visitors from outside the District. Preservation of such reserves for future generations is worth paying for.
Period of Benefit	Most reserves and roadside bins have been in existence for some time and only incur yearly operational costs. Any new facility would be loan funded and loan cost spread over future generations. Council has a maximum loan period of 25 years.
Whose acts create a need	Vandals and those who dispose rubbish to road side bins are an exacerbator. However, the general Community, particularly those with children, that create the need for play equipment and facilities. Financial Contributions in the form of land will be used to provide esplanade reserves where subdivision developments occur adjacent to Priority Water Bodies identified in the District Plan.
Separate funding	A separate Targeted rate is probably not necessary as reserves and Roadside bins are generally located throughout the District and can be used by the public and visitors alike.
Funding Source	Public Good - General Rate: 95% - 100% Private Benefit - Fees and Charges: 0% - 5%
Rationale	As reserves are able to be used by anyone and any charge or fee would limit accessibility and participation the general rate is the most appropriate method of funding passive reserves while the collection of fees from vandals those who use road side bins is impracticable.

6.3.3 Cemeteries

The provision of cemeteries is a legal obligation of Council.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is enhanced by this activity.
Who Benefits	The whole Community benefits from the provision of a cemetery. Wider benefits accrue to public health providers as the costs to District Health Board's (DHB) would undoubtedly increase without the existence of cemeteries.
Period of Benefit	Most cemeteries have been in existence for some time and only incur yearly operational costs. Any new facility would be loan funded and loan cost spread over future generations. Council has a maximum loan period of 25 years. The provision of new concrete berms does not occur every year but are relatively immaterial in costs.
Whose acts create a need	The general public who die and create the need to provide cemeteries.
Separate funding	A separate Targeted rate is probably not necessary as cemeteries are generally located throughout the District and can be used by the public and visitors alike. Burial fees and plot charges will continue to be charged.
Funding Source	Public Good - General Rate: 50% - 70% Private Benefit - Fees and Charges: 30% - 50%
Rationale	While cemeteries have a degree of private benefit, the true cost of burials has never been able to be collected as it would be too onerous for some families to bear the full cost.

6.3.4 Aquatic Centres (Swimming Pools)

The provision of safe and hygienic pools for recreation and sporting activities. Public swimming pools are located at Levin and Foxton. The Levin pool is available all year while the Foxton pool is available for summer period only.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is enhanced by this activity.
Who Benefits	The public who use the facility, although people are prepared to pay for the option of using the service, while others are prepared to pay to ensure the pool's continued existence. Residents and visitors to the District are able to use the facilities. A wider health benefit accrues for use of the pools and increased public safety from learning to swim.
Period of Benefit	Benefits accrue in the year the costs are incurred. Capital expenditure will benefit future periods in line with resultant asset lives. The capital costs will be evenly allocated to operating expenditure over the life of the asset by use of loan interest and repayments costs and straight-line depreciation costs.
Whose acts create a need	Those who use the pool, swimming clubs, and learn to swim classes that are charged a fee for usage.
Separate funding	A Targeted rate would aid in the transparency and accountability to residents of the District. Through a Targeted rate using a fixed charge to every used or inhabited part of any rating unit across the District. Capital expenditure will be funded by loan with interest payments funded through the fixed charge rate.
Funding Source	Public Good - Targeted Rate: 75% - 85% Private Benefit - Fees and Charges: 15% - 25%
Rationale	Providing swimming pools are regarded as core business of Council. They are not self-funding. To charge the full cost of the facility to the users would dramatically impact on use and participation and deny accessibility by the public.

6.3.5 Sports Grounds

The provision of sports grounds that can be utilised by individuals and sporting organisations for the health and wellbeing of the Community. Sports grounds have a dual purpose in that they are available for passive and active recreation.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is enhanced by this activity.
Who Benefits	Residents, sports people and groups, and visitors recognised sporting codes when booked for recognised events benefit from this activity. Most of the time they are available for passive recreation. The particular sporting codes where the grounds are specifically marked for a particular sport and cannot be used (other than passively) for any other sport especially when games are scheduled.
Period of Benefit	Most grounds have been in existence for some time and only incur yearly operational costs. Any new facility would be loan funded and loan cost spread over future generations. Council has a maximum loan period of 25 years.
Whose acts create a need	Players and spectators, and those sporting codes that use the grounds and are charged a fee for usage.
Separate funding	The most efficient and transparent method of funding capital is through the general rate (depreciation charge) as it avoids debt and financial contributions. Operational expenditure should be funded by all ratepayers. Rents and leases are arranged where there are opportunities to recover the private good component.
Funding Source	Public Good - General Rate: 95% - 100% Private Benefit - Fees and Charges: 0% - 5%
Rationale	Providing sports grounds is regarded as a core business of Council. They are not self-funding and are used extensively for passive recreation. To charge the full cost of the facility to the users would dramatically impact on use and participation and deny accessibility by the public. The grounds are unavailable at peak times during the weekends but remain available during the week for passive recreational use. The funding mechanism reflects the fact that sports grounds are unavailable to the public at those peak times.

6.3.6 Public Halls and Community Buildings (under direct Council management)

Incidental uneconomic property holdings that are being reviewed as to whether they should be held for some strategic reason or sold including but not limited to public halls, rental houses, the Levin town clock, the Surf Lifesaving buildings at Waitārere Beach and Foxton Beach, Thompson House and adjacent Pottery Club building, and the Shannon Railway Station. This excludes Council's Civic Building which is treated as an overhead and the costs are allocated against all activities.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is supported by this activity.
Who Benefits	The Community at large benefits from the variety of halls and meeting venues throughout the District as well as the users of specific Community property assets. Council's involvement is largely historical.
Period of Benefit	Depreciation funding is used to cover cyclic maintenance. Any new facility would be loan funded and loan cost spread over future generations. Council has a maximum loan period of 25 years.
Whose acts create a need	None identified a part from those organisations that use the facilities and are charged a rental for usage. As the size and composition of communities change so does the extent of the usage of the facilities.
Separate funding	The most efficient and transparent method of funding capital is through the General rate (depreciation charge) as it avoids debt and financial contributions. Operational expenditure should be funded by all ratepayers. Rents and leases are arranged where there are opportunities to recover the private good component.
Funding Source	Halls: Public Good - General Rate: 85% - 100% Private Benefit - Fees and Charges: 0% - 15% Community Buildings: Public Good - General Rate: 80% - 100% Private Benefit - Fees and Charges: 0% - 20%
Rationale	These facilities are an integral part of the communities that they are located in. Attempts to recover higher levels of rental income from users would reduce usage dramatically which would be counterproductive in trying to foster usage.

6.3.7 Public Toilets

This activity provides for clean public toilets for the benefit of the District and travelling public.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities Community Outcome is supported by provision of public toilets.
Who Benefits	The general public and Community as users, and possibly the retail shops in the vicinity. Although technically able to charge for use, most toilets are set up free of charge to ensure towns remain sanitary and healthy.
Period of Benefit	Depreciation funding is used to cover cyclic maintenance. Any new facility would be loan funded and loan cost spread over future generations. Council has a maximum loan period of 25 years.
Whose acts create a need	None identified, apart from the users and possibly vandals.
Separate funding	The most efficient and transparent method of funding capital is through the General rate (depreciation charge) and financial contributions. Operational expenditure should be funded by all ratepayers.
Funding Source	Public Good - General Rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	Not practicable or desirable to charge for the use of public toilets when usage is to be encouraged for the wider Community benefit. Funding should be by General rate as the toilets are used by visitors to towns primarily which would include country residents as well as out of District residents. Town's folk gain benefit from the toilets aiding in keeping towns clean and sanitary. It could be argued that toilets could benefit shop owners in the CBD as when people stop to use toilets they quite often take a break and visit cafes etc. The benefit is not easily measurable and could be seen as negligible.

6.4 Representation and Community Leadership

6.4.1 Representation and Community Leadership

All costs of operating the Council including those costs associated with elections and the Foxton Community Board .The ability of all residents and ratepayers to participate in the democratic process through the LTP, Annual Plan, Annual Report processes and the advocacy offered by Council on issues affecting our local Community.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Outcome of Strong Communities is served by this activity.
Who Benefits	No one can legally be excluded from participating in the democratic process. All residents and ratepayers are identified as beneficiaries of this process. No one can legally be excluded from the voting process. All residents and ratepayers are identified as beneficiaries of the electoral process.
Period of Benefit	Given that the costs are incurred year by year with no variation no intergenerational equity issues exist. The costs of running an election are incurred once in every three years and will be smoothed over the remaining two years of each triennium.
Whose acts create a need	None exist. The right to participate in the democratic process is universal.
Separate funding	All residents and ratepayers gain equal benefit regardless of the value attributable to their properties. Some residents may not even have property. As residents and ratepayers live in houses and often conduct their businesses from separate premises a rating mechanism that targets separately used or inhabited portions of a rating unit is more appropriate.
Funding Source	Public good - Targeted Rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	A fixed charge rated based on separately used or inhabited portions of each rating unit over the whole District would be most appropriate.

6.5 Property

6.5.1 Commercial Property and Endowment property

This activity includes all commercially tenanted property within the District owned by Horowhenua District Council as well as the Endowment Property held at Foxton Beach.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Vibrant Economy and Strong Communities Outcomes are supported through the provision of buildings for businesses to occupy.
Who Benefits	The tenants occupying the land and buildings, as tenants are excluded unless they have a current lease agreement. The rental space can only be occupied by one tenant at a time, the Community of Foxton beach as the Endowment monies are to be spent for the benefit of the people in Foxton Beach.
Period of Benefit	Depreciation funding is used to cover cyclic maintenance. Any new facility would be loan funded and loan cost spread over future generations. Council has a maximum loan period of 25 years. All such costs to be funded from rents received or sale of land holdings.
Whose acts create a need	None identified, apart from the tenants themselves.
Separate funding	No separate funding mechanism is used other than rents and land sales.
Funding Source	Public Good - General Rate: 0% Private Benefit - Fees and Charges: 100%
Rationale	Total private good to the leases.

