
12. Liability Management Policy

APPLICATION

This policy applies to Council. It does not apply to Council-controlled organisations or Trusts.

REVIEW DATE

This policy is to be reviewed triennially for input into the Long Term Council Community Plan.

TREASURY BORROWINGS

Council maintains Treasury borrowings to:

- Raise specific debt associated with projects and capital expenditures.
- Raise finance leases for fixed asset purchases.
- Fund assets whose useful lives extend over several generations of stakeholders.

Council does not anticipate using short-term overdraft facilities for day-to-day liquidity.

PROCEDURES FOR BORROWING

Under this policy Council may borrow money or enter into an incidental arrangement in accordance with a resolution passed by Council in a public meeting stating:

- Its purpose.
- The nature of any security.
- Its terms and conditions.
- Any delegations for the terms and conditions, and security if not stated.

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

- The size and the economic life of the project.
- The impact of the new debt on the borrowing limits.
- Relevant margins under each borrowing source.
- Council's overall debt maturity profile to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates relative to term for both stock issuance and bank borrowing and management's view of future interest rate movements.
- Available term from bank and stock issuance.
- Ensuring that the implied finance terms within the specific debt (e.g. project finance) are at least as favourable as Council could achieve in its own right.
- Legal documentation and financial covenants.

SPECIFIC LIABILITY MANAGEMENT POLICIES

Section 113 of the Local Government Act 2002 prohibits borrowing and other related incidental arrangements in foreign currency. This minimises the direct risks of foreign exchange movements to Council for borrowing.

1. INTEREST RATE EXPOSURE POLICY

1.1 Maturity Profile

Interest rate risk will be managed through diversifying the maturity profile of long-term debt. A flat maturity profile minimises Council's exposure to the particular set of interest rates that might prevail at any one time. The possibility of extreme gains and losses is avoided in favour of a long-run interest cost. A broad policy will allow:

- For a range of market circumstances.
- Recognition that the cost of raising or refinancing small amounts of debt to achieve a flat maturity profile may become excessive.

Liability Management Policy 1.1 – Maturity Profile

The total amount of debt should, in so far as it is possible and practical, be spread evenly across the range of possible maturity dates.

1.2 Fixed Versus Variable Interest Rates

The definition of fixed rate debt is any debt that has no interest re-setting (re-pricing) within twelve months. The definition of floating rate debt is any debt that has an interest rate re-setting (re-pricing) within twelve months.

In order to provide a structure to optimise movements in interest rates an appropriate mix of fixed and floating rate debt is required. The mix must be based on Council's perception of future interest rate trends. If interest rates are declining then it may be appropriate to have a high proportion of debt placed at a floating rate. This allows maturing debt to be refinanced at lower interest rates. If interest rates are likely to rise then it may be appropriate to capture the set interest rate available at that time.

However, there is a bias towards fixed interest rates as these provide more certainty of costs for funding purposes and can often be at a lower rate than variable interest rates.

The following limits are set to provide an appropriate mechanism for the mix of floating and fixed interest rate debt.

Liability Management Policy 1.2 – Fixed Versus Variable Interest Rates

Variable/floating interest rate debt: no greater than 50% of external debt.

1.3 Refinancing Debt

If current interest rates are substantially lower than those currently paid then it may be appropriate to refinance. Refinancing costs must also be taken into account.

Liability Management Policy 1.3 – Refinancing Debt

In respect of existing borrowing, Council will review as appropriate, currently available costs of borrowing to see if significant savings are possible.

1.4 Hedging

If properly advised the use of hedges to offset risk may be to the Council's advantage.

The use of hedging techniques which include forward rate agreements, swaps, future markets and options, are only permissible upon specific approval of Council to minimise the interest rate exposure on special projects.

Liability Management Policy 1.4 – Hedging

Hedging is permissible. Before hedging an exposure, Council must obtain assurances from independent expert advisors and ensure that:

- Hedging does not increase overall risk.
- The cost of hedging is justified.

2. LIQUIDITY POLICY

Council's ability to readily attract cost effective borrowing is largely driven by its ability to maintain a strong balance sheet as well as by its ability to rate, manage its image in the market and its relationships with bankers. Where possible Council seeks a diversified pool of stock and bank borrowing and ensures that bank borrowings are only sought from the approved list of registered banks (see Appendix 2). Council ensures funds are available on repayment through:

- Treasury investments being maintained in liquid assets.
- Funds are available being committed bank facilities.

Liability Management Policy 2 – Liquidity

Council will ensure that it has, at all times, sufficient funds available to meet its obligations as they fall due.

Borrowing under this policy shall be used for the purpose of meeting temporary shortfalls in revenue and will not be used as a permanent source of funds.

Minimum level of available liquidity (committed facilities and/or liquid assets) will not be less than \$500,000 in addition to the amount required to be held against special funds.

3. CREDIT EXPOSURE AND BORROWING LIMITS POLICY**3.1 Liability Management Policy – Specific Borrowing Limits**

It is desirable to have predetermined benchmarks to manage debt levels and servicing costs. Whilst Council has the ability to charge and collect rates, it is still necessary to establish debt management guidelines.

The following guidelines will assist in the process of prudent debt management.

The debt/equity ratio measures long-term debt, (excluding the current portion repayable within 12 months) against ratepayers equity. It reflects the balance between long term borrowings and ratepayers equity in the capital structure.

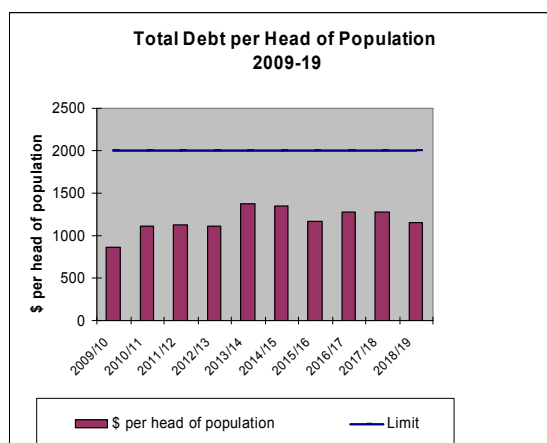
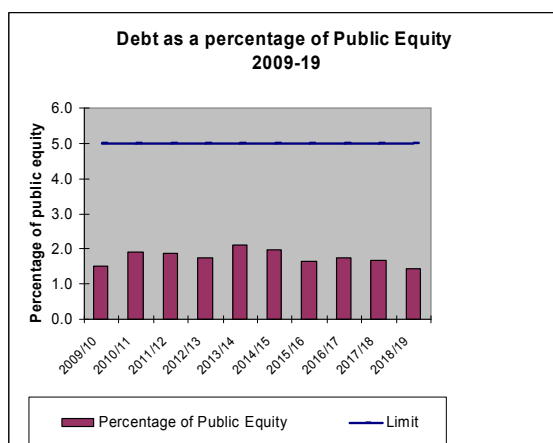
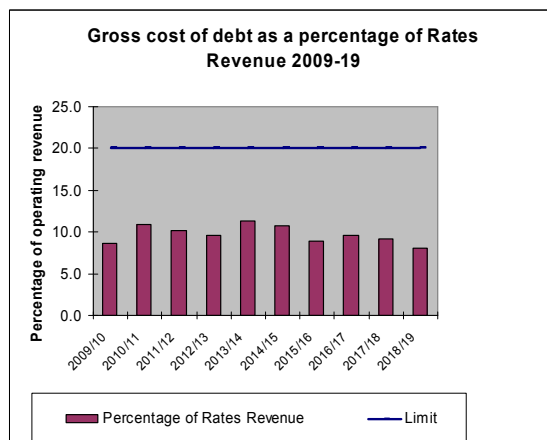
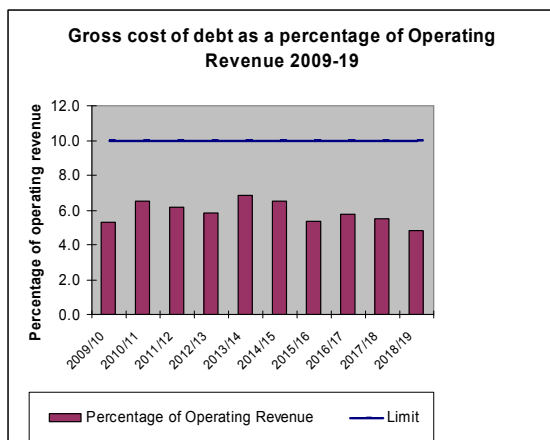
This is an important measure as it represents a significant portion of the infrastructure that is being developed through the capital works programme.

