

Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee

Ngā Tāpiritanga – Pūrongo | Attachments – Reports ATTACHMENTS UNDER SEPARATE COVER

Notice is hereby given that an extraordinary meeting of Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee will be held on:

Ko te rā | Date: Tuesday 19 March 2024
Wā | Time: 09:00
Meeting Room: Council Chambers
Wāhi | Venue: 35 Kenrick Street
 TE AROHA

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Matamata-Piako
District Council

For the year ended 30 June 2023

Item 8.2

Attachment A

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Key messages

We have completed the audit for the year ended 30 June 2023. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

Audit opinion

We have issued an unmodified audit opinion dated 25 October 2023. This means that we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Without modifying our audit opinion, we have included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements which outlines the uncertainty over the water services reform programme.

Matters identified during the audit

Revaluation of assets

This year the District Council revalued:

- Roding Assets as at 30 June 2023.
- Three Waters assets (stormwater, water and wastewater) as at 30 June 2023.
- Building assets as at 30 June 2023.

We reviewed the valuations to confirm they were soundly based. This included a review of the validity of key assumptions and the methodology applied by the valuers, including obtaining confirmation that the valuations were completed in accordance with the relevant accounting and valuation standards. We obtained an understanding of the unit rates underlying the valuations and reviewed the unit rates against other sources of information.

We are satisfied that the valuations have been accounted for appropriately in the financial statements. We encourage the District Council that where valuations are performed in a year these continue to be performed as at 30 June.

Performance reporting

The District Council adopted the new accounting standard PBE FRS 48: *Service Performance Reporting*. We reviewed the District Council's compliance with the new standard and provided recommended changes through the audit process and were subsequently satisfied the disclosures are appropriate and meet the requirements of the standard.

Overall, the performance reporting is detailed and lengthy. We encourage the District Council to consider how the performance reporting can be presented in a user-friendly manner while still complying with the reporting requirements.

Recommendations

This year we have raised a number of recommendations where internal controls can be improved.

The District Council has made good progress in implementing or closing a number of previous recommendations raised. Due to the timing of the previous Report to Council, the District Council did not have an opportunity to address all the prior year recommendations. We encourage the District Council to continue addressing the remaining open recommendations. Appendix 1 provides a summary of these.

Thank you

We would like to thank the Council, management, and staff for the assistance received during the audit.



René van Zyl
Appointed Auditor
29 February 2024

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations. The timeframes are a general guideline from the date of this Report.

Priority	Explanation
Urgent	Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Access in the expenditure system The Finance and Business Services Managers ability to make and approve Masterfile changes should be removed. Furthermore, the District Council should consider if there are other aspects of access that could be reduced for this role to improve segregation of duties.	4.2.1	Urgent
Segregation of duties – Journals Consider implementing an electronic system to allow for delegations to be incorporated into the journals system (Authority) and to implement a control to ensure journals are approved before they are posted.	4.2.2	Necessary

Recommendation	Reference	Priority
Ability to self-change delegation limits Ensure that any changes in delegation limits in the system (Authority) are appropriate/approved. The District Council should investigate removing the ability, for certain individuals, from changing their own delegation limit.	4.2.3	Necessary
Lapses in new user onboarding process Follow due process for all new staff appointed through the completion/approval of the "Computer User Form".	4.2.4	Necessary
Bank Reconciliation - unreconciled items Consider upgrading the reconciliation software to ensure that it is more feasible to reconcile all unmatched items within a month.	4.2.5	Necessary
Broken Authority Reports (performance reporting) The District Council should resolve the issues within the system causing performance reports to be broken.	4.2.6	Necessary
CRM Reliability for substantiating the response time (performance reporting) We recommend that Council introduce a job card where Trello is used.	4.2.7	Necessary
Accounting for financial instruments – WRAL and LGFA borrower notes Consider the valuation approach for determining the fair value of the WRAL investment on an annual basis to ensure that it remains appropriate. We recommend the Council obtains independent advice about the appropriate valuation approach. Ensure the LGFA borrower notes are measured at fair value and accounted for in line with the standard.	5.2.2	Necessary
Expected credit loss assessment Ensure that the report for the aged trial balance is generated on balance date each year and consider whether updates to the system can be made to enable aged debtors reports to be generated at specific dates.	5.2.3	Necessary

Recommendation	Reference	Priority
<p>PPE capitalisation - Internal costs</p> <p>A control should be put in place to independently review the spreadsheet that captures the time charged by staff to be capitalised to projects. The review should also consider whether the costs meet the requirements of PBE IPSAS 17: <i>Property, plant and equipment</i> to ensure that the costs are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.</p>	4.2.8	Beneficial
<p>Fraud policy and procedures improvements</p> <p>We recommend that the District Council improves the Fraud Policy or procedures with the following to be in line with the Ministry of Justice's guidance:</p> <ul style="list-style-type: none"> • The purpose of the policy should include that it is to be used to raise awareness about how to recognise fraud and corruption, as well as behaviours and circumstances known to be associated with it. • The policy should reiterate that the organisation is committed to its legal obligations to act fairly, honestly and in good faith when conducting investigations. • The policy should outline the details of how investigations will be conducted (or reference to a separate document). Details should include: <ul style="list-style-type: none"> ○ noting that those responsible for investigations should have appropriate levels of independence, objectivity and investigative skill; ○ emphasising that while employees must report incidents of fraud or corruption, they must not undertake their own investigations, unless assigned to do so by the unit or person in charge of investigations; ○ reiterating that the appropriate person within an organisation must notify law enforcement authorities wherever there is credible suspicion that fraud or corruption has occurred; ○ outlining procedures the organisation will follow to recover losses from fraudulent or corrupt activity; ○ a system for undertaking regular reviews of transactions, activities, or locations that may be susceptible to fraud; and ○ the means for ensuring that every individual suspected of committing fraud (whether they are an employee or someone external to the entity) is dealt with consistently and fairly. 	6.1.1	Beneficial

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous years' recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

The 2021/22 Report to the Council was only issued to Council June 2023. We acknowledge that District Council would not have had sufficient time to address all matters raised in that report.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	2	8	2	12
Implemented or closed	2	7	0	9
Total	4	15	2	21

2 Our audit report

2.1 We issued an unmodified audit opinion



We issued an unmodified audit opinion on 25 October 2023. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

Without modifying our opinion, we included an emphasis of matter paragraph in our report to draw attention to the disclosures in the financial statements which outlines the developments in the Government's water services reform programme which will affect the District Council in future years.

In forming our audit opinion, we considered the following matters. Refer to sections 3, 4 and 5 for further detail on these matters.

2.2 Uncorrected misstatements, disclosure deficiencies and performance reporting misstatements

The financial statements and performance reporting are free from material misstatements and disclosure deficiencies. During the audit, we have discussed with management any misstatements and disclosure deficiencies that we found, other than those which were clearly trivial. All significant misstatements identified during the audit have been corrected.

2.3 Corrected misstatements and disclosure deficiencies

We also identified misstatements that were corrected by management. The corrected misstatements are listed in Appendix 2.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required on AuditDashboard and a detailed milestone letter to management on 23 August 2023. This included the dates we required the information to be provided to us.

We agreed to a detail timeline with management and commend the District Council on the improvement in delivering information compared to the 2022 audit. In general information was provided as agreed.

We noted some delays for the financial statements relating to the property, plant and equipment (PPE) disclosure note and the impairment assessment.

It was evident that District Council put in significant effort into the performance report in consideration of the new standard (*PBE IPSAS 48: Service Performance Reporting*). There were a few aspects that were initially not included in the performance report and the adoption of the new standard resulted in further adjustments to the performance report during the audit. Some CRM reports were not able to be generated which required additional work.

3 Matters raised in the Audit Plan



In our Audit Plan of the District Council, we identified the following matters as the main audit risks and issues:

Audit risk/issue		Outcome						
Valuation of infrastructure property, plant and equipment held at fair value (significant risk)								
<p>The Council revalue its infrastructure assets held at fair value whenever there is expected to be a material movement in the fair value of these assets. The last revaluation was performed as follows.</p> <table><tr><th>Assets</th><th>Latest Valuation date</th></tr><tr><td>Roads</td><td>30-Jun-22</td></tr><tr><td>Three Waters</td><td>1-Jul-21</td></tr></table> <p>Because of the recent inflationary environment most councils have been revaluing more frequently. The accuracy of the valuation depends on the valuation method applied, the completeness and accuracy of the source data and the appropriateness of underlying assumptions. Because of the large value of the infrastructure assets held by the District Council, a small movement in the key assumptions can have a significant impact on the valuation and consequential depreciation expense recognised in the financial statements.</p>		Assets	Latest Valuation date	Roads	30-Jun-22	Three Waters	1-Jul-21	<p>This year the District Council revalued:</p> <ul style="list-style-type: none">• Rooding Assets as at 30 June 2023.• Three Waters assets (stormwater, water and wastewater) as at 30 June 2023.• Building assets as at 30 June 2023. <p>There was a change in approach for the valuation of buildings. Some buildings which were previously valued using market-based evidence were valued using depreciated replacement cost (DRC). We are satisfied that the valuation approach is appropriate.</p> <p>We are satisfied that the revaluations complied with the Standards and the movements were accounted for correctly.</p>
Assets	Latest Valuation date							
Roads	30-Jun-22							
Three Waters	1-Jul-21							
Fair value assessment of property, plant and equipment (non -revaluation year) (area of audit focus)								
<p>For those assets that the Council is not planning to revalue, the Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p>		<p>The District Council performed a fair value assessment on its land as at 30 June 2023. It has been three years since the last revaluation of Council’s land.</p> <p>Our review of the fair value assessment did not indicate a material difference between the current carrying value and approximate fair value at year end.</p> <p>We are satisfied that the estimate is reasonable.</p>						

Audit risk/issue	Outcome
<p>An assessment should:</p> <ul style="list-style-type: none"> factor in local cost information; utilise relevant and reliable price movement indicators; and involve consulting with valuers, if necessary. <p>Alternatively, Council could engage valuers to assist in preparing a fair value assessment.</p>	
The risk of management override of internal controls (significant risk)	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>To address the risk of management override, we carried out substantive audit procedures. These included reviewing journal entries, accounting estimates and significant transactions that were outside the normal course of business.</p> <p>Our testing found no issues of concern. We have not identified any indication of management bias or indicators of material misstatement due to fraud.</p>
Major capital projects (area of audit focus)	
<p>The Council continues to have a significant ongoing capital programme which is in some instances challenging to deliver against in the current market.</p> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects.</p>	<p>We reviewed Council's assumptions and judgements used by management in classifying costs as either capital or operational in nature. We also tested significant asset additions to ensure there was appropriate capitalisation point for completed assets, including transfers from work in progress.</p> <p>We reviewed the reasonableness of depreciation rates and useful lives and the disclosures included within the financial statements.</p>

Audit risk/issue	Outcome
<p>This includes ensuring:</p> <ul style="list-style-type: none">• project costs are reviewed to ensure these are appropriately classified as capital or operational in nature;• work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation;• WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner;• asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion;• the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway;• capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements; and• the financial and disclosure implications of contract variations or additional claims from contractors are appropriately accounted for, where construction costs are significantly higher than originally agreed including where payment of these remains under negotiation with the contractors.	

