COUNCIL FUNDING AND FINANCIAL POLICIES

Supporting Document for Long Term Plan Consultation Document 2018

NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

CONTENTS

REVENUE AND FINANCING POLICY

1. Background

Napier City Council (the Council) has reviewed the proposed funding for each activity to determine the funding policy for each. In accordance with the Local Government Act 2002 (LGA), Council has considered each activity with regard to the following:

- Community outcomes to which an activity contributes;
- the distribution of the benefits between the community as a whole, identifiable parts of the community and individuals;
- the extent to which actions or inactions of individuals or groups contribute to the activity; and
- costs and benefits of funding the activity distinctly from other activities.

The summary table in section 4.1 lists Council activities and the significant funding mechanisms to be used for funding the operating costs of each activity. Sources used were determined after careful consideration of the four items above. The primary funding sources available to Council are General Rates, Targeted Rates, Fees and Charges (including rents and lease receipts) and Other Revenue. Other Revenue includes grants, donations, subsidies, petrol tax and other miscellaneous income items.

In addition to the types of revenue noted above Council also receives interest from its investments. Interest generated from defined funds held or collected, where Council has determined that interest will be added, are credited to the fund at year end and applied to the purposes of the fund. Any remaining interest income is used to reduce the requirement for General Rates.

The scale used in the summary table in 4.1 shows the expected level of the revenue as a percentage of operating costs for the activity. The ranges are in 20% increments up to 100%.

2. Funding of Operating Expenditure

2.1. Fees and Charges

Fees and Charges, in the summary table 4.1, include all licence and enforcement. Fees and Charges applied to the community generally, rather than by individual agreement, are set in the Schedule of Fees and charges adopted by Council as part of its Long Term or Annual Plan process. These fees and charges are available on Council's website or from Council's Customer Service Centre. Examples include swimming pool entrance fees, parking fines, building inspection fees and dog licence fees. Examples of individual charges made by agreement, but not publicly notified in the Schedule of Fees and Charges include property leases and property rentals. Items excluded from this classification are all rates and interest income along with financial contributions, capital contributions and grants, subsidies and donations applied to funding of assets rather than funding of operating costs.

Fees and charges are applied where there is a benefit to an individual from the delivery of goods and or services and this can be charged in a cost efficient manner. If it is possible to efficiently impose a charge, the Council does so, on the basis of either recovering the full cost of the service, the marginal cost added by users, or at a level that the market will pay.

Market rate is generally the upper limit used for determining fees or charges. Market rate as the upper limit applies where Council believes imposition of fees or charges at a rate above market will generally reduce usage of the activity or facility and lead to the imposition of a greater cost on ratepayers. In selecting market rate the Council has made a judgement that the community values the existence of the facility and would rather fund it from rates than for it to close.

The following specific types of revenue are included in fees and charges:

Licence Fees

Licence fees are changed where applicable and may be set by Council or by regulation. Use of licence fee revenue collected may also be directed to a specific purpose by legal statute.

Enforcement Fees

Enforcement fees are charged where applicable. Their purpose is to promote compliance rather than to raise revenue; consequently, revenue collected may be insufficient to meet the full costs of the enforcement activity. The level of enforcement fee may also be restricted by statute or the courts. Use of enforcement fee revenue collected may also be directed to a specific purpose by legal statute.

Rental and Lease Income

Rental and lease income is attributed to the activity with primary responsibility for the asset generating the rental or lease income. This revenue generally offsets costs of maintaining the asset and costs generally within the activity area receiving the revenue. However, in the case of Hawke's Bay Harbour Board (HBHB) Endowment Land, the Hawke's Bay Harbour Board Endowment Land Act specifies the purposes to which this revenue can be used. Due to the restrictions placed on Council as to the use of these funds, Council attributes all revenue from these properties to the HBHB Endowment Land Income Account, a special fund within equity, and funds the activities specified in the Act from this account. Although not required by the Act to do so, Council also attributes the lease income from its commercial property to this account to fund the activities specified in the Act. Council has chosen this course of action as the commercial properties are part of the Hawke's Bay Harbour Board Endowment Land passed to Council as part of the 1989 Local Government reorganisation.

Dividend Income

Council receives a minor amount of dividend revenue from time to time. Where applicable, this is applied to offset the cost of the activity related to the dividend income. Where dividend income relates to Council operations in general, this is applied to the same purposes as general rates.

2.2. Other Income

Grants, Subsidies and Donations

Revenue from these sources is actively sought to offset both operating and capital costs.

Petrol Tax

This is the local government share of the petrol tax levied by central government. It is used to contribute to the costs of road maintenance.

Waste Levy Income

This is the Council share of waste levy fees collected by the Ministry for the Environment. Income is received from the Waste Levy Fund and must be applied to waste minimisation activities.

2.3. General Rates

For the purposes of the Revenue and Financing Policy, General Rates includes a Uniform Annual General Charge (UAGC). General Rates are used to fund services where Council believes there is a public benefit even though it may not be to the whole community. Council funds 'public good' for which there is no practical or economically effective method for identifying and charging individual users or where benefits are wider than just the specific users. General Rates fund a range of services which are used by individual ratepayers to varying extents. Council's Rating Policy contains more information on General Rates.

2.4. Targeted Rates

Targeted Rates are also used to fund community services. A targeted rate is used specifically for the cost incurred. Generally these are operating costs but may also be used to recover capital costs incurred on behalf of a specific community sector. Targeted Rates are charged to the households or commercial users who have access to or benefit from the service provided. Napier City Council applies a number of targeted rates. Two examples are:

- Refuse rate - a standard charge to all properties based on the number of collections per week.
- Promotion rate CBD - a charge, based on land value, levied on identified

properties within the Napier CBD, and used to fund the Napier City Business Inc. organisation.

Council's Rating Policy contains detailed information on Targeted Rates.

2.5. Borrowing

Borrowing is not used to fund operating expenses. Borrowing is used as a tool to smooth cash requirements for capital acquisitions and replacements - see Funding of Capital Expenses below.

2.6. Depreciation Funding Policy

Council always aims to operate with a balanced budget however it has identified some assets where it believes that it may not be prudent to fully fund the depreciation expense. Council has adopted the following depreciation funding policy:

Except for the two categories of assets specified below, depreciation will be funded fully from operating revenues each year.

Exceptions:

a. Community assets considered to be of a non-critical / essential nature.

   Assets identified in this category include; Rodney Green Centennial Events Centre, McLean Park, Napier Municipal Theatre, Napier Conference Centre and community halls, Tourism assets (Napier i-SITE Visitor Centre, Par2 MiniGolf, National Aquarium of NZ) and MTG Hawke's Bay.

   Council will manage these assets as part of the Building Asset Management Plans and to financially provide for the assets so they may be maintained on an on-going basis at a level that meets the community's requirements. Any decision to replace the assets will be made at the time in consultation with the community. A mixture of loans, reserves and community funding could fund the cost of replacement.

b. Road assets are continually maintained and renewed, and over 50% of this cost is received as a subsidy from New Zealand Transport Agency (NZTA). Council funds the portion of the depreciation to be funded after allowance for the expected subsidy to be received.

Council may elect not to fund all or part of the depreciation expenditure on specific assets in those circumstances where it is not financially prudent to do so. In accordance with section 100 of the Local Government Act 2002, the Council considers that it is not financially prudent to fund depreciation in the following circumstances:

- Where, on an ongoing basis, the replacement of the asset at the end of its useful life will be funded by a third party; or
- Where the Council has elected not to replace the asset at the end of its useful life; or
- Where a third party has a contractual obligation to either maintain the service potential of the asset throughout all or part of its useful life (or to replace the asset at the end of its useful life) and the Council already effectively funds this through operating grants/tariffs payable to the third party.

Use of Depreciation Funds:

Depreciation funds are used for capital expenditure and the repayment of debt.

3. Funding of Capital Expenditure

Rates are used to fund an ongoing replacement programme (renewals) up to the level of the annual depreciation expense and may be used to fund a portion of capital acquisitions. This is balanced against both the affordability for current ratepayers and the period over which the community is likely to receive the use or benefits of an asset.

3.1. Development and Financial Contributions

These contributions are charges against new developments within the city. They are applied to the funding of infrastructure required due to city growth. Infrastructure includes Transportation, Stormwater, Wastewater, Water Supply, Sportsgrounds, Reserves and Libraries. Growth drives a significant portion of our capital work requirement in order that service levels are maintained to the growing community. As the cost of growth is driven by development the Council considers that it is equitable that a development should make a contribution to these costs. Charges under these policies are used to fund the portion of capital expenditure that relates to growth. In determining the requirement for contribution any increase in level of service or renewal of asset is identified and funded from other sources.

3.2. Borrowing

Borrowing is used as a method of funding some capital projects. The Council views debt as a smoothing mechanism to achieve equity between time periods. However, Council does not have an unlimited capacity to borrow and the community does not have an unlimited capacity to service those loans into the future. The Council adopts a prudent approach to debt and its capital programme to ensure that the burden of debt and the associated interest cost does not place an impossible burden on the community. In doing so Council is conscious of its debt limits included in the Financial Strategy.

3.3. Proceeds from Asset Sales

These proceeds may be used to fund capital works, through internal loans, or to repay debt to external parties. The main planned asset sales programme over the period of this plan is the ongoing freeholding of HBHB Endowment Land Residential leases. However, as outlined in the Financial Strategy, Council also intends to review assets for potential sale to reduce debt, replace with higher yielding investments or fund key projects.

3.4. User Charges

User charges are not generally available to fund capital expenditure however some activities generate a surplus that is able to be used to fund capital expenditure. Examples include the Kennedy Park and Parking activities.

3.5. Reserves (Special Funds)

Council maintains a number of special funds that are available to fund capital projects when a project meets the specific criteria for the reserve.

3.6. Grants, Subsidies, Donations and other income

Council relies on significant subsidies for capital works in its transportation activity. Other activities are able to access grants, subsidies and donations from time to time and Council looks to obtain external funding to support new community projects wherever possible.