Liability Management Policy 3.1 – Specific Borrowing Limits

Debt will be managed within the following limits subject to:

- Council continuing to control and maintain its share of the roading network.
- Requirements in the event of civil emergencies:
- Gross cost of debt (interest and capital payments) in any financial year must not exceed as a percentage of Councils operating revenue; 10%.
- Gross cost of debt (interest and capital payments) in any financial year must not exceed as a percentage of rate revenue; 20%.

- Debt must not exceed as a percentage of total public equity and accumulated funds; 5%.
- Total debt per head of population will not exceed; \$2,000.



3.2 Committed Borrowing Facilities

The following committed facilities must be available:

Liability Management Policy 3.2 – Committed Facilities

Overdraft facilities with Council’s banker to a maximum limit of \$200,000.

4. GIVING OF SECURITY

Lender’s concerns over default risk will reduce if Council gives security over assets or future income flows. Consequently the existence and high quality of security will generally reduce the interest rate cost to Council.

Many of Council’s assets are not readily saleable so will be less attractive as security items. Giving security over special rates is cost efficient and attractive to lenders. This is therefore the preferred method of providing security.

Liability Management Policy 4 – Giving of Security

- Council’s first choice of giving security will be rates.
- Council assets may be pledged as security where it is advantageous and cost effective to do so.

5. INTERNAL BORROWING OF SPECIAL FUNDS

Special Funds must generally be used for the purposes for which they have been set aside. Council may, however, modify such purposes from time to time.

Debt can come from external sources or internal borrowings from Council reserves. It is prudent to utilise reserves while they are not required, instead of raising new debt. Otherwise the situation exists where interest is earned on reserve funds and at the same time interest is paid on debt. Usually the interest rate on debt is more than the rate being earned on reserves. Borrowing internally ensures that net interest costs are minimised. This will become increasingly important as reserves increase to meet Asset Management Plan requirements, depreciation funding and loan repayment funding.

For reasons of cost distribution, records on internal borrowings will be maintained to ensure funds are not disadvantaged.

Liability Management Policy 5 – Internal Borrowing

Council may authorise use of a portion(s) of special funds to reduce the requirement for external debt where all the following are met:

- There is a financial benefit to borrow internally.
- The total of special fund liquid/cash investments will not fall below \$1,000,000.
- The Council is satisfied that the portion of reserves being used is not likely to be required within 12 months, and levels are reviewed annually.

The special funds used must be reimbursed for interest revenue lost.

Internal debt will be included as part of total debt for the calculations of Policy 4 on Specific Borrowing Limits.

6. CAPITAL WORKS FUNDING

Liability Management Policy 6 – Capital Works Funding

Capital works will be funded through raising new debt or by utilising depreciation reserves where such exist for the depreciable classes of assets.

7. DEBT PERIOD

Normally the period of debt raised for infrastructural capital works will not exceed the life of the asset being purchased or built, but in no case longer than 25 years.

Liability Management Policy 7 – Debt Period

Long term Debt (debt greater than one year) will not be used to fund annual operational expenditure.

The use of long-term loan funds will be restricted to capital items only.

13. Investment Policy

INVESTMENT MIX

Council maintains investments in the following financial assets:

- **EQUITY INVESTMENTS** (covered in Section 1)
- **PROPERTY INVESTMENTS** (covered in Section 2)
- **FINANCIAL INVESTMENTS** (covered in Section 3)

GENERAL POLICY

Council's philosophy in the management of investments is to optimise returns in the long term while balancing risk and return considerations. Council recognises that as a responsible public authority any investments that it does hold should be low risk, giving preference to conservative investment policies and avoiding speculative investments. It also recognises that lower risk generally means lower returns. Any new investments are approved by the appropriate delegated authority and on the recommendation of Council's advisors - First New Zealand Capital.

Council does not hold financial investments other than those involving specific reserves and cash management balances. In its financial investment activity, Council's primary objective when investing is the protection of the investment capital value and to minimise the risk of loss. Accordingly, only creditworthy counterparties are acceptable. Council's policy on managing credit risk is contained in Section 4.

Within the credit constraints contained in Section 4, Council also seeks to:

- Optimise investment returns.
- Ensure investments are liquid and sufficiently flexible.
- Diversify the mix of financial investments.
- Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

1. EQUITY INVESTMENTS

Council has equity investments in Civic Assurance Limited (previously known as NZ Local Government Insurance Corporation) and Tamatea Limited.

1.1 Civic Assurance Limited

Nature of Investment/Rationale for Holding

The shares in Civic Assurance were acquired by virtue of Council being a local authority. The Council holds 8,290 shares. The purpose of the company, in which most local authorities are shareholders, is to ensure that adequate insurance arrangements are available to local authorities at the lowest possible cost. The shares are not readily transferable.

Disposition of Revenue

Revenue earned from the shares is minimal. Any sale will require Council approval. Any disposition will be realised in a managed form and proceeds are taken to the Capital Projects Fund.

Risk Management

The investment will be managed by reviewing annually the performance, and the consideration of and approval of the Statement of Intent.

Management Reporting and Procedures

Annual Reports are received and reviewed by Staff. Election of Directors takes place at the AGM held at the Local Government New Zealand annual conference. The Council can vote by proxy.

Specific Policy

Council will continue to hold its shares in Civic Assurance Ltd whilst it continues to do business with this company.

1.2 TAMATEA LIMITED**Nature of Investment/Rationale for Holding**

Tamatea Limited (Tamatea) is a company 100% owned by Council. Tamatea holds Council's 34% stake in Infracon Limited (Infracon). The shares in Infracon will not be disposed of without Council approval and are subject to Council's Significance Policy.

Disposition of Revenue

Revenue earned from the shares in Infracon is by way of dividend. It is expected that the dividend will be passed on in full to Council by Tamatea.

Risk Management

The investment will be managed by reviewing annually its performance, and by consideration of and approval of the Statement of Intent.

Management Reporting and Procedures

Audited Annual Reports are received and approved by Council. Election of Directors to Tamatea takes place in terms of the appropriate Council Policy - 1.3 Policy on *Appointment and Remuneration of Directors for Council Organisations*. In turn, by virtue of Infracon's constitution, Tamatea appoints two (2) of the six (6) directors to the Infracon Board.

Specific Policy

Council will continue to hold its shares in Tamatea whilst Council retains an interest in Infracon.

2. PROPERTY INVESTMENTS**Nature of Investment/Rationale for Holding**

Council's primary objective is to only own property (including land and buildings) that is necessary to achieve its strategic objectives as stated within the Long Term Council Community Plan (LTCCP). This definition excludes infrastructural service e.g. reserves and drainage. Council will generally acquire new property if it achieves Council's strategy objectives. The Council also retains Retirement Housing accommodation and owns, for the purpose of leasing, camping grounds at Kairakau Beach, Blackhead Beach, Pourerere Beach and Waipukurau.

Disposition of Revenue

Council seeks to achieve an acceptable commercial rate of return to ensure minimal rating input.

Sale of property investments requires Council approval under Council's Significance Policy. Proceeds from the disposition of property investments are used firstly in the retirement of related debt and then are credited to the Capital Projects Fund.

Risk Management

The Council's investment in properties, other than reserves and those required for own occupation and infrastructural services, will not exceed 50% of total fixed assets.

Management Reporting and Procedures

As part of our Annual Plan process, Council reviews the performance of its property investments and ensures that the benefits of continued ownership are consistent with its stated objectives.

Specific Policy

Council's policy is to dispose of any property that does not achieve a commercial return having regard to any restrictions on title or other requirements or needs to achieve Council objectives.

3. FINANCIAL INVESTMENTS

Council maintains financial investments for the following primary reasons:

- To invest the proceeds from the sale of assets.
- To invest amounts allocated to specific reserves e.g. Catastrophic Fund.
- To invest funds allocated for approved future expenditure.
- To invest surplus cash and working capital funds.

Interest income earned on financial investments relating to specific reserves is allocated to those accounts annually based on the opening balance. Council reviews financial investment performance through standard management reporting.