6.5.2 Motor camps owned and/or operated by Council

This activity involves the provision of low cost holiday accommodation.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Vibrant Economy and Strong Communities Outcome are supported by this activity.
Who Benefits	The campers who are able to be charged for the space or facilities used or occupied. Or lessees who operate the Levin and Waitārere camping grounds.
Period of Benefit	Depreciation funding is used to cover cyclic maintenance. Any new facility would be loan funded and loan cost spread over future generations. Council has a maximum loan period of 25 years. All such costs to be funded from rents received.
Whose acts create a need	None identified, apart from the campers themselves.
Separate funding	No separate funding mechanism is used other than fees and charges. Foxton Beach Holiday Park capital development may be funded from the Foxton Freeholding Fund.
Funding Source	Public Good - General Rate: 0% Private Benefit - Fees and Charges: 100%
Rationale	Total private good to the campers or lessees of the camps.

6.6 Land Transport (Roads and Footpaths)

6.6.1 Land Transport

The Land Transport activity includes all roading activities that attract a government subsidy plus unsubsidised roading, footpaths, car parks, street cleaning and any main street developments.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities, Vibrant Economy and Fit for purpose Infrastructure Community Outcomes are enhanced through having a good land transport network.
Who Benefits	All residents derive a benefit to access schools, their place of employment, and to pursue recreational and social opportunities. However, there is a high reliance on our network by businesses to enable them: To maintain and carry their network assets (in the case of utility companies); To enable customers to access their shops (in the case of businesses in CBD); and To enable products to be delivered to markets (farmers and manufacturers). Although primarily located in urban centres the footpaths and car parks are used by all residents and motorists. Most residents will pay for the roading network to enable recreational and business interests to be facilitated even if they currently have no need to use the network.
Period of Benefit	Any new roading development will be loan funded with loan charges recouped over time. However, most renewals are done in a cyclic manner where the costs are evenly spread year by year and will be funded from rates into available depreciation reserves.
Whose acts create a need	Some high density users such as dairying or forestry can cause localised deterioration of the roading network. Council has no formal policy on user compensation but has successfully negotiated a contribution from forestry owners in the past depending on the situation and circumstance. Financial Contributions and/or Development contributions will be used to fund roading capital expenditure necessitated by new developments in identified growth areas in the District Plan.
Separate funding	All residents and ratepayers gain equal benefit regardless of the value attributable to their properties. Some residents may not even have property. The capital value of a rating unit reflects the sale value. In the case of a business, this would also have a correlation to the use of the roading network as the capital value, in some respects, reflects the sale price and therefore the economic activity generated. Also, utility companies use the roading networks but pay minimal rates under land value, as their assets do not have a land value. It is therefore appropriate to rate fund this activity separately using the capital value of the rating unit.

Land Transport (continued)

Funding Source	Public good - Targeted Rate: 100% (After factoring in any funding from Waka Kotahi which varies as a percentage from year to year) Private Benefit - Fees and Charges: 0% Petrol Tax revenue should off-set roading costs (not treated as revenue offsetting General Rates) as the revenue is sourced from road users.
Rationale	Land Transport is Council's single largest cost. For this reason Council has a Targeted rate for land transport to enhance transparency and accountability. Rating for such a large expenditure item is practicable.

6.7.1 Stormwater

To provide effective drainage and disposal to enable the roading network to function and to protect people and property from water damage during rain events as well as mitigating the environmental effects of contaminants in Stormwater.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities, Vibrant Economy, Outstanding Environment and Fit for purpose Infrastructure Community Outcomes are enhanced through this activity.
Who Benefits	Primarily urban property owners who gain benefits from the mitigation of flooding events. Stormwater kerb, channel and piped network are only located in urban areas. Stormwater drainage in rural areas is primarily part of the roading expenditure or, when the water drains into streams, it becomes a Regional Council responsibility. Most residents will pay for the stormwater network to enable their recreational and business interests, and protection from flooding, even if they currently have no direct use the stormwater network.
Period of Benefit	Any new stormwater development will be loan funded with loan charges recouped over time. However, most renewals are done in a cyclic manner where the costs are evenly spread year by year and will be funded from rates using available depreciation reserves.
Whose acts create a need	Exacerbations include developers who increase the impervious surface areas in their developments. Financial Contributions will be used to fund stormwater capital expenditure necessitated by new developments in identified growth areas in the District Plan.
Separate funding	All urban residents, ratepayers and road users gain a benefit related in part to the size of the house on the rating units serviced by the network. As the capital value of the property bears some relationship to the size of the house, a Capital Value rating system was seen as an appropriate mechanism. It is not practicable to charge a fee for such a service as it is equally available to all urban ratepayers.
Funding Source	Public Good - Targeted Rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	As the stormwater system and network is primarily an urban service to protect urban rating units, Council decided to set a Targeted rate for stormwater to enhance transparency and accountability. Rating for such a large expenditure item is practicable.

6.8 Solid Waste Management

6.8.1 Solid Waste Landfills and Waste Transfer Stations

The provision of a solid waste disposal network available to all residents and also any aftercare costs of closed landfills to ensure clean and sanitary towns and lack of fly tipping in the rural areas.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Outstanding Environment and Strong Communities Community Outcomes are enhanced by this activity.
Who Benefits	The Community benefits through the availability of the disposal site which allows for waste collection. Central Government health costs would undoubtedly increase if transfer stations were not available.
Period of Benefit	The immediate benefit accrues to those able to dispose of refuse. The capital cost of the facility needs to be spread over its useful life by way of an annual depreciation charge. Initial funding of new "cells" will be by way of loan with loan charges spread over time. The after care costs of landfills are also valued and spread evenly each year.
Whose acts create a need	Those who create the need for the service are the users and beneficiaries who create the refuse taken to waste transfer stations.
Separate funding	User fees are charged to dispose District refuse into the transfer station and from there through to the Landfill. Any unrecovered cost to be included in the Solid Waste rate. This rate is currently (and proposed to be) set as a fixed charge per SUIP (Separately Used or Inhabited Part) of each rating unit. It also has a differential of 80% urban and 20% rural. The differential is justified recognising that rural residents tend to make relatively less use of solid waste management facilities.
Funding Source	Public Good - Targeted Rate: 30% - 40% Private Benefit - Fees and Charges: 60% - 70%
Rationale	Council is proposing to retain the Targeted rate for solid waste to enhance transparency and accountability.

6.8.2 Refuse Collection

Collection of refuse from local streets by use of official bags.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Outstanding Environment and Strong Communities Community Outcomes are enhanced by this activity.
Who Benefits	Households who choose to use the service. Only the official bags will be collected.
Period of Benefit	The immediate benefit accrues to those able to dispose of refuse.
Whose acts create a need	Those who create the need for the service are the users and beneficiaries who purchase the rubbish bags for collection.
Separate funding	Bag fees used to cover the private benefit. One could argue for full cost recovery. However, the existence of alternative providers reduces the economies of scale by reducing the numbers using bags. To simply increase the bag price to cover full costs may be counter-productive. Often reducing the costs can achieve greater participation and greater cost recovery. Any unrecovered cost should be included in the Solid Waste rate. This rate is currently set as a fixed charge per SUIP of each rating unit. It also has a differential of 80% urban and 20% rural recognising that rural residents tend to make relatively less use of solid waste management facilities.
Funding Source	Public Good :- Targeted Rate: 0% - 15% Private Benefit - Fees and Charges 85% - 100%
Rationale	Currently Council has a Solid Waste rate that covers the costs of all the public good elements relating to the Solid Waste activity. Council is proposing to retain the Targeted rate for solid waste to enhance transparency and accountability.

6.8.3 Waste minimisation and recycling

The public benefit costs of waste minimisation education and providing for recycling initiatives. To achieve a reduction in refuse that needs to be disposed of while increasing public awareness and education to reduce the waste stream.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Outstanding Environment and Strong Communities Community Outcomes are enhanced by this activity.
Who Benefits	The public benefits through the education service, while those using the recycling service benefit from the service and will contribute through the collection service costs of kerbside recycling.
Period of Benefit	The immediate benefit accrues to those able to dispose of refuse.
Whose acts create a need	Those who create the need for the service are the users and beneficiaries by using the recycling bins provided for roadside collection.
Separate funding	All cost should be included in the Solid Waste rate. This rate is currently set as a fixed charge per SUIP of each rating unit. It also has a differential of 80% urban and 20% rural recognising that rural residents tend to make relatively less use of solid waste management facilities.
Funding Source	Public good - Targeted Rate: 100% Private Benefit - Fees and Charges: 0%
Rationale	Currently Council has a Solid Waste rate that covers the costs of all the public good elements relating to the Solid Waste activity. Council is proposing to retain the Targeted rate for solid waste to enhance transparency and accountability.