Audit risk/issue	Outcome
Asset impairment considerations (area of audit focus)	
<p>In accordance with PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>, at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset.</p> <p>Assets are required to be assessed for indicators of impairment on an annual basis.</p> <p>Irrespective of whether there are any indications of impairment, intangible assets not yet available for use (that is, work in progress) and intangible assets with indefinite useful lives must be <i>tested</i> for impairment at least annually.</p> <p>Work-in-progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the life of the project. The District Council needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner. This will ensure that depreciation expense on these assets is recognised and accounted for appropriately.</p> <p>The Council will need to complete the necessary assessment of impairment of assets (as above). In addition, intangible assets not yet available for use (i.e., work in progress) and intangible assets with indefinite useful lives must be <i>tested</i> for impairment at least annually.</p>	<p>Management provided a formal impairment assessment to determine if there is any indication that assets were impaired. Impairment questionnaires with staff responses were provided by management with justifications.</p> <p>We evaluated the reasonableness of management's responses. We are satisfied that there were no indicators of significant impairment.</p>

Audit risk/issue	Outcome
Three Waters Reform (area of audit focus)	
<p>The Three Waters Reform programme (the Reform) is expected to result in significant structural changes to the management, funding and ownership of water supply, wastewater, and stormwater assets in the local government sector.</p> <p>The Government has recently announced a number of changes to the Reform. On 13 April 2023, the Government outlined changes to the number of water services entities and a staggering of their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.</p> <p>The Bill to enable the transfer of Three Waters related assets and liabilities to the water services entities is currently with the select committee and will need to be passed to enable water assets to transfer to the related water entity.</p> <p>The timing of the legislation through Parliament will impact the 30 June 2023 annual report. If the legislation has not passed before 30 June an updated disclosure may still be appropriate. If the legislation is passed before 30 June, there will likely be some additional accounting and disclosure requirements.</p> <p>The Council should ensure that sufficient disclosure about impact of the Reform (to the extent that the impact is known) is included in the annual report.</p>	<p>The District Council has included disclosure in Note 22: Events after balance date in the financial statements about the impact of the water services reform programme. We reviewed the disclosures included in the financial statements and are satisfied the disclosures adequately disclose the impact the programme has on the District Council.</p> <p>Because the impact could be significant, and is uncertain, we included an emphasis of matter paragraph in our audit report to draw a reader’s attention to Council’s disclosure about the Reform.</p>

Audit risk/issue	Outcome
Drinking water quality performance measures (area of audit focus)	
<p>Providing safe drinking water is a core function of the Council and reporting how the District Council has performed in respect of this function in the annual report is important performance information.</p> <p>The regulatory regime in place over the safety of drinking water has transitioned in the current year from the Drinking Water Quality Standards (DWS) to the new Drinking Water Quality Assurance Rules (DWQARs) which came into effect on 14 November 2022.</p> <p>Performance measures about compliance with the DWS are currently mandated by the Department of Internal Affairs who have issued mandatory performance measures that are required to be reported against in Council's annual report.</p> <p>There are currently no similar performance measures with respect to the new DWQARs. Despite this it is important that the District Council includes appropriate performance information about their compliance with the new DWQARs. This performance information will be subject to audit and therefore it is important that Council is able to support the performance results that they report.</p>	<p>The District Council engaged Three Waters Consulting (independent drinking water safety expert assessors). We are satisfied the drinking water performance measure service reported in the performance statements fairly reflect District Council's performance achievements against the performance targets in the LTP.</p>
The pecuniary interests register (area of audit focus)	
<p>In May 2022, Parliament passed the Local Government (Pecuniary Interests Register) Amendment Act 2022. This Act amended the Local Government Act 2002 (by inserting a new subpart 3 to Part 4) to require Councils to keep a register of the pecuniary interests of elected members. Elected members are required to make an annual return of their pecuniary interests to the registrar (a person employed at the Council responsible for compiling and maintaining the register of members' pecuniary interests).</p>	<p>Our work indicated that Elected Members complete Interest Declaration forms which form the basis of Council's pecuniary interest register. We noted one instance where an Elected Member had not disclosed all interests which are held in the interest declaration form. These five interests should have been recorded in the interest form as they relate to being a Trustee of charities and shareholder of an entity.</p>

4 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

4.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of the Council, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

The elements of the control environment provide an appropriate foundation for other components of internal control.

4.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. Our review identified the following areas for improvement during the audit.

4.2.1 Access in the expenditure system

The Finance and Business Services Manager has access to a number of operations within the expenditure system and performs a number of functions of part of the duties of this role. This includes the ability to raise purchase orders, approve purchase orders, make and approve Masterfile changes, the ability to amend purchasing permissions in the system, delegation to approve invoices up to \$25,000, and acting as a bank signatory. This increases the risk around segregation of duties.

We recommend the District Council removes the Finance and Business Services Managers ability to make and approve Masterfile changes. Furthermore, the District Council should consider if there are other aspects of access that could be reduced for this role to improve segregation of duties.

Management comments

Over the last year we have filled the Accounting Systems Team Leader vacancy and more recently have boosted the back-up support available to the Accounts Payable role from another role within the Finance team. With these extra layers of cover now in place, there is no longer a need for the Finance and Business Services Manager to have access to make creditor masterfile changes in the Authority system. This access has been removed.

A further improvement to the segregation of duties that was planned as part of the organisation restructure was to move the administration of purchasing permissions from the Finance team to the People, Safety and Wellness team. This will be progressed before 1 July 2024. (Finance and Business Services Manager)

4.2.2 Segregation of duties – Journals

Journals are manually approved via hard copy journal forms and are independently approved. Due to the manual process, users at the District Council have the ability to create and post journals before approval is obtained.

We recommend the District Council considers implementing an electronic system to allow for delegations to be incorporated into the journal system (Authority) and to implement a control to ensure journals are approved before they are posted.

Management comments

The Authority system as it stands does not have functionality to utilise delegations or a pre-approval process for journals. We will look at available options to improve electronic controls in this area. In the meantime, the risk that journals could be posted before approval remains, mitigated slightly by staff being aware of the expectation to seek approval before posting, and being motivated to ensure their journals are correct before posting to avoid additional re-work. In the absence of an electronic control, we note that our current process includes an independent review of journals subsequent to posting in which the approval of the journal is checked and confirmed along with the details and supporting documentation for the journal. (Finance and Business Services Manager)

4.2.3 Ability to self-change delegation limits

We note that there are four staff who have the ability to change delegations.

We note that there is currently no control to ensure that changes made to delegations are appropriate.

We recommend that the District Council implements a control to ensure that any changes in delegation limits in the system (Authority) are appropriate/approved. The District Council should investigate removing the ability of certain individuals to change their own delegation limit.

Management comments

As noted earlier, the administration of purchasing permissions will be moved from the Finance team to the People, Safety and Wellness team as part of the organisation restructure before 1 July 2024. As part of this change process, we will take the opportunity to revise the delegations so that they are applied to a position rather than to an individual. This will considerably reduce the number of the changes to delegations required in the system. At that point we will also investigate a process to have an automated report from Authority identifying any changes made that can be directed to an independent person/team for review. The automated report would be in lieu of removing the ability of individuals changing/adding their own delegation, as there is no means to do this in the system currently. (Finance and Business Services Manager)

4.2.4 Lapses in New User onboarding process

We noted two new staff who started at the District Council during the year did not have a completed/ approved "Computer User Form". Non-availability of proper approval may result-in new staff getting inappropriate levels of access.

It is recommended that the District Council follows due process for all new staff appointed through the completion/approval of the "Computer User Form".

Management comments

IT will ensure that all new staff members complete and receive approval for the 'Computer User Form,' including the section requiring IT sign-off for the setup, before being granted access to our systems. This process has been integrated into our on- boarding procedures to ensure consistency and compliance.

Additionally, we will conduct a review of our current process to identify any other potential gaps and take proactive steps to revise the process and close any identified ambiguities. IT will also ensure that our process aligns with the PWS' staff on-boarding process. We will aim to complete this review by April 2024. (System and Network Administrator)

4.2.5 Bank Reconciliation - unreconciled items

During our review of the bank reconciliation for October 2022 and April 2023, we noted that there were numerous unmatched items dating back to July 2022. Unmatched items should be processed in a timely manner to ensure that at year end they are classified appropriately in the financial statements and relate to the correct financial year.

We recommend the District Council considers upgrading the reconciliation software to ensure that it is more feasible to reconcile all unmatched items within a month.

Management comments

Our software provider Civica indicated in October 2023 that improvements to the bank reconciliation module were in progress. We understand these improvements will provide additional information in our matching screens to make the process more efficient and will also enable a retrospective reconciliation to be produced which will remove the current need to manually recreate this reconciliation for year-end audit purposes. We do not yet have an indication as to when these improvements will be available. (Finance and Business Services Manager)

4.2.6 Broken Authority Reports (performance reporting)

While sighting the Wastewater Overflow Report extraction, we were only able to extract the reports for September, October and December 2022. All other months for the financial year were broken and unable to be extracted/generated. There were other CRM reports that had similar extraction issues. This creates a risk as District Council does not have access to key historical information used to prepare the related performance reporting disclosures.

We recommend that the District Council resolves the issues within the system causing performance reports to be broken.

Management comments

Council's digital team is investigating options for reporting out of our corporate system with the help of the IT and Information teams to remedy this issue. The reports in Authority are using older technology (SQL native Authority reports and Crystal Reports) – the new version we went to late last year has a better more self-serve option using a plugin called Telerik. We're wanting to get this set up sooner rather than later but need to engage Civica to do so, so timing will be a little bit subject to their availability. We are also investigating use of Power Bi for interactive reports and dashboards. (Digital Team Leader)

One reason that reports break is if mandatory data fields are left empty. To remedy this in the short term, staff are being careful to fill in these data fields before closing the CRMs.

Please note, due to the timeframes for planned upgrades, the Annual Report 23/24 will be produced within the same IT constraints as the 23J report, but with some process improvements. (Policy Team)

4.2.7 CRM reliability for substantiating the response time (performance reporting)

The District Council uses multiple systems/source data for reporting response times. There is limited evidence available where Trello is used for capturing data. Other than data relating to Trello, job cards are used to outline the key information that is used to substantiate the key times in the job (i.e., call out time, attendance time, and resolution time).

We recommend that Council introduce a job card where Trello is used. This will ensure all complaints raised follow a centralised process where it is easier to record the necessary times for each job and record them consistently.

Management comments

Council is developing a digital job card system that will serve as a replacement for Trello. This system will be integrated with CRM for consistent data around timeframes and resolution comments as well as the Asset Management Database for improving the quality of asset data that is available to field technicians. Having a complete dataset will help to ensure the reporting works more consistently. The timeframe for the CRM (Authority) integration is by 1 July 2024, or sooner if possible. (Digital Team Leader)

The importance of timely and accurate input of information has been emphasised to works team. Quality review and reminders to staff will be ongoing.

Regarding Audit's suggestion of using paper forms – Staff do not believe that using a paper form rather than the current electronic system i.e., Trello would be beneficial. Information is presented consistently in Authority. Trello is the original data source against which Authority information can be verified. Staff comment is that using paper forms for all CRMS would increase admin workload and would increase the complexity of managing the information and increase the chance of error. (KVS Workflow Administrator)

Please note, as above, due to the timeframes for planned upgrades, the Annual Report 23/24 will be produced within the same IT constraints as the 23J report, but with some process improvements. (Policy team)

4.2.8 PPE capitalisation - Internal costs

We noted that internal costs (labour charges) are recorded via an excel spreadsheet that is recorded by relevant field employees. This report is used for the capitalisation of internal costs related to the District Council's assets. There is no independent review of time charged for labour capitalisations to ensure that the costs can be directly attributable to the value of the asset.