Investment Objectives

Council's primary objective when investing is the protection of its investment. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties are selected on the basis of their current Standard and Poors (S&P) rating which must be "strong" or better. Credit ratings are monitored on a three monthly basis by the Corporate Services Manager from updated S&P advices/advice from Council's advisor First NZ Capital.

The Corporate Services Manager approves an investment strategy, as recommended by Council's advisors - First NZ Capital.

The following principles capture the above objectives and form the key assumptions of the operating parameters:

- Credit risk is minimised by placing maximum limits for each broad class of non-Government issuer, and by limiting investments to local authorities, registered banks, strongly rated SOE's, and corporates within prescribed issuer and portfolio limits.
- Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market.
- Council invests in approved instruments which include:
 - Government investments ¹
 - Registered bank investments ²
 - Local authority investments ³
 - SOE and corporate investments ⁴

¹ Authorised instruments include: treasury bills and government stock.

² Authorised instruments include: money market call deposits, money market term deposits, negotiable certificates of deposit, registered certificates of deposit and bank bills.

³ Authorised instruments include: local authority stock, bonds and promissory notes and local authority debentures.

⁴ Authorised instruments include: commercial paper, promissory notes and corporate bonds.

Definitions for approved financial investment instruments are included in Appendix 1.

Interest Rate Risk Management

Council's investments give rise to a direct exposure to a change in interest rates, impacting the return and capital value of its investments.

The Corporate Services Manager approves interest rate risk management strategy as recommended by Council's Investment Advisors, who monitor the interest rate markets on a semi-annual basis, evaluating the interest rate outlook and determining the interest rate profile to adopt for investments. Details of approved interest rate risk management instruments are contained in Appendix 2.

4. SINKING FUNDS

Council is not required to use specific funding mechanisms and accordingly Council does not establish sinking funds for new borrowing. Established sinking funds are wound down as loans mature or are used to repay existing borrowing at the earliest opportunity.

A specific fund for retirement of maturing debt has been created. Funds will be transferred to this fund from time to time.

Appendix 1

Approved Financial Investment Instruments

Investment instruments available in the market (excluding equities and property) can generally be discussed under four broad categories relating to the issuer of these instruments.

1. NEW ZEALAND GOVERNMENT

- **Treasury bills** are registered securities issued by the Reserve Bank of New Zealand (RBNZ) on behalf of the Government. They are usually available for terms up to a year but generally preferred by investors for 90 day or 180 day terms. They are discounted instruments, and are readily negotiable in the secondary market.
- **Government stocks** are registered securities issued by the RBNZ on behalf of the Government. They are available for terms ranging from one year to twelve year maturities. Government stocks have fixed coupon payments payable by the RBNZ every six months. They are quoted on a semi-annual yield basis and are priced on a discounted cashflow basis. They are readily negotiable in the secondary market.

2. LOCAL AUTHORITIES

Local Authority stocks are registered securities issued by a wide range of local government bodies. They are usually available for maturities ranging from one to ten years. A fixed coupon payment is made semi-annually to the holder of the security. They are negotiable and can usually be bought and sold in the secondary market.

3. REGISTERED BANKS

- **Call and term deposits** are funds accepted by the bank on an overnight basis (on call) or for a fixed term. Interest is usually calculated on a simple interest formula. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments. Termination prior to maturity date can often involve penalty costs.
- **Registered certificates of deposit (RCD)** are securities issued by banks for their funding needs or to meet investor demand. They are registered at the RBNZ or held on behalf of by the dealing bank. Details include the name of the investor, face value and maturity date. Ownership can be transferred by electronic transfer only. RCDs are priced on a yield basis and issued at a discount to face value or

a grossed up basis. They are generally preferred over term deposits because investors can sell them prior to maturity without suffering penalty interest costs common to term deposits.

- **Bank bills** are bills of exchange drawn or issued, usually by a corporate borrower and accepted or endorsed by a bank. The investor is exposed to bank credit risk when investing in such instruments. Bank bills are readily available for any maturity up to 180 days, although 30 to 90 day terms are more common. They are quoted on a yield basis and priced on a discount basis. Investors in bank bills can sell the bills prior to maturity date.

4. CORPORATES

- **Corporate bonds** are generally issued by companies with good credit ratings. These bonds can be registered securities or bearer instruments. There are two types of bond, the medium term note (MTN) and the floating rate note (FRN). The MTN has a fixed coupon payment that is paid semi-annually to the holder of the security. They are priced on a semi-annual yield basis and are issued at a discount/premium to face value. The interest on the FRN is set on a floating rate basis usually off the 90 day bank bill bid rate. Corporate bonds are negotiable and can be bought and sold in the secondary market.
- **Promissory notes** are issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the notes to be issued without endorsement or acceptance by a bank. The notes are usually underwritten by financial institutions to ensure that the borrower obtains the desired amount of funds. Promissory notes are issued with maturities ranging from 7 days to over one year. The common maturities are for 30 and 90 days. The face value of the note is repaid in full to the bearer on maturity.

Appendix 2

APPROVED INTEREST RATE RISK MANAGEMENT INSTRUMENTS

1. Investment Instruments
2. Definitions

1. INVESTMENT INSTRUMENTS

The following interest rate risk management instruments are available following approval by the Council.

- Fixing through physical investment instruments e.g. term deposits.
- Floating through physical investment instruments e.g. call deposits.
- Forward rate agreements.
- Interest rate swaps.
- Purchase of interest rate options products including floors.
- Interest rate collar type option strategies.

The interest rate risk management instruments detailed below are not permitted for use:

- Selling interest rate options for the primary purpose of generating premium income are not permitted because of its speculative nature.
- Structured or leveraged interest rate option strategies where there is any possibility of Council's total interest income decreasing in an increasing interest rate market or where Council's total interest income is decreasing faster than the general market rate.
- Interest rate futures contracts, mainly for administrative ease.

2. DEFINITIONS

BKBM

The bank bill mid market settlement rate, as determined at 10.45 am each business day on Reuters page BKBM. This is the standard rate for the settlement of interest rate swaps, forward rate agreements and interest rate floors, caps and collars.

Bond Options

Council, when purchasing a bond option, has the right, but not the obligation, to buy or sell a specified government stock maturity on an agreed date and time and at an agreed rate.

This product is either used where there is some uncertainty in the underlying debt exposure or the outlook for interest rates is favourable but the policy requires some form of protection.

Forward Rate Agreement

An agreement between Council and a counterparty (usually a bank) protecting Council against a future adverse interest rate movement for a specified period of time. Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). This definition includes the bond forward rate agreement where the benchmark rate is the underlying government bond yield.

This product is particularly useful where the underlying debt exposure is certain and Council's dominant view is that yields will rise above current levels.

Interest Rate Collar Strategy

The combined purchase (sale) of a floor or cap with the sale (purchase) of another floor or cap. This can be a zero premium cost strategy. See the interest rate option for further details.

This product can be used by both an investor and a borrower. From a borrower's perspective, this product is transacted to provide a limited amount of participation in a downward movement in interest rates to an agreed strike rate. If the interest rate continues to move downwards, Council cannot participate in any movement beyond the strike rate. If interest rates move in an unfavourable direction (upwards) then the predetermined strike rate provides certainty through a known worst case rate.

For an investor, the zero cost collar allows some participation in an increase in rates and provides a worst case rate if interest rates decline.

This product outperforms the forward rate agreement if rates fall but under performs if rates rise. This product would be used by a borrower, for known exposures, where the interest rate is expected to decline moderately from current levels.

Interest Rate Options

The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right, but not the obligation, to invest (described as a floor) or borrow (described as a cap) at a future date for a specified period. Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). Interest rate option products include caps, floors, swaptions and bond options.

From a borrower's perspective, these products offer Council maximum flexibility, protecting Council from a rise in rates but allowing full participation in a fall in rates. When used by an investor, this product protects Council from a decline in rates and allows full participation in rising rates.

This product is used either where there is some uncertainty in the underlying debt exposure or the outlook for interest rates is favourable but the policy requires some form of protection.

Interest Rate Swap

An interest rate swap is an agreement between Council and a counterparty (usually a bank) whereby Council pays (or receives) a fixed interest rate and receives (or pays) a floating interest rate. The parties to the contract agree notional principal, start date of the contract, term of the contract, interest rate and the benchmark rate (usually BKBM).

This product is particularly useful where the underlying debt exposure is certain and Council's dominant view is that interest rates will rise above current levels. As an investor, the swap is used when the dominant view is that rates will fall from current levels.