4. Funding by Activity

4.1 Operating Expenditure - Significant Sources of Activity Funding

Low: 0 - 19%, Low - Med: 20 - 39%, Medium: 40 - 59%, Med - High: 60 - 79%, High: 80 - 100%

Activity Group	Activity	General Rates	Targeted Rates	Fees and Charges	Grants, Subsidies & Other
Democracy and Governance	Democracy and Governance	High			
Transportation	Transportation	High	Low	Low	Low
Stormwater	Stormwater	High		Low	low
Wastewater	Wastewater		High	Low	
Water Supply	Water Supply		High	Low	Low
Other Infrastructure	Waste Minimisation	Low	Low - Med	Low - Med	Low - Med
	Cemeteries	Med - High		Low - Med	Low
	Public Toilets	High		Low	
City Strategy	City Development	High	Low	Low	Low
	Resource Consents	Medium		Medium	
	Regulatory Solutions	Med - High		Low - Med	
	Building Consents	Low - Med	Low	Med - High	
	Animal Control	Low		Med - High	Low
	Parking			High	

Activity Group	Activity	General Rates	Targeted Rates	Fees and Charges	Grants, Subsidies & Other
Community and Visitor Experiences	Community Strategies	High		Low	Low
	Community Facilities	High		Low	
	Napier Aquatic Centre	Med - High		Low - Med	Low
	Marine Pde Pools	Med - High		Low - Med	
	Bay Skate	Medium		Medium	
	McLean Park			High	
	Events and Marketing	High		Low	Low
	Housing			High	Low-Med
	Libraries	High		Low	
	MTG Hawke's Bay	Medium		Low - Med	Low
	Napier Municipal Theatre	Low - Med		Med - High	
	Napier i-SITE Visitor Information Centre	Low - Med		Med - High	
	Par2 MiniGolf			High	
	National Aquarium of NZ	Low		High	Low
	Napier Conference Centre	Low		High	
	Kennedy Park Resort			High	
	Sportsgrounds	High		Low	
	Reserves	High		Low	Low

REVENUE AND FINANCING POLICY - 4.1 OPERATING EXPENDITURE CONTINUES

Activity Group	Activity	General Rates	Targeted Rates	Fees and Charges	Grants, Subsidies & Other
Property Assets	Property Holdings			High	
	Inner Harbour	Low		Low - Med	Med - High
	Lagoon Farm			High	Low
	Parklands Residential Development				High

4.2 Capital Expenditure - Significant Sources of Funding

Activity Group	Activity	General Rates	Financial & Development Contributions	Loans	Fees & Charges	Reserves (Special Funds)	Other (Subsidies, Donations, Asset Sales)
Democracy and Governance	Democracy and Governance	Yes					
Transportation	Transportation	Yes	Yes	Yes		Yes	Yes
Stormwater	Stormwater	Yes	Yes	Yes		Yes	
Wastewater	Wastewater	Yes	Yes	Yes		Yes	
Water Supply	Water Supply	Yes	Yes	Yes		Yes	
Other Infrastructure	Waste Minimisation	Yes		Yes		Yes	Yes
	Cemeteries	Yes		Yes		Yes	
	Public Toilets	Yes				Yes	
City Strategy	City Development	Yes					
	Resource Consents	Yes					
	Regulatory Solutions	Yes					
	Building Consents	Yes					
	Animal Control				Yes	Yes	
	Parking				Yes	Yes	

REVENUE AND FINANCING POLICY - SIGNIFICANT SOURCES OF FUNDING CONTINUES

Activity Group	Activity	General Rates	Financial & Development Contributions	Loans	Fees & Charges	Reserves (Special Funds)	Other (Subsidies, Donations, Asset Sales)
Community and Visitor Experiences	Community Strategies	Yes					
	Community Facilities	Yes		Yes		Yes	
	Napier Aquatic Centre	Yes		Yes		Yes	Yes
	Marine Pde Pools	Yes					
	Bay Skate	Yes					
	McLean Park	Yes		Yes		Yes	Yes
	Events and Marketing	Yes					
	Housing			Yes		Yes	Yes
	Libraries	Yes	Yes	Yes		Yes	Yes
	MTG Hawke's Bay	Yes		Yes		Yes	Yes
	Napier Municipal Theatre	Yes				Yes	Yes
	Napier i-SITE Visitor Information Centre	Yes		Yes			
	Par2 MiniGolf	Yes		Yes	Yes		
	National Aquarium of NZ	Yes		Yes		Yes	Yes
	Napier Conference Centre	Yes				Yes	Yes
	Kennedy Park Resort	Yes		Yes	Yes		
	Sportsgrounds	Yes		Yes		Yes	Yes
	Reserves	Yes	Yes	Yes		Yes	Yes

REVENUE AND FINANCING POLICY - SIGNIFICANT SOURCES OF FUNDING CONTINUES

Activity Group	Activity	General Rates	Financial & Development Contributions	Loans	Fees & Charges	Reserves (Special Funds)	Other (Subsidies, Donations, Asset Sales)
Property Assets	Property Holdings	Yes		Yes		Yes	Yes
	Inner Harbour				Yes	Yes	
	Lagoon Farm					Yes	
	Parklands Residential Development					Yes	Yes

