

# **Funding and financial policies report**

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| <b>TO</b>      | Council  |
| <b>FROM</b>    | Donna Holland - Finance Manager  |
| <b>DATE</b>    | 6 June 2018  |
| <b>SUBJECT</b> | <b>Adoption of the funding and financial policies associated with the 2018/2028 Long Term Plan</b> |

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## **1 Purpose of report**

The purpose of the report is to present the following revised policies for Council's consideration and adoption.

- Rates remission policy
- Liability management policy
- Investment policy
- Development contributions policy
- Council created reserves policy

## **2 Background**

Section 102 of the Local Government Act 2002 states that in order for Council to provide predictability and certainty about sources and levels of funding it must adopt the following funding and financial policies:

- a revenue and financing policy; and
- a liability management policy; and
- an investment policy; and
- a policy on development contributions or financial contributions; and
- a policy on partnerships between the local authority and the private sector; and
- a policy on the remission and postponement of rates on Māori freehold land.

The revenue and financing policy is being presented to Council for adoption with the 2018/2028 Long Term Plan.

The liability management and investment policies were adopted by Council on 31 January 2018. Since then we have made some administrative changes to the policies.

The current rates remission policy was amended by Council at the 3 April 2018 meeting. At that meeting it was agreed that the rates remission policy for the 2018/2028 Long Term Plan would be revised to align to the policy changes adopted.

The statement of proposal - development contributions policy was approved by Council as part of the 2018/2028 Long Term Plan consultation document and supporting information on 30 March 2018.

The council created reserves policy (formerly the special reserves policy) was last reviewed and adopted on 29 June 2016.

The policy on the remission and postponement of rates on Maori freehold land was adopted by Council on 31 January 2018.

### 3 Issue

Council must adopt any updates to funding and financial policies before the new policies can take effect.

### 4 Discussion

The recommended changes to the policies will ensure that Council policies remain fit for purpose and consistent with sector best practice.

Major changes proposed for the rates remission policy:

- Administrative changes have been made to the policy to align it to the 2018 rates remission policy changes to general rating delegations adopted on 3 April 2018.
- The rates delegations have been amended to align to staffing changes.

The updated rates remission policy is included as Attachment A.

Major changes proposed for the liability management policy and the investment policy are:

- Corrections made to formatting and grammar.
- Replace Audit Committee with Council to reflect current operating practices.
- Change reporting frequency to Council from monthly to six weekly to align to the timing of Council meetings.
- Aligning delegations and operational reporting to reflect practical application of the policy.
- Align wording and delegations where practical between the two policies.

The updated liability management policy is included as Attachment B and the updated investment policy is included as Attachment C.

Major changes proposed for the development contributions policy:

- Updating Appendix B - Schedule of reserve and development contributions payable by area - (including GST); Appendix C - Sources of funding and Appendix H - Development contributions policy schedule of assets.

The updated development contributions policy is included as Attachment D.

The council created reserves policy has been refreshed and brought up to date to future proof the management of our financial reserves. Major changes proposed are:

- Change of name from special financial reserves policy to council created financial reserves policy to align to how we account for the reserves in our financial statements.
- Remove repetitive narrative.
- Remove out dated tables and include narrative that clearly explains the purpose of the reserve, transfers into the reserve and the use of the reserves.
- Change the wording in the general policy statement regarding the use of interest to allow the interest to be returned to the reserve where the funds were borrowed, if possible.
- Align the purpose of the depreciation reserve, the retained earnings reserve and the Power New Zealand reserve to the financial strategy.
- Remove the word excess from the title of the insurance excess reserve. Amend the wording of the purpose of the insurance reserve to allow any surpluses post the financial assistance package scheme (FAP) settlements to be used to settle claims in the regulatory activity where insurance either does not cover or does not meet the full cost of the claim.
- Reword the way in which the disaster relief reserve is funded to set the reserve

balance of \$1,500,000 as a minimum rather than a maximum. We believe this is the right thing to do as it gives the Council flexibility to mitigate risk if the pattern or frequency of events change.

- Combine the Lees Road car park reserve and the Pa Road car park reserve into one reserve called the Hahei car park reserve to future proof the policy for any future car parks in Hahei.
- Add the financing of the construction of car parks to the purpose of the Hot Water Beach parking reserve.

The updated council created financial reserves policy is included as Attachment E and the current special financial reserves policy is included as Attachment F for comparability purposes.

## **5 Suggested resolution(s)**

That the Council:

1. Receives the 'Funding and financial policies' report, dated 6 June 2018.
2. Adopts the updated rates remission policy as included in Attachment A to the agenda report.
3. Adopts the updated liability management policy as included in Attachment B to the agenda report.
4. Adopts the updated investment policy as included in Attachment C to the agenda report.
5. Adopts the updated development contributions policy as included in Attachment D to the agenda report.
6. Adopts the updated council created financial reserves policy as included in Attachment E to the agenda report.

## **References-Tabled/Agenda Attachments**

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| <b>Attachment A</b> | Rates remission policy                             |
| <b>Attachment B</b> | Liability management policy                        |
| <b>Attachment C</b> | Investment policy                                  |
| <b>Attachment D</b> | Development contributions policy                   |
| <b>Attachment E</b> | Proposed council created financial reserves policy |
| <b>Attachment F</b> | Current special financial reserves policy          |

**Attachment A**  
**Attachment A - Rates Remission Policy**

**Attachment B**  
**Attachment B - Liability Management Policy**

**Attachment C**  
**Attachment C - Investment Policy**

**Attachment D**  
**Development Contributions Policy - FINAL**

*Attachment E*  
Attachment E - Council created financial reserves policy



**Attachment F**  
**Special Financial Reserves Policy 29 June 2016 FINAL**