Swaption

The purchase of a swaption gives Council the right, but not the obligation, to enter into an interest rate swap, at a future date, at a specific interest rate.

14. Development Contributions Policy

1. Background

Central Hawke's Bay District Council (CHBDC) is required to develop a range of financial and funding policies to provide predictability and certainty about sources and levels of funding for future sustainability of the District. These include a policy on financial contributions or development contributions under S102(4)(d) of the LGA, 2002. A policy is required regardless of whether Council decides to charge:

- Financial contributions under the Resource Management Act, 1991 (RMA, 1991); or
- Development contributions under the Local Government Act, 2002

Council plays a significant role in facilitating and coordinating development and providing infrastructure in a timely and affordable manner. It is an essential part of Council business to *"promote the social, economic, environmental and cultural well-being of communities, in the present and for the future"*. This is a strategic role that individuals, the community, the private sector or central government cannot fulfil alone. The effects of growth require Council to incur capital expenditure acting on behalf of the wider community to provide new or additional services. Development contributions are a funding tool through which new development is specifically targeted and required to contribute to the capital cost of infrastructure and community assets resulting from growth.

In 2006 Council adopted a development contributions regime under the Local Government Act 2002 to replace the provisions previously applied under the RMA, 1991.

The 2006 contributions regime has been reviewed as part of the 2009 Long Term Council Community Plan. The policy review parameters were to:

- Review the policy in the light of relevant LGA 2002 case law to ensure that it is consistent with recent decisions made by the Court
- Identify any weaknesses in the policy and propose corrective measures for these. This included reviewing a range of issues that have been identified during the life of the policy
- Test whether the original growth scenario is still relevant and appropriate to the anticipated future economic circumstances
- Revise the Optimised Depreciated Replacement Cost (ODRC) approach to roading contributions with a view to forming stronger links to actual anticipated costs of new and upgraded roading infrastructure and growth
- Revise the policy wording to ensure that the policy on multiple dwellings on a single site was clear to enable the taking of contributions for each additional unit of demand created
- Review the policy to ensure it's robustness to accommodate anticipated industrial development in the industrial zone in Waipukurau

The revised development contributions policy in accordance with Section 106 of the Local Government Act, 2002 (LGA) takes contributions for:

- Roading and reserves as a District wide contribution
- Water, wastewater and stormwater contributions on a catchment basis

No contributions are sought for community infrastructural assets such as libraries, public halls and other community facilities. Existing facilities are deemed adequate to cope with the potential future demand created through growth.

The population and economic base of the District are expanding through an increased demand for rural lifestyle and coastal living, some demand for industrial development (with potential for larger scale industrial development in Waipukurau) and expansion of existing urban areas and infill development within existing urban areas. This growth will place strain on the network and community infrastructure. Although there is no obvious appreciable increase in population numbers growth in certain catchments is identifiable and measureable.

Development contributions are not a tool to fund the cost of maintaining infrastructure or changing levels of service for existing users. There must be a causal connection between the capital expenditure required and the contribution paid. A development contribution will be required when:

- The effect of the development is to require new or additional assets or assets of increased capacity and;
- The Council incurs capital expenditure to provide for these new or upgraded assets.

The impact of a development includes the effect that a development may have in combination with another development (cumulative effect).

2 Location

Within the Central Hawke's Bay District, development contributions will apply:

- district wide for roading
- by catchment for water, wastewater and stormwater
- district wide for reserves with the focus on capital projects for existing reserves and for the acquisition of esplanade reserves and strips along the coastline and rivers in accordance with the policy contained in the operative District Plan

3 Growth Statement

The Central Hawke's Bay District has been experiencing population decline over the period 1986 through to 2006. Despite this downwards trend, there was a slight increase in population between 1996 and 2001, as indicated in the table below (provided by Statistics New Zealand).

Year	1986	1991	1996	2001	2006
Population	13,195	12,597	12,999	13,200	13,240

Table 1: Population number for CHBDC 1986-2006 (Statistics NZ)

While the total population for the District has been trending downwards, some parts of the District have experienced growth and development far above the District average. If existing trends continue in these select areas, future growth in some areas is likely to occur. New housing is being constructed and this development trend is anticipated to continue in certain parts of the District. Furthermore, there is also the potential for increased industrial activity around Waipukurau. This will have an impact on infrastructure development of some catchments in the District.

Despite the overall trend towards a decrease in population, there are some areas within the District that have increased in population, as shown below (from Statistics NZ). In particular, it is evident that some areas, such as Tikokino and Waipukurau have experienced population growth over a ten year period between 1996 and 2006.

Year	1996	2001	2006	% change in 10 years	Number change in 10 years
Statistical Area					
Takapau	519	582	513	-1.2%	-6
Waipawa	1,914	1,875	1,923	0.4%	9
Tikokino	2,637	2,715	2,718	3.1%	81
Otane	513	543	516	0.6%	3
Waipukurau	4,002	3,909	4,008	0.2%	6
Porangahau	267	255	240	-10.1%	-27
Elsthorpe/Flemington	3,129	2,949	3,039	-2.9%	-90
Totals	12981	12828	12957	-0.2%	-24

Table 2: Population Growth by Statistical Area for CHBDC 1996 – 2006 (Statistics NZ)

In addition, Council's own statistics (gathered by the Regulatory Services Division of CHBDC) indicate that there has been ongoing development of new dwellings within the District between 2000 and 2007, with the majority of new residential dwelling development taking place in Waipukurau and the Rural and Beach areas of the District.

Year	Waipukurau	Waipawa	Otane	Onga/Tiko/ Takapau	Rural (+Beaches)	Total	% of Dwellings Outside Urban Areas
2000	16	7	1		70	94	74%
2001	13	3	0		53	69	77%
2002	14	4	1		48	67	72%
2003	21	6	3		42	72	58%
2004	29	13	5		84	131	64%
2005	26	15	9	1	27 (+6)	84	39%
2006	29	7	9	5	35 (+8)	93	46%
2007	29	15	12	5	37 (+7)	105	42%
Totals	177	70	40	11	417	715	58%
Average	22	9	5	4	52	89	

Table 3: New Dwellings for CHBDC 2000-2007 (CHBDC)

In summary, it is apparent that the District is experiencing varied growth. While this District as a whole may have experienced a slight population decline, it is clear that many external factors and influences are continuing to drive growth within some parts of the District. The national trends in New Zealand indicate that increasing numbers of the population are looking to move to coastal and rural areas from major metropolitan centres (the so called 'sea changers' and 'tree changers'). Accordingly, areas of high environmental and landscape amenity, such as locations within the CHBD, will continue to attract people in search of a quality lifestyle, and, coupled with smaller households, this will drive future growth in the District.

3.1 Demand Forecast

3.1.1 Projected Population Figures

According to Statistics New Zealand, the District's population is estimated to be 12,370 by 2031, indicating a decrease of approximately 870 people over a twenty five year period.

Year	2006	2011	2016	2021	2026	2031
Population	13,240	13,300	13,220	13,070	12,790	12,370

Table 4: Population Forecast 2006 – 2031 (Statistics NZ)

3.1.2 Projected Household Figures

Despite the anticipated decrease in population between 2006 and 2031, the total number of households within the District is expected to increase. This may be largely attributable to the fact that the average household size is decreasing. Statistics New Zealand also models the potential number of households in the District between 2001 and 2021, providing low, medium and high forecasts, as outlined below:

Year		2001	2006	2011	2016	2021
Estimates of Households	High		5,300	5,500	5,700	5,900
	Medium	5000	5,100	5,300	5,300	5,400
	Low		5,000	5,000	5,000	4,900

Table 5: Projected Household Figures 2001 – 2021 (Statistics NZ)

All three scenarios developed by Statistics New Zealand indicate either modest growth of households or a relatively small decline across the District, and provide a broad overview of future possible development activity, and is considered to be a conservative estimate. However, as outlined earlier in this document, the figures are not truly representative of the growth that is taking place in some areas of the District. While some areas will decline, others will grow over the 15 year period.