We recommend that a control be put in place to independently review the spreadsheet that captures the time charged by staff to be capitalised to projects. The review should also consider whether the costs meet the requirements of PBE IPSAS 17: *Property, plant and equipment* to ensure that the costs are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Management comments

Council staff are currently developing and testing a new timesheet system that will make some improvements to this system. The new timesheet system is expected to be in operation for the 2024/25 year. Council staff involved in the management of projects, approval of timesheets, checking of timesheet coding, and setting up and capitalisation of capital work orders need to have a good understanding of the accounting standard requirements and Council's capitalisation policy. This will require on-going education and refreshing. (Finance and Business Services Manager)

5 Other matters identified during the audit



In this section, we comment on any other matters that were identified during the audit that need to be brought to your attention.

5.1 Performance reporting

5.1.1 Presentation of performance reporting

The District Council adopted the new accounting standard PBE FRS 48: *Service Performance Reporting*. We reviewed the District Council’s compliance with the new standard and provided recommended changes through the audit process and were subsequently satisfied the disclosures are appropriate and meet the requirements of the standard.

Overall, the performance report is detailed and lengthy. We encourage the District Council to consider how the performance report can be presented in a user-friendly manner while still complying with the reporting requirements. We encourage you to use the good practice guidance which aims to help entities prepare better reports on the performance in the annual report.

<https://oag.parliament.nz/good-practice/performance-reporting/good-practice-examples>

Management comments

We intend to further refine our performance reporting in the 24J Annual Report taking Audit’s feedback into account. (Policy team)

5.2 Financial instruments

5.2.1 Implementation of financial instruments standard

The District Council adopted the new accounting standard PBE IPSAS 41: *Financial Instruments* in preparing the financial statements for the year ended 30 June 2023. The standard introduces new and amended classification, measurement, impairment and hedging requirements and disclosure for financial assets and financial liabilities. The District Council transitioned from PBE IPSAS 29: *Financial Instruments: Recognition and Measurement*.

We reviewed the District Council’s compliance with the new standard and are satisfied the Council’s disclosures are appropriate to materially meet the requirements of the new standard.

5.2.2 Accounting for financial instruments

The District Council accounts for its equity investment in Waikato Regional Airport Ltd (WRAL) at fair value through other comprehensive revenue and expense. The fair value has been determined based on Council's proportion of ownership of the WRAL's net assets (15.625%). The District Council will have to consider the valuation approach for determining the fair value of the WRAL investment on an annual basis to ensure that it remains appropriate. We recommend the Council obtains independent advice about the appropriate valuation approach.

The new standard requires LGFA borrower notes to be recognised at fair value through surplus or deficit. The District Council will need to ensure the LGFA borrower notes are measured at fair value and accounted for in line with the standard.

Management comments

Noted (Finance and Business Services Manager)

5.2.3 Expected credit loss assessment

The Council was not able to generate an aged trial balance for accounts receivable as at balance date., as the ledger was kept open for 10 days into July to capture outstanding June invoices. The aged trial balance run at this later date, did not provide accurate aging of debts. The accurate aging of debts is an important input into the assessment of expected credit losses, which is a disclosure requirement of the new accounting standard PBE IPSAS 41: *Financial Instruments*, adopted this year (replacing the provision for doubtful debts). This creates a risk as District Council do not have access to key historical information used to prepare financial statements and disclosures.

We recommend the District Council ensure that the report for the aged trial balance is generated on balance date each year and consider whether updates to system can be made to be able to generate aged debtors reports at specific dates.

Management comments

We have updated our end of year process for accounts receivable for the upcoming year so that we will close our ledger at 30 June and produce the aged trial balance as at that date. All June invoices received after that date will be accrued. (Finance and Business Services Manager)

6 Public sector audit



The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by District Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

Appendix 1 notes recommendations raised prior years related to updating sensitive expenditure policies and updating the fraud risk assessment which are yet to be addressed.

We reviewed the draft fraud policy, dated February 2023, and the fraud procedure documents against the Ministry of Justice guidance. We noted areas where the District Council's Fraud policy and Fraud procedure could be improved.

6.1.1 Fraud policy and procedures improvements

We recommend that the District Council improves the Fraud policy or procedures with the following to be in line with the Ministry of Justice's guidance:

- The purpose of the policy should include that it is to be used to raise awareness about how to recognise fraud and corruption, as well as behaviours and circumstances known to be associated with it.
- The policy should reiterate that the organisation is committed to its legal obligations to act fairly, honestly and in good faith when conducting investigations.

- The policy should outline the details of how investigations will be conducted (or reference to a separate document.) Details should include:
 - noting that those responsible for investigations should have appropriate levels of independence, objectivity and investigative skill;
 - emphasising that while employees must report incidents of fraud or corruption, they must not undertake their own investigations, unless assigned to do so by the unit or person in charge of investigations;
 - reiterating that the appropriate person within an organisation must notify law enforcement authorities wherever there is credible suspicion that fraud or corruption has occurred;
 - outlining procedures the organisation will follow to recover losses from fraudulent or corrupt activity;
 - a system for undertaking regular reviews of transactions, activities, or locations that may be susceptible to fraud; and
 - the means for ensuring that every individual suspected of committing fraud (whether they are an employee or someone external to the entity) is dealt with consistently and fairly.

Management comments

We will look to incorporate these improvements to the fraud policy either at the next planned review or earlier if possible. (Finance and Business Services Manager)

7 Useful publications



Based on our knowledge of the District Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Managing conflicts of interest involving Council employees	
This article discusses findings across four Councils on how conflicts of interest of Council employees, including the chief executive and staff, are managed.	On the Office of the Auditor-General's website under publications. Link: Getting it right: Managing conflicts of interest involving council employees
Sensitive expenditure	
The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the Office of the Auditor-General's website under good practice. Link: Sensitive expenditure

Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's website under 2019 publications.</p> <p>Link: Conflicts of interest</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
Payroll Controls - timely review of Masterfile changes		
Management should ensure that the Masterfile changes are reviewed on a regular basis or at least once every month to prevent any unauthorised changes to the Masterfile not being detected and corrected in a timely manner. This should be an independent review by someone who does not have access to make Masterfile changes.	2022/23	In progress Whilst not implemented due to the timing of the 2022 audit, management have advised that they have identified opportunities to further refine processes and we will investigate these further during the 2024 financial year. <i>Management comments</i> <i>The new audit report has been implemented and is run and checked on a monthly basis. (People and Wellness Team Leader)</i>
Assets under construction		
We recommend that assets under construction should be reviewed at year end and be reflected within the appropriate Property, Plant and Equipment line item to the financial statements when it is available for use.	2022/23	Some progress We noted improvements in the process followed by the District Council at year end. However, there were late capitalisations of three water assets that had been completed in prior years (dating back to between March 2020 to June 2022). These assets were only capitalised (transferred to PPE) at end of the 2023 financial year. These assets were also not considered in the valuation of three water assets. <i>Management comments</i> <i>Agreed, we have made some improvements but acknowledge there is more to be done. We see the upcoming organisation restructure as an opportunity to review and streamline some of our processes and ensure that we have adequate resources in the right places to</i>

Recommendation	First raised	Status
		<i>improve the timeliness of capitalisations. (Finance and Business Services Manager)</i>
Necessary		
Valuation of property, plant, and equipment – valuers’ recommendations for improvement		
<p>The District Council should:</p> <ul style="list-style-type: none">• Implement the external roading valuer’s recommendations to improve the overall completeness and accuracy of data used for valuations.• Consider the recommendations included in the peer review of Three Waters infrastructure and implement an action plan to address these. <p>Consider applying these recommendations to other asset classes held on a revaluation basis.</p>	<p>2018/19 and 2019/20</p>	<p>Some progress</p> <p>The valuations and peer review reports continue to include recommendations for improvement.</p> <p>Some progress has been made with Three Waters assets. However, the remaining matters need to be addressed.</p> <p>Management comments</p> <p><i>For Roading we have done some improvements to enhance the completeness of our data. MPDC’s data quality has improved, and our latest reporting has a score of 92 out of 100 (see graph below).</i></p> <p><i>For our latest valuation reports, we have reduced the number of recommendations. We have included the recommendations as part of our improvement plan for the year.</i></p>



Recommendations from the 23 report.

5 Improvement Recommendations

As a result of this valuation, we recommend the following:

- 1 Continue to maintain, develop, and improve the asset component register. This includes:
 - (a) Ensuring construction dates are applied to those components of large value, as the construction date input is one of the most sensitive inputs to the valuation system. Where default dates are being used, these need to be of a realistic nature.
- 2 TUL for assets should be reviewed as these were set some time ago and may no longer be a true representation of the life of these assets.
- 3 Many of the bridge assets are missing a Type field. It is important that we take care to update this field as it is how we set the unit cost. MPDC is aware of this and is working on gathering this information to update RAMM.
- 4 Undertake an analysis of assets currently being held at their minimum remaining useful life and investigate a potential methodology change to account for these. Model the impacts of this change prior to implementation.

For 3 Waters we had adjusted the remaining useful lives for the assets that had a negative life. We are continuing to maintain and update the Valuation register as we are replacing, vesting or getting service requests through for asset updates. In the 2020 Valuation our Valuers had identified the below recommendations. We don't believe the issue with the methodology in Annual Depreciation is an issue, this did not get identified as a problem when we used a different Valuer in 2023.

2021 recommendations

6 Recommendation

It is recommended that Council, for the next full valuation:

- Investigate using a unit rate smoothing technique that doesn't result in a large lag. (A three year rolling average results in a 1.5 year lag).
- Assess AssetFinda's alternative methodology for calculating Annual Depreciation against accepted valuation practise.
- Include a thorough review of prices as at 30 June 2022 for updating the valuation for inclusion in year end June 2022 financial reporting.

The review has not identified any materially significant variations from the valuation carried out by the Council.

2020 recommendations

6 Recommendation

It is recommended that Council:

- Produce a detailed written report for the valuation, and include a descriptive narrative to explain the driving factors behind the change in value between previous and current valuation.
- Consider engagement of an independent sample inspection to verify the accuracy of the asset database for the next valuation.
- Continue to maintain, develop and improve the asset component register
- Engage with AssetFinda, their Auditors and WSP to resolve the different interpretations of the standards on the calculation of Annual Depreciation.

The review has not identified any materially significant variations from the valuation carried out by the Council. It is recommended that the Council valuation be accepted for financial reporting purposes.