6.9 Wastewater

6.9.1 Wastewater (Sewer) Systems

The supply of wastewater networks to urban communities including reticulated networks that render the effluent less harmful and more environmentally acceptable to discharge.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities, Fit for purpose Infrastructure, Vibrant Economy and Outstanding Environment Outcomes have been identified as benefactors of the provision of this service.
Who Benefits	All residents and businesses. All rating units connected can be identified and only those rating units connected or to which connection is available, benefit. Some industries place increased demand on the treatment system due to the nature of the effluent they wish to dispose of. Benefits accrue to health providers in Council's provision of a wastewater disposal service as well as the wider benefit to the environment.
Period of Benefit	For operational costs there are no intergenerational equity issues. Capital projects for improvements should be loan funded to spread costs over the next generation. Renewals of assets will be rate funded in the first instance, any annual shortfall will be loan funded.
Whose acts create a need	Industries can place extra burden on the treatment plant. Such users should pay for their disposal on a user pays basis. Financial Contributions will be used to fund wastewater capital expenditure necessitated by new developments in identified growth areas in the District Plan.
Separate funding	Ideally the funding mechanism should be fully user pays by use of volumetric charging. The ability to charge in such a manner is not available as yet. A Targeted rate for wastewater is proposed. Council does charge industries that are connected using the Trade Waste Bylaw provisions and this will be retained.
Funding Source	Public Good -Targeted Rate: 80% - 90% Private Benefit - Fees and Charges: 10% - 20%
Rationale	Wastewater was traditionally charged as a fixed charge Targeted rate which has been determined using the cost structure for each individual scheme. This approach favours those communities that have larger populations and greater economies of scale. The converse is that small communities pay more for the same service which can lead to affordability issues for small communities. Since 2009 Council has set a fixed rate on each SUIP of each rating unit or for each connection, whichever is the greater, across the District as one uniform charge. An availability charge on vacant sections will be charged 50% of this Targeted rate.

6.10 Water Supply

6.10.1 Urban Water Supply

The supply of potable water to urban communities and surrounding hinterland. Council also administers some small water race supplies to rural communities.

Matters that must be considered under the LGA 2002.

Community Outcomes	The Strong Communities, Vibrant Economy and Outstanding Environment Outcomes have been identified as benefactors of the provision of this service.
Who Benefits	Those people residing on the rating units supplied with a reticulated water supply. All rating units connected can be identified. It is only those rating units connected or to which connection is available that benefit.
Period of Benefit	For operational costs there are no intergenerational equity issues. Capital projects for improvements should be loan funded to spread costs over the next generation. Renewals of assets will be rate funded in the first instance, any annual shortfall will be loan funded.
Whose acts create a need	High users can place extra burden on the supply necessitating greater storage capacity etc. Such users should pay for their supply on a user pays basis. Vacant sections and unconnected rating units benefit from the provision of firefighting capacity and should be charged an availability charge. Financial Contributions will be used to fund water supply capital expenditure necessitated by new developments in identified growth areas in the District Plan.
Separate funding	Ideally the funding mechanism should be fully user pays by use of universal water meters. However the cost of providing meters to each household outweighs the benefits of using this charging mechanism. Water meters should be used, however, for high users and anyone that is supplied outside the designated network area (being that area where houses are obliged to connect or have a right to connect). Universal volumetric charging only occurs in the Foxton Beach Community. A Targeted rate for water supply is proposed for all other communities and to cover the fixed cost component of the Foxton Beach supply. Council does charge extraordinary users that are connected by use of a charge per cubic meter consumed. Currently metered users are charged a fixed charge enabling them to use up to a cubic meter a day (90m3 a quarter) and are charged regardless of whether they use this or not.
Funding Source	Public Good -Targeted Rate: 70% - 80% (fixed charge) Private Benefit - Fees and Charges: 20% - 30% (water by meter)

Urban Water Supply (continued)

Rationale	Water Supply was traditionally charged as a fixed charge Targeted rate which has been determined using the cost structure for each individual scheme. This approach favours those communities that have larger populations and greater economies of scale. The converse is that small communities pay more for the same service which can lead to affordability issues for small communities. Since 2009 Council has set a fixed rate on each SUIP of each rating unit or for each connection, whichever is the greater, across the District as one uniform charge. Vacant sections will be levied 50% of this Targeted rate. As an availability charge to cover fixed costs and the provision of firefighting hydrants.

Rates Remissions Policy

Introduction

This policy is adopted pursuant to section 85 of the Local Government (Rating) Act 2002 and section 109 of the Local Government Act 2002.

The general objectives sought to be achieved by this policy are:
(1) The vision and goals of the Community Outcomes, particularly those supporting community development, voluntary initiatives and the protection of the natural environment, and
(2) Equity and efficiency in the administration of the rating system.

Applications meeting the conditions and criteria laid out in the policy will be considered, each on its merits, and the outcome is a matter for Council's discretion.

The policy provides for the following classes of rate remissions:

Part 1 Community groups
Part 2 Voluntarily protected land
Part 3 Penalties on rates
Part 4 Excessive water charges
Part 5 Remnant land
Part 6 Rating units in industrial and commercial areas used for residential purposes
Part 7 Land Used for Primary Industry and Rural Residential purposes in areas that have been rezoned as Residential and Business Zones
Part 8 Small rate balances
Part 9 Targeted rates on non-rateable land
Part 10 Properties affected by disasters
Part 11 Subdivisions which are in Common Ownership but do not meet the criteria of a Contiguous Property
Part 12 On Bare Land
Part 13 Council Owned Utilities
Part 14 Contiguous rating units not in common ownership.

Part 1: Remission of Rates on Community Groups

(a) Objective

To facilitate the ongoing provision of non-governmental, not-for-profit community support services to the residents of the District.

(b) Conditions and Criteria

To qualify for remission under this part of the policy a rating unit must:

- be owned and occupied by a community support organisation;
- used primarily for the provision of community support services to the general public; and
- (except as provided in the next paragraph) not receiving any other form of rating relief.

Rating units that are 50% non-rateable under Part 2 of Schedule 1 of the Act, except for that area where a liquor license is in force, shall have 100% remission of rates other than water and sewer rates over that part of the land. Where an owner has a liquor license they are ineligible for a remission.

Other matters taken into account in determining whether a rating unit qualifies for remission will include:

- the level of rates assessed on the rating unit;
- the extent to which the primary purpose of the ratepayer is to provide services to disadvantaged groups (including children, youth, young families, aged people and economically-disadvantaged people);
- the impact of the ratepayer's activities on the social, cultural, economic or environmental well-being of the District;

- the number of members and/or clients;
- history of service to the residents of the District; and
- the rating status of similar groups.

Applications must be in writing, supported by:

- statement of objectives;
- description of governance structure;
- financial accounts;
- information on activities and programmes; and
- information on membership or clients.

Applications must be received prior to the commencement of the rating year. Applications received during a rating year will be considered from the commencement of the following rating year commencing the next 1st July. Applications will not be backdated.

(c) Process

Applications will be determined by the Group Manager – Finance or Finance Manger (or equivalent positions within the Finance Department) to a value of $2,500. Any requested remissions above $2,500 or if there is any doubt or dispute arising, the application is to be referred to the Chief Executive and a member of the Finance Subcommittee for a decision.
Each application will be considered on its merits, and if approved the value of the remission will be 100% of all general and targeted rates generally applied across the District except water and waste water. The ratepayer will be informed of the outcome of the application in writing.

Part 2: Remission of Rates on Voluntarily Protected Land

(a) Objective

To encourage and promote the conservation and protection of significant natural features.

(b) Conditions and Criteria

To qualify for remission under this part of the policy a rating unit or part thereof must:

- be the subject of a QEII Open Space or similar DOC covenant (in which case 100% remission of all rates will apply), or the likes of a DOC Management Agreement under the Reserves Act or Conservation Act (in which case 50% remission of some or all rates may apply), and
- not be receiving any other form of rating relief.

Other matters taken into account in determining whether a rating unit qualifies for remission will include:

- the degree to which significant natural features worthy of conservation and protection are present on the land;
- the degree to which such significant natural features inhibit the economic utilisation of the land;
- the extent to which the conservation and protection of such significant natural features would be promoted by the remission of rates; and
- the ability or potential of the public to enjoy the significant natural features.

Applications must be in writing, supported by documentary evidence of the protected status.
Applications must be received prior to the commencement of the rating year.

Applications received during a rating year will be considered from the commencement of the following rating year commencing the next 1st July. Applications will not be backdated.

(c) Process

Applications will be determined by the Group Manager – Finance or Finance Manger (or equivalent positions within the Finance Department) to a value of $2,500 Any requested remissions above $2,500 or if there is any doubt or dispute arising, the application is to be referred to the Chief Executive and a member of the Finance Subcommittee for a decision.

Each application will be considered on its merits and if approved the value of the remission will be 100% if General and Targeted rates generally applied across the District except Water and Wastewater (QEII covenants only) and 50% of General and Targeted rates generally applied across the District except Water and Wastewater on others.

The Council will arrange a two-way apportionment of the rating value of the rating unit between the area covered by the application and the balance for this purpose. The ratepayer will be informed of the outcome of the application in writing.

Part 3: Remission of Penalties on Rates

(a) Objective

The objective of the Remission of Penalties is to enable the Council to act fairly and reasonably in its consideration of rates which have not been received by the Council by the penalty date, primarily due to circumstances outside the ratepayer's control.

(b) Conditions and Criteria

Remission of penalties on late payment of rates may be made when it is considered just and equitable to do so. In determining justice and equity, one or more of the following criteria shall be applied.

a) Where there exists a history of regular, punctual payment over the last five years (or back to purchase date if the rating unit has been owned for less than five years) and payment is made within a 10 days following the ratepayer being made aware of the non-payment, a one-off reduction of instalment penalties may be made.
b) Where an agreed payment plan is in place, penalties may be suppressed or reduced, where the ratepayer complies with the terms of the agreed payment plan which include payment by direct debit. In the event that the agreement is not maintained, Council reserves the right to levy future penalties.
c) Where the rates instalment was issued in the name of a previous property owner. The rating unit has a new owner who has been given insufficient notice of invoice due date.
d) Where a ratepayer has been ill or in hospital or suffered a family bereavement or tragedy of some type and has been unable to attend to payment, on compassionate grounds.
e) Where an error has been made on the part of the Council staff or arising through error in the general processing or incorrect rates being applied which has subsequently resulted in a penalty charge being imposed.