3.1.3 Previous Development Activity 1993/94 to 2007/08

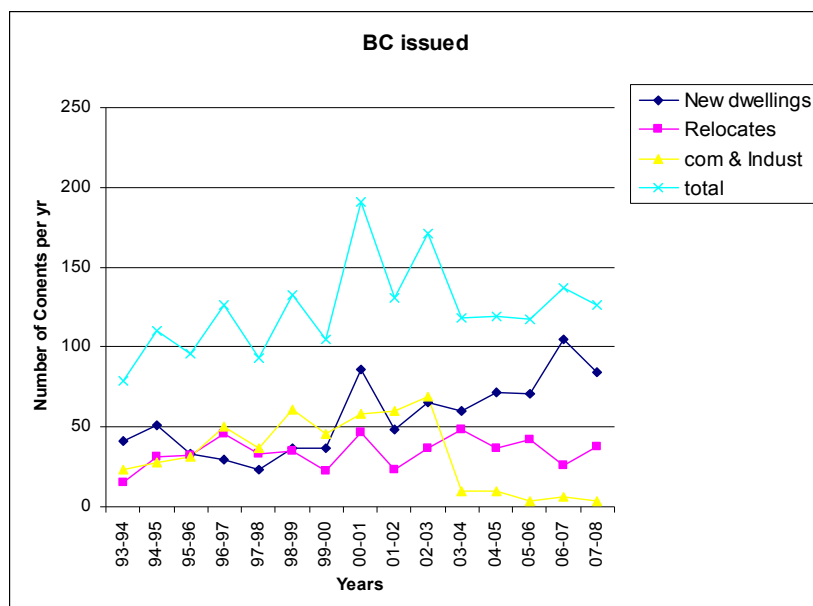


Figure 1: Building Consents Issues by CHBDC 1993/94 – 2007/08

The graph above indicates that there has been a clear trend towards an increase in the number of building consents issued in the District between 1993/94 and 2007/08, with an average of approximately 123 new buildings each year over the period.

3.1.4 Projected Development

The Central Hawke's Bay District, like other areas of New Zealand, experiences cycles in the property market, with the period between 2004 and 2007 being one of solid growth. This recent period of growth has slowed, and at present (2009) the national and international economic climate would suggest a period of low dwelling demand for the foreseeable future.

The increase in development over the next ten years (new dwellings or sections) in the District is estimated to be approximately 750 dwellings (at an average of 75 dwellings per year). This is outlined below:

Location	Total over 10 years
Coastal	65
Otane	65
Takapau	32
Porangahau	33
Te Paerahi	19
Kairakau	13
Blackhead	3
Lifestyles around townships	98
Waipukurau	162
Waipawa	65
General rural	195
Total	750

Table 6: Predicted New Development in CHBDC Ward 2008-2018

These estimates for future household growth in the District are considered to be conservative, as they are based on building consent data obtained by the District. While total building consents have been averaging approximately 123 per year between 1993/94 and 2007/08, a lesser figure of 75 has been adopted by Council in recognition of the current economic climate.

3.2 Projected Property Demand

Central Hawke's Bay District goes through highs and lows for property demand. Increased numbers of building consents, statistics on real estate sale prices and sale volumes indicated a high growth period in 2004-2008 which has now slowed considerably.

At this time (early 2009) the national and international economic climate would suggest a period of low growth for the short to medium term. It is difficult to predict when an increase in new property growth will start in the future, but it is certain that at some time there will be increased demand for services which will compound existing limited service provision in some areas.

This growth places higher demands on the Council's infrastructure, necessitating, at some time, either building new infrastructure or augmenting existing infrastructure. Infrastructure provision for this extra demand can be addressed through the application of development contributions.

3.3 Projected Commercial Growth

Commercial and industrial growth in Central Hawke's Bay District is highly influenced by the timing and magnitude of individual commercial development projects. Because of the infrequency of and the uncertainty of the size of such developments, it is very difficult to forecast when infrastructural improvements will need to be constructed to service these developments. However, it is prudent for Council to have a strategy to anticipate such development requirements at some time in the future, and to allow for the collection of development levies to fund future infrastructural development in those areas most likely to be developed. The future developed areas will be best predicted by the zoning of

commercial and industrial areas as shown in the District Plan. However, this does not preclude commercial development in almost any part of the District, and such developments will have to be addressed at the time as one-off projects.

Therefore Council has allowed for development projects associated with the Business 2 zoning in Waipukurau, on the basis that major extensions to the water, wastewater and stormwater reticulations will be required at some time in the future to service increased development of the Business 2 Zone.

4 Purpose

The key purpose of the development contributions policy is to ensure that new growth funds infrastructure needed to support new residents and business, and those who cause the need for and benefit from that infrastructure fund a fair share of the cost of infrastructure to meet that growth. Funding should therefore be sourced from the community or communities that benefit from the development.

5 Principles

The primary involvement of Council in the development process is to ensure that the social, economic, environmental and cultural wellbeing of the community is provided for. While driven by demand, the level of service is directed by the community outcomes contained in the LTCCP. Council is therefore not directly in the business of developing commercial or industrial, housing or tourism ventures but instead is required to provide for sustainable development by setting appropriate standards.

Development that results in additional dwellings, buildings and activity, in turn impacts on Council's services infrastructure. This impact must be recognised and mitigated. Those causing the impact should meet the costs associated with upgrading infrastructure where that upgrading occurs due to development growth. Where costs can be identified as a result of development impact, they should be quantified. Such costs should then be borne by those who generated them. The market by itself will not achieve the coordinated response required to develop the networks.

A fair and equitable approach needs to be taken to fund the provision of infrastructure having regard to existing and future populations. The existing population has already made a considerable investment in services. Those initiating new development benefit from connecting to or using existing services and should pay their fair share of capital expenditure.

A development contribution is required when new or additional assets or assets of increased capacity are required and where as a consequence Council incurs capital expenditure. A development contribution may also be collected and used to pay for expenditure already incurred by Council in anticipation of capital costs. These effects have been quantified or will be quantified and used to calculate development contributions for specific services.

6 Adoption, Implementation and Review

Council has implemented its Development Contribution regime under Section 106, LGA 2002 through the 2009 LTCCP process. It is anticipated that the policy will be updated in 3 yearly intervals, or at shorter periods if the Council deems it necessary to take account of:

- Changes to the assumptions around which the development contributions policy has been established
- Changes resulting from the phasing in of new or amended strategic plans or documents
- Changes in Central Government or Regional Council policy
- Change in the rate of population or dwelling growth or the pattern or location of development
- Addition or deletion of a growth related capital project or other changes in the capital works programme

- Changes to the operative or proposed District Plans
- Significant changes in cost indices or cost assumptions for infrastructure
- Correction of errors or omissions in the infrastructural cost estimates
- Incorporating any relevant actual costs of completed projects
- Any other matters the Council considers relevant

7 Limitations to the Application of Development Contributions

Council will not require a development contribution in the following cases:

- Where it has, under Section 108(2)(a) of the RMA, 1991 imposed a condition on a resource consent in relation to the same development for the same purpose; or
- Where the developer will fund or otherwise provide for the same infrastructure
- Where Council has received or will receive funding from a third party for those works

8 Requirements for and Use of Development Contributions

8.1 Rooding

The District wide rooding contribution is required to address the overall impact of growth on the infrastructure. Growth impact is not limited to an isolated area but the impact on the road network as a whole. New lots created by subdivision, the erection of new residential units, additions to existing residential dwellings where the size and scale of habitable rooms are increased, are required to make a contribution to the cost of the network. The Central Hawke's Bay road network is extensive servicing a relatively low population, has severe geotechnical conditions and is subject to weather extremes. The network itself is generally of a high standard and of a high value. Previously the contribution policy relied on using a recognised equity model. That model accepted that the developer would not be able to cover the total cost to buy into the network. As a consequence the developer's share was apportioned to cover a reasonable percentage of cost.

In recognition of the comparatively low levels of growth anticipated in the District and the value and quality of the network the approach to the rooding contribution has been revised. Capital expenditure items budgeted for until 2019 have been identified and the cost apportioned over the number of anticipated users based on new users contributing 10% of the cost. All subsidies received from New Zealand Transport Agency and alike have been removed prior to the apportionment of cost.

Development contributions will be retained in a separate Council account and will only be used for capital expenditure and not for maintenance.

In the case of significant subdivision development as identified in the District Plan all changes to the road network directly caused by the development (internally and/or externally) are to be completed by the developer at the developers' expense based on the criteria set out in the District Plan and to Council standards. When this process is applied Council will not take Development Contribution for Land Transport under this policy.

For all other developments Council will apply the levies under this policy.