We are now working through the recommendations of the latest Valuation report 2023

Recommendation	First raised	Status
Roading valuation process		
<p>The District Council should continue to update and maintain asset information in the RAMM database.</p> <p>The District Council should review the data within the RAMM database before each valuation to provide greater assurance over assumptions used for the asset revaluation.</p>	2017/18	<p>No progress</p> <p>Various assets in the Council's RAMM database did not have construction dates. The valuer stated in their report that where asset age is unknown and engineering judgement and local knowledge had to be used to assign a construction date. The data supporting valuations needs to be improved by MPDC.</p> <p>Management comments</p> <p><i>We are confident that the extensive condition rating process for our roading assets negates any risk to the valuation from missing construction data.</i></p>
Property, plant, and equipment – Depreciation		
<p>We recommend management consult with other local authority users of AssetFinda, or the software company itself, to better understand the rationale for the AssetFinda approach to depreciation and confirm this remains appropriate.</p>	2020/21	<p>In progress</p> <p>Management accounted for depreciation on roads and water assets using the depreciation as reflected in the valuation reports as at 1 July 2022. While this is a good proxy management still must account for depreciation during the year using MPDC systems and processes.</p> <p>Management comments</p> <p><i>We do not agree that the current calculation would result in a material error in the financial statements. (Finance and Business Services Manager)</i></p> <p>Audit comment</p> <p>Management comments are noted. It is important that the Council's underlying accounting records are the basis of the depreciation used in the financial statements to align with the applicable accounting standards rather than the valuers reports .</p>

Recommendation	First raised	Status
Capital works programme		
Continuous monitoring should be carried out to ensure levels of service are maintained.	2018/19	<p>Some progress</p> <p>Actual spend was less than budgeted for the year. A significant portion of the underspend related to Pools and Spa and Roding whilst having overspend in water and wastewater capital projects. Levels of service will need to be considered as part of the LTP.</p> <p>Management comments</p> <p><i>Historically Council achieves around 73% of the annual capital programme, which is in line with the LG sector in NZ. For the year ended 30 June 2023, Council completed \$28.2m of capital work (our highest level of annual spend to date) against a budget of \$41m. Included within that budget of \$41m was \$7m budgeted for the Spa project that was never guaranteed to proceed at the time the budget was set. Excluding the budgeted Spa project, Council achieved 83% of the budgeted capital works. The 2024 LTP has been developed with a focus on including capital that is regarded as a ‘must do’ and staged over the 10-year period that Council believe they can reasonably achieve. The impact on levels of service have been carefully considered as part of this review. (Finance and Business Services Manager)</i></p>

Recommendation	First raised	Status
Suspense account reconciliations not prepared and reviewed monthly		
Monthly reconciliations of suspense accounts should be prepared and independently reviewed.	2018/19	<p>In progress</p> <p>Reconciliations were prepared and reviewed on an ad hoc basis.</p> <p>Management comments</p> <p><i>Significant progress has been made during 2022/23 to resolve a backlog of unreconciled transactions, and there has been improved control and follow-up of items put to suspense throughout the year. The formalised independent review process has been a sticking point to date due to workloads. (Finance and Business Services Manager)</i></p>
Test organisational business continuity and disaster recovery plans		
The District Council should document and test its organisational business continuity and IT disaster recovery plans.	2017/18	<p>Some progress</p> <p>IT has developed an IT Disaster Recovery Plan (DRP) and we understand that District Council has started work to develop a (BCP). Neither the BCP nor DRP have been tested.</p> <p>Management comments</p> <p><i>Major IT infrastructure upgrades are underway with other improvements planned for 2023/24. We expect that this will allow us to be in a position to more thoroughly/fully test the IT disaster recovery plan in 2024/25. (Finance and Business Services Manager)</i></p>

Recommendation	First raised	Status
Sensitive expenditure policies		
We recommend management update sensitive expenditure policies to include these matters, where relevant to the District Council.	2020/21	<p>No progress</p> <p>The sensitive expenditure policy was not updated during the 2023 financial year.</p> <p>Management comments</p> <p><i>The review of the Sensitive Expenditure Policy has been delayed due to competing priorities. With the LTP and other projects currently underway, the most realistic timing for the work to undertake this review is April-May 2024, unless other resourcing options are identified. (Finance and Business Services Manager)</i></p>
Fraud risk assessment		
We recommend that the District Council updates its fraud risk assessment, which was last reviewed in 2018, to gain a better understanding of the fraud risks that may impact the District Council.	2022/23	<p>No progress</p> <p>Due to the timing of the matter raised the District Council has not had an opportunity to progress this.</p> <p>Management comments</p> <p><i>Some work has been undertaken during 2023 in the area of assessing the fraud risks associated with cash-handling in preparation for the internal audit that was completed over cash-handling in May 2023. It is unlikely that we will be able to complete a full review of the fraud risk assessment in 2023/24 due to other priorities. This will be placed on the schedule of corporate priorities to be timetabled. (Finance and Business Services Manager)</i></p>

Recommendation	First raised	Status
Beneficial		
Asset, project, and contract management		
The District Council should review processes and controls to align with good practice.	2018/19	Some progress Management is in the process of updating processes and controls. Management comments <i>The Executive Management Team on the 17 January 2023 approved for adoption the Project Management Framework; processes, tools and templates.</i> <i>The Project Management Framework will undergo formal review of its processes, tools and templates at minimum every three (3) years. It is intended that all feedback from Council will be reviewed on an ongoing basis and minor changes and improvements will not wait for the three (3) year review.</i>
Policies to update		
The Capitalisation Policy (updated in 2012) should be updated to ensure they align with current practice.	2017/18	No progress The policies were not updated during the financial year. Management comments <i>The review of the Capitalisation Policy has not progressed due to competing priorities. We have not yet earmarked a date for this review.</i>

Implemented or closed recommendations

Recommendation	First raised	Status
Urgent		
Quality of performance information and financial statements		
We recommend that a quality review process of the performance reporting and the financial statements be undertaken prior to submission for audit.	2022/23	Closed We have noted a significant improvement in the quality of the performance reporting and the financial statements. We encourage the District Council to continue implementing a quality review process going forward.
Detailed asset registers and reconciliation		
We recommend that other than the continuity schedule, the District Council should have up to date asset registers available for audit. The District Council should also perform a reconciliation between the asset registers and the general ledger.	2022/23	Closed We note the Council has various systems which capture asset information. While the District Council is not able to extract all data in the form of an asset register, information required for the audit can be extracted from the various system such asset additions and disposal listing. The year-end reconciliation was prepared and supporting listings agreed to the general ledger.
Necessary		
Timing of revaluations		
We recommend the management and the Council reconsider the timing of the District Council's valuations. If the District Council decide to continue with the current practice of carrying out valuations effective 1 July, it is important that fair value assessments carried out as at balance date are robust, completed early, and do not rely solely on indices.	2020/21	Implemented Management performed valuation over Roding, Three Waters and Buildings as at 30 June 2023. We encourage the District Council to continue with this practice going forward.

Recommendation	First raised	Status
Fair value assessments		
<p>Management should consider factors beyond national cost indices when completing fair value assessments. For example, information from recent construction contracts and construction estimates should be used to understand whether there could be a significant change in the base unit rates used in the previous valuation.</p> <p>In a high inflation environment, it is also important these fair value assessments are carried out early and regularly, to ensure sufficient time for full revaluations to be carried out if material valuation movements are identified.</p>	2020/21	<p>Implemented</p> <p>Managements fair value assessment for land considered factors beyond national cost indices including economic factors. The assessment was prepared timely. Management should continue preparing robust and timely fair value assessments going forward.</p>
Variances in PPE WIP and additions listings		
We recommend management perform reconciliations of the PPE WIP and additions listings to the general ledgers on a regular basis. Variances should be investigated and resolved timeously.	2022/23	<p>Implemented</p> <p>The PPE listing provided by District Council agreed to the general ledger and financial statements.</p>
Impairment assessment		
We recommend that management completes a formal impairment assessment which considers property, plant and equipment and intangible assets.	2022/23	<p>Implemented</p> <p>We have seen a significant improvement in the District Council's impairment assessment. Management should continue with this going forward.</p>
Fraud policy recommendations (Bribery and corruption)		
<p>The fraud policy should be updated to align with guidance points set out by the Ministry of Justice and to align with policy review timelines.</p> <p>The District Council should implement policies and controls in line with good practice guidelines.</p>	2018/19	<p>Implemented</p> <p>The Fraud policy has been updated. We reviewed the policy and noted recommendations in line with the guidance set out by the Ministry of Justice in section 4.2.6 of this report. As the policy has been updated, we have closed this matter.</p>

Recommendation	First raised	Status
Local Government Members Determination		
We recommend that the District Council ensure that processes are put in place to ensure the limits stated in the Local Government Members (2021/22) Determination 2021 are complied with in a financial year.	2022/23	Implemented The District Council has ensured compliance with the limits stated in the 2022/23 determination.
Sensitive expenditure - approval delegations		
We recommend the District Council ensures it has evidence to support one up approval for sensitive expenditure as required by its policy.	2022/23	Closed The District Council has ensured that appropriate delegated approval for sensitive expenditure has been obtained. The Council's policy is for the Group Manager to approve Councillors' spending, this does not align with best practice. However, the Council has accepted the risk relating to this.
Beneficial		
Policies to update		
The Council Vehicle Policy (updated in June 2014) should be updated to ensure they align with current practice.	2017/18	The MPDC Vehicle Policy was reviewed and updated in December 2022.

Appendix 2: Corrected misstatements

The following tables reflect a summary of some of the more significant corrections noted. The full list of financial and non-financial corrections are available upon request.

Corrected disclosure deficiencies

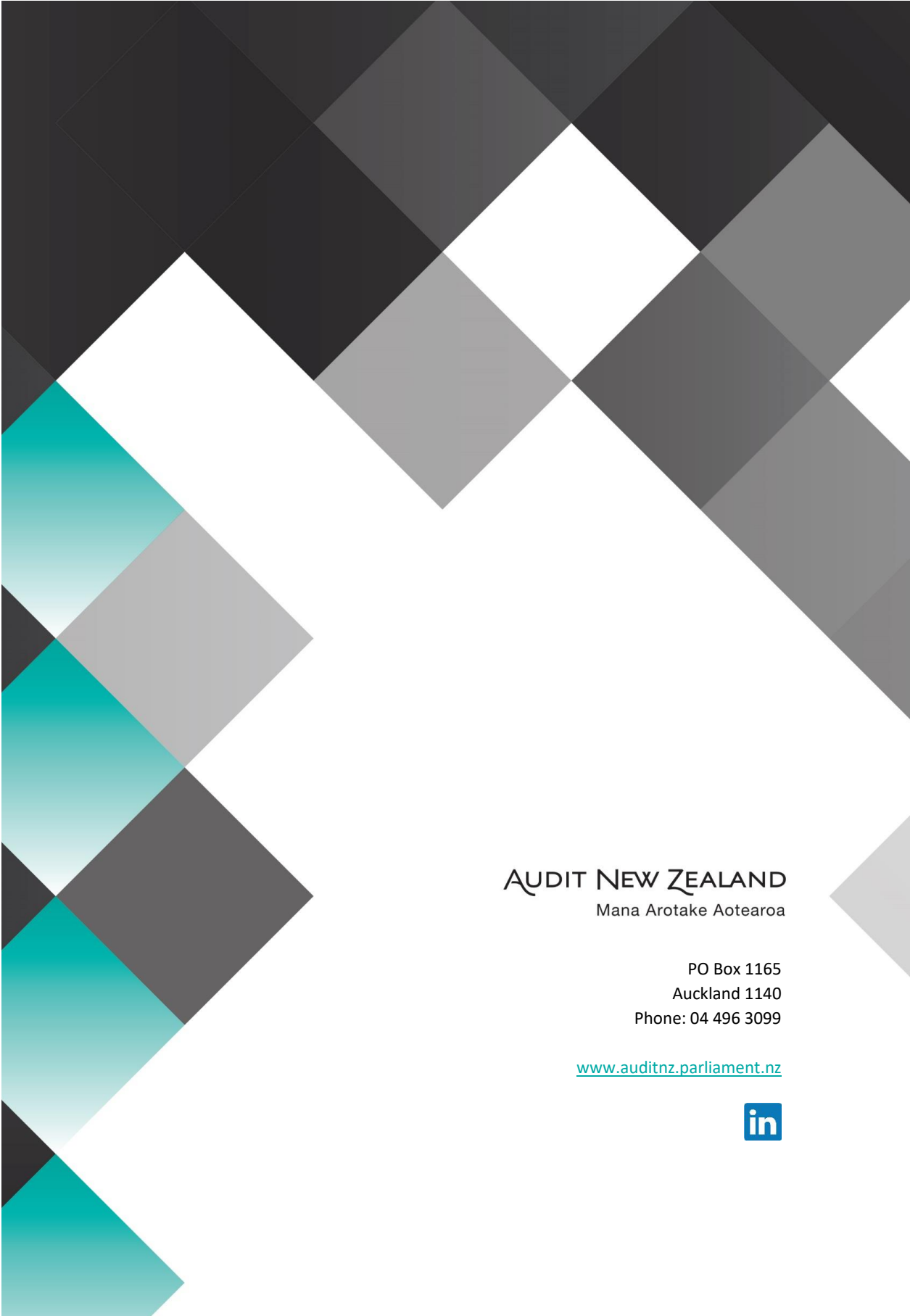
Detail of disclosure deficiency
Capital commitments The commitments note was updated to include two additional contracts.
Financial instruments The accounting policy for the investment in WRAL and financial instruments application of PBE IPSAS 41 was amended.