4.3 Rationale for Activity Funding

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
DEMOCRACY AND GOVERNANCE					
Democracy and Governance	Engagement: Council works with and for the community	Benefits flow to the entire community through the provision of the democratic and consultative system for decision making	Costs are applied on an annual basis as the primary benefit of operating expenditure is achieved in the year the expenditure is incurred	There are no negative effects to be addressed by this activity	Individual benefits are unable to be quantified so General Rates is the appropriate funding source. As the whole community benefits from this activity it is Council's view that General Rates is the most appropriate funding source.
TRANSPORTATION					
Transportation	Excellence in infrastructure and public services for now and in the future (primary) A safe and healthy City that supports community well-being (secondary)	Benefits flow to the community, private individuals, businesses and visitors through the provision of a safe and effective transportation network for both transportation and pedestrian traffic in and around the City.	Operating costs are applied on an annual basis. The primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets. Significant road assets have life ages ranging from 15 to 120 years.	A transportation network is a key requirement for any community to function effectively. Consequently there are no exacerbator pays characteristics of this activity.	Users of the transportation network are the primary beneficiaries of this activity. Subsidy received from NZTA is for the benefit of the users of the network in general. In addition, funding is provided by Petrol Tax Distributions and contributions to city walk and cycleways through Grants and Donations. Targeted rates are applied to CBD and suburban retailers for funding off-street parking requirements. It is appropriate that the remaining costs are met from General Rates.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
STORMWATER					
Stormwater	Excellence in infrastructure and public services for now and in the future (primary) A sustainable City (secondary)	Beneficiaries are land owners, property owners, general public, visitors and stakeholders of national infrastructural assets.	Operating costs are applied on an annual basis. The primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets. Stormwater assets have life ages ranging from 15 to 100 years.	This activity is required to protect the community from a naturally occurring event (e.g. rainfall), rather than from effects created by the action or inaction of one or more groups of people. Individuals within the community can exacerbate the cost to the community. These issues are addressed through management routines.	Actual benefits received by individual property owners are difficult to determine and it is not cost efficient to apply individual charges. On the grounds of fairness and equity, and from a practical point of view, costs related to this output will be met by the wider Napier community funded by General Rates.
WASTEWATER					
Sewerage	Excellence in infrastructure and public services for now and in the future (primary) A safe and healthy City that supports community well-being (secondary)	Direct beneficiaries are occupants and industrial/commercial entities whose residence/premises are connected to the sewerage system. Indirect beneficiaries are occupants and industrial/ commercial entities that can be easily connected to the system, developers who can extend and connect to the system. The wider Napier community benefit through the safe disposal of effluent.	Operating costs are applied on an annual basis and the primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets. Wastewater assets have life ages ranging from 15 to 100 years.	This activity provides the disposal of wastewater for the members of the community connected to the sewerage system. Individuals within the community can exacerbate the cost to the community. These issues are addressed through management routines.	Actual benefits received by individual property owners are difficult to determine and it is not cost efficient to apply individual charges. On the grounds of fairness and equity, and from a practical point of view, it has been decided that the costs related to this output including depreciation but excluding trade waste should be met by the wider Napier community by a Targeted Rate where connection to the system is available. The Targeted Rate rating system was chosen by Council as all households have equal access to the system and no one household benefits significantly more than any other. Direct charging of trade waste charges is applicable for industrial premises which discharge quantities of trade waste in excess of the minimum laid down in the Trade Waste By-Laws.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
WATER SUPPLY					
Water Supply	Excellence in infrastructure and public services for now and in the future (primary) A safe and healthy City that supports community well-being (secondary)	Beneficiaries are domestic water users, commercial water users and the community at large for fire fighting requirements.	Operating costs are applied on an annual basis and the primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets. Water Supply assets have life ages ranging from 15 to 200 years.	There are no negative effects arising from this activity.	Benefits received by property owners could be achieved through direct user charging. The community preference is for the cost of water supply including depreciation to be achieved through the rating system with a Water Rate on each separately used or inhabited part of a rating unit connected to the system (all domestic users have equal access to the system). A half rate applies to all rating units not connected but located within 100 meters of the system. Direct charging of commercial and of Bay View domestic use is achieved through Water by Meter Charges. Meter fees recover actual use after the first 300m3 per annum for commercial water users in the Napier system and Bay View domestic users. Beneficiaries of fire protection costs are the wider community therefore direct charging for this service is not applicable. The Fire Protection Rate based on capital value applies to all properties connected or able to be connected to the water supply system. The rate is differentially applied to reflect the need for higher carrying capacity to commercial and industrial properties.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
OTHER INFRASTRUCTURE					
Waste Minimisation	A sustainable City	Direct beneficiaries are the users of the refuse and recycling collections, the transfer station and Omarunui Landfill. Benefits flow to the community as a whole from a clean and tidy environment and through responsible waste minimisation.	Operating Costs benefits arise in the year costs are incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets.	Negative effects being addressed by this activity are the effective disposal of waste produced by the whole community.	It would not be practical to administer fees and charges for refuse and recycling collection on the basis of actual usage so funding is based on access to service. A Targeted Rate based on the cost of service provision of refuse collection and/or kerbside recycling collection is applied to all serviced properties. User Fees and Charges are not practical for litter control services and there are no identifiable beneficiaries so funding is by General Rates. The direct beneficiaries of the Transfer Station and Omarunui Landfill are readily identifiable so funding is by Fees and Charges that recover the full operating and capital costs.
Cemeteries	A sustainable City	Burial and ash interment spaces provide direct benefits are to the family and friends of the deceased. Genealogists/historians benefit directly from records information. Indirect beneficiaries are business suppliers. The community as a whole benefit from safe interment facilities, keeping of genealogical information and the well maintained open spaces.	Costs are applied on an annual basis as the primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets.	There are no negative effects arising from this activity.	Some components of this activity are discrete activities that can be applied on an individual basis. Fees and Charges are applied to these components. Where Fees and Charges are not applicable or not cost efficient to implement, the activity cost, being considered a public good, is funded from General Rates as the appropriate funding tool. The Fees and Charges are set at a level that is comparable to neighbouring Councils.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
OTHER INFRASTRUCTURE continues					
Public Toilets	Excellence in infrastructure and public services for now and in the future	Users of the facilities benefit directly. The community as a whole benefits from the provision of safe, sanitary public toilets.	Benefits of operating costs accrue to the year in which these are incurred. Benefits of the capital cost of providing facilities accrue over the life of the asset. Building assets have an estimated life of 50 years with a shorter life for fixtures and fittings.	Negative effects negated by this activity are public health concerns caused by inadequate public toilet provision and damage or destruction of community facilities and buildings through graffiti and vandalism.	While separate funding is applicable the cost of applying direct costs would be greater than the revenue gained. If graffiti and vandalism offenders are apprehended they are charged the costs of reparation. The activity is considered to be for the public good and Council has allocated costs of operating as 100% General Rates with reparation costs being sought from the court or the offenders directly for both vandalism and graffiti.
CITY STRATEGY					
City Development	A vibrant, innovative City for everyone (primary) A sustainable City (secondary) Engagement: Council works with and for the community (secondary)	A District Plan that meets the needs and aspirations of the community while ensuring that the resources of the district are managed sustainably benefits the community as a whole. Direct beneficiaries are the property and building industry and associated businesses. Direct beneficiaries of the Council promoting economic development are businesses and the wider Napier community through economic growth.	The District Plan is reviewed in its entirety in consultation with the local community once every ten years. The benefits of this activity will accrue over the life of the District Plan although the primary expenditure is incurred at the time of the District Plan's review. Although benefits of economic development may continue to accrue over future years the primary benefit is achieved in the year expenditure is incurred so costs are allocated to the year these are incurred.	The requirement to have a District Plan is stipulated by the Resource Management Act. The actual provisions of the District Plan aim to provide an environment in which people are able to undertake a wide range of activities with minimum regulation provided no adverse effects on the environment are created or likely to be generated. In some instances private individuals who wish to utilise their land in a manner that is not normally associated with the zoning in place may need to request changes to the District Plan but in so doing need to demonstrate how any potential adverse effects will be mitigated.	The requirement to have a District Plan is stipulated by the Resource Management Act. The actual provisions of the District Plan aim to provide an environment in which people are able to undertake a wide range of activities with minimum regulation provided no adverse effects on the environment are created or likely to be generated. In some instances private individuals who wish to utilise their land in a manner that is not normally associated with the zoning in place may need to request changes to the District Plan but in so doing need to demonstrate how any potential adverse effects will be mitigated. Recovery of costs by way of Fees and Charges is limited due to the difficulty identifying direct beneficiaries. Appropriate funding is by way of Fees and Charges where applicable with the remainder funded from General Rates. Promotional levies are collected on behalf of the Napier City Business Inc. and Taradale Marketing Association Inc. Council's share of the CBD promotional levy is funded from rates and the remainder is from Targeted Rates.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
CITY STRATEGY continues					
Resource Consents	A safe and healthy City that supports community well-being (primary) A sustainable City (secondary)	Benefits flow to the community and private individuals and business through effective and consistent application of the policies defined in the Council's District Plan. Management and application of the Resource Management Act (RMA).	Although benefits of this activity will continue to accrue over future years through the consistent application and development of policies in the District Plan and the management of the RMA, the primary benefit is achieved in the year the expenditure is incurred so costs are allocated to the year that these are incurred. Capital costs are minor as these are largely administrative equipment costs.	The need for these services arise from the actions taken by both individuals and businesses which necessitate the need to ensure compliance with laws enacted to protect the health and safety of both users and the community at large and the environment for future generations.	Where direct benefits can be attributed to individuals and businesses the costs will be recovered by Fees and Charges within an affordable level. The community as a whole benefits from this activity so any remaining balance will be recovered from General Rates.
Regulatory Solutions	A safe and healthy City that supports community well-being	Benefits flow to the community and private individuals through enhanced public and community safety, environmental protection and protection of public health.	Benefits flow to the community and private individuals through enhanced public and community safety, environmental protection and the protection of public health.	The need for these services results from the action or inaction of both individuals and businesses to comply with laws enacted to protect the health and safety of both users and the community at large.	Where direct benefits can be attributed to individuals and businesses the costs will be recovered by Fees and Charges within an affordable level. The community as a whole benefits from this activity so any remaining balance will be recovered from General Rates.
Building Consents	A safe and healthy City that supports community well-being	Benefits flow to the community and private individuals and business through effective and consistent application of the policies defined by the Council and management and application of the Building Act, Regulations and Codes of Practice.	Benefits flow to the community and private individuals and business through effective and consistent application of the policies defined by the Council and management and application of the Building Act, Regulations and Codes of Practice.	The need for these services results from the action of both individuals and businesses to ensure compliance with laws enacted to protect the health and safety of both users and the community at large.	Costs of this activity are related to the control and management of the built environmental and their effects. Direct benefit can be attributed to individuals and businesses. These will be recovered by Fees and Charges. Any remaining balance will be recovered from General Rates.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
CITY STRATEGY continues					
Animal Control	A safe and healthy City that supports community well-being	Benefits flow to the community and private individuals through enhanced public and community safety. Wellbeing is enhanced by the presence of animals in the community.	Although benefits for these activities may continue to accrue over future years through consistent programmes and application the primary benefit is allocated to the year that the costs are incurred.	The need for these services results from the action or inaction of individuals to comply with animal control and welfare laws enacted to protect the health and safety of the community at large and/or the welfare of animals in the community.	Costs relating to dog registration and associated activities are funded from Fees and Charges through annual registration fees and other fees for impounding and other enforcement activities. Recipients of other Animal Control Functions such as feral cats and stock control and general community benefits are not easily identified. Consequently, the appropriate funding mechanism for these costs is General Rates.
Parking	Excellence in infrastructure and public services for now and in the future (primary) A vibrant, innovative City for everyone (secondary)	Direct beneficiaries are the users of parking spaces with indirect benefits flowing to businesses in shopping areas. Benefits of community safety flow to the community as a whole through adequate provision of public parking.	Benefits of this activity accrue over future years through consistent programmes of land purchase and development. The primary benefit of regulatory activity occurs in the year the expenditure is incurred. Capital items other than land have an expected life of 10 to 50 years.	Commuter, general business activity and visitor vehicle activity create the need for parking to be provided. The need for enforcement services results from the action or inaction of both individuals and businesses to comply with parking and road safety laws.	Parking operating is funded 100% from users by either Targeted Rates on businesses where free parking is provided or a direct charge to users where paid parking is provided. The exception is abandoned vehicles where owners are not always able to be charged.
COMMUNITY AND VISITOR EXPERIENCES					
Community Strategies	A safe and healthy City that supports community well-being (primary) Engagement: Council works with and for the community (secondary)	Direct benefits are to community and government organisations and individuals receiving information, resources and advice. Direct benefit is received by youth and youth service providers. Benefits flow to the community as a whole through safer community initiatives.	The primary benefit from annual facility operating costs is the year in which costs are incurred.	There are no negative effects arising from this activity.	In general, individual benefits are not easily quantified and benefits are to the community as a whole so General Rates are the appropriate funding source. Where possible grants are sought to fund specific projects.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
COMMUNITY AND VISITOR EXPERIENCES continues					
Community Facilities	A safe and healthy City that supports community well-being	Benefits are to community organisations and private individuals who use the facilities for social, leisure and cultural needs at an affordable level.	The primary benefit from annual facility operating costs is the year in which costs are incurred. Hall facilities have an expected service life of 50 years.	There are no negative effects arising from this activity.	Fees and Charges are applicable and cost effective for this activity as users have exclusive use of the facility. However, on the basis of community benefit fees are set in the medium – low range and the balance is funded from General Rates.
Napier Aquatic Centre	A safe and healthy City that supports community well-being	Direct benefits are to the users of the facilities. Indirect benefits flow to the community as a whole from improved health and fitness.	The primary benefit from annual facility operating costs is the year in which costs are incurred Pool facilities have an expected service life of 10 to 50 years.	There are no negative effects arising from this activity.	Fees and Charges are the appropriate funding method for this activity to an affordable level. Funding required above this level will be met from General Rates due to the benefit the community as a whole derives from availability of the activity.
Marine Parade Pools	A safe and healthy City that supports community well-being	Direct benefits are to the users of the facilities. Indirect benefits flow to the community as a whole from improved health and fitness.	The primary benefit from annual facility operating costs is the year in which costs are incurred. Pool facilities have an expected service life of 10 to 50 years.	There are no negative effects arising from this activity.	The Marine Parade Pools are treated separately from the Aquatic Centre as the facility is operated by a contractor. The facility does not always generate sufficient funds to fund all asset maintenance and renewal. Any shortfall will be met by General Rates.
Bay Skate	A safe and healthy City that supports community well-being	Direct benefits are to the users of the facilities. Indirect benefits flow to the community as a whole from the provision of a safe and accessible recreation facility.	The primary benefit from annual facility operating costs is the year in which costs are incurred.	There are no negative effects arising from this activity.	Fees and Charges are the appropriate funding method for this activity to an affordable level. Funding required above this level will be met from General Rates.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
COMMUNITY AND VISITOR EXPERIENCES continues					
McLean Park (this activity does not include the building assets)	A safe and healthy City that supports community well-being (primary) A vibrant, innovative City for everyone (secondary)	Direct benefits are to the users of the facilities. Indirect benefits flow to the community as a whole from the provision of a safe and accessible recreation facility. Indirect benefits flow to the local economy from sporting events.	The primary benefit from annual facility operating costs is the year in which costs are incurred.	There are no negative effects arising from this activity.	Fees and Charges are the appropriate funding method for this activity.
Events and Marketing	A vibrant, innovative City for everyone	Direct benefits are to the event organisers and participants. Indirect benefits flow to the local economy and community as a whole.	The benefit from these activities is in the year the costs are incurred.	There are no negative effects arising from this activity.	The purpose of this activity is for the benefit of the community as a whole so funding is from General Rates. Initial funding from special funds has been used to minimise rates increases. Income is received from jointly organised events.
Housing	Excellence in infrastructure and public services for now and in the future	Direct beneficiaries and the tenants.	The benefits from this activity arise in the year costs are incurred.	The need for this service arises from the shortage of housing opportunities for some members of the community. There are no negative effects arising from this activity..	Operating costs of this activity are funded by Fees and Charges.