(c) Process

a) A ratepayer may request in writing that the penalty applied for late payment be remitted.
b) Each application will be considered on its merits, and if approved, the value of the remission may be all or part of any penalties incurred.
c) Applications may also be at the initiative of the Group Manager – Finance or Finance Manger (or equivalent positions within the Finance Department).
d) Applications will be determined by the Group Manager – Finance or Finance Manger (or equivalent positions within the Finance Department) to a value of $2,500. Any requested remissions above $2,500 or if there is any doubt or dispute arising, the application is to be referred to the Chief Executive and a member of the Finance Subcommittee for a decision.

Part 4: Remission of Excessive Water Charges

(a) Objective

To enable Council to act fairly, reasonably and consistently in its assisting ratepayers who have excessively high water rates due to a fault in the internal reticulation serving their rating unit.

(b) Conditions and Criteria

To qualify for remission under this part of the policy a rating unit must have incurred excessive water charges attributable to a fault in the internal reticulation serving the rating unit.

Applications must be made in writing, with verification that the fault has been rectified (e.g. a plumber's bill).

(c) Process

Applications will be determined by the Group Manager – Finance or Finance Manger (or equivalent positions within the Finance Department) to a value of $2,500 Any requested remissions above $2,500 or if there is any doubt or dispute arising, the application is to be referred to the Chief Executive and a member of the Finance Subcommittee for a decision.

Assessment of the excessive water charge will take into account:

- the charges for normal levels of water consumption; and
- the time taken to have the fault repaired.

Each application will be considered on its merits, and if approved the value of the remission will be half of the value of the excessive consumption.

The ratepayer will be informed of the outcome of the application in writing.

Part 5: Remission of Rates on Remnants of Land

(a) Objective

To enable Council to act fairly and equitably in the assessment of rates on what are determined for these purposes to be remnants of land.

(b) Conditions and Criteria

To qualify for remission under this part of the policy a rating unit must:

- comprise a piece of land that does not warrant the assessment or invoicing of rates
- not be the subject of any other form of rating relief.

Matters taken into account in determining whether a rating unit qualifies for remission, and a guide as to what may be expected to qualify as a remnant, will include:

Matter taken into account	Example for guidance
Area	Only a few square metres
Location	Remote, landlocked
History	Unintended remnant of subdivision
Ownership	Indeterminate
Rateable Value	Nominal
Potential Uses	Nil

Applications must be received prior to the commencement of the rating year. Applications received during a rating year will be considered from the commencement of the following rating year commencing the next 1st July.

Applications will not be backdated.

Applications may be at the initiative of the Group Manager – Finance, Finance Manager, or Rates Officer or in writing from the ratepayer.

(c) Process

Applications will be considered and determined by the Group Manager – Finance or Finance Manger (or equivalent positions within the Finance Department) to a value of $2,500. Any requested remissions above $2,500 or if there is any doubt or dispute arising, the application is to be referred to the Chief Executive and a member of the Finance Subcommittee for a decision.

Each application will be considered on its merits, and if approved the value of the remission will be the whole of the rates that would otherwise be assessed on the rating unit. The ratepayer will be informed of the outcome of the application in writing.

Part 6: Remission of Rates on Rating Units in Industrial and Commercial Areas Used for Residential Purposes

(a) Objective

To ensure that owners of rating units situated in commercial or industrial areas used for residential purposes are not duly penalised by the zoning restrictions of this Council and previous local authorities.

(b) Conditions and Criteria

To qualify for consideration for remission under this part of the policy the rating unit must:

- be situated within an area of land that has been zoned for commercial or industrial use. (Ratepayers can determine the zoning of their property by inspecting the District Plan, copies of which are available from the Levin office, Te Takeretanga o Kura-hau-pō and the Shannon and Foxton libraries. Alternatively the District Plan is available for viewing on the Council website www.horowhenua.govt.nz.)
- be rated the same as an equivalent urban rating unit;
- have an excessive rateable value in comparison to similar residential rating units in the vicinity; and
- not be the subject of any other form of rating relief.

Applications must be received prior to the commencement of the rating year. Applications received during a rating year will be considered from the commencement of the following rating year commencing the next 1st July.

Applications will not be backdated. Applications must be made in writing.

(c) Process

Applications will be determined by the Group Manager – Finance or Finance Manger (or equivalent positions within the Finance Department) to a value of $2,500. Any requested remissions above $2,500 or if there is any doubt or dispute arising, the application is to be referred to the Chief Executive and a member of the Finance Subcommittee for a decision.

Each application will be considered on its merits, and if approved the value of the remission will be given effect by the determination by Council of a special rateable value.

The ratepayer will be informed of the outcome of the application in writing.

Part 7: Rates Remission on Land Used for Primary Industry and Rural Lifestyle purposes in areas that have been rezoned as Residential and Business Zones

(a) Objectives of the policy

The objectives of the policy are:

1. To provide rates relief in respect of land used for primary industry and rural lifestyle purposes where rating units greater than 659m² (or rating units, including residential use rating units, that are able to be subdivided under the operative District Plan) where the Council is satisfied that the rating valuation of the land is in some measure attributable to the potential use to which the land may be put for residential, commercial or industrial development.

2. To preserve uniformity and equitable relativity with comparable parcels of land used for primary production and rural lifestyle purpose land, that is able to be subdivided, in the district where the valuations do not contain any “potential value”.

(b) Conditions and criteria

The Council will remit value based rates on land used for primary industry and rural lifestyle rating units greater than 659m² and rating units, including residential use rating units, that are able to be subdivided creating saleable lots under the operative District Plan as a Controlled Activity in the Residential, Greenbelt Residential, Commercial and Industrial zones or in the case of the Greenbelt Residential (Foxton Beach North Overlay) Zone as a Limited Discretionary Activity, where it is satisfied that the rating valuation of the land is in some measure attributable to the potential use to which the land may be put for residential, commercial or industrial development.

1. For the purposes of this policy, “land used for primary industry” means land that is classified by the Office of the Valuer General as being used for primary industry under Clause C.3.4 primary Level use code 1 in Appendix C of the Rating Valuation Rules 2008, is used exclusively or principally for agricultural, horticultural, or other pastoral purposes or for the keeping of bees or poultry or other livestock; and “farming purposes” has a corresponding meaning. This may include land used for dairy farming, stock fattening, arable farming, storage of livestock, market gardens and orchards, specialist livestock, forestry, mineral extraction and vacant/idle land.
2. For the purposes of this policy, “land used for Rural Lifestyle purposes” means land that is classified by the Office of the Valuer General as being used for lifestyle use under Clause C.3.4 primary Level use code 2 in Appendix C of the Rating Valuation Rules 2008. This does not include residential properties in rural areas or rural lifestyle properties that are too small in area to be subdivided under the operative District Plan as a Controlled Activity.
3. For the purposes of this policy, “land used for Residential purposes” means land that is classified by the Office of the Valuer General as being used for residential use under Clause C.3.4 primary Level use code 9 in Appendix C of the Rating Valuation Rules 2008. This does not include residential properties formerly zoned as rural or lifestyle properties that are too small in area to be subdivided under the operative District Plan as a Controlled Activity.
4. Rating units for which a subdivision consent has been approved or lodged and under consideration by the Council shall not be eligible for rates remission under this policy.

(c) Process

The process for seeking rates remission is as follows:

1. On written application from the ratepayer of any rating unit that is:
   a) located in a zone in the District Plan other than the Rural zone, and is
   b) land used for primary industry, or
   c) land used for rural lifestyle purposes, or
   d) land used for residential purposes that are able to be subdivided.

The Council will request its Valuation Service Provider to issue a special “rates remission value” for that rating unit.

2. The rates remission value will be determined so as to:
   a) exclude any potential value that, at the date of valuation, the land may have for residential purposes, or for commercial or industrial use; and
   b) preserve uniformity and equitable relativity with comparable parcels of land used for primary industry, rural lifestyle and residential purposes the valuations of which do not contain any such potential value.
3. Rates remission special values allocated under this policy are final and there is no right of objection against the level of valuation. (The owner still has the right to object to the rating valuation of the property where those values have been determined under the Rating Valuations Act 1998).

4. Where a rates remission value has been determined, the payment of rates will be remitted to the extent specified in clause (5) of this policy.
5. The amount of rates remitted in any year 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 remission value of the property were its rateable value.
6. Notice of the amount of rates remitted shall be expensed and entered as a credit to the rates owing in the rating records and will be notified with the rates assessment issued in respect of that rating unit.
7. Subject to the rates remission value remaining in force, rates will be remitted from the commencement of the rating period in respect of which they were made and levied.
8. Rates remission will apply from the beginning of the rating year following the period in which the rates remission application is approved and will not be backdated to prior years. However, in the event that an application is approved prior to 1 August, rates remission may apply from the beginning of the financial year in which the application is approved.

The following delegations apply in respect of:

- *Group Manager - Finance or Finance Manager, - to approve remissions which meet the requirements of this policy.*
- *Chief Executive and/or the Chairperson of the Finance Sub-committee, – to hear and make a final decision on any appeal on an application for remission that has been declined.*

Part 8: Remission of Small Rates Balances

(a) Objective

To save Council the costs of processing rates of uneconomic value.

(b) Conditions and Criteria

To qualify for remission under this part of the policy the rating unit must have a balance of less than $5 owing on a general or targeted rate as at 30 June in any year.

Applications may be at the initiative of the Group Manager – Finance or Finance Manager, or Rates Officer or in writing from the ratepayer.