Corrected performance reporting misstatements

Detail of misstatement
There were numerous amendments due to the implementation of PBE FRS 48. A list of corrections are available to be shared, if required.

Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the District Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The District Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have carried out engagements in the areas of a limited assurance engagement related to the District Council's debenture trust deed, which are compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with or interests in the District Council.</p>
Fees	<p>The audit fee for the year is \$176,417 (excluding GST) as detailed in our Audit Proposal Letter. \$78,133 (excluding GST) was charged in relation to a variation for the 30 June 2022 audit.</p> <p>Our agreed fee for the Debenture Trust Deed assurance engagement is \$7,700 (excluding GST).</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>



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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

26 February 2024

Level 14, Shortland & Fort
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PO Box 1165, Auckland 1140

Adrienne Wilcock
Mayor
Matamata-Piako District Council
PO Box 266
Te Aroha 3342

Dear Adrienne

**Audit Engagement Letter: Audit of the consultation document and Long-Term Plan
for the period commencing 1 July 2024**

This Audit Engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Matamata-Piako District Council (the Council), under section 14 of the Public Audit Act 2001. The Council wishes to have its 2024 consultation document audited and it is mandatory for the LTP to be audited. The Auditor-General has appointed me, René van Zyl, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and long-term plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Specific responsibilities of the council for preparing the consultation document and the long-term plan

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 prescribes the information that must be included in the LTP.
- Section 111 requires all information that is required to be included in the LTP to be prepared in accordance with applicable generally accepted accounting practice standards.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide two separate reports, as follows:

- On the consultation document, a report on:
 - whether the consultation document gives effect to the purpose specified in section 93B; and
 - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
 - whether the LTP gives effect to the purpose in section 93(6); and
 - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each report will be to assess whether the consultation document and the LTP meet their respective statutory purposes. Given the different purposes of each document, we will assess the answers to different questions for each report.

Our focus for the second limb of each report will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit reports do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has weighed the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of Taituarā, Local Government Professionals Aotearoa, our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before your deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit reports. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We forwarded the self-assessment to you under a separate cover letter. Thank you for your co-operation in completing this assessment which was returned to us on 12 January 2024.

The self-assessment is like those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion.

4 Our particular areas of audit emphasis¹

4.1 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

For the two strategies to be effective, they must be closely aligned. Section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

¹ Use this section to add any relevant risk/focus areas.

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.2 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). Prospective Financial Statements (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty, and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

4.2.1 Climate change assumption

We will continue to focus on the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

We do expect the Council to reflect information on the impacts of climate change identified in the last three years in its climate change assumptions and work plans outlined in the LTP.

We understand that the Council has taken a practical, risk-based response to climate change effects. The Council has not yet adopted a climate change strategy or action plan. We will review the assumptions and disclosures affecting the consultation document and the LTP.

4.3 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure: the provision of water, roading, community facilities and management of wastewater. These activities typically make up about 60% of operational expenditure and 96% of capital expenditure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's type asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and

- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

4.4 Capital expenditure delivery

We will continue to pay attention to the reasonableness of the assumptions the Council has made about capital expenditure delivery.

Under delivery of capital expenditure budgets can have significant implications to the local authority and the community, including reductions in levels of service, and ratepayers paying for work that has not been completed.

In forming a view of the reasonableness of Council's capital expenditure forecasts, we will review how well the Council has delivered against its previous forecasts, as well as understand how the Council plans to meet its delivery forecasts for the LTP period.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

4.5 Key areas for consultation

The Council will need to decide what matters to consult on with the community, considering the principles included in the Act. We understand that the Council is deliberating on a number of matters that may be consultation matters. The matters we have noted that may be consulted on include:

- The Te Aroha Spa Project.

We will review the Council's CD and LTP and consider how the impacts of these and any other matters are included in the financial forecasts and how information about assumptions and their uncertainty are disclosed. It is important that the Council clearly and transparently articulates the preferred option as well as one or more alternatives in a way that readers can understand the implications (positive and negative) of the options being consulted on.

5 Other matters

5.1 Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

5.2 Publication of the consultation document and adopted long-term plan on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

6 Audit logistics

6.1 Audit timing

The key dates in the audit timetable are as follows:

Self-assessment provided to Council	24 November 2023
Self-assessment returned to audit team for consideration	12 January 2024
First interim visit (initial assessment) Specific documents required for this visit include: <ul style="list-style-type: none">• All underlying assumptions that underpin all forecasts and information with appropriate support for all assumptions.• Underlying information including:<ul style="list-style-type: none">○ Financial strategy and financial forecasts○ Funding and financial policies○ 30-year infrastructure strategy○ Asset management plans (AMP)○ Other Council policies and plans○ Activity plans○ Other supporting information	11 to 20 December 2023
Engagement letter due for Audit Committee pack	TBC
Risk and Assurance Committee	23 January 2024
CD audit	30 January 2024 to 16 February 2024
Proposed consultation document available	30 January 2024
Agenda due for Audit and Risk Committee meeting	5.00pm Wednesday 28 February 2024 (to meet agenda deadline 29 Feb)
Agenda due for Council meeting	5.00 pm 29 Thursday February 2024 (to meet agenda deadline 1 March)
Risk and Assurance Committee	12 March 2024
Audit report on consultation document required	13 March 2024

Draft report to governors on consultation document engagement	18 March 2024 (to be finalised by 5.00 pm Wednesday 5 June) (to meet agenda deadline 6 June)
Finalised report to governors on consultation document engagement	4 June 2024
Proposed LTP for adoption available	7 June 2024
Final LTP visit	6 or 10 June 2024 to 20 June 2024
Audit report on adopted LTP required	26 June 2024
Draft report to governors on LTP engagement	17 July 2024
Finalised report to governors on LTP engagement	26 August 2024
Risk and Assurance Committee	10 September 2024

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- A suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1).
- Electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2024, is \$103,300 (excluding GST and disbursements).

In the unlikely event the actual hours to carry out the audit of the consultation document and LTP results in the above audit fee being more than \$210 per hour, the fee will be reduced to a maximum \$210 per hour.

For the 2018 LTP, our actual hours were 628. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the Council. The audit fee we charged was \$78,000, which was an effective hourly rate of \$124. For context, in 2018 the average effective charge out rate for an audit of this complexity should have been \$163-\$211 per hour.

For the 2021 LTP, our actual hours were 638. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the Council. The audit fee we charged was \$84,000, which was an effective hourly rate of \$132. For context, in 2021 the average effective charge out rate for an audit of this complexity should have been \$180-\$233 per hour.

We cannot continue to spend significant amounts of time on the audit that is not compensated. Over time, we need to increase our audit fees to fairly reflect the costs of performing an efficient audit. The proposed 2024 fee is an increase of 23% compared to the 2021 agreed fee.

The Office of the Auditor-General has provided the estimated fee level for this year's LTP audit. The fee has taken into account the number of hours it took to complete the audits of the past two LTPs. During the LTP audit and following the completion of the audit we will discuss with you the hours and fees, so we both have helpful information for setting audit fees for the next LTP audit in 2027.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.

- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

	\$
February 2024	40,000
March 2024	20,000
May 2024	20,000
June 2024	23,300
Total	\$103,300

8 Personnel

Our personnel involved in the management of the audit are:

René van Zyl	Director
Carl Wessels	Engagement Quality Review Director
Suzanne Merriott	Specialist Audit Assurance Services (SAAS)
Claudia Brink	Manager
Arin Bevie	Audit Supervisor

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2024; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 14 June 2023.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely



René van Zyl
Director

cc Don McLeod, Chief Executive
Niall Baker, LTP Project Co-ordinator/Manager

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 14 June 2023.

Signed:  Date: 4/3/24
Adrienne Wilcock
Mayor

Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent reports on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
 - whether each document gives effect to the relevant statutory purpose; and
 - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

Provision of a report to the governors of the Council

At a minimum, we will report to the governors of the Council at the conclusion of the engagement. The report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit report. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements.

The standards applied when conducting the audit of the consultation document and adopted long-term plan

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we consider particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that are consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 14 June 2023 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
 - responsibilities for compliance with laws and regulations; and
 - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;
 - enable the Council to monitor the resources, activities, and entities under its control;
 - enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
 - enable the Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff that is without risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

7 June 2023

Level 14, Shortland & Fort
88 Shortland Street, Auckland 1010
PO Box 1165, Auckland 1140

Adrienne Wilcock
Mayor
Matamata-Piako District Council
PO Box 266
Te Aroha 3342

Dear Adrienne

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Matamata-Piako District Council (the District Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, René van Zyl, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2023 to 30 June 2025.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the District Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Matamata-Piako District Council’s financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

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The council's responsibilities

Our audit will be carried out on the basis that the council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from the District Council for the purpose of the audit;
 - unrestricted access to council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit;

In addition, the council is responsible for:

- the preparation of the summary financial statements and summary performance information;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The council's responsibilities extend to all resources, activities, and entities under its control. We expect that the council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;

- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the council and/or the individuals within the District Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the council to be familiar with those responsibilities and, where necessary, have obtained advice about them. We expect members of the council to be familiar with those responsibilities and, where necessary, have obtained advice about them. Appendix 3 outlines respective responsibilities when using Audit New Zealand's client portal tool.

The council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the District Council:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

We are also responsible for forming an independent opinion on whether the performance information of the District Council:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with the intended levels of service for the financial year; and
 - its actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

In addition to the above we are also responsible for forming an independent opinion whether:

- the funding impact statement of the District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan or annual plan; and
- the statement about capital expenditure for each group of activities of the District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan or annual plan; and
- the funding impact statement for each group of activities of the District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan.