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
COMMUNITY AND VISITOR EXPERIENCES continues					
Libraries	A sustainable City (primary) A vibrant, innovative City for everyone (secondary)	Direct beneficiaries are the users of and visitors to the facilities and services. There is an indirect flow on benefit to the community as a whole through better well-being.	The primary benefit from annual facility operating costs is the year in which costs are incurred. Library stocks have an expected life of 4 to 15 years.	There are no negative effects arising from this activity.	Direct beneficiaries are identifiable but it is not appropriate or affordable to charge users the actual cost of operating the activity. Public expectation is that core library services are free and the LGA does not allow Council to charge residents a membership fee. Libraries fees and charges are applied to noncore services e.g., best seller collection, costs of lost or damaged items. Some grants and donations are received. Most costs are funded from General Rates.
MTG Hawke's Bay	A sustainable City (primary) A vibrant, innovative City for everyone (secondary)	Direct beneficiaries are the visitors to the facility. The MTG Hawke's Bay services include education programmes. There is an indirect flow on benefit to the community as a whole through access to historic material and education programmes. The MTG archived collection is held in trust by the Hawke's Bay Museums Trust for the Hawke's Bay community.	The primary benefit is achieved in the year expenditure is incurred. Benefits of capital items are expected to extend from 5 to 50 years.	There are no negative effects arising from this activity.	Through HBMT Napier City Council and Hastings District Council provide funding for the management and care of the regional collection. Napier City Council's share of the regional collection costs is funded from General Rates. The MTG receives grants and donations in particular for the education programmes. The fees and charges for the operation of the Cinema and Retail Shop are set at level that aims to cover costs. The balance of costs are funded from General Rates due to the benefits to the community at large.
Napier Municipal Theatre	A vibrant, innovative City for everyone (primary) A sustainable City (secondary)	Direct beneficiaries are the users of the facility. There is an indirect community benefit through the protection and preservation of the Art Deco style of the theatre.	The primary benefit is achieved in the year expenditure is incurred. Life expectancy of the building is greater than 50 years.	There are no negative effects arising from this activity.	Full cost recovery by way of fees and charges for the Municipal Theatre would be prohibitive to users. The building itself contributes to the Art Deco heritage of Napier. As the facilities and services of this activity are available to and benefit the community as a whole General Rates is the appropriate funding mechanism for the net costs.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
Napier i-SITE Visitor Information Centre	A vibrant, innovative City for everyone	Benefits are received by the individual users and the business suppliers of services.	The primary benefit is achieved in the year expenditure is incurred.	There are no negative effects arising from this activity.	Operating costs are recoverable as part of the re-sale price for goods and services. Costs not recovered by Fees and Charges to be met by General Rates due to the benefits derived by the community at large.
Par2 MiniGolf	A vibrant, innovative City for everyone	Direct benefits are to the users of the facility.	The benefit is achieved in the year expenditure is incurred.	There are no negative effects arising from this activity.	Fees and Charges are set at commercial rates to fund the operating and capital requirements of this facility. Recoveries above cost of operations are returned to General Rates.
National Aquarium of NZ	A vibrant, innovative City for everyone (primary) A sustainable City (secondary)	Direct benefits are to the users of the facility. The education function of the Aquarium benefits the school children concerned. Indirect benefits flow to local businesses, particularly those associated with the tourism industry. The community as a whole benefits from a more vibrant economy resulting from the wide range of qua	The primary benefit is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the activity assets.	There are no negative effects arising from this activity.	Fees and Charges are set a pricing structure consistent with other attractions. Council have resolved to fund costs of operations not recovered by Fees and Charges 100% from General Rates.
Napier Conference Centre	A vibrant, innovative City for everyone	Direct benefits are to the users of the facility and services. Indirect benefits flow to local businesses, particularly those associated with the tourism industry. The community as a whole benefits from a more vibrant economy.	The primary benefit is achieved in the year expenditure is incurred.	There are no negative effects arising from this activity.	Fees and Charges, set at commercial rates, are the appropriate funding mechanism for this activity. Costs not recovered from Fees and Charges to be met by General Rates in recognition of the public good aspect of this facility.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
COMMUNITY AND VISITOR EXPERIENCES continues					
Kennedy Park Resort	A vibrant, innovative City for everyone			There are no negative effects arising from this activity.	
Sportsgrounds	A safe and healthy City that supports community well-being (primary) A sustainable City (secondary)	Direct benefits are to the users of the recreation facilities as participants and spectators of sports events. Indirect benefits flow to the community as a whole from the provision of a safe and accessible recreation facilities.	The primary benefit of operating expenditure is achieved in the year expenditure is incurred. Sportsgrounds have an expected service life of 50 years.	There are no negative effects arising from this activity.	Fees and Charges are applicable where users have the exclusive use of grounds and facilities. General use is considered a public and is funded from General Rates.
Reserves	A sustainable City (primary) A safe and healthy City that supports community well-being (secondary)	Direct benefits are to the infrequent exclusive users of reserves. Indirect benefits flow to the community as a whole from the provision of safe and accessible parks and reserves facilities.	The primary benefit of operating expenditure is achieved in the year expenditure is incurred. Benefits of capital expenditure are achieved over the expected life of the assets.	There are no negative effects arising from this activity.	Fees and Charges are applicable where users have the exclusive use of grounds and facilities. General use is considered a public and is funded from General Rates.
PROPERTY ASSETS					
Property Holdings	Excellence in infrastructure and public services for now and in the future	Direct benefit is to the leaseholders and the users of Council buildings.	The primary benefit is achieved in the year the expenditure is incurred.	There are no negative effects arising from this activity.	Restrictions on use of funds applies to the income from leases as defined in the Hawke's Bay Endowment Land Empowering Act 2002. Funds from these leases and Council's commercial property portfolio are held in a special fund and used to support the costs of operating the Inner Harbour activity and foreshore reserves operating costs Net income from leases, rentals and licences received from other properties is returned to General Rates.

REVENUE AND FINANCING POLICY - RATIONALE FOR ACTIVITY FUNDING CONTINUES

Activity	Contribution of Activity to Community Outcomes	Who Benefits	Period of Benefit	What Actions Create the Need	Separate Funding and Rationale
PROPERTY ASSESTS continues					
Inner Harbour	Excellence in infrastructure and public services for now and in the future	Direct benefits are to berth-holders, boat owners and recreational water users and the community in general	Generally benefits arise in the year costs are incurred although the benefits from dredging accrue over 3 to 4 years, and maintenance and renewal of facilities over future years.	There are no negative effects arising from this activity.	Fees and Charges are the appropriate source of funding for berthage and use of the boat ramp up to market level. The remainder will be met from the HB Harbour Board Land Income Account.
Lagoon Farm	Excellence in infrastructure and public services for now and in the future (primary) A sustainable City (secondary)	Benefits are received by the City as a whole through the use of part of the farm as a ponding area during extreme weather.	The primary benefit is achieved in the year the expenditure is incurred.	There are no negative effects arising from this activity.	The operation of the Lagoon Farm funded from Fees and Charges with any shortfall met from General Rates.
Parklands Residential Development	Excellence in infrastructure and public services for now and in the future	Direct benefit is to the purchasers of sections created. Indirect benefits flow to the community through the provision of residential land for growth and development.	The benefit is in the year of section creation.	There are no negative effects arising from this activity.	Direct charging is applicable as residential lots are developed for resale. This activity provides a source of funding for other Council capital projects.

5. Consideration of Section 101(3) B

The purpose of this consideration is to evaluate the overall impact of using all the funding tools available. Having identified the funding tools, Council has considered the effects of the different types of rates, the levels of fees including development and financial contributions and the use of funding policies[1] together with the impacts of debt on the community. In the developing these policies Council has considered the overall impact on the community and the long-term objectives of the city.

The requirement for this consideration is set out in section 101(3) of the Local Government Act, where the funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of the overall impact of any allocation of liability for revenue needs on the community.

As a result of this consideration, Council utilises the rating tools provided by the Local Government (Rating) Act 2002 to give effect to what it considers to be a fair and equitable allocation of rate funding across residential and non-residential properties in Napier City. This allocation is described in the following section entitled 'Rating Policy'.

The policy is included as part of the Revenue and Financing Policy and states Council's policy in relation to the use of rating tools including targeted rates, general rates and the basis for setting general rate differentials and uniform annual general charges.

As outlined below the allocation of general rates is determined every three years based on assessment of benefits arising from each of the General Rate funded activities to residential and non-residential properties respectively.

1 The funding poiciies are: Liability Management Policy; Investment Policy; Rates Remission Policy; Rates Postponement Policy; Policy on the Remission and Postponement of Rates on Māori Freehold Land; and Development and Financial Contributions Policy

6. Rating Policy

The rating system provides for the net funding requirement (after taking into account all other income sources including fees and charges) of the Council's programmes as outlined in the Long Term Plan or Annual Plan.

Rates are set and assessed in compliance with the statutory provisions of the Local Government (Rating) Act 2002.

Apart from Targeted Rates for property based services, rates are allocated to specific properties based on:

Land values (capital values for the Fire Protection Rate) as supplied under contract (present contractor being Quotable Value Limited). Napier City was revalued in 2017, and these values will apply from 2018/19 to 2020/21, and A Uniform Annual General Charge (UAGC) set at a level that enables all Targeted Rates that are set on a uniform basis as a fixed amount, excluding Water Supply and Sewage Disposal, to recover about 20% of total rates.

Council applies the following rates.

7. General Rates

Uniform Annual General Charge - as indicated above.

General Rate - Based on land values and differentially applied. Recovers the balance of the rating requirement not received from any other rate.

The allocation of General Rates between residential and non-residential properties is reviewed triennially to coincide with the revaluation of Napier City. The allocation is determined by assessing the benefits from each of the General Rate funded activities to residential and non-residential properties respectively.

The last review was undertaken during 2017/18 to apply from 2018/19. The review determined that an overall allocation of 70% of total general rates, including the UAGC, should be collected from residential properties and 30% from non-residential properties.