Road contributions will be used but not limited to:

- Construction of new roads and extension of existing roads
- Vertical and horizontal alignment enhancement including corner and intersection redesign and improvements including accessways

- Increase in carriageway width
- Kerb and channeling and other stormwater management and discharge facility improvements
- Construction of new bridges and upgrading of existing bridges for increased demands
- Provision of new cycling and walking facilities

Development contributions will be required at resource consent stage prior to the land use or subdivision consent being exercised. In circumstances where a new or expanded activity is a permitted activity under the rules in the District plan a development contribution will be required either at building consent stage or at the time of connection to the network, whichever comes earlier. Construction work or connection to the network will not be permitted unless the contribution has been paid.

Council will use development contributions only for the purpose for which they were intended. Where Council anticipates funding from a third party for any part of the growth component of the infrastructure then this proportion will be excluded from the total estimated growth component funded by development contributions.

8.2 Network infrastructure

A water, wastewater and stormwater contribution (network infrastructure) is required in the identified catchments to address the overall impact of growth on the infrastructure.

The cost of new or expanded infrastructure has been estimated and surplus capacity in the network has been identified. New connection costs are then calculated on the basis of an existing/new user split for reticulation and headworks. The total cost is apportioned over the maximum number of new users equating to a \$ value per lot. The payment of the contribution by new users will put them on an equal basis with existing users. All users then have an equal financial interest in the network. This enables the cumulative effect of additional connections joining the system and either depleting the networks spare capacity or resulting in works to be addressed. An appropriate level of service to the community is then maintained.

All changes to the utility network directly caused by the development (internally or externally) are to be constructed by the developer at the developers' expense and completed to Council standards. The developer will therefore meet the full actual cost of the water supply, wastewater or stormwater disposal system to the development. In some cases the causal effect of developments on the network will be cumulative and the costs may be apportioned.

Contributions for water, wastewater and stormwater will be used but not limited to:

- Increasing the capacity of pipes, pumps, and storage, treatment and disposal facilities
- Providing new pipes, pumps, and storage, treatment and disposal facilities
- Extension of piped infrastructure to service additional areas
- Increasing the capacity of drains, culverts and other structures
- Extension of the drainage network to service other areas
- Land purchase and easements

Development contributions will be required to be paid at resource consent stage prior to the land use or subdivision consent being exercised. In circumstances where a new or expanded activity is a permitted activity under the rules in the District plan a development contribution will be required either at building consent stage or at the time of connection to the network, whichever comes earlier. Construction work or connection to the network will not be permitted unless the contribution has been paid.

Any development outside of the catchments shown in Appendix 1 has not been anticipated as part of the existing reticulation network. Any request to extend services or infrastructure outside of the determined areas will need to be specifically assessed through a separate development agreement.

The purpose of the contribution is to address the cumulative change in standards required as an effect of incremental subdivision or development.

Council will use development contributions only for the purpose for which they were intended. Where Council anticipates funding from a third party for any part of the growth component of the infrastructure then this proportion will be excluded from the total estimated growth component funded by development contributions.

8.3 Reserves

Reserve contributions are required to address the effects of growth on the reserve network. Reserve usage tends to be District wide and not limited to the local neighbourhood.

Reserve contributions will be retained in a separate Council account and will only be used for capital expenditure and not for maintenance.

Reserve contributions will be used but not limited to:

- Capital projects for existing reserves where either new works will be undertaken or new equipment will be supplied or for the development of new reserve management plans.
- The acquisition of esplanade reserves and strips along the coast and rivers in accordance with the policy contained in the Operative District Plan.

Reserve contributions will be required at resource consent stage prior to the land use or subdivision consent being exercised for residential usage only. In circumstances where a new or expanded residential activity is a permitted activity under the rules in the District plan a reserve contribution will be required either at building consent stage or at the time of connection to the network, whichever comes earlier. Construction work or connection to the network will not be permitted unless the contribution has been paid.

Council will use reserve contributions only for the purpose for which it was intended. Where Council anticipates funding from a third party (eg grants from the Lottery Commission) for any part of the growth component of the infrastructure then this proportion will be excluded from the total estimated growth component funded by development contributions

9 Timing, Invoicing and Payment of Contributions

District wide and area contributions will be levied at the resource consent stage for either subdivision or land use consents granted under the RMA, 1991. Where a new activity or expanded activity permitted by the District Plan occurs the development contribution will be payable at Building Consent stage or at connection to the network. This is considered appropriate for:

- Practicality of implementation and efficient cost collection
- Economies of scale in implementation costs
- Fairness
- Provides best and most accurate means of calculating development cost, facilitating project management and allocating budgets.

Final calculation, invoicing and payment of the contribution will need to occur prior to the issue of the Section 224 completion certificate under the RMA, 1991. For development, final calculation, invoicing and

payment will need to occur on upliftment of the Resource Consent. For permitted activities calculation, invoicing and payment will need to occur on upliftment of the Building Consent or on request for a connection to the network.

10 Remission, Postponement, Refunds, Non-Payment and Re-imburement

10.1 Remission and Postponement

There shall be no postponement or remission of development contributions except in exceptional circumstances at the discretion of Chief Executive.

10.2 Non Payment of Development Contributions and Refunds

The provisions of Sections 208 and 209, LGA, 2002 shall apply. Where payment of a development contribution is required and payment is not received Council may:

- On a subdivision consent withhold the Section 224(c) certificate RMA, 1991
- Prevent the commencement of a resource consent under RMA, 1991
- Where a contribution is required at Building consent stage Council may withhold the compliance certificate
- Where a contribution is required at connection stage withhold the service connection

Council will refund contributions in the following circumstances:

- If a resource consent lapses under Section 125, RMA, 1991
- If a resource consent is surrendered under Section 138, RMA, 1991
- The building consent under the Building Act, 2004 is withdrawn
- The development for which the resource consent or building consent was granted, does not proceed or
- The Council does not provide the infrastructure for which the contribution was required.

Retention of a portion of the contribution incurred by Council may be retained in accordance with S209(2). The refund will generally be of the payment made plus interest earned less 1% of the total for administration.

10.3 Reimbursement

Reimbursement may be considered in circumstances where a developer undertakes to construct works upon resolution of Council and has requested through the LTCCP or annual plan process that reimbursement be provided where:

- The project has been built and satisfactorily completed at the time the request is assessed by Council, or
- The project has been committed through the letting of a contract at the time the request is assessed by Council and evidence is provided to the Council of that contractual obligation.
- Council has accepted that the development confers some public benefit.

Where reimbursement has been provided for in the LTCCP or Annual Plan budget, payment will be made to the developer as subdivision occurs, or earlier should Council resolve.

Development Contributions will be required at the subdivision stage or development stage and only for the infrastructure outlined. Reserves contributions will continue to be levied under the RMA, 1991 until the Phase 2 LGA implementation is complete.

11 Retrospective Contributions

No retrospective contributions will be required under the LGA, 2002. This policy will become operative from the date of the Council resolution approving this policy. From that point onwards contributions will be required under this policy for all subdivision and land use consents, lodged after the operative date. Contributions required from new or expanded activities permitted by the District Plan will be taken at building consent or connection stage, whichever is earlier from the date of operation of this policy. Any applications lodged prior to the operative date will pay contributions in accordance with the RMA, 1991 provisions contained in the operative District Plan. Where applicable contributions may be taken in respect of capital expenditure already incurred by the Council in anticipation of development.

12 Development Contributions Calculations and Assumptions

This section outlines the specific contribution required for each of the following assets:

- Roothing
- Water
- Stormwater
- Wastewater
- Reserves

12.1 GST

Development contributions specified in the Appendix 1 are inclusive of GST.

12.2 Roothing Formula and Assumptions

The recognised equity formula is:

$$C = ((\text{Capital Works} - \text{Contributions by other sources}) \times \text{New User Share}) / \text{Est no. of new users over 10 years}$$

12.2.1 Assumptions

The assumptions in the formula are:

- Capital expenditure on rooding, is on average, the same per lot. Accordingly new lots should contribute the same capital expenditure as old lots
- Valuations fairly represent the value of the road network and road amenities (including cycleways and walkways)
- Loans include all loans irrespective of source
- All lots are capable of generating traffic
- "The maximum number of lots possible" is the maximum number of lots allowable under the District Plan for the site(s) being developed.