We are also required to report on whether the District Council has:

- complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the council and the District Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;

- be alert for issues of a lack of probity – in particular, whether the council and the District Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the District Council; including being independent of management personnel and members of the council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report that will be sent to the council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other reports to the District Council from time to time. We will inform the council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If, after contacting me, you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.


If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely



René van Zyl
Appointed Auditor
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the council.

Signature:  _____ Date: 10/6/23
Name: Adrienne Wilcock
Title: Mayor

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with the intended levels of service for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the long-term plan and annual plan for the financial year. • complies with generally accepted accounting practice in New Zealand. <p>In addition to the above we are also responsible for forming an independent opinion whether:</p> <ul style="list-style-type: none"> • the funding impact statement of the District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the long-term plan or annual plan; and

Responsibilities of the council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none">the statement about capital expenditure for each group of activities of the District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the long-term plan or annual plan; andthe funding impact statement for each group of activities of the District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the long-term plan. <p>We are also required to report on whether the District Council has:</p> <ul style="list-style-type: none">complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; andmade the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014. <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	<p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> the appropriateness of accounting policies used and whether they have been consistently applied; the reasonableness of the significant accounting estimates and judgements made by those charged with governance; the appropriateness of the content and measures in any performance information; the adequacy of the disclosures in the financial statements and performance information; and the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> the adoption of the going concern basis of accounting is appropriate; all material transactions have been recorded and are reflected in the financial statements and performance information; all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	<p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of the District Council; enable you to monitor the resources, activities, and entities under your control; enable the District Council's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the District Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the District Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the District Council with delegated authority have a reasonable basis that suspected fraud has occurred – regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that the District Council has systems, policies, and procedures (appropriate to the size of the District Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the District Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> the relevance of the law or regulation to the audit; our assessment of the risk of non-compliance; the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the District Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p>

Responsibilities of the council	Responsibility of the Appointed Auditor
	The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions.</p> <p>Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the District Council's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 3: Respective responsibilities when using Audit New Zealand's client portal tool

Audit New Zealand has engaged Audit Dashboard Incorporated to provide a client portal, AuditDashboard.

AuditDashboard is a secure online tool that will make it easier for files to be shared between Audit New Zealand and the District Council and for your people to work with us. We will request and receive files from your organisation through AuditDashboard.

For more information, please refer to: <https://auditnz.parliament.nz/working-with-your-auditor/portal/>.

Your organisation's obligations when using AuditDashboard

AuditDashboard implements industry standard encryption and security controls to keep your organisation's data safe. However, each user of AuditDashboard is responsible for ensuring these controls can operate. Your organisation is responsible for your users' use of AuditDashboard.

Upon registering, each user will be required to read and accept individual Terms of Use. These are aligned with your organisation's obligations in this letter. The Terms of Use can be viewed at auditnz.auditdashboard.com/Account/Terms.

We expect you to ensure that AuditDashboard users in your organisation know that they must only access AuditDashboard using devices that have been approved for work purposes by your organisation. By using approved devices in conjunction with complying with your organisation's own policy on computer use, users are more likely to comply with the Terms of Use that each user must agree to.

We expect your organisation to provide an environment that supports AuditDashboard users in your organisation to:

- use a secure network with firewall protection;
- use a modern, up-to-date browser, and an operating system that features integrated anti-virus and anti-malware software;
- use their own unique user account each time they access AuditDashboard, and comply with the password security measures in the Terms of Use;
- take the same precautions when using AuditDashboard as they would with other secure online transactions, such as ecommerce and banking;
- logout of AuditDashboard, lock their system and secure their computer when left unattended;
- not misuse AuditDashboard.

Your organisation must inform Audit New Zealand if a user leaves, or if a change in circumstances (for example, a change in role) means that a user should no longer have access to AuditDashboard. Once we have been informed, we will remove access for that user.

Your organisation must inform Audit New Zealand of any information that should be restricted so it can only be viewed by specified users, such as payroll data.

Your organisation must notify Audit New Zealand immediately of any unauthorised use of an AuditDashboard account or in the event that a user's account details are compromised.

We expect your organisation to maintain the confidentiality and integrity of the content and technology of AuditDashboard to at least the same level of care required by your organisation in respect of its own confidential information, but in no event using less than a reasonable standard of care.

Your obligations when your agent uses AuditDashboard

Your organisation might engage an agent ("your agent") to perform some financial functions, for example, an external accountant to prepare your organisation's financial statements. In such circumstances, your agent might hold files, on behalf of your organisation, that are relevant to your organisation's audit.

If your organisation requests Audit New Zealand to add your agent as an AuditDashboard user, your organisation is wholly responsible for your agent's use of AuditDashboard. Accordingly, your organisation must ensure that your agent:

- is aware of your organisation's obligations to Audit New Zealand;
- is aware that they must agree to and abide by the Terms of Use that apply to AuditDashboard users;
- is required to be subject to a computer use policy, and work in a secure environment, that enables them to comply with the Terms of Use; and
- agrees to notify your organisation immediately of any unauthorised use of an AuditDashboard account.

Our responsibilities

We are responsible for the security of the data provided by you to us for the purpose of an audit engagement.

We are responsible for obtaining assurance that AuditDashboard is secure for the classification and sensitivity of data that is involved. When we engaged AuditDashboard, we considered risk, security, privacy, functionality and business requirements. These are all fundamental requirements for information governance and assurance.

Audit New Zealand does not guarantee the availability of AuditDashboard. We reserve the right to withdraw AuditDashboard at our discretion. Where possible, we will notify your organisation in advance.

If our contract with AuditDashboard is terminated, AuditDashboard will delete your organisation's data, except if you request its return, or such data is required by Audit New Zealand to perform the audit engagement.

Common tool summaries

Review Notes (0)

Nothing documented here

Cross references (0)

Nothing documented here



Statement of Proposal

Revenue and Financing Policy

For Consultation 21 March – 21 April 2024

Version: To Council 21 February 2024



Background

This is a proposal to review the Revenue and Financing Policy (Policy) under the Local Government Act 2002 (LGA). We are proposing some amendments to the Policy and asking the community for feedback.

Council is consulting on the Policy using section 83 (special consultative procedure) of the LGA. Council invite submissions on the proposed Policy to assess support/objections so any feedback can be considered before Council adopt the Policy. Once adopted, the Policy will come into effect on 1 July 2024.

In the interest of efficiency this Statement of Proposal (SOP), for the review of the Policy, is being undertaken alongside consultation on the Draft Long Term Plan 2024-2034.

Purpose

The purpose of the consultation is to invite views of those affected by the proposal, and for those views to be presented to Council for consideration before Council adopt the amended Policy.

What is the Policy?

The Policy aims to explain how we will fund the operating expenses and capital expenditure of our activities from the funding sources specified in the LGA 2002 and Local Government (Rating) Act 2002 (LGRA 2002), and provide predictability and certainty about our sources and levels of funding.

Reasons we review the Policy

The reasons for our Policy proposal are the result of the following statutory requirements:

- section 102(2)(a) of the LGA 2002 requires that we must have a Policy;
- sections 103(1) and 103(2) of the LGA 2002 set out the required contents of the Policy;
- clause 10 of schedule 1 to the LGA 2002 requires that the Policy be included in the Long Term Plan.

What are the key changes to the Policy?

The key changes to the Policy from the previous policy include:

- The inclusion of the Te Ture Whenua Maori Act principles as part of our overall considerations on the current and future community wellbeing as noted above (page 6)
- Greater discussion on the difference between general rates and UAGC, and explanation of the 30% cap on fixed rates set on a uniform basis (pages 7-8)
- Guidance provided on what factors Council will consider when setting the UAGC cap (page 8).
- Noting that "Council may resolve to fund operating expenditure from borrowing in instances where the expenditure provides benefits beyond the financial year of the expense (eg where operational work to remove sludge from the wastewater ponds provides additional capacity in the pond for many years)" (page 9)
- As a result of Council's decision at the 14 February 2024 meeting on the funding of three waters debt over the 10 years of the draft LTP, the Policy has been updated to accommodate this strategic decision as follows: "Council may determine that loans should be repaid sooner where this is considered prudent and ensures adequate borrowing headroom is maintained" (page 22).

- Proposed changes made in the draft Policy to the funding sources for each activity groups operating costs are summarised below, including a discussion of the step 1 and 2 considerations that lead to the proposed change in policy funding ranges:

Activity	Fees & charges		Steps 1 and 2 considerations		Comments on decision-making
	Previous Policy	Proposed Policy	Previous Policy	Proposed Policy	
Libraries	1-10%	0-10%	<p>Exacerbator issues: None</p> <p>Overall impact (step 2): Setting the level of individual recover too high will result in the decline in the utilisation of the libraries. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and this is reflected in the range below</p>	<p>Exacerbator issues: Some users result in the need for additional cost (e.g. lost or damaged books)</p> <p>Overall impact (step 2): Research shows that fees and fines significantly impact the ongoing utilisation of libraries and community spaces and are counter-productive to the outcomes Council is seeking to achieve. Recoveries from user fees will focus on additional services provided or costs incurred.</p>	As a result of the step 2 overall impact assessment, the decision was made to reduce reliance on revenue from fees and charges
Community Venues	10-15%	20-40%	<p>Overall impact (step 2): Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and in</p>	<p>Overall impact (step 2): Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and in individual</p>	There was no change made to the step 2 overall impact assessment from the previous policy, however on balance, Council assessed that higher fees were realistic and achievable without impacting on utilisation, given community feedback, charges for similar facilities elsewhere, and a desire for greater user pays.

Activity	Fees & charges		Steps 1 and 2 considerations		Comments on decision-making
	Previous Policy	Proposed Policy	Previous Policy	Proposed Policy	
			individual facilities, this may be achievable without compromising utilisation	facilities, this may be achievable without compromising utilisation	
Animal Control	80%	80-100%	Exacerbator issues: The need for this activity arises from the expectation that animal ownership will not negatively impact on public safety. Irresponsible owners, create higher demands on this activity	Exacerbator issues: The need for this activity arises from the expectation that animal ownership will not negatively impact on public safety. Animal owners and in particular, irresponsible owners, create the need for this activity	The move to extend the range for fees and charges follows the discussion on exacerbators – who creates the need for the activity (eg all animal owners (without which we would not have a need for Animal Control), and particularly irresponsible ones). And it follows the desire for greater user pays.
Building consents and monitoring	40-60%	50-90%	Exacerbator issues: Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement	Exacerbator issues: Building activity drives the need for this activity. Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement	The move to extend the range for fees and charges follows the discussion on exacerbators – who creates the need for the activity (eg those involved in building activity) and it follows a desire for greater user pays.

Analysis of reasonably practicable options – the Policy

In preparing the Policy as a whole we have considered three broad options and we would like your thoughts on what we should do. The Policy itself sets out in detail the considerations we have made in relation to sections 102 and 103 of the LGA 2002, however in terms of our overall funding we have three key options:

Option 1 – Adopt the Policy

Council would adopt the Policies as they have been proposed.

Advantages	Disadvantages
Allows us to recover costs for new services and facilities more directly from the user.	Some fees may increase significantly as the less rates funding is used to pay for these activities.

	Increased fees and charges will mean increased costs to those in the community that use the affected services and may discourage usage or development.
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Option 2 - Status quo

The Policies would remain the same as present.