REVENUE AND FINANCING POLICY - GENERAL RATES CONTINUES

Assessed Benefits Allocation of General Rates Funded Activities

ACTIVITY	Rate Funded Cost 2017/18	Allocation %		Cost Allocation $	
		Residential	Non Residential	Residential	Non Residential
Democracy and Governance	3,320,100	74	26	2,456,874	863,226
Sportsgrounds	2,870,600	75	25	2,152,950	717,650
McLean Park	489,000	75	25	366,750	122,250
Napier Aquatic Centre	1,658,800	95	5	1,575,860	82,940
Marine Parade Pools	192,700	70	30	134,890	57,810
Par2 MiniGolf	-115,700	70	30	-80,990	-34,710
Bay Skate	135,500	70	30	94,850	40,650
Reserves	3,410,100	90	10	3,069,090	341,010
Inner Harbour	264,600	77	23	203,742	60,858
Libraries	3,369,500	90	10	3,032,550	336,950
Napier Conference Centre	-158,200	40	60	-63,280	-94,920
Municipal Theatre	301,800	80	20	241,440	60,360
MTG Hawke's Bay	2,130,100	70	30	1,491,070	639,030
Community Strategies	1,000,100	90	10	900,090	100,010
Grants	730,800	90	10	657,720	73,080
Housing	63,500	95	5	60,325	3,175
Community Facilities (Halls)	284,000	90	10	255,600	28,400
Cemeteries	472,000	95	5	448,400	23,600
Public Toilets	902,400	88	12	794,112	108,288
Emergency Management	524,200	69	31	361,698	162,502
City & Business Promotion	890,300	40	60	356,120	534,180
City Promotion Grants	68,500	10	90	6,850	61,650
Events Promotion & Marketing	783,100	40	60	313,240	469,860
National Aquarium of NZ	538,900	20	80	107,780	431,120

Assessed Benefits Allocation of General Rates Funded Activities continues

ACTIVITY	Rate Funded Cost 2017/18	Allocation %		Cost Allocation $	
		Residential	Non Residential	Residential	Non Residential
Napier i-SITE Visitor Centre	253,600	30	70	76,080	177,520
Kennedy Park Resort	-1,038,300	30	70	-311,490	-726,810
Property Holdings	-797,500	74	26	-590,150	-207,350
City Development	1,220,800	20	80	244,160	976,640
Regulatory Consents	603,300	66	34	398,178	205,122
Building Consents	509,900	88	12	448,712	61,188
Environmental Health	435,100	84	16	365,484	69,616
Animal Control	216,600	95	5	205,770	10,830
Transportation	11,286,300	50	50	5,643,150	5,643,150
Waste Minimisation	694,100	82	18	569,162	124,938
Stormwater	4,095,000	80	20	3,276,000	819,000
Total	**41,605,600**			**29,262,787**	**12,342,813**
				70%	**30%**

Following is a summary of the Assessed Benefits Allocations, resulting from the last review.

7.1 Basis of Allocation

KEY:

R = Residential, in Napier City and Bay View

NR = Non Residential, including rural properties and properties in Meeanee and Jervoistown

Democracy & Governance

Based on the total rateable capital value of each of the property categories.

Sportsgrounds

The non-residential portion was assessed on the commercial benefits of sportsgrounds, in particular Park Island.

The balance was allocated as residential.

McLean Park

The non-residential portion was assessed on the commercial benefits of McLean Park (including Rodney Green Centennial Events Centre).

The balance was allocated as residential.

Napier Aquatic Centre

The non-residential portion is based on use by non-residential users, including users from outside Napier.

Marine Parade Pools

The non-residential portion is based on use by non-residential users, including users from outside Napier and the assessed commercial benefits of the Marine Parade Pools.

Par2 MiniGolf

The non-residential portion is based on use by non-residential users, including users from outside Napier and the assessed commercial benefits of Par2 MiniGolf.

Bay Skate

The non-residential portion is based on use by non-residential users, including users from outside Napier and the assessed commercial benefits of Bay Skate.

Reserves

The non-residential portion was assessed on:

- a visitor promotion component on expenditure on foreshore reserves and major greenbelt reserves; and
- a visitor promotion component, particularly on expenditure for the City's high profile public gardens.

The balance was allocated as residential.

Inner Harbour

12.5% of cost reflects benefits to direct commercial users such as fishing companies and other fishing industry servicing companies. Remaining costs reflect general benefits to the community and are allocated on the number of rateable properties (88% R, 12% NR).

Libraries

Non-residential portion assessed on a share of general benefit to the community (5%) and to a share of membership (5%). The balance is allocated as residential.

Napier Conference Centre

The majority of use is by corporate/commercial businesses. A smaller percentage of use relates to ratepayer residential purposes such as weddings.

REVENUE AND FINANCING POLICY - BASIS OF ALLOCATION CONTINUES

Napier Municipal Theatre

The majority of usage benefits the local and regional community through residents attending theatrical events, etc. The remainder relates to commercial hire and the benefits of this to non-residential beneficiaries.

MTG Hawke's Bay

Residential based on the benefits to residential ratepayers through cultural enrichment from an important community/public facility. The balance is allocated as non-residential to reflect the tourism economic impact.

Community Strategies

Based on an assessed allocation of the services provided to the categories of beneficiaries.

Grants

Based on an assessed allocation of community related benefit.

Housing

Services provided by the Housing activity are primarily of benefit to residential. The maintenance and operation of the complexes provides a small commercial benefit.

Community Facilities (Halls)

Based on the current usage

Cemeteries

Based on the number of residential and rural properties.

Public Toilets

Based on the number of rateable properties.

Emergency Management

Based primarily on the value of improvement to properties, but adjusted to recognise the priority of restoring the business and commercial activities of the City following an emergency.

City and Business Promotion

Based on an assessed allocation of the services provided.

City and Promotion Grants

Based on an assessment of the beneficiaries of the grants.

Events and Marketing

Based on an assessed allocation of the services provided.

National Aquarium of NZ

The majority of people visiting are from outside of Napier, with benefits to the commercial tourism support sector. The Napier residential community benefits from visits and various functions.

Napier i-SITE Visitor Centre

Based on usage. Local residents source local and national information especially for visiting friends and relatives. Commercial activity and accommodation operators use the Centre to advertise their products and receive bookings.

Kennedy Park Resort

Residential benefits include accommodation for friends and family, quality of life/tourism benefits and employment opportunities. Non-residential benefits include commercial opportunities for local goods and service providers and commercial sector benefits from tourism activity generally.

Property Holdings

Based on the total rateable land value of each of the property categories.

City Development

Based on the proportion of the District Plan related to the various categories of properties.

Regulatory Consents

Based on the average number of subdivision, non-notified and notified consents issued over the last three years for the various categories of properties.

Building Consents

Based on the average volume of building consents for the last three years.

Regulatory Solutions

Based on actual time and effort and materials on each type of activity, and the following assessment of benefit by function:

- General Licences 30% R 70% NR
- Liquor Licensing 10% R 90% NR
- General Activities 100% R
- Monitoring 90% R 10% NR

Animal Control

Based on the number of residential and rural properties.

Transportation

Allocation for traffic related costs (76% of roading expenditure) based on network analysis of the number and reasons for trips.

Allocation for amenity related costs (24% of roading expenditure) based on the number of rateable properties.

Waste Minimisation

Based on the number of rateable properties, with a multiplier of two for commercial/ industrial properties to allow for litter generation.

Stormwater

Based on a combination of:

- costs for maintenance and reticulation allocated between urban and rural areas on an actual expenditure basis - urban areas reallocated to residential and non-residential for disposal costs based on run off determined from land area and run off coefficient obtained from the building code; and
- infrastructural asset renewal costs fully allocated to urban areas, with allocation between residential and non-residential based on run off (see above).

Apportionment of other costs based on number of rateable properties.

8. Targeted Rates

Water Rates

Fire Protection Rate - recovers 13.24% of the net costs of the water supply systems before deduction of water by meter income.

Water Rate - recovers the balance of the total net cost of the water supply systems.

Water by Meter Charges - based on actual water use after the first 300m3 per annum and applies to all non-domestic water supplies in the Napier Water Supply Area, and domestic supplies outside the Napier Water Supply Area.

Refuse Collection and Disposal Rate

Recovers the net cost of the Refuse activity, excluding costs related to litter control and the kerbside recycling collection service

Kerbside Recycling Rate

Recovers the net cost of the kerbside recycling collection service.

Sewerage Rate

Recovers the net cost of the Wastewater Activity.

Bay View Sewerage Connection Rate

Recovers loan servicing costs on loans raised to finance the cost of connection to the Bay View Sewerage Scheme for properties connecting under the targeted rate payment option.

Off Street Car Parking Rates

CBD Off Street Car Parking Rate - to provide additional off street car parking in the Central Business District.

Taradale Off Street Car Parking Rate - to provide additional off street car parking in the Taradale Suburban Commercial area.

Suburban Shopping Centre off Street Car Parking Rate - to provide additional off street car parking at each of these areas served by Council supplied off street car parking, and to maintain the existing off street car parking areas.

CBD Promotion Rate

Recovers at least 70% of the cost of the promotional activities run by Napier City Business Inc. The remainder is met from general rates to reflect the wider community benefit of promoting the CBD to realise its full economic potential.

Taradale Promotion Rate

Recovers the full cost of the Taradale Marketing Association’s promotional activities.

Swimming Pool Safety Rate

Recovers the cost of residential pool inspections and related costs to ensure owners meet the legal requirements of the Building Act 2004 and Building (Pools) Amendment Act 2016.

Full details of the rating system are included in the Funding Impact Statement.

LIABILITY MANAGEMENT POLICY

This policy is provided in accordance with Section 102 (1) of the Local Government Act 2002 (LGA).

GENERAL POLICY

Napier City Council (the Council) needs to source funds for capital development to ensure that the city continues to progress, and borrowing is an important part of that equation. It is critical to the prudent management of Council's finances that the level of debt is planned and carefully monitored. Council approves borrowing by resolution during the Annual Plan or the Long Term Plan (LTP) process. A resolution of Council is not required for hire purchase, leased, credit or deferred purchase of goods if the period of indebtedness is less than 91 days or the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding $250,000.

Council raises borrowing for the following primary purposes:

- General debt to fund Council's balance sheet.
- Specific debt associated with 'one-off' projects and capital expenditure.
- To fund assets with inter-generational qualities.
- To assist Council in its day-to-day financing, through leases and hire purchases, of equipment purchases and replacement.

Council considers that borrowing is the more prudent way of funding major projects which will benefit several generations of residents.

NEW BORROWINGS

Council is able to fund through a variety of mechanisms including internal borrowing, the issue of fixed and floating rate wholesale and retail loan stock, commercial paper, New Zealand Local Government Funding Agency and direct bank borrowing. Stock/paper may be issued to the wholesale market via banks and brokers, but issues into the retail market require additional Council approval. Council has a general preference to firstly use available special funds for its borrowing requirements and thereafter utilise external funding sources.

Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

The authority to arrange new borrowings, or to refinance existing debt on more acceptable terms, is delegated to the Director Corporate Services, who has overall responsibility for all activities relating to implementation of approved policy, and for establishing appropriate structures, procedures and controls to support borrowing and risk management activity.

BORROWING LIMITS

In managing borrowing, Council will adhere to the following limits in relation to external debt:

- Liquidity (term debt plus committed bank facilities and liquid available financial investments) to external debt must be at least 110%
- Net external debt as a percentage of total income will not exceed 100%
- Net interest expense as a percentage of total income will not exceed 10%
- Net Interest as a percentage of rates income will not exceed 15%

Council adheres to the borrowing limit that is reached first and provides the lowest level of debt capacity.

Borrowing Limit Definitions:

- Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).
- Annual rates income excludes regional levies.
- Net external debt is defined as total external debt less cash investments.

- Liquidity is defined as external term debt plus committed bank facilities plus liquid financial investments divided by current external debt.
- Total income is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net interest is defined as external interest expense less interest income.

LIQUIDITY AND CREDIT RISK MANAGEMENT

Council's ability to readily attract cost-effective borrowing is largely driven by its ability to maintain a strong balance sheet as well as its ability to rate, and manage its image in the market, and its relationships with investors, the Local Government Funding Agency (LGFA), bankers and brokers.

Where practical, Council seeks a diversified pool of external borrowing and ensures that bank borrowings and incidental arrangements are sought from strongly rated New Zealand registered banks (minimum Standard & Poor's (S&P) long-term credit rating A+).

Council minimises its liquidity risk by:

- Matching expenditure closely to its revenue streams and managing cashflow timing differences through its liquid investment portfolio and/or committed bank facilities
- Maintaining its cash management and financial investments in liquid and negotiable instruments
- Avoiding concentration of debt maturity dates

To ensure funds are available when needed, Council maintains sufficient available operating cashflow, committed bank facilities, and/or liquid financial investments to meet its projected cashflow commitments through the liquidity ratio, and maintains a $3 million liquidity buffer through cash deposits.

To minimise the risk of large concentrations of external debt maturing or being reissued in periods of illiquidity or where credit margins are high, Council ensures external debt maturities are spread over a band of periods.

Council manages this specifically by ensuring that the maturity profile, when total external debt is $30 million or greater, is subject to the following limits:

Period	Minimum	Maximum
0-3 years	20%	60%
3-5 years	20%	60%
Over 5 years	0%	60%

When total external debt is less than $30 million, no more than one third or $15 million (whichever is higher) is subject to refinancing in any financial year.

INTERNAL BORROWING / LOANS

Council has the option to use its day-to-day cashflow, financial investments and available special fund balances to internally fund capital expenditure as approved by Council resolution. Due to the interest rate margin between external investing and external borrowing, separating Council's investing and borrowing activities is not the most efficient use of its funds. Borrowing internally, utilising its own cash reserves, Council creates fiscal efficiencies by eliminating that margin.

Council manages debt on a net portfolio basis, and borrows externally only when it is commercially prudent to do so.

Interest on internally-funded loans is charged annually in arrears, on year end loan balances at the agreed three-year fixed interest rate. Except where a specific rate has been approved for particular circumstances, the three-year rate is set annually at the start of the financial year, based on the three-year swap rate plus the credit margin on three-year loan stock.

The credit margin is determined by either Council's actual three-year margin or with reference to the LGFA credit curve for a non-credit rated guaranteeing Council borrower.

GROSS DEBT AND GROSS DEBT LIMITS

Gross debt includes all external and internal borrowing and gross interest includes interest calculated on external and internal borrowings.

As an additional measure Council has set borrowing limits relating to Gross Debt and the cost of servicing Gross Debt.

- Gross Debt as a percentage of total income will not exceed 150%
- Gross interest expense as a percentage of total income will not exceed 12%
- Gross Interest as a percentage of rates income will not exceed 20%

The use of the Gross measures is an additional discipline that will be monitored and reported on internally. To avoid confusion, only the measures relating to external debt will be reported on when Council prepares its audited financial statements.

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY (LGFA) LIMITED

The Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA, for example borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

INTEREST RATE RISK MANAGEMENT

Council's borrowing gives rise to a direct exposure to wholesale interest rate movements. Given the long term nature of Council's assets, projects, inter-generational factors, and Council's intention to avoid an adverse impact on rates, Council prefers a percentage of fixed rate or hedged debt. Where possible, interest rate re-pricing risk is spread over a range of maturities.

Council reduces uncertainty due to interest rate movements by the active management of underlying interest rate exposures. Council's fixed rate debt, as a percentage of debt, should be between a minimum of 55% and a maximum of 100%. The percentages are calculated on the rolling 12-month projected external core debt level.

'External Debt' is the amount of total external core debt.

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

'Floating Rate' is defined as an interest rate repricing date within 12 months.

Interest rate risk management objectives are reflected in the table below and outline the target fixed or hedged rate requirements allocated into time bands.

Period of actual and planned forecast external debt	Fixed Rate Maturity Profile Limit	
	Minimum	Maximum
1 to 3 years	20%	60%
3 to 5 years	20%	60%
5 to 10 years	0%	60%

These limits do not apply when external core debt is less than $15 million.

A fixed rate maturity profile that is outside the above limits, but self-corrects in less than 90 days is not in breach of this Policy. However, maintaining a maturity profile outside the above limits for greater than 90 days requires approval by Council.

INTEREST RATE STRATEGY

Management implements interest rate risk management strategy through the use of the following approved instruments:

- Forward rate agreements
- Interest rate swaps
- Purchased interest rate swaptions
- Purchase of interest rate option products e.g. borrowers' caps, borrowers' swaptions
- Interest rate collar type option strategies (1:1 collars)

Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.

Credit exposure arising on interest rate instruments is restricted to $20 million with any one approved bank counterparty.

SECURITY

Council generally does not offer assets other than a charge over rates or rates revenue as security for any loan or performance of any obligation under an incidental arrangement. In exceptional circumstances, with prior Council approval, security may be offered as a charge over one or more specific assets. Where relevant a register of charges is established and maintained at Council's principal office.

In all borrowing and related activities, Council complies with the relevant provisions of the Securities Act.

REPAYMENT

Council repays external borrowings from the loan redemption reserve allocated to that borrowing, from general funds, rates revenue, asset sale proceeds, or through raising redemption loans. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Repayment amounts on internal loans are set based on a table loan calculation over the life of the loan. Repayments are made annually at financial year end.

CONTINGENT LIABILITIES

Council provides financial guarantees to community organisations. Management ensures that the business plan of the guaranteed party furthers the strategic objectives of Council and that financial statements are received on an annual basis. The Council needs to be satisfied that any community organisation to which it provides a financial guarantee is capable of servicing the proposed borrowing from its income sources. The annual contingent loan liability must not exceed 7.5% of Council's non-targeted rate take for the year.

Council does not give any guarantee, indemnity or security in respect of the performance of any obligation by a Council Community Trading Organisation (CCTO).

INVESTMENT POLICY

Purpose

The Investment Policy is adopted under Section 102(1) of the Local Government Act 2002 and must state the local authority's policies in respect of investments.

Policy

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council in accordance with the relevant sections of the Council's Treasury Management Manual.

In its investment activities Council is guided by the Trustee Act of 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others.

Council is a risk-averse entity and does not wish to incur additional risk from its treasury activities. Its broad objectives in relation to treasury activity are to manage all of Council's investments within its strategic, financial and commercial objectives and optimise returns within these objectives, manage the overall cash position of Council's operations to meet known and reasonable unforeseen funding requirements, and invest surplus cash and the financial investment portfolio in liquid securities and strongly credit-rated counterparties.

Staff seek to develop and maintain professional relationships with Council's bankers, financial market participants and other stakeholders.

Acquisitions of New Investments

With the exception of treasury investments, new investments are acquired if an opportunity arises and approval is given by the appropriate Council committee, based on advice and recommendations from Council officers. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

The authority to acquire treasury investments is delegated to the Director Corporate Services.

Mix of Investments

Council maintains investments in the following mix of investments:

Equity investments

Equity Investments are held for various strategic, economic development and financial objectives, as outlined in the Long Term Plan (LTP.) Council Equity Investments include interests in the Hawkes Bay Airport Authority and Omarunui Landfill Operation, and may include other Council Controlled Organisations (CCOs) or Council Controlled Trading Organisations (CCTOs). Council may also make advances to CCOs or CCTOs.

Council seeks to achieve an acceptable rate of return on all its equity investments, consistent with the nature of the investment and Council's stated philosophy on investments.

Council reviews the performance of these investments on a regular basis to ensure strategic and economic objectives are being achieved. Any disposition of these investments requires Council approval. Dividends received and proceeds from the disposition of equity investments are used to repay debt, to invest in new assets or investments or any other purpose that is considered appropriate by Council.

New Zealand Local Government Funding Agency Limited (LGFA)

Council may invest in shares and other financial instruments of the LGFA, and may borrow to fund that investment.

Council's objective in making any such investment will be to:

- Obtain a return on the investment.
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of investment and/or debt funding for the Council.

INVESTMENT POLICY CONTINUES

Council may invest in LGFA bonds and commercial paper as part of its financial investment portfolio.

As a borrower, Council's investment is recognised through shares and borrower notes. As an investor in LGFA shares and as a Guarantor, Council subscribes for uncalled capital in the LGFA.

Property Investments

Council's overall objective is to own only property that is necessary to achieve its strategic and commercial objectives, or deemed to be a core Council function. Council therefore retains an investment in car parking, leasehold land, and rental and retirement housing. Generally, Council will not maintain a property investment where it is not essential to the delivery of relevant services, and property is retained only where it relates to a primary Council output.

Property purchases are supported by registered valuations and, where appropriate, a full business case analysis. Council does not purchase properties on a speculative basis.

Council provides car parking facilities which are operated on a commercial basis, and are run to cover ongoing operational costs.

Rentals and ground rent from property investments, other than land covered by the HB Endowment Land Empowering Act 2002, is included in the consolidated rating account. Council's leasehold land portfolio was transferred from the Hawke's Bay Harbour Board in 1989 as part of the local government reorganisation and Council, by virtue of the Hawke's Bay Endowment Land Empowering Act 2002, is allowing lessees to freehold residential properties, which is diminishing the portfolio.