12.2.2 Extraordinary Users

Extraordinary users (EU) are all users other than standard residential users whose road use is expected to exceed that of a standard residential user. Extraordinary users may include transport depots, industries, extractive industries, power stations, supermarkets and institutions. If usage is not expected to exceed standard residential user requirements, then the standard residential development contribution will apply. Development contributions (DC) will be calculated as either a heavy vehicle impact fee or a special

increased traffic fee using equivalent recognized equity where traffic generation varies from individual residential allotment levels.

12.3 Network infrastructure Formula and Assumptions

The formula applied to residential users for a single new domestic connection for water, wastewater or stormwater is:

$$C = (\text{Capital Works for catchment} \times \text{New User Share}) / \text{Est no of new users over 10 years}$$

- The calculations in Appendix 1 has taken into account surplus capacity and where new or expanded infrastructure is required. The new connection cost is then calculated on the basis of an existing/new user split for reticulation and headworks. The total cost is apportioned over the maximum number of new users equating to a \$ value per lot. The new user share is up to 10%.
- Where an extraordinary user constitutes a significant percentage of the total network usage that user will have its development contribution assessed up to an equivalent number of residential connections.
- For the purpose of this calculation, the number of existing connections includes residential connections, equivalent residential connections to extraordinary users, new users who have paid development contributions but have not yet had a physical connection installed.
- "The maximum number of lots possible" is the maximum number of lots allowable under the District Plan for the site(s) being developed.

12.3.1 Extraordinary Users

Extraordinary users (EU) are all users other than standard residential users whose water usage, wastewater generation or stormwater runoff is expected to exceed that of a standard residential user. Extraordinary users include farms, industries, and institutions. If usage is not expected to exceed standard residential user requirements, then the standard residential development contribution will apply. Development contributions (DC) will be calculated up to an equivalent residential basis as follows:

Water Supply

$$= (\text{EU Average Daily Usage} / \text{Average Residential Usage for the Network}) \times \text{Standard Residential DC}$$

Urban wastewater and stormwater

$$= (\text{EU Average Daily Discharge} / \text{Average Residential Discharge for the network}) \times \text{Standard Residential DC}$$

Where there are high loadings or concentrations of ammonia, phosphorous or other substances within the wastewater that may require specific treatment an additional fee may be payable under the Central Hawke's Bay Council Trade Waste Bylaw.

12.4 Reserves Formula and Assumptions

The reserve contribution is comprised of 3 components:

- Capital projects for existing reserves where either new works will be undertaken or new equipment will be supplied
- Development costs associated with new reserve management plans
- The acquisition of esplanade reserves and strips along the coast and rivers in accordance with the policy contained in the Operative District Plan

12.4.1 Assumptions

The assumptions are:

- Capital expenditure on reserves is shown on the attached spreadsheet in Appendix 1.
- 1km of river frontage on Lots over 4 hectares @ \$8/m will be acquired annually
- 1km of coastal frontage per year on Lots over 4ha @\$8/m will be acquired annually
- \$34,041 per annum (plus inflation) will be spent on the development of reserve management plans in accordance with the LTCCP budgets.
- The public/private good split accepts that 10% of demand for additional reserves is attributed to subdivisions and new dwellings.
- Cost is to be apportioned over an anticipated 75 new sections/developments per annum.

APPENDIX 1

Summary of all Development Contributions

Capital Contribution levies for Water

Area	Zone description	Water Activity Item (up to 2019)	Total Cap Works excl GST	Cost per User incl GST
Otane	Township Zone	Headworks and reticulation	\$125,099	\$217.00
Takapau	Single Zone	Headworks and reticulation	\$314,228	\$872.00
Waipukurau	Single Zone	Headworks and reticulation	\$1,108,736	\$769.00
Waipawa	Single Zone	Headworks and reticulation	\$1,121,981	\$1,556.00
Kairakau	Town treated as one Zone	Headworks and reticulation	\$283,534	\$1,965.00
Porangahau	Beach & Town	Headworks and reticulation	\$250,199	\$542.00

Capital Contribution levies for Sewer

Area	Zone description	Sewer Activity Item (up to 2019)	Total Cap Works excl GST	Cost per User incl GST
Otane	Township Zone	Improvements to Treatment System & Reticulation	\$1,122,141	\$2,084.00
Takapau	Single Zone	Improvements to Treatment System & Reticulation	\$224,790	\$1,023.00
Waipukurau	Single Zone	Improvements to Treatment System & Reticulation	\$5,519,922	\$1,875.00
Waipawa	Single Zone	Improvements to Treatment System & Reticulation	\$3,434,750	\$1,854.00
Porangahau	Single Zone	Improvements to Treatment System & Reticulation	\$650,889	\$1,388.00
Te Paerahi Beach	Single Zone	Improvements to Treatment System & Reticulation	\$331,081	\$1,334.00

Capital Contribution levies for Storm Water

Area	Sewer Activity Item (up to 2019)	Total Cap Works excl GST	Cost per User incl GST
Otane	Work on the Network	\$13,905	\$25.00
Takapau	Work on the Network	\$13,905	\$49.00
Waipukurau	Work on the Network & Industrial Development	\$1,271,393	\$882.00
Waipawa	Work on the Network	\$206,859	\$359.00
Porangahau	Work on the Network	\$13,905	\$49.00
Te Paerahi Beach	Work on the Network	\$143,905	\$832.00
Kairakau Beach	Work on the Network	\$13,905	\$121.00
Blackhead Beach	Work on the Network	\$13,905	\$482.00

Capital Contribution levies for Land Transport

Area	Total Cap Works excl GST	Cost per User incl GST
District Wide	\$8,069,694	\$1,210.00

Capital Contribution levies for Reserves

Area	Total Cap Works excl GST	Cost per User incl GST
District Wide	\$820,750	\$124.00

15. Significance Policy

The Local Government Act 2002 introduced the matter of 'significance' to local government. Any matters, issues, or assets deemed 'significant' require extensive consultation requirements. Each local authority must define its own 'significance' as a matter which may be of great significance to a small local authority could be found to be of minimal or no significance in relation to a large local authority when considering:

- a) The impact on the well-being of the district or region;
- b) Consequences for persons likely to be particularly affected, and
- c) The operational or financial capacity of the local authority to perform its role.

INTRODUCTION

Section 90 of the Local Government Act 2002 requires that every local authority adopts a policy setting out its general approach to determining significance, and list its strategic assets.

This Council has a history and a culture of consultation on significant issues both informally and formally and especially through the Annual Plan process. In order to meet its legal requirements Council has adopted the following policy.

1. PURPOSE

This policy is to be used by Council to assist it in determining the significance of matters, proposals and decisions in a consistent manner.

Every decision Council makes must be made in accordance with the decision making requirements set out in Sections 77, 78, 80, 81 and 82 of the LGA 2002. However, the nature, extent and detail of compliance that is appropriate in any particular case will be guided by the "significance" of the matter (see Section 79). The level of "compliance" includes:

- The extent to which different options are considered.
- The degree to which benefits and costs are quantified.
- The extent and detail of information to be considered.
- The extent and nature of any written records to be kept of the manner in which Council has complied.

(See Section 79(1) (b) of the Local Government Act 2002.)

The significance of a matter will also assist in determining whether a special round of consultation is required, and the extent of information disclosed to the community, whether as part of consultation or in reporting to the community.

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

It is also possible that a significant decision might be caught by Section 97 (decisions that may only be taken if provided for in the LTCCP) or Section 88 (decisions relating to a change in mode of delivery that must be made by special consultative procedure).

2. "GENERAL APPROACH" AND CRITERIA FOR DETERMINING SIGNIFICANCE

In accordance with the definition of "significance", Council will determine the significance of any issue requiring a decision by making judgments about the likely impact of that decision on:

- (a) The current and future social, economic, environmental, or cultural well-being of the Central Hawke's Bay district.
- (b) Any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter.
- (c) Council's capacity to perform its role and carry out its activities, now and in the future and the financial, resources and other costs of doing so.

As part of its consideration the Council will take into account how important the decision, matter or thing is in terms of the achievement of, or ability to achieve, the community outcomes in the Long Term Council Community Plan (LTCCP)*.

(*Until Council has adopted its first LTCCP, significance will be assessed in terms of how important the decision, matter or thing is to achievement of, or ability to achieve, the strategic issues and objectives as set out in Council's Long Term Strategic Plan.)