Advantages	Disadvantages
The public are familiar with current Policy	These will not reflect our the activities names or the way we allocate funding under our new structure in the Long Term Plan.

Option 3

We would decrease our reliance on fees and charges, development contributions and move towards a more rates-based system whereby rates fund services and facilities.

Advantages	Disadvantages
The cost of services and facilities is spread over all ratepayers.	We will need to recover our costs through rates increases.

Statutory requirements and Policy Considerations

We are required under the Local Government Act 2002 ("LGA 2002") to adopt a Revenue and Financing Policy ("Policy").

Determining funding needs

The decision-making process required to adopt our Policy are set out in the LGA 2002, sections 76 to 82.

In essence the process involves determining the activities that should be undertaken and the sources of funding that are most appropriate having regard for:

- in relation to each activity to be funded (under section 101(3)), the community outcome to which the activity primarily contributes;
- the distribution of benefits between the community as a whole, any identifiable part of the community and individuals;
- the period in or over which those benefits are expected to occur;
- the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity;
- the costs and benefits including consequences for transparency and accountability of funding the activity distinctly from other activities; and
- the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural interests of the community.

Section 102 Funding and financial policies

- (1) *A local authority must, in order to provide predictability and certainty about sources and levels of funding, adopt the funding and financial policies listed in subsection 2.*
- (2) *The policies are—*
 - (a) *a revenue and financing policy;*
- (4) *A local authority—*
 - (a) *must consult on a draft policy in a manner that gives effect to the requirements of section 82 before adopting a policy under this section:*
 - (b) *may amend a policy adopted under this section at any time after consulting on the proposed amendments in a manner that gives effect to the requirements of section 82.*

Section 103 Revenue and Financing Policy:

- (1) *A policy adopted under section 102(1) must state—*
- (a) *the local authority's policies in respect of the funding of operating expenses from the sources listed in subsection(2); and*
 - (b) *the local authority's policies in respect of the funding of capital expenditure from the sources listed in subsection(2).*
- (2) *The sources referred to in subsection (1) are as follows:*
- (a) *general rates, including—*
 - (i) *choice of valuation system; and*
 - (ii) *differential rating; and*
 - (iii) *uniform annual general charges:*
 - (b) *targeted rates:*
 - (ba) *lump sum contributions:*
 - (c) *fees and charges:*
 - (d) *interest and dividends from investments:*
 - (e) *borrowing:*
 - (f) *proceeds from asset sales:*
 - (g) *development contributions:*
 - (h) *financial contributions under the Resource Management Act 1991:*
 - (i) *grants and subsidies:*
 - (j) *any other source.*
- (3) *A policy adopted under section 102(1) must also show how the local authority has, in relation to the sources of funding identified in the policy, complied with section 101(3).*
- (4) *If a local authority amends its revenue and financing policy under section 93(4), only a significant amendment to the policy is required to be audited in accordance with sections 93D(4) and 94.*

Economic Concepts

At their most basic level, funding and financial policies show who pays, for what, when. The Policy is a device for recording and explaining the decisions we have made regarding the funding of our activities. Transparency in this document is especially important to demonstrate the link between dollars and value to the ratepayer.

Much of the Policy refers to the considerations in section 101(3) of the LGA 2002, and our application of those considerations. The analytical process is a sequential two step process. The first step includes consideration at an activity level of the rationale for service delivery, the beneficiary pays principle, the exacerbator pays principle, inter-generational equity, and the costs and benefits of separate funding. The second step of the analysis involves consideration of the results of the first step and their impact on community interests.

A clear rationale for service delivery is a vital piece of information to have when working through the section 101(3)(a) analysis. Knowing why we are delivering the service can help sort out who benefits, when they benefit, and who any of the exacerbators are, as well as obtaining some idea of what impacts on community interests might arise from the way we fund a service

In considering the Policy and how we propose to structure its rates, some useful economic concepts to keep in mind are:

- *incidence* – the distribution of the burden of rates. Two key things to distinguish are the legal incidence of the tax (who gets the bill) and the economic incidence (from whose pocket the money eventually comes)
- *the difference between income and wealth* – income is a flow concept. It measures the amount of money an individual receives from work or investment over a set period of time. Wealth, on the other hand is a stock concept and measures the level of financial and non-financial assets an individual has. Rates are a tax on one element of wealth
- *affordability, ability to pay, and willingness to pay* – this is the difference between ‘can’t pay’ and ‘don’t want to pay’. Affordability is a measure an individual’s true capacity to meet their contribution to community services. Willingness to pay relates more to the value an individual thinks they receive from council services
- *efficiency* – the degree to which local authority funding requirements affect production and consumption decisions
- *equity* – very much a subjective concept, equity relates to the ‘fairness’ of certain decisions
- *public/private goods* – a *public* good is an activity or service that is both non-rival (my consumption does not interfere with yours) and non-excludable (I cannot be prevented from consuming the service). Common examples in local government are civil defence and various planning functions. A private good is both rival and excludable.

Our Rating Structure

Legislation gives us four broad rating tools that can be used to set rates.

The General Rate

The general rate is a tool for funding those activities where we have decided that all or part of the cost of a particular activity should be funded by the community as a whole. We have the choice of one of three bases for setting a value-based general rate. These are land (unimproved value), capital value (land and improvements) or annual value (either rentable values or five percent of the capital value).

Capital and annual value tend to be better proxies for ability to pay and use of services than unimproved values. Capital and annual value are also thought to be less prone to sudden swings than unimproved values as location-based factors play a lesser role. On the other hand, to the extent that rates are a part of business cost structures, rating based on unimproved values can be more of an incentive for development. Annual value needs a large and active rental market to work effectively, and is not one of the more commonly used methods of apportioning the general rate.

We can use differential powers on our value-based rates i.e. charge one category of property a higher rate in the dollar than another. Differentials are a tool for altering the incidence of rates; they do not release new revenue in and of themselves. Use of differentials can create ‘winners and losers’ – it is therefore important that these policies are based on robust criteria.

We have in the past considered that general rates are the ‘public good’ component which is available to be enjoyed equally by the whole community. General rates also used to pick up short-falls in cost recovery. For example, using the libraries:

- the individual benefit is considered high,
- the community benefit considered medium
- general rate funds +80% as a significant increase in user fees will likely result in a drop-off in use

The Uniform Annual General Charge (UAGC)

The UAGC is a flat dollar charge per property, or separately used/inhabited part of a property. The UAGC is a device for mitigating the impact of high property values, it can also be used as a tool to shift the incidence of rates between groups of rate payers (for example rural vs. urban). It is a regressive tax (you pay the same amount regardless of income or wealth) – this is one reason why the legislation caps the use of this tool at 30%.

Targeted Rates

Targeted rates are devices for funding those activities where we have decided that:

- all or part of the cost of a particular activity should be met by particular groups of ratepayers; and/or
- there is some other advantage in funding the activity outside of the general rate.

We have access to a wide range of targeted rating powers including: property values (land value, capital value, annual value and the value of improvements). We can also set a targeted rate based on one or more of the following:

- a flat dollar charge;
- the number of separately used or inhabited parts of a rating unit;
- the number of water closets and urinals within the rating unit (pan charges);
- the number of connections the rating unit has to local authority reticulation;
- the extent of provision of any service to the rating unit by the local authority (where this is capable of objective measure and independent verification);
- the total land area of the rating unit;
- the total land area within the rating unit that is sealed, paved or built upon;
- the total area of land within the rating unit that is protected by any facility provided by a local authority; or
- the total area of floor space within the rating unit.

In addition to the above, we can set a targeted rate for water consumption based on the volume of water consumption (water metering).

We also can set:

- more than one targeted rate to fund a particular activity (for example, many rural local authorities with more than one water or sewage scheme set a rate for each scheme, some city councils charge a base water supply rate and an additional fire protection rate to fund water supply);
- a targeted rate to fund more than one activity (targeted works and services rates are a common example of this);
- a targeted rate over only some defined categories of property (such as a CBD rate for security patrols, street-cleaning or development or a tourism rate over commercial property). The bases for constructing the categories are defined in Schedule Two of the LGRA.
- a differential targeted rate – provided that the basis for constructing the categories is one of the matters listed in schedule two of the LGRA
- targeted rates using combinations of factors (a not uncommon use is to set a flat dollar charge and a value based rate)
- including a rate that uses different factors for different categories of property (so for example a targeted rate that is set on the basis of a flat dollar charge for residential property, a value based rate for commercial property and an area based rate for rural property)

Non-Rate Funding Tools

We also have the following non-rate funding tools available to us:

- user charges – a variety of powers exist, some set maxima on the levels of fees, others prescribe charging methods (for example dog registration fees);
- development contributions – a tool for recovering the capital costs that are imposed by growth from development;
- revenue from investments;
- asset sales – for example the sale of surplus land; and
- funding from third parties (including but not limited to central government – for example subsidies for roading).

Have your say

Whether you agree, oppose or you have suggestions on things we could change for this proposal or any other proposal, we want to hear from you.

You can make a submission between 21 March and 21 April 2024.

For more information about this proposal, and to see what else we are consulting on, go to mpdc.govt.nz/ltp

Making a submission:

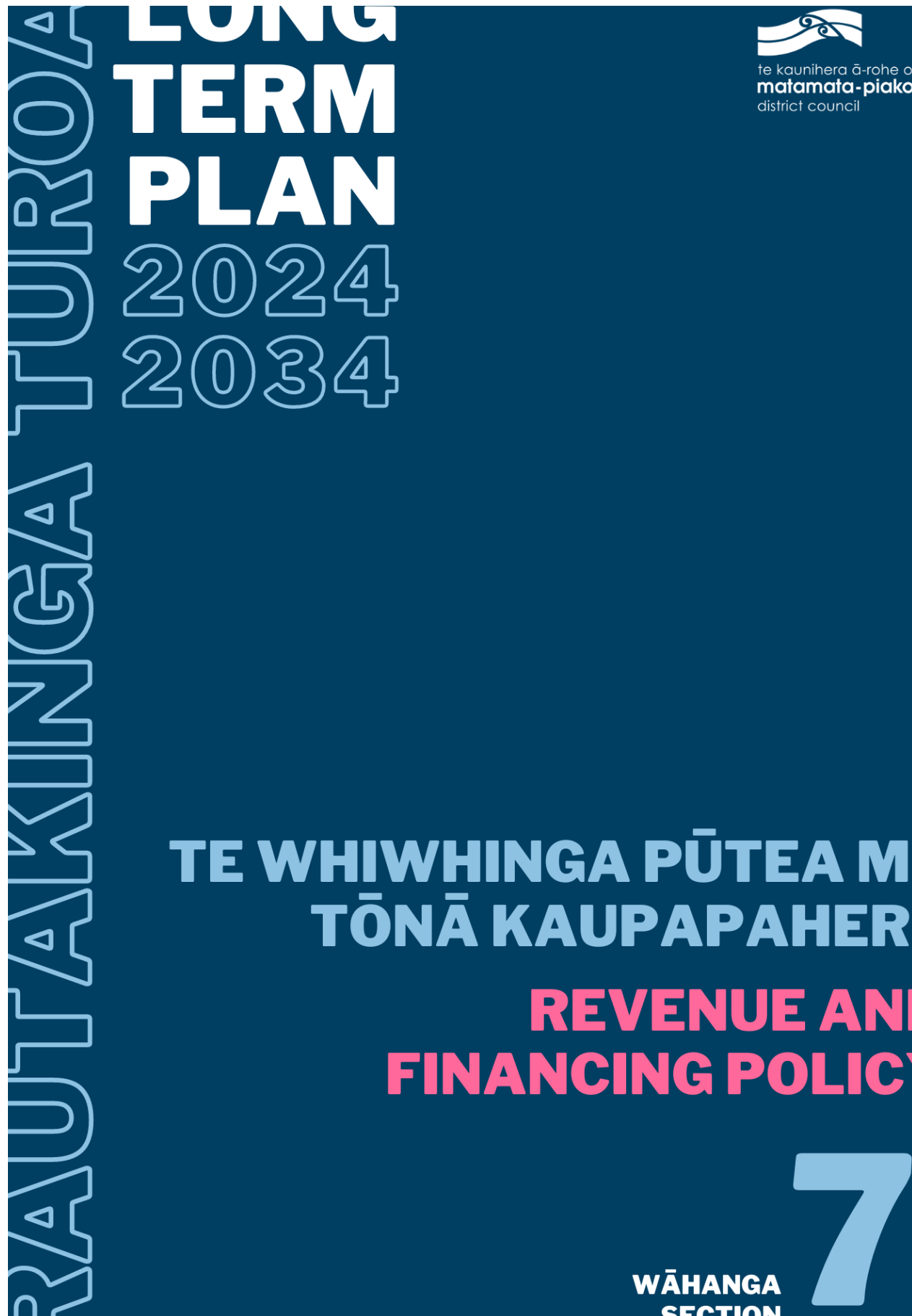
- 📁 Go to mpdc.govt.nz/ltp to fill out the online form
- 📄 Drop off form: Any Council office
- ✉ Mail to: PO Box 266, Te Aroha 3342
- ✉ Email: info@mpdc.govt.nz

Head to mpdc.govt.nz/ltp to make a submission and have your say by 21 April 2024

Please be aware that submissions made to Council are public information. Your submission will be used and reproduced for purposes such as reports to Councillors, which are made available to the public and media.

Key dates

Council adopt proposal for community consultation	20 March 2024
Submission period	21 March – 21 April 2024
Community present submissions to Council	8 May (9 May if needed) 2024
Proposal is adopted	26 June 2024
New Fees and Charges apply	1 July 2024



LONG TERM PLAN
2024
2034

**TE WHIWHINGA PŪTEA M
TŌNĀ KAUPAPAHER**

**REVENUE AND
FINANCING POLICY**

**WĀHANGA
SECTION**

7

te kaunihera ā-rohe o
matamata-piako
district council

Item 8.6

Attachment B

Te whiwhinga pūtea me tōnā kaupapahere | Revenue and financing policy

The Revenue and Financing Policy describes how Council will fund operating expenses and capital expenditure from the funding sources specified in section 103 of the Local Government Act 2002.

Policy considerations

We will select funding sources for each activity after having regard to the following:

1. The community outcomes to which the activity primarily contributes, and
2. The distribution of benefits between the whole community, separate communities, and individuals, and
3. The period over which benefits are expected to occur, and
4. The extent to which the actions or inactions of particular individuals or groups contribute to the need to undertake the activity (referred to the exacerbator issues), and
5. The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities and
6. The impact that selected funding mechanisms have on the current and future community wellbeing.

Our approach

The following is a summary of how we have approached these considerations.

1. The community outcomes to which the activity primarily contributes

The primary community outcomes for each activity are included in the activity tables further on in this policy.

2. The distribution of benefits between the whole community, separate communities, and individuals

We have taken the following general approaches to relate benefits to funding sources:

- Activities that are available to every person in the District are funded across the whole community (e.g. roading or parks and reserves);
- Services that we make available to specific areas are funded across those areas, on a district wide basis. This applies to services for water, wastewater, stormwater and rubbish and recycling. The targeted rates are uniform across the district, irrespective of location;
- Rural halls are funded from the local hall communities;
- Fees and charges are used as the funding source for individual or group benefits where either:
 - A direct relationship can be efficiently established between the provisions of a service and the charge (e.g. admission to a swimming pool), or
 - The benefits derived are beyond the level generally available to the general community (e.g. the exclusive use of sports facilities), or
 - The individual or group causes us to incur additional costs beyond the level that would be required for the general community.

We have expressed the allocation of benefits in the first part of the consideration process in the following terms:

- High: generally, above 75%
- Medium: 40 – 75%
- Low: below 40%

See also the 'other policy considerations' section for further detail.

3. The period over which benefits are expected to occur

During the development of this plan we received feedback from the community on the types and levels of services expected from us. The overall conclusion is that the community expects the current services to continue to be available now and in the future.

This is reflected in this plan, as are the following principles:

- Current and future generations will benefit from each activity.
- We will implement appropriate accounting and funding policies to ensure intergenerational equity (so one generation does not benefit at the expense of another).

- We may encounter extraordinary situations that involve addressing legacy issues (e.g. environmental issues from old landfill sites). In cases like this we may not be able to impose the cost of addressing the issues on the people who caused the problem. We will consider funding options to minimise the impact of these issues on current and future generations. This might involve the use of retained earnings or proceeds from the sale of assets.

4. The extent to which the actions or inaction of particular individuals or groups contribute to the need to undertake the activity (exacerbator issues)

We encounter situations where the actions or inactions of individuals or groups cause us to utilise additional resources.

These can be generally categorised as follows:

- Non complying behaviour, for example, graffiti, illegal waste disposal, wandering dogs, non-compliance with consent conditions.
- High cost activities - e.g. sports field maintenance (as opposed to open space maintenance).

We will consider:

- The impact that these situations have on the overall activity.
- The level of additional cost incurred.
- The potential to realistically recover the additional costs.
- The effect on the activity outcomes.

We may then apply funding mechanisms that recover all or part of the additional costs incurred (e.g. fines).

5. The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

We have a desire for a simple rating structure that can be easily understood by the community.

We believe that transparency and accountability can be enhanced where the community can make a direct link between the services received and the charges we impose. User charges and targeted rates are examples where we believe this connection can be made.

Targeted rates are preferred where:

- Services are made available to some properties or communities and not others (e.g. water supply is provided to urban properties and only some rural properties).
- Local communities have a strong sense of identity and accountability for an activity (e.g. rural halls, where the local communities fund and operate the halls).
- Activities that are intended to benefit a specific area (e.g. rural halls).

We can create numerous targeted rates to separately represent the full range of our activities, however this would compromise our desire for a simple rating system. After allowing for the various targeted rates and user charges, the remaining Council activities are mainly funded from general rates.

Our view is that rates are a form of tax and the quantum an individual pays does not necessarily reflect the level of benefit received. The use of additional targeted rates may inflate individual expectations about the level of benefit that should be received. This does not promote accountability.

We promote transparency by disclosing the amount funded from general rates for all activities with rates assessments. This has a low administration cost and is considered to achieve the same outcome as the use of numerous targeted rates.

6. The impact that selected funding mechanisms have on the current and future community wellbeing

We have considered the overall revenue allocation needs on the current and future social, economic, environmental, and cultural well-being of the community. We have selected funding mechanisms after having regard to the outcomes sought for each activity and the following considerations:

- **The primary outcomes** sought for each activity and the potential impact the funding sources have on the activity outcome. This allows us to reflect on the current and future wellbeing of the community
- **Sustainability** - will the selected funding mechanisms affect the sustainability of the activity? For example, setting a high level for user charges may reduce patronage, at the expense of community wellbeing?
- **Achievable funding levels** - are the targeted levels achievable? We have identified targeted levels for user charges that may not be achievable in the short to medium term. In these cases a target range will be set
- **Te Ture Whenua Māori Act 1993 Principles** - the principles set out in the Preamble to Te Ture Whenua Māori Act 1993 include recognition that land is a taonga tuku iho of special significance to Māori, and for facilitation of the occupation, development, and utilisation of that land for the benefit of its owners, their whānau, and their hapū. We will consider if there are ways that our funding decisions can further promote these principles. Further support for these principles is provided through Council's Policy on Remission and Postponement of Rates for Māori Freehold Land, and Council's Development Contributions Policy.

Other policy considerations

Funding 'public good'

The selection of funding sources is influenced by the categorisation of the benefits arising from activities, into public and private good. Activities that have significant public good are considered to have the following two characteristics:

- **Non rivalry**- an individual utilising an activity does not affect the opportunity of other individuals to utilise the same activity. Street lighting is an example of an activity that is non rival. The fact that one person may benefit from street lighting, does not affect other people from enjoying the

same benefit. As opposed to water, where consumption by an individual reduces the amount of water available for other individuals.

- **Non excludable** - the extent to which it is possible to exclude people from enjoying an activity. An activity with public good characteristics is one where it is difficult to exclude people from enjoying or utilising. For example, a public footpath would be non-excludable. It is not practical to exclude people from making use of a footpath. People can be excluded from utilising a public swimming pool, by imposing entry fees.

Activities that have significant public good characteristics are typically funded from general rates.

There are two types of general rates:

- General rates based on rateable property values
- The Uniform Annual General Charge (UAGC)

Both rates are applied to fund the same costs, but are calculated differently. The General rate is based on the capital value of rateable properties, so the amount of General rate charged varies between properties, with higher value properties paying a greater share. The UAGC is a tool to mitigate the impact on higher value properties, by charging each rateable property a fixed share of the costs. That way everyone pays at least a minimum proportion of the costs regardless of their property value.

The amount of UAGC along with other targeted rates that are set based on a fixed charge is subject to a statutory maximum (we refer to as the UAGC cap). No more than 30% of total rates can be set on a fixed basis (excluding charges relating to Water and Wastewater). Setting the UAGC cap at the highest end of the statutory maximum of 30% benefits higher value properties more, as a higher proportion of the funding is being split equally across all ratepayers.

Our District has a very wide range of property types and values due to the diverse land use and industry in Matamata-Piako. To ensure that everyone pays a reasonable minimum share of the general rate funded services, our preference is that the UAGC cap is set at a range of between 75-100% of the maximum allowed (so between 22.5% and 30%). The percentage applied within this range will be reviewed each year after consideration of the following factors:

- The effect of the triennial district-wide property valuations
- The impact that a higher UAGC may have on those with low/fixed incomes and relatively low property values
- The impact that a lower UAGC may have on the relative share of rates levied on higher value properties
- Fairness and equity and the consequences of the distribution of rates on our community well-beings.

Funding 'private good'

Activities with strong private good characteristics are typically neither non rival or non-excludable. We hold the view that a rating system is primarily a taxation system and not a system inherently based on a principle of user pays. We will utilise targeted rates to represent user charges and

recover private benefits. Targeted rates may also be utilised to recognise 'community specific' benefits.

Differential general rates

We consider that public goods are available to be enjoyed equally by the whole community. General rates should therefore be levied on the same basis across the district. For this reason, we do not consider that there are any compelling arguments to utilise differential rating for general rates. The use of targeted rates and user charges provides an appropriate way to differentiate for our services.

Valuation system

The capital value rating system has been in place in this district since 1990. We acknowledge that this system is not an accurate representation of 'ability to pay', however, we do not consider that the alternatives (land or annual value) offer any advantages over capital value. Our community is familiar with the current system and there are no compelling reasons to change at this time.

Operating expenditure

Operating expenditure is the money spent on the ongoing day to