Council owns various Napier properties which it classifies as the 'Napier City Council Investment Property Portfolio'. The land held in the portfolio is leased to a variety of individuals and entities, and is managed in line with Council's leasehold land policy.

Property disposals are managed to ensure compliance with statutory requirements. Any disposition of a property investment requires Council approval.

Treasury Investments

Council maintains treasury investments for the following primary reasons:

- to invest amounts allocated to loan redemption reserves, trusts, bequests and special funds.
- to invest surplus cash, and working capital funds.

All interest income from Council's treasury investments is included in the consolidated rating account or special activity account.

Treasury Investment Philosophy and Objectives

Council's philosophy in the management of treasury investments is to optimise its capital protection and liquidity objectives while balancing risk and return considerations. Council recognises that as a responsible public authority any investments that it does hold should be low risk. It also recognises that lower risk generally means lower returns.

To provide the greatest benefit, Council utilises its surplus internal funds for internal borrowing to reduce external debt, thus effectively reducing net interest costs.

Council's primary objective when investing is the protection of its investment capital and liquidity of its investment. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties are selected on the basis of their current Standard and Poor's (S&P) or equivalent rating, which must be strong or better.

To avoid undue concentration of exposures, treasury investments/financial instruments should be used with as wide a range of counterparties as practicable. Where possible, transaction notional and principal sizes and maturities should be well spread. Investment in corporate shares is considered to be an inappropriate asset class and therefore expressly forbidden.

Within the above credit constraints, Council also seeks to:

- Ensure investments are liquid
- Maximise investment return
- Manage potential capital losses due to interest rate movements

INVESTMENT POLICY CONTINUES

Credit, Liquidity and Interest Risk Management

- Credit risk is minimised by placing maximum limits for each broad class of non- Government issuer, and by limiting investments to registered banks, strongly rated State-Owned Enterprises, supranationals, local authorities and corporates within prescribed limits.
- Liquidity / Maturity risk is minimised by managing maturity terms within strict policy limits and ensuring that all negotiable investments are capable of being liquidated in a readily available secondary market.
- Interest Rate risk is minimised by investing in fixed rate bonds and bank term deposits spread over a range of maturity terms.

Financial Investment Interest Rate/Maturity Limits

The following control limits are designed to manage interest rate risk and maturity risk on the financial investment portfolio. The portfolio comprises both cash and core treasury investments. Cash investments relate to matching investments with Council's working capital funding requirement and liquidity buffer amount requirements. Core treasury investments relate to unencumbered investments that are invested for terms of greater than three months.

An important objective of the financial investment portfolio is to match the portfolio's maturity term to planned expenditure, thereby ensuring that investments are available when required.

Period	Minimum	Maximum
0-6 months	30%	80%
6-12 months	20%	70%
1 - 3 years	0%	50%
3 - 5 years	0%	20%

Counterparty Limits

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where Council is a party. The credit risk to Council in a default event will be weighted differently depending on the type of instrument entered into. Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure. Credit ratings are as determined by Standard and Poors, or equivalent rating. If any counterparty's credit rating falls below the minimum specified in the following table, then all practical steps are taken to eliminate the credit exposure to that counterparty as soon as practicable.

Issuers	Approved Instruments	Maximum Long Term & Short Term Credit Rating (S & P)	Maximum per Counterparty	Maximum % of Total Investment Portfolio
NZ Government	Treasury bills Government stock	N/A	Unlimited	100%
NZ Local Government Funding Agency	LGFA Fixed and Floating Rate Bonds Promissory notes / Commercial paper Borrower Notes	AA-/A-1	$40.0m	50%
NZD Registered Supranationals	Promissory Notes / Commercial Paper, Fixed and Floating Rate Bonds	AAA	$20.0m	30%
State-Owned Enterprises	Promissory Notes / Commercial Paper, Fixed and Floating Rate Bonds	A+/A-1	$15.0m	20%
New Zealand Registered Banks *	Money market call deposits and term deposits, Registered Certificates of Deposit, Senior Bonds	A+/A-1	$30.0m or 40% of total portfolio (whichever is the lesser)	100%

INVESTMENT POLICY CONTINUES

Issuers	Approved Instruments	Maximum Long Term & Short Term Credit Rating (S & P)	Maximum per Counterparty	Maximum % of Total Investment Portfolio
Corporate Bonds *	Promissory Notes, Commercial Paper, Fixed and Floating Rate Senior Bonds	A+/A-1	$3.0m	20%
Local Authority	Fixed and Floating Rate Bonds and Stock, Commercial Paper	A+/A-1 (if rated) Unrated	$5.0m $3.0m	20%

* Note: An approved exception to the above is other treasury investments made with local registered banks that are regulated by the Royal Bank of New Zealand having a credit rating of at least BBB. Such investments shall be limited to a term of 3 months or less, and be for not more than $2 million in aggregate. At no time should the total exposure to this risk category be greater than 5% of the total investment portfolio

Any other financial instrument must be specifically approved by Council on a case-by-case basis and is applied to only the one singular transaction being approved.

All secured and unsecured investment securities must be senior in ranking. The following types of investment instruments are expressly excluded:

- No asset backed securities are allowed.
- Structured debt where issuing entities are not a primary borrower/ issuer.
- Subordinated debt, junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.

Council does not adopt the use of interest rate risk management instruments on its investments.

Loan Advances

Council may provide advances to CCOs, CCTOs, charitable trusts and community organisations for strategic and commercial purposes only. New loan advances are by Council resolution only. Council does not lend money, or provide any other financial accommodation, to a CCTO on terms and conditions that are more favourable to the CCTO than those that would apply if Council were borrowing the money or obtaining the financial accommodation.

Loan advances are generally provided on an unsecured basis. Where possible, Council seeks security through a mortgage over land and buildings.

Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

Loan Redemption Reserves

Council establishes specific Loan Redemption Reserves for each new external borrowing. The internal Loan Redemption Reserve is invested in accordance with Council's Investment Policy.

Investment Management and Reporting Procedures

Council's investments are managed on a regular basis, with sufficient minimum immediate cash reserves and a cash buffer maintained. The daily cash position is monitored and managed through the Daily Cash Position Report, and long term cashflow through the annual Cashflow Forecast. To maintain liquidity, Council's short and long term investment maturities are matched with Council's known cashflow requirements.

The performance of Council investments is regularly reviewed to ensure Council's strategic objectives are being met. Both performance and policy compliance are reviewed. Internal investment reports are a vital management tool and, depending on their nature, are produced on a daily, weekly, monthly, quarterly or annual basis. The results are summarised and reported to Council on a quarterly and annual basis.

Foreign Exchange Policy

Council has foreign exchange exposure through the occasional purchase of foreign exchange denominated assets approved through the capital planning process. Generally, all commitments over NZ$100,000 equivalent are hedged using forward foreign exchange contracts, once expenditure is approved, the purchase order is placed, and the exact timing and amount is known. Council uses both spot and forward foreign exchange contracts.

Council does not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency.

RATES REMISSION POLICY

1. REMISSION OF PENALTIES

Objective

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

Conditions and Criteria

Penalties incurred will be automatically remitted where Council has made an error which results in a penalty being applied.

Remission of one penalty will be considered in any one rating year where payment has been late due to significant family disruption. This will apply in the case of death, illness, or accident of a family member, at about the times rates are due.

Remission of the penalty will be considered if the ratepayer forgets to make payment, claims a rates invoice was not received, is able to provide evidence that their payment has gone astray in the post, or the late payment has otherwise resulted from matters outside their control. Each application will be considered on its merits and remission will be granted where it is considered just and equitable to do so. As a guide, remission of one penalty will be allowed every two years provided the ratepayer has a history of paying on time in Napier.

Remission of a penalty will be considered where sale has taken place very close to due date, resulting in confusion over liability, and the notice of sale has been promptly filed, or where the solicitor who acted in the sale for the owner acted promptly but made a mistake (e.g. inadvertently provided the wrong name and address) and the owner cannot be contacted. Each case shall be treated on its merits.

A penalty shall not be remitted where professionals such as solicitors, accountants or trust companies have failed to perform their duties to a professional standard (e.g. omitted to file a notice of sale within one month) which led to the penalty being applied.

Decisions on remission of penalties will be delegated to the Revenue and Treasury Manager and the Rates Coordinator as set out in the Council's delegations resolution.

2. REMISSION FOR RESIDENTIAL LAND IN COMMERCIAL OR INDUSTRIAL AREAS

Objective

To ensure that owners of rating units situated in commercial or industrial areas are not unduly penalised by the zoning decisions of this Council and previous local authorities.

Conditions and Criteria

To qualify 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 where their property has been zoned by inspecting the City of Napier District Plan, copies of which are available from the Council office.
- Be listed as a 'residential' property for differential rating purposes. Ratepayers wishing to ascertain whether their property is treated as a residential property may inspect the Council's rating information database at the Council office.

Rates will be automatically remitted annually for those properties which had Special Rateable Values applied under Section 24 of the Rating Valuations Act 1998 up to 30 June 2003, and for which evidence from Council's Valuation Service Provider indicates that, with effect from the 2002 revaluation of Napier City, the land value has been penalised by its zoning. The amount remitted will be the difference between the rates calculated on the equivalent special rateable value provided by the Valuation Service Provider and the rates payable on the Rateable Value.

Other ratepayers wishing to claim remission under this part of the policy must make an application in writing addressed to the Director Corporate Services.

The application for rates remission must be made to the Council prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated.

Applications for remission under this part of the policy will be determined by the

Director Corporate Services acting under delegated authority from the Council as specified in the delegations resolution.

Where an application is approved, the Council will direct its Valuation Service Provider to inspect the rating unit and prepare a valuation that will treat the rating unit as if it were a comparable rating unit elsewhere in the district. The ratepayer may be asked to contribute to the cost of this valuation. Ratepayers should note that the Valuation Service Provider's decision is final as there are no statutory right of objection or appeal for values done in this way.

3. REMISSION FOR LAND SUBJECT TO SPECIAL PRESERVATION CONDITIONS

Objective

To preserve and encourage the protection of land and improvements which are the subject of special preservation conditions.

Conditions and Criteria

Rates remission under this Section of the policy relates to land that is subject to:

- A heritage covenant under the Historic Places Act 1993; or
- A heritage order under the Resource Management Act 1991; or
- An open space covenant under the Queen Elizabeth the Second National Trust Act 1977; or
- A protected private land agreement or conservation covenant under the Reserves Act 1977; or
- Any other covenant or agreement entered into by the owner of the land with a public body for the preservation of existing features of land, or of buildings, where the conditions of the covenant or agreement are registered against the title to the land and are binding on subsequent owners of land.

Ratepayers who own rating units meeting this criteria may qualify for remission under this part of the policy.

Rates will automatically be remitted annually for those properties which had Special Rateable Values applied under Section 27 of the Rating Valuations Act up to 30 June 2003, and which meet the above criteria. The amount remitted will be the difference between the rates calculated on the equivalent special rateable value provided by the Valuation Service Provider and the rates payable on the Rateable Value.

Other ratepayers wishing to claim remission under this part of the policy must apply in writing to the Council office, and must provide supporting documentary evidence of the special preservation conditions, e.g. copy of the Covenant, Order or other legal mechanism.

The application for rates remission must be made to the Council prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year.

Applications for remission under this part of the policy will be approved by the Council. The Council may specify certain conditions before remission will be granted. Applicants will be required to agree in writing to these conditions and to pay any remitted rates if the conditions are violated.

Where an application is approved, the Council will direct its Valuation Service Provider to inspect the rating unit and provide a special valuation. The ratepayer may be asked to contribute to the cost of this valuation. Ratepayers should note that the Valuation Service Provider's decision is final as there is no statutory right of objection or appeal for values done in this way.

The equivalent special rateable value will be determined by the Valuation Service Provider on the assumption that:

- The actual use to which the land is being put at the date of valuation will be continued; and
- Any improvements on the land will be continued and maintained or replaced in order to enable the land to continue to be so used.

It will be assessed taking into account any restriction on the use that may be made of the land imposed by the mandatory preservation of any existing tenements, hereditaments, trees, buildings, other improvements, and features.

4. REMISSION OF UNIFORM ANNUAL GENERAL CHARGES (UAGC) AND TARGETED RATES OF A FIXED AMOUNT ON RATING UNITS OWNED BY THE SAME OWNER

Objective

To provide for relief from UAGC and Targeted Rates of a fixed amount per rating unit or separately used or inhabited parts of a rating unit, where two or more rating units are owned by the same person or persons, and are either:

- part of a subdivision plan which has been deposited for separate lots, or separate legal titles exist; or
- are contiguous or separated only by a road, railway, drain, water race, river or stream,

but the rating units may not necessarily be used jointly as a single unit, and each rating unit does not benefit separately from the services related to the UAGC and Targeted Rates.

Conditions and Criteria

Remission of UAGC and Targeted Rates of a fixed amount applies in the following situations:

- Unsold subdivided land, where as a result of the High Court decision of 20 November 2000 'Neil Construction and others vs. North Shore City Council and others', each separate lot or title is treated as a separate rating unit, and such land is implied to be not used as a single unit.
- A residential property which has a separate vacant section attached for use as a garden, tennis court, etc.
- Multi-unit garages, where each garage is subject to a separate cross-lease, and a ratepayer owns two or more garages within the complex.
- Any similar situation where the rating unit cannot benefit separately from the services provided which relate to the UAGC and Targeted Rates.

Remission does not apply where one owner owns two or more rating units situated contiguously, but each is used for the purposes that would benefit separately from the services giving rise to the UAGC and Targeted Rates (e.g. neighbouring shops or houses).

Rating units that meet the criteria under this policy may qualify for a remission of UAGC and Targeted Rates of a fixed amount. The ratepayer will remain liable for at least one set of each type of rate.

The rating units on which remission is applied must be owned by the same ratepayer.

Remission will be made automatically for all properties identified by Council staff as being eligible for remission under this part of the policy. Ratepayers who consider themselves eligible for remission under this part of the policy, but who do not receive any remission, may make application in writing to the Director Corporate Services. All applications will be considered, and where eligible, remission will be backdated to the beginning of the rating year in which the application has been received.

All remissions under this part of the policy will be approved by the Director Corporate Services.

5. REMISSION FOR SPECIAL CIRCUMSTANCES

Objective

To enable Council to provide rates remission for special and unforeseen circumstances, where it considers relief by way of rates remission is justified in the circumstances.

Conditions and Criteria

Applications for rates remission must be made in writing by the applicant.

Each circumstance will be considered by Council on a case by case basis. Where necessary, Council consideration and decision will be made in the Public Excluded part of a Council meeting.

The terms and conditions of remission will be decided by Council on a case by case basis. The applicant will be advised in writing of the outcome of the application.

RATES POSTPONEMENT POLICY

1. POSTPONEMENT FOR FARMLAND

Objective

To support the District Plan by encouraging owners of farmland around urban areas to refrain from subdividing their land for residential purposes.

Conditions and Criteria

To qualify for postponement of rates under this policy the rating unit must be classified as farmland for differential purposes (ratepayers wishing to ascertain their classification are welcome to inspect the Council's rating information database at the Council office).

Rates postponement will continue to apply on those properties that were subject at 30 June 2003 to postponement under Section 22 of the Rating Valuations Act 1998. Other rural ratepayers wishing to take advantage of this part of the policy must make application in writing, addressed to the Director Corporate Services. The application for postponement must be made to the Council prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated.

For properties currently subject to rates postponement and for new applications approved, Council will postpone the difference between rates payable on the equivalent Rates Postponement Value advised by its Valuation Service Provider and rates payable on the Rateable Value of the land each year.

The Council may charge an annual fee on postponed rates for the period between the due date and the date they are paid. This fee is designed to cover the Council's administrative and financial costs and may vary from year to year. The amount of the fee is included in Council's Schedule of Fees and Charges.

At the end of five years any postponed rates will be written off if the rating unit has not been subdivided. However, if the rating unit is subdivided then postponed rates and interest will be payable. The ratepayer will be required to sign an agreement acknowledging this. Postponed rates will be registered as a charge against the land (i.e. in the event that the property is sold the Council has first call against any of the proceeds of that sale). Again, the ratepayer will be required to sign an agreement acknowledging this.

The Council will delegate authority to approve applications under this criteria to the Director Corporate Services as specified in the delegations resolution.

2. POSTPONEMENT FOR THE ELDERLY

Objective

The objective of this part of the policy is to assist elderly ratepayers with a fixed level of income to meet rates particularly, but not exclusively, resulting from increasing levels of rates.

Conditions and Criteria

Postponement will only apply to elderly ratepayers on a fixed income.

Only rating units used solely for residential purposes will be eligible for consideration for rates postponement under this policy.

Only the person entered as the ratepayer, or their authorised agent, may make an application for rates postponement for financial hardship. The ratepayer must be the current owner of, and have owned for not less than five years, the rating unit which is the subject of the application. The person entered on the Council's rating information database as the 'ratepayer' must not own any other rating units or investment properties (whether in the district or in another district).

The ratepayer (or authorised agent) must make an application to Council on the prescribed form (copies can be obtained from the Council Office).

The Council will consider, on a case by case basis, all applications received that meet the criteria outlined under this section. The following factors will be considered – age, income source and level, annual rates payable, and equity in the property owned.

In considering the eligibility for and the period of postponement, the equity in the property and the amount of rates postponed will be important determinant factors. The Council will delegate authority to approve applications for rates postponement to the Director Corporate Services.

RATES POSTPONEMENT POLICY

Applicants seeking rates postponement will be encouraged to seek independent advice before formally accepting any offer for postponement made by the Council.

As a general rule postponement will not apply to the first $500 per annum of the rate account after any rates rebate has been deducted.

Where the Council decides to postpone rates the ratepayer must first make acceptable arrangements for payment of future rates, for example by setting up a system for regular payments.

Postponement will only apply on properties on which houses have been insured. Annual proof may be required that insurance has been maintained.

Where rates postponement is approved for a property with an outstanding mortgage, the mortgagee will be advised by Council that rates postponement has been negotiated with the ratepayer.

Any postponed rates will be postponed until:

1. The death of the ratepayer(s); or
2. Until the ratepayer(s) ceases to be the owner or occupier of the rating unit; or
3. Until the ratepayer(s) ceases to use the property as his/her residence; or
4. Until a date specified by the Council.

The Council will charge interest annually on the amount postponed. Interest will be calculated on the average amount of rates outstanding during the year, and will be charged at the average return on investments rate for Council for that year.

The Council may also charge an annual fee on postponed rates for the period between the due date and the date they are paid. This fee is designed to cover the Council's administrative costs and may vary from year to year. The amount of the fee is included in Council's Schedule of Fees and Charges.

Interest and fees payable will be added to the amount of postponed rates annually and be paid at the time postponed rates are paid.

The policy will apply from the beginning of the rating year in which the application is made although the Council may consider backdating past the rating year in which the application is made depending on the circumstances.

The postponed rates or any part thereof may be paid at any time. The applicant may elect to postpone the payment of a lesser sum than that which they would be entitled to have postponed pursuant to this policy.

Postponed rates will be registered as a statutory land charge on the rating unit title. This means that the Council will have first call on the proceeds of any revenue from the sale or lease of the rating unit. In addition to the annual fee and interest, Council charge any other costs or one-off fees incurred in relation to registration of the postponement.

This policy will not affect any rates postponed provisions approved prior to 1 July 2009, which will continue to apply in accordance with the conditions related to each case.

This policy does not apply to non-elderly ratepayers experiencing financial hardship.

Council will assist in the referral of any other ratepayer on a fixed income facing long term financial hardship to the appropriate agency.

Council will consider ways of assisting any ratepayer facing temporary financial hardship (e.g. resulting from redundancy) by temporary deferral of partial or full rates payments without penalty. Each case will be considered on its merits.

3. POSTPONEMENT FOR SPECIAL CIRCUMSTANCES

Objective

To enable Council to provide rates postponement for special and unforeseen circumstances, where it considers relief by way of rates postponement is justified in the circumstances.

RATES POSTPONEMENT POLICY CONTINUES

Conditions and Criteria

Application for rates postponement must be made in writing by the applicant.

Each circumstance will be considered by Council on a case by case basis. Where necessary, Council consideration and decision will be made in the Public Excluded part of a Council meeting.

The terms and conditions of postponement including any application of an annual fee will be decided by Council on a case by case basis.

The applicant will be advised in writing of the outcome of the application.

POLICY ON RATES REMISSION AND RATES POSTPONEMENT ON MĀORI FREEHOLD LAND

Napier City Council has very few known rating units that occupy Maori freehold land. Council considers no criteria or conditions exist which requires rates relief on Maori freehold land additional to or which differs from rates remissions or postponement policies which apply to all rateable properties within Napier.