(c) Process

Applications will be determined by the Group Manager – Finance or Finance Manager acting under delegated authority.

Each application will be considered on its merits, and if approved the value of the remission will be the whole of any outstanding rate of $5 or less at year end.

Part 9: Remission of Targeted Rates on Non-rateable Land

(a) Objective

To balance user-pays, equity and community interest in the assessment of targeted rates on non-rateable rating units.

(b) Conditions and Criteria

To qualify for consideration for remission under this part of the policy the rating unit must be:

- *non-rateable*
- *otherwise liable for rates for services described in s.9 of the Local Government (Rating) Act 2002 (i.e. rates for water supply, sewage disposal or waste collection).*

Determinations will not be backdated.

(c) Process

Decisions will be made by way of policy determinations by Council in respect of a type of ratepayer or rating unit. The value of the remission will be the whole or part of any or all of the applicable rates.
Under this policy targeted water rates are levied by way of the normal water rates in the case of non-rateable residences, libraries and halls, but by metered water consumption in all other cases.

Part 10: Properties Affected by Disasters

(a) Objective

To provide rating relief to ratepayers whose property has been affected by a disaster event.

(b) Conditions And Criteria

To qualify for remission under this part of the policy a rating unit or part thereof must be

- *Affected by a disaster event such as a flood, storm, earthquake, subsidence; and*
- *Rendered incapable of normal use by the ratepayer for a certain period.*

Other matters taken into account in determining whether or not the rating unit qualifies for remission, and the extent of such remission, will include

- *The impact(s) of the disaster event on the property, and*
- *The duration of such impact(s)*
- *The extent to which the losses were insurable.*

Applications must be in writing, either from the applicant or at the initiative of an officer of the Council.

(c) Process

Applications will be considered, and decision made, by Council.

No remission will be made before further guidelines specific to the disaster event are established.

Such guidelines will take into account the extent of funding available from which to make any remissions, and may cover such factors as:

- *Special conditions and criteria, including any period for which a property may have been incapable of normal use*
- *Special application forms and information to be provided*
- *Deadlines for applications*
- *The extent of remissions to be made, whether on a fixed sum, percentage, sliding scale or other basis*
- *The appointment of an advisory committee to assist in the consideration of applications, if appropriate.*

Each application will be considered on its merits, and in the context of guidelines established in response to the disaster event.

The ratepayer will be informed of the outcome of the application in writing.

Part 11: Rates Remission for Subdivisions which are in Common Ownership but do not meet the criteria of a Contiguous Property

(a) 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.

(b) Objectives

To provide a positive development incentive by supporting the development and holding of subdivision land for residential and rural lots by remitting all rates levied using fixed (uniform) charges on unsold development land where each separate lot or title is treated as a separate Rating Unit.

(c) Conditions and Criteria

This remission applies to unsold subdivided land, where each separate lot or title is treated as a separate Rating Unit, and such land is implied to be not used as a single rating unit under s20 of the Local Government (Rating) Act 2002.

1. The rating units must have been created in accordance with Council's subdivision development requirements and have been granted a subdivision consent.
2. The rating units must be vacant land i.e. the rating unit does not contain any habitable dwelling.
3. The rating units on which remission is applied must be owned by the same ratepayer who must be the original developer
4. Rate remission to the extent of fixed (uniform) charges for unsold subdivided land.
5. Remission shall cease for any allotment if any interest in the land is passed by the developer to another party. Remission ceases from the end of the year in which the change in title occurs.
6. Application must be submitted in writing and submitted to Council prior to the commencement of the rating year (i.e. before 30 June).
7. The ratepayer will remain liable for at least one "set" of fixed (uniform) general and/or targeted rates.
8. Remissions will not apply to Water, Stormwater and Sewerage targeted rates.
9. Each application will be considered in line with the general guidelines; however, individual circumstances may vary and could influence the final decision.
10. From 1 July 2015 any remissions will only apply for a period of five years and then be reviewed. Remissions will not be granted in retrospect for previous years.
11. Decisions on remission under this policy will be delegated to the Group Manager–Finance, Finance Manager (or equivalent positions).

Part 12: Remission of Rates on Bare Land

(a) Objectives:

To reduce the rates burden on bare, uninhabited land, where the owner of the rating unit is not able to use the services funded from targeted rates.
Council may remit any rate set using a fixed (uniform) charge in respect of one or more rating units owned by the same ratepayer (as recorded on the certificate of title and recorded in the Rating Information Database) if it considers it reasonable in the circumstances to do so.

(b) Conditions and Criteria

1. Rating units must be owned by the same ratepayer (as recorded on the certificate of title and recorded in the Rating Information Database).
2. Council may remit any rate set using a fixed (uniform) charge on rating units considered to be bare land, provided that the ratepayer pays at least one "set" of the rates set using a fixed (uniform) charges within the District.
3. Bare land is defined as rating units with no habitable improvements. For the purposes of this policy forestry blocks (without habitable buildings) are deemed to be bare land.
4. Decisions on remission under this policy will be delegated to the Group Manager–Finance, Finance Manager (or equivalent positions).

Part 13: Remission Rates for Council Owned Utilities

(a) Objectives

To avoid incurring the rating costs to Council that would be indirectly recovered from other ratepayers.

(b) Conditions and Criteria

Utilities (i.e. water, stormwater and wastewater) owned by the Horowhenua District Council will receive 100% remission of all rates that have been set, which includes any rate set using a fixed (uniform) charge.

Part 14: Remission of any rate set using a fixed (uniform) charge on contiguous properties

(a) Objectives

To enable Council to act fairly and equitably with respect to the imposition of any rate set using a fixed (uniform) charge on two or more separate rating units that are contiguous, but separately owned and used jointly for a single residential, business or farming use.

(b) Background

This policy has been developed to provide for the remission of rates in situations where two or more rates set using a fixed (uniform) charge, are assessed on contiguous, but separately owned rating units which are being used jointly as a single property or business.

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

- 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 contiguous.
- A commercial, retail or industrial business that operates from more than one rating unit where those rating units are contiguous and are used jointly as a single property.
- However, Council's "Separately Used or Inhabited" (SUIP) definition will still be applied.

(c) 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.
2. The rating units must:
   a) In the case of a residential property, be owned by the same ratepayer (as recorded on the certificate of title and recorded in the Rating Information Database) who uses the rating units jointly as a single residential property.
      (i) A vacant section adjoining a residential lot does not comply.
      (ii) 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 (as recorded on the certificate of title and recorded in the Rating Information Database) or be leased, from other owners, for a term of not less than five (5) 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.
3. The Council may on written application from a rate payer of such rating units remit any rate set using a fixed (uniform) 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. The Council reserves the right to determine that any specific targeted charge will be excluded from this policy.
6 Remissions will not apply to Water, Stormwater and Sewerage targeted rates.
7 Each application will be considered in line with the general guidelines; however, individual circumstances may vary and could influence the final decision
8 Decisions on remission under this policy will be delegated to the Group Manager–Finance or Finance Manager (or equivalent positions).

Remission of Rates on Māori Freehold Land

1. Introduction

This Policy is prepared under Section 102(2)(e) of the Local Government Act (LGA) 2002. 'Māori Freehold Land' is defined in Section 5 of the Local Government (Rating) Act 2002 as 'land whose beneficial ownership has been determined by the Māori Land Court by Freehold Order'. Only land that is the subject of such an order may qualify for remission under this Policy.

This Policy aims to ensure the fair and equitable collection of rates from all sectors of the Community and recognises that certain Māori owned lands have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide relief from rates.

Council does not provide for the postponement of rates set on Māori Freehold land.

2. Objectives

The objectives of this Policy are set out in Schedule 11 (2) of the LGA 2002;

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 wāhi 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
g) papakāinga housing (whether on the land or elsewhere),
h) 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;
j) the protection of outstanding natural features;
k) the protection of significant indigenous vegetation and significant habitats of indigenous fauna;
l) recognising the level of community services provided to the land and its occupiers, and
m) recognising matters relating to the physical accessibility of the land.

3. Principles

The principles used to develop and establish this Policy are;

a) 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,
b) that Council is required to consider whether it should have a policy on rates relief on Māori Freehold Land,
c) that Council and the Community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered non-collectible,
d) that applications for relief meet the criteria set by Council, and
e) that the Policy does not provide for the permanent remission or postponement of rates on the property concerned.

4. Conditions and Criteria

Māori Freehold Land is defined by Section 5 of the Local Government (Rating) Act 2002 as;

- "Land whose beneficial ownership has been determined by the Māori Land Court by freehold order".
- Only land that is the subject of such an order may qualify for remission under this Policy.

To qualify, a property must meet all of the required criteria and at least one of the optional criteria.

The required criteria are:

1. The land must be Māori Freehold land as defined in the Local Government (Rating) Act 2002,
2. in multiple or trust ownership, and
3. be unoccupied or papakāinga housing.

The optional criteria are:

1. Development of the land for economic use;
   i. particularly if it will provide employment for local Māori.
   ii. this remission will decrease in proportion to the properties increased economic use through the development period.
   iii. plans of the development and financial projections will be required to support application under this criterion;.

2. The presence of wāhi tapu that may affect the use of the land for other purposes;

3. Where houses are in the vicinity of the Marae and are used for papakāinga, the Council will consider applications for a rates remission.

4. How the land is used for the preservation and/or protection of the coastline, outstanding natural features, significant indigenous vegetation, and habitats of indigenous fauna. Applications under this criterion need to be supported by an existing Department of Conservation or Regional Council Management Plan (e.g. in the Department of Conservation Coastal Management Plan for the area);

5. When it is difficult to legally, physically or practically access a property, a rates remission will be considered. Examples of accessibility issues are;
   i. the property is landlocked by properties owned by other people/entities.
   ii. access is legally available by paper road or easement but the road does not exist.
   iii. a road ends or passes a property but a river, ravine, cliff or other impediment prevents practical access.

6. If the property is in and will remain in a natural and undeveloped state and there is no financial income, a rates remission will be considered.

   Applications for remission should be made prior to the start of the rating year (1 July). Applications made after the start of the rating year may be accepted at the discretion of Council. Owners or trustees making an application should include the following information in their applications:
   i. details of the property, the objectives that will be achieved by providing a remission, and
   ii. documentation that proves the land is Māori freehold land.

Council may, at its own discretion, apply remissions to qualifying rating units. Rating relief, and the extent thereof, is at the sole discretion of Council and may be cancelled and reduced at any time.

5. Process

Applications will be determined by the Group Manager – Finance or Finance Manger (or equivalent positions within the Finance Department) to a value of $2,500. Any requested remissions above $2,500, or if there is any doubt or dispute arising, will be referred to the Chief Executive and a member of the Finance Subcommittee for a decision.

The remission will be 100% of any rates except targeted rates made for water supply, sewage disposal or refuse collection.

Appendix

Appendix 1: Definitions and Interpretations

Wāhi tapu: Sites, area or localities of special cultural, spiritual or historical significance to Tangata Whenua and associated with tapu. May include (but is not limited to) urupa, places where baptismal rites are performed and historical battlegrounds.

Natural state (land): The state or condition in which something occurs in nature, untreated or unprocessed, as before the application of any manufacturing process; the condition to which a thing, person, or system tends in the absence of external influences.

Undeveloped state (land): The state or condition of being developed for commercial, residential, and/or personal use.

Liability Management Policy

1. Legislative Provisions

The Local Government Act (LGA) 2002 requires:
liabilities to be managed prudently and in a manner that promotes the current and future interests of the Community (Section 101(1));
a Liability Management Policy to be adopted by Council (Section 102); and specific content of such a policy (Section 104).

2. Objectives

A) The objectives of the Liability Management Policy are to:

- minimise the cost of borrowing (including interest, contracted services, staff, time and administration);
- minimise the exposure to the risks associated with borrowing;
- maintain strong financial ratios;
- consider long term indebtedness as a means of creating intergenerational equity; and
- maintain the integrity of Council's Long Term Plan (LTP).

B) The objectives of the Management of Liquidity and Funding Risk are to:

- ensure Council's continued ability to meet its debts in an orderly manner as and when they are due in both the short and long term, through appropriate liquidity and funding risk management;
- arrange appropriate funding facilities for Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate; and
- maintain lender relationships and Council's general borrowing profile in the local debt and capital markets, so that Council is able to fund itself appropriately at all times.

C) The objectives relating to Reporting are to:

- produce accurate and timely information that can be relied on by senior management and the full Council for control, exposure monitoring, and performance measurement purposes in relation to treasury activity.

3. Current Liabilities

Current liabilities are those which Council has to meet within the following 12 months.

Council will arrange such terms and conditions as it considers necessary for the establishment and provision of normal trade credit to enable it to carry out its Activities. Such credit will not normally involve the issue of any security, undertaking, or collateral as a condition of the provision of such credit, except finance leases and hire purchase, which normally include a charge over the assets being purchased.

Council policy is to pay all routine expenditure obligations by the due date.

4. Borrowing

(For these purposes 'borrowing' does not include hire purchase, deferred payment, or the giving of credit for goods and services where the transaction is for less than 91 days or does not exceed $500,000).

4.1 Borrowing Limits

Debt will be managed within the following limits:

- Net annual interest costs will not exceed 20% of total annual operating revenue.
- Net annual interest costs will not exceed 25% of total annual rates revenue.
- Net debt shall not exceed 225% of total operating revenue.

Council will also monitor and report:

- The ratio of equity: debt.
- Debt per rateable property.

4.2 Instruments or methods to raise debt

- The following funding instruments and methods may be used by Council to raise external debt:
- Committed bank facilities.
- Uncommitted bank facilities.
- Local Authority Bonds which includes fixed rate bonds and floating rate notes.
- Medium Term Notes.
- Local Government Funding Agency.

4.3 Management of Interest Rate Risk

Fixed Rate Hedging Percentages		
Years	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 - 2 years	40%	100%
2 - 4 years	25%	80%
5 -8 years	0%	60%

The fixed rate hedging percentages shall apply to the core debt of Council as detailed in the Long Term Plan or Annual Plan.

The Chief Executive Officer after consulting with appropriate external advisors may use the following interest rate risk management instruments to manage the core debt of Council.

- Interest rate swaps.
- Swaptions (options on swaps).
- Interest rate options, including collar type structures but only in a ratio of 1 : 1.
- Forward rate agreements.

4.4 Management of Credit Risks

All bank borrowing and interest rate hedging transactions must be undertaken with a New Zealand Registered Bank with a minimum Standard and Poor's Long Term credit rating of at least A+ (or the Moody's or Fitch Ratings equivalents).

Council will satisfy itself in all its borrowing transactions that counterparties are financially adequate, have an appropriate industry standing, and have an appropriate track record to give Council reasonable certainty that obligations under concluded contracts will be performed.

4.5 Management of Liquidity Risks

Liquidity Risk Management has the objective of ensuring that adequate funding sources and liquid assets are available at all times to meet the short term commitments of Council as they arise. Appropriate cash flow reports will be maintained to monitor Council's estimated liquidity position over the next 12 months, with such reports being updated at least every three months.

4.6 Management of Funding Risk

- Council must maintain committed funding lines of not less than 110% of projected core debt.
- Where practicable no more than 40% of debt shall mature in any rolling 12 month period.

4.7 Debt Repayment

Loan Repayment Reserves will be established to ensure that sufficient funds are on hand to allow appropriate repayment and/or appropriate refinancing.

4.8 Provision of Security

When arranging funding facilities, Council will have a preference for unsecured facilities unless a cost benefit accrues from offering security.

Council's first choice will be to offer security for borrowings by way of a pledge of rates.

Physical assets will be pledged only where there is a direct relationship between the debt and the asset purchase or construction, or Council considers such a pledge to be more appropriate.

Finance leases for such assets as office equipment, information technology, and vehicles may be entered into provided that the interest rates are commercially advantageous.

4.9 Accountabilities

As provided in the Delegations Register, the authority to provide for and manage Council's borrowing facilities, debt and risk hedging is delegated to the Chief Executive (who can further delegate to any other officer of Council as required) in accordance with the Council's Borrowing Management Policy and the Long Term Plan and/or applicable Annual Plan. (This includes without limitation issuing bonds, drawing debt under existing facilities, renegotiation and extension of existing facilities, negotiation and establishment of new facilities, hedging interest rates, entry into ISDA agreements to govern derivative hedges, and the approval of counterparties).

The quarterly debt reports shall detail Council's weighted average cost of funds as at the end of the relevant quarter.

The Group Manager – Finance or Finance Manager will report to the Finance, Audit and Risk Subcommittee or Council meetings on borrowing management transactions and any instances where the policy has not been able to be complied with, and on all aspects of the Liability Management Policy.

4.10 Internal Borrowing

Council may, from time to time, instead of raising loans or borrowing on overdraft, internally borrow from any Special Fund accounts on such terms and conditions as it thinks appropriate in any instance, but without interrupting the normal cash flow requirements of any such fund. Such terms and conditions may include, amongst other matters, a nil rate of interest and deferral or future waiving of repayments.

Repayments may be made directly to the source fund or through an Internal Loan Repayment Fund.

Internal borrowing arrangements will not be subject to clauses 4.1 or 4.2 of the Liability Management Policy.

The interest rate for internal borrowing will be the sum of the current three year swap bid rate as quoted by Council's principal bank, plus a margin (which includes a commitment fee) of 1.50%.

4.11 New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this Liability Management Policy, Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) as a Principal Shareholding Local Authority. In connection with that borrowing, Council may enter into the following related transactions to the extent it considers necessary or desirable:

(a) Contribute a portion of its borrowing back to the LGFA as subordinate debt, convertible equity if required by LGFA;

(b) Provide a guarantee of the indebtedness of the LGFA;

(c) Commit to contributing additional equity to the LGFA if required;

(d) Subscribe for shares and uncalled capital the LGFA; and

(e) Secure its borrowings from LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over Council's rates and rates revenue.

Prospective Accounting Policies

1. Reporting Entity

The prospective financial statements of the Horowhenua District Council are for the year ended 30 June 2022 and for the subsequent nineteen years, ending 30 June 2041.

The Horowhenua District Council is a territorial Local Authority governed by the provisions of the Local Government Act 2002 and is domiciled in New Zealand.

The Horowhenua District Council group (HDC) consists of Horowhenua District Council and Shannon Community Development Trust, both incorporated in New Zealand.

The primary objective of HDC is to provide goods and services for the community for social benefit rather than making a financial return. Accordingly, Council have designated themselves as PBE for financial reporting purposes.

The prospective financial statements contained in the long term plan are in full compliance with FRS 42 Prospective Financial Statements.

The operations of HDC have been divided into the following activities:

- Land Transport (Roads and Footpaths)
- Stormwater
- Water Supply
- Wastewater Disposal
- Solid Waste
- Regulatory Services
- Community Facilities
- Community Infrastructure
- Property
- Community Support

HDC also advise caution that the information in these statement may not be appropriate for purposes other than those described.

The prospective financial statements were authorised by issue by Council on 30 June 2021. The Mayor and Chief Executive that authorise the issue of the prospective financial statements by HDC are responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The actual results achieved for the period covered by this plan are likely to vary from the information presented in this document, and these variances may be material.

Measurement Base
The measurement base adopted is that of historical cost, modified by the revaluation of certain assets.

Accounting Policies
The following accounting policies which materially affect the measurement of results and financial position have been applied consistently to all years presented from 1 July 2023~~1~~ unless otherwise stated.

2. Basis of Preparation

The prospective financial statements have been prepared in accordance with the requirement of the Local Government Act 2002: Part 6, Sec 93 and Part 1 of Schedule 10, which includes the requirements to comply with New Zealand accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ PBE IPSAS, and other applicable financial reporting standards, as appropriate for public benefit entities. HDC is a tier 1 reporting entity using the public sector Public Benefit Entity Accounting Standards, as it has expenses greater than $30m, and is not publicly accountable.

Basis of Consolidation
The consolidated financial statements are prepared by adding together the items as assets, liabilities, equity, revenue, and expenses of entities in the group on a line-by-line bases. All intragroup balances, transactions, revenues and expense are eliminated on consolidation.

The Financial Statements are presented in New Zealand Dollars. The functional currency of HDC is New Zealand dollars. All values are rounded to the nearest one thousand dollars.

Comparative Information
The Annual Plan 2020/2021 adopted by the council on 30 June 2020 has been provided as a comparator for these consolidated prospective financial statements for year one. The Annual plan 2022/2023 adopted by the council on 29 June 2022 has been provided as a comparator for these consolidated prospective financial statements for year two. The closing balance in this comparative differs from the opening position used to prepare these consolidated prospective financial statements which is based on the most up-to-date forecast information.

Budget Figures
The budget figures have been prepared in accordance with NZ GAAP and comply with NZ PBE IPSAS, and other applicable financial reporting standards, using accounting policies that are consistent with those adopted in preparing these financial statements. Then as a tier 1 reporting entity HDC uses the public sector Public Benefit Accounting Standards.

HDC has not presented group prospective financial statements because it believes that the parent financial statements are more relevant to users. The main purpose of prospective financial statements is to provide users with information about the core services that the HDC intends to provide ratepayers, the expected cost of those services and as a consequent how much HDC requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that HDC obtains distribution from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statement of HDC.

3. Revenue

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

Rates Revenue
The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

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

Development contributions are disclosed separately.

Infringement Fees Revenue
Revenue from infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The Council recognises revenue at an amount based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2 year period.

Subsidises Revenue

HDC receives revenue from New Zealand Transport Agency, which subsidises part of HDC's costs in maintaining the local roading infrastructure, is recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Grants Revenue

Revenue from other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Rendering of Services Revenue

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

Sale of Goods Revenue

Revenue from the sale of goods is recognised when a product is sold to the 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.

Vesting of Assets Revenue

Revenue from vesting of physical assets is recognised for assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects it will need to return or pass the asset to another party.

Commission Revenue

Revenue from acting as an agent for another party is recognised in the form of the commission or fee on the transaction.

Interest and Dividend Revenue

Revenue from interest is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Revenue from dividends is recognised when the right to receive payment has been established.

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Landfill fees

Fees for disposing of waste at the Council's landfill are recognised as waste is disposed by users.

Lease revenue

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset is diminished.

4. Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

5. Income Tax

Income tax expense includes components relating to both current tax and deferred tax. 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 tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or 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 or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current 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 revenue and expense or directly in equity.

6. Grant Expenditure

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

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

The Council's grants awarded have no substantive conditions attached.

7. Leases

Finance Leases

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

At the commencement of the lease term, HDC recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

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

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

Operating Leases

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

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

8. 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.

9. Trade and Other Receivables

Trade and other receivables are initially measured at face value less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that HDC will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated present value of the expected future cash flows, discounted using the effective interest method.

10. Derivative Financial Instruments

Derivative financial instruments are used to manage exposure to interest rate risks arising from the Council's 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 to their fair value at each balance date. The resulting gains or losses are recognised in the surplus or deficit as Council does not hedge account.

The portion of the fair value of an interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

11. Financial Assets

HDC classifies its financial assets into four categories:

- financial assets at fair value through surplus or deficit,
- held-to-maturity investments,
- loans and receivables and
- financial assets at fair value through other comprehensive revenue and expenses.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial acquisition and re-evaluates this designation at every reporting date.

Financial assets 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 HDC 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 HDC has transferred substantially all the risks and rewards of ownership.

The categories of financial assets are:

Financial Assets at Fair Value through Surplus or Deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking.

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 with gains or losses on remeasurement recognised in the surplus or deficit.

Held-to-maturity Investments

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

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

Loans and Receivables
These 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 balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised through surplus or deficit. Loans and receivables are classified as "trade and other receivables" in the Prospective Statement of Financial Position.

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

Financial Assets at Fair Value through Other Comprehensive Revenue and Expenses
Financial assets at fair value through other comprehensive revenue and expenses are those that are designated as fair value through other comprehensive revenue and expenses or are not classified in any of the other categories above. They are included in non-current assets, unless management intends to dispose of, or realise, the investment within 12 months of balance date. After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in other comprehensive revenue and expenses except for impairment losses which are recognised in the surplus or deficit.

On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the surplus or deficit.

Financial assets in this category include investments HDC intends to hold long-term but which may be realised before maturity and shareholdings that HDC holds for strategic purposes.

12. Impairment of financial assets

At each balance sheet date HDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

Loans and Other Receivables and Held-to-maturity Investments
Impairment is established when there is objective evidence that the Council and Group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, Government bonds and community loans are recognised directly against the instrument’s carrying amount.

Financial Assets at Fair Value through Other comprehensive revenue and expenses
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 revenue and expenses, 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 revenue and expenses 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.

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

13. 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 through 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.

14. Property, Plant and Equipment

Property, plant and equipment consist of:

Operational Assets - These include land, buildings, landfill post closure, library collections, plant and equipment and motor vehicles.

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

Infrastructure Assets - Infrastructure assets are the fixed utility systems owned by HDC. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations. Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

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 HDC 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 a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included through 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.

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 HDC and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

HDC's depreciation is provided on a straight-line basis on all property, plant and equipment (other than land) at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Useful Life	Depreciation Rate
Operational Assets		
Land	N/A	N/A
Buildings:		
Structure	20 to 100 years	1% to 5%
Roofing	40 years	2.5%
Electricals	40 years	2.5%
Plant, equipment and vehicles	4 to 25 years	4% to 25%
Library assets	10 years	10%
Solid waste management:		
Building structure	50 to 100 years	1% to 2%
Building roofing	40 years	2.5%
Roading	50 years	2%
Cell site works and earthworks	33 years	3%
Cell lining, drainage and irrigation	33 years	3%
Cell electricals	10 years	10%
Restricted Assets		
Land	N/A	N/A
Buildings:		
Structure	20 to 100 years	1% to 5%
Roofing	40 years	2.5%
Electricals	40 years	2.5%
Improvements	4-25 years	4% to 25%
Infrastructure Assets		
Roading: (average lives and depreciation rates of major components)		
Land	N/A	N/A
Formation	N/A	N/A
Berms	100 years	1%
Surface water channels	50 to 100years	1% to 2%
Bridges and culverts	40 to 100 years	1% to 2.5%
Drainage	80 years	1.25%
Sealed pavement	78 years	1.29%
Basecourse	60 years	1.66%
Footpaths – concrete	60 years	1.66%
Footpaths – metal	100 years	1%
Footpaths – other	20 to 45 years	2.22% to 5%
Crossings	50 years	2%
Streetlights – poles	30 to 50 years	2% to 3.33%

	Useful Life	Depreciation Rate
Streetlights – lights	25 years	4%
	Useful Life	**Depreciation Rate**
Infrastructure Assets		
Signage	12 years	8.33%
Surfacing	1 to 25 years	4% to 100
Stormwater:		
Pump stations	100 years	1%
Manholes	80 years	1.25%
Sumps	60 years	1.67%
Pipes	20 to 100 years	1% to 5%
Pumps	15 years	6.67%
Water:		
Land	N/A	N/A
Buildings:		
Structure	50 to 100 years	1% to 2%
Roofing	40 years	2.5%
Electricals	40 years	2.5%
Treatment facilities	8 to 100 years	1% to 12.5%
Pipes	20 to 80 years	1.25 to 5%
Laterals	50 to 90 years	1.11% to 2%
Tobies	60 years	1.67%
Valves	60 years	1.67%
Hydrants	60 years	1.67%
Meters	20 years	5%
Sewer:		
Land	N/A	N/A
Buildings:		
Structure	25 to 70 years	1.43% to 4%
Roofing	40 years	2.5%
Electricals	40 years	2.5%
Treatment and disposal facilities	10 to 100 years	1% to 10%
Pipes	60 to 80 years	1.25% to 1.67%
Laterals	60 to 100 years	1% to 1.67%
Pump stations	50 to 60 years	1.67% to 2%
Manholes	80 years	1.25%
Pumps	10 to 25 years	4% to 10%

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

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

Land and buildings (operational and restricted) are revalued on a three yearly valuation cycle. Infrastructure assets (except land under roads) are revalued every two years~~.~~
~~-~~All other asset classes are carried at depreciated historical cost.

The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value is 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 revenue and expense.

~~*Operational Land and Buildings*~~
~~At "fair value" was determined from market-based evidence by an independent valuer. The most recent valuation was performed by B D Lavender (ANZIV, SNZPI) of TelferYoung and the valuation is effective as at 30 June 2020.~~

~~*Restricted Land and Buildings: Parks, Cemeteries and Endowment Land*~~
~~At "fair value" was determined from market-based evidence by an independent valuer. The most recent valuation was performed by B D Lavender (ANZIV, SNZPI) of TelferYoung and the valuation is effective as at 30 June 2020.~~

~~*Infrastructural Asset Classes: Roads, Water Reticulation, Sewerage Reticulation and Stormwater Systems*~~
~~At "fair value" was determined on a depreciated replacement cost basis by Council staff. At balance date HDC assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets' fair values.~~
~~The next revaluation for Council will be in year one of the LTP, then every two years after. This is to capture work being completed on the treatment plant assets.~~

~~*Valuations completed by:*~~
~~The roading infrastructure assets were valued as at 1 July 2020 using unit rates calculated by Simon Gough (Bachelor of Engineering BE Civil Engineering) of GHD. Wastewater assets, water supply assets and stormwater assets were valued as at 1 July 2020 using unit rates calculated by WSP. Land and buildings associated with the water supply and wastewater activities was valued by B D Lavender (ANZIV, SNZPI) of TelferYoung and the valuation is effective as at 30 June 2020. Land under the roads is valued at deemed cost.~~

~~The landfill infrastructure was valued in two parts, both as at 30 June 2020. The land and buildings were valued by B D Lavender (ANZIV, SNZPI) of TelferYoung. The remainder of the asset was valued by Phil Landmark (BScEng (Civil) CP Eng) of MWH New Zealand Ltd, and reviewed by Brian Smith (BCom (Acc & Eco.), CA) of MWH New Zealand Limited.~~

15. Intangible Assets

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

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by HDC are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when included. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Easements

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

Carbon credits

Carbon credits are initially recognised at cost. After initial recognition they are not amortised but all carbon credits are measured, annually, at fair value. The net revaluation result is credited or debited to other comprehensive revenue and expense and is accumulated to fair value through general reserve. Where this results in a debit balance in the reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase in 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 revenue and expense. They are derecognised when they are used to satisfy carbon emission obligations.

Amortisation

HDC's 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 de-recognised. The amortisation charge for each period is recognised through the surplus or deficit.

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

Computer software: 10 years, 10%.

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

Kete software – 4 years. 60%
Koha software – 8 years, 30%
Other software – 60% diminishing value.

16. Forestry Assets

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

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

The costs to maintain the forestry assets are included through surplus or deficit.

17. 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, HDC measures all investment property at fair value as determined annually by an independent valuer.

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

18. Impairment of Property, Plant and Equipment and Intangible Assets

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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 its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as 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 other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

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

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

Value in use for non-cash generating assets

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is the depreciated replacement cost.

Value in use for cash generating assets

Cash generating assets are those assets that are held with the primary objective of generating a commercial return.

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

19. Employee Benefits

Short-term Benefits

Employee benefits that Horowhenua District Council expects to be settled within 12 months after the end of period in which the employee renders the related service 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.

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

Long-term Benefits

Entitlements that are payable beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retiring leave, have been calculated on an actuarial basis.

The calculations are based on:

- the 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.

Employees Benefit Liabilities

These are calculated based on estimate of individual staff members reaching the long service leave milestones based on current salaries.

Superannuation Schemes

Defined Contribution Schemes
Obligations for contributions to defined contribution superannuation schemes are recognised as an expense through surplus or deficit when incurred.

Defined benefit schemes
Horowhenua District Council does not belong to any Defined Benefit Scheme.

20. Creditors and Other Payables

Short-term creditors and other payables are recorded at their face value.

21. Provisions

HDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

Financial Guarantee Contracts
A financial guarantee contract is a contract that requires HDC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.
Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that HDC will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the higher of:
- the estimated amount determined if it is probable there will be an outflow to settle the guarantee; and
- the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

22. Borrowings

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

Borrowings due to be settled within 12 months of balance date are treated as current liabilities. All other borrowing is classified as term liabilities.

23. Equity

Equity is the community's interest in HDC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves. The components of equity are:
- Retained earnings
- Restricted reserves
- Asset revaluation reserves

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

Restricted reserves are those subject to specific conditions accepted as binding by HDC and which may not be revised by HDC without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

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

Asset revaluation reserves

These reserves relates to the revaluation of property, plant and equipment to fair value.

24. Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it 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.

25. Cost Allocation

HDC has derived the cost of service for each significant activity of HDC 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.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as costs and revenues, actual usage, staff numbers and floor area.

26. Critical Accounting Estimates and Assumptions

In preparing these financial statements HDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgments 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Landfill Aftercare Provision

The Prospective Statement of Financial Position discloses the exposure of HDC in relation to the landfill aftercare provision.

Infrastructural Assets

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for assets that are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the

actual consumption of the benefits of the asset, then HDC could be over or under estimating the annual depreciation charge recognised as an expense through surplus or deficit. To minimise this risk HDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the HDC's asset management planning activities, which gives HDC further assurance over its useful life estimates.

- Experienced independent valuers perform the Council's infrastructural asset revaluations.

27. Accounting Standards issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the prospective financial statements are as follow:

Financial Instruments

For year 1 (2021/22) of the LTP, PBE IPSAS 29 Financial Instruments applies. The comparative prospective financial statements for 2020/21 were also prepared using this accounting standard.

For subsequent years, 2023-2031, PBE IPSAS 41 Financial Instruments will be applicable as this new accounting standard will become effective for the period beginning 1 July 2022. The prospective financial statements for the years 2 to 10 have not been prepared using this new standard as Council does not consider that the financial information will be materially different. The main differences between PBE IPSAS 29 and PBE IPSAS 41 relate to the classification of financial assets and liabilities, impairment and hedging. Under PBE IPSAS 41 the financial classification should not significantly change the value of the financial assets or liabilities. The required change in impairment model should have no impact as impairments are not usually significant when considering prospective financial statements and the hedging requirements under PBE IPSAS 41 can be continued as they were under PBE IPSAS 29. Current accounting policies under PBE IPSAS 29The Council plans to apply this standard in preparing the 30 June 2023 financial statements and anticipates that the standard will not have a material effect on Council's financial statements.

Service Performance Reporting

Council is required under the Local Government Act 2002 to produce a Statement of Service Performance as part of its annual report.

In November 2017, the XRB issued a new standard, Service Performance Reporting (PBE FRS 48).
This Standard establishes new requirements for public benefit entities (PBEs) to select and present services performance information. PBEs will need to provide users with: (i) sufficient contextual information to understand why the entity exists, what it intends to achieve in board terms over the medium to long term, and how it goes about this; and (ii) information about what the entity has done during the reporting period in working towards its broader aims and objectives. The new standard is mandatory for annual periods beginning on or after 1 January 2022, with early application permitted.

The Council plans to apply this standard in preparing the 30 June 2023 financial statements and anticipates that the standard will not have a material effect on Council's financial statements.

Other changes in accounting policies

There have been no other changes in accounting policies since 30 June 2020.

Summary of Council's policy on determining significance

Legislative requirements

In accordance with section 76AA of the Local Government Act (LGA) 2002 the Council is required to have a Significance and Engagement Policy (Policy). This Policy is required to set out the following:

a) *Council's general approach to determining the significance of proposals and decisions in relation to issues, assets, and other matters;*
b) *any criteria or procedures that are to be used by Council in assessing the extent to which issues, proposals, assets, decisions, or activities are significant or may have significant consequences;*
c) *how Council will respond to community preferences about engagement on decisions relating to specific issues, assets, or other matters, including the form of consultation that may be desirable; and how Council will engage with communities on other matters.*

Determining whether a decision is significant

The Policy outlines the criteria and procedures for Council when determining whether or not a decision is significant. In accordance

with its general approach, Council will determine all decisions to be significant unless the impact on the:

- Current or future cultural, economic, environmental and social wellbeing of the district is minimal
- Achievement of, or ability to achieve, Council's stated levels of service as set out in the current Long Term Plan (LTP) is minimal
- Capacity of Council to perform its role and carry out its activities, now and in the future is unaffected
- Financial resource and other costs of the decision are minimal or included in an adopted LTP

Engagement with the Community

Community involvement in Council's decision making process for significant decisions is important. The Policy outlines how Council intends to engage with the Community during its decision making process for significant decisions using a principle-based approach to community engagement:

- Be fairly informal and not too bureaucratic
- Seek the views of interested and affected people
- Seek the views of the people whom Council does not normally hear from
- Give people relevant and honest information in a way that suits them
- Use plain language
- Make it easy for people to give their views to Council
- Engage in the community by going to where people are and not always expecting them to come to Council
- Involve people right through the decision making process
- Give people time to think about the issues and respond to them

- Be clear about the process being used and the levels of influence that people have
- Undertake the engagement with an open mind
- Be receptive to new ideas
- Give people involved in the engagement a response to the issues they raise
- Undertake the engagement in a cost effective

Decision making

When Council makes decisions about issues/plans/policies identified as significant then it will:

- Identify and assess as many options as are practicable
- Quantify the costs and benefits resulting from the decision to be made
- Provide detailed information accessible to the public
- Maintain clear and complete records showing how compliance with the Significance and Engagement Policy was achieved
- Take into account views already expressed in the community, where there has been no material change to the issue since previous engagement
- Provide processes to encourage and engage with Māori*

* If the issue, proposal, decision or other matters concerned involved a significant decision in relation to land or a body of water, Council will take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga.

Review of the Significance and Engagement Policy

This Policy will be reviewed at least once every three (3) years.

As part of the engagement process for the adoption of this Policy and subsequent reviews, Council will work with people in Horowhenua to gain an understanding of their engagement preferences.

It is recommended the review occurs prior to each Draft LTP consultation so that learnings may be incorporated into the Policy prior to one of the triennium's largest engagement projects.

Note: *This is just a summary of the Significance and Engagement Policy. The full version of this Policy is available online on Horowhenua District Council's website (https://www.horowhenua.govt.nz/Council/Documents/Local-Bylaws-Policies) or it is available upon request from the Council's Civic building in Levin.*