Note

The following matters must be consulted on using the Special Consultative Procedure, regardless of the Policy on Significance:

- Long Term Council Community Plan.
- Annual Plan.
- A decision to alter significantly the level of service of a significant activity.
- The transfer of a strategic asset.
- Constructing, replacing or abandoning a strategic asset.
- Any decision which will significantly affect the capacity of Central Hawke's Bay District Council, or the cost to Central Hawke's Bay District Council of an activity in the LTCCP.

3. PROCEDURE FOR DETERMINING SIGNIFICANCE

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

The criteria for determining significance is set out in Section 2: General Approach and Criteria for Determining Significance.

The following procedure will be used to determine significance:

1. Identification of an issue requiring a Council decision (generally by staff).
2. Assessment of significance by staff, using the criteria set out in Section 2.
3. If the matter is significant or there is any doubt about whether the matter is significant, the decision will be referred to Council for a determination of the significance of the matter. The referral may include recommendations from staff addressing the issue of significance and relevant considerations having regard to the criteria set out in Section 2.
4. If the matter is referred to Council, Council will make a finding as to the:

- (a) Degree of significance of the issue; and
- (b) If the matter is "significant", the appropriate method of observing section 76(1) of the LGA in making that decision.

Advice from Council staff will, in normal circumstances, be included in the approved report format. Reports to Council will specifically consider the impacts of decisions as set out in the criteria above.

4. STRATEGIC ASSETS

This policy must also list those Council owned assets, considered by Council to be "strategic assets" (Section 90(2)).

"Strategic asset" is defined in the LGA 2002 as:

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

- (a) *Any asset or group of assets listed in accordance with Section 90(2) by the local authority; and*
- (b) *Any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and*
- (c) *Any equity securities held by the local authority in:*
 - (i) *A port company within the meaning of the Port Companies Act 1988;*
 - (ii) *An airport company within the meaning of the Airport Authorities Act 1966."*

The assets and groups of assets that CHBDC considers to be strategic are:

- The constructed Rooding network.
- Wastewater networks and treatment.
- Water supply networks and treatment.
- Stormwater network systems in urban rating areas.
- Reserves and sportsfields.
- Retirement housing.
- Cultural Facilities (Civic Theatre, CHB Settlers Museum, etc.).
- Community Halls, Ward Halls, Waipawa Town Hall, War Memorials.
- Public toilets.
- Shares in Infracon (formerly CHB Works a division of Infracon).
- Cemeteries.
- Libraries.

16. Statement on Maori-Decision-Making

INTRODUCTION

Council is required to state in the Community Plan what steps it intends to take having considered the ways in which it might foster Maori capacity to contribute to its decision-making processes over the next ten years.

MAORI CONSULTATIVE COMMITTEE

Council has a Maori Consultative Committee which consists of up to seven representatives of the Marae of the District. The term of office of committee members expires at the end of each year in which the triennial local authority elections are held. The selection of members is determined by a process agreed between Council and the Committee. If the Committee has less than seven members, the Committee shall have the power to co-opt.

The purpose of the Maori Consultative Committee is to provide advice to Council. The Maori Consultative Committee is an ad-hoc committee of Council and no Councillors are appointed to the Committee. Council is represented at each meeting by The Mayor in an ex-officio capacity, the Chief Executive and the Regulatory Services Manager. Councillors and other Council Officers attend as needed. Minutes of all proceedings are kept and minute books are available for inspection.

The Committee nominates one member as the representative at every scheduled ordinary, special, and extraordinary meeting of full Council and the Regulatory and Finance and Services Committees. This representative does not vote. The normal expectation is for the Maori Consultative Committee Chairman to attend most Council and Council Committee meetings.

IWI LIAISON

To enhance the provision of advice to Council through the Maori Consultative Committee, Council is planning to investigate the appointment of an Iwi Liaison Officer to assist with the development of relationships with local hapu groups, to enhance Council's capacity to deal with Maori issues and to enhance the capacity of Maori to participate in Council decision-making processes.

MAORI WARDS

The Local Electoral Act 2001 gives Council the ability to establish separate wards for Maori electors. Council is required to review its representation arrangements at least once every six years. This review must include deciding whether or not to have separate wards for electors on the Maori roll.

The formula to establish the number of Maori seats is governed by population. Based on the population of this district it may be possible that one Maori seat could be established.

Council conducted a representation review in 2006. Following advice from the Maori Consultative Committee, Council decided during the representation review process that no Maori ward will be established for the Central Hawke's Bay District Council for the 2007 and 2010 triennial elections. The community may demand a poll by producing a petition signed by 5% of electors within the District. No petition was received by 28 February 2006, which means any poll received thereafter will not be valid for the 2007 elections, but will be valid for the 2010 elections.

LONG TERM COUNCIL COMMUNITY PLAN/ANNUAL PLAN CONSULTATION

As part of its round of public meetings during the Long-Term Council Community Plan/Annual Plan consultative process.

17. Policy on Partnerships with the Private Sector

Sections 102(4)(e) and 107 of the Local Government Act requires all local authorities to prepare a policy on Public/Private Partnerships and adopt it as part of the Long Term Council Community Plan.

Such a policy is required to ensure any arrangements Council may have with the private sector are transparent.

These partnerships are defined as an arrangement or agreement entered into between one or more local authorities and one or more persons engaged in business (which has been taken to mean engaged in an activity for profit).

OBJECTIVE OF THE POLICY

The purpose of this policy is to enable Council to enter into partnerships with the private sector where there is a potential benefit for the wellbeing of the community. Such opportunities can be quite diverse in nature and for this reason the policy is broadly based.

CIRCUMSTANCES IN WHICH PUBLIC/PRIVATE PARTNERSHIPS WILL BE CONSIDERED

Central Hawke's Bay District Council will consider partnership arrangements with the private sector on a case-by-case basis, but will endeavour to apply the following principles:

1. If the activity/service furthers an objective or outcome in the Long Term Council Community Plan.
2. If the partnership is likely to deliver better value for money based on cost, time and financial arrangements than alternative delivery methods.
3. Where the private sector partner can bring skills and expertise to the activity/service not otherwise available to Council.
4. Where the activity/service identified can be accurately defined and is capable of output measurement.

The type of participation in a partnership that Council may consider includes, but is not limited to:

- Grants
- Loans
- Investment
- Guarantees

Council **will not** enter into a partnership where:

1. The activity is speculative in nature.
2. The cost or risk is assessed to be higher than the likely benefit to the community.

EXCLUSIONS

For the sake of clarity, it should be noted that this policy does not apply to:

- Grants to community organisations under the Community Voluntary Organisation Grants Scheme.
- Investment of funds solely for the purpose of financial return. These are subject to Council's Investment Management Policy.
- Normal contractual arrangements for the supply of goods and services.
- Commercial arrangements made by Council Controlled Organisations and their subsidiaries.

CONDITIONS TO BE IMPOSED

Before committing to any form of partnership with the private sector, Council will ensure that the following conditions are met:

1. There is a written agreement which defines the objectives of the partnership and the obligations of all parties, performance standards and indicators.
2. Outputs will be clearly specified including measurable performance standards.
3. Payments will only be made upon delivery of the specified services to the required standards.
4. The proposed partner has a demonstrated ability to meet the terms of a proposed agreement with Council.
5. There are clear financial forecasts of the partnership arrangements.
6. Council's obligations under the partnership are defined.
7. A clear exit/termination strategy is agreed and included in the agreement.
8. The roles, responsibilities, accountabilities and liabilities of each partner are clearly defined.
9. Any such other conditions as Council may wish to impose.

CONSULTATION

Where practicable, Council will consult on partnerships with the private sector through the LTCCP or Annual Plan process. Where the proposal for a partnership with the private sector is determined by Council to be a significant issue, involves a strategic asset or significantly changes the way in which a significant activity is delivered then the proposal will be consulted upon using the special consultative procedure.

In all circumstances Council will be carried out in accordance with sections 78 and 79 of the Local Government Act 2002.

RISK MANAGEMENT

An assessment of risks associated with any partnership proposal will be undertaken before any commitment to proceed. A risk management regime will be agreed to as a condition of the partnership. The prime principle shall be to transfer risk to the party best placed to manage it.

MONITORING AND REPORTING

Partnership agreements will be monitored and reported in accordance with the agreed financial and performance reporting regime. Performance will be reported to Council no less than twice per annum and included in Council's Annual Report. The contribution of any partnership arrangement to the District's community outcomes will be assessed and monitored as required under the Local Government Act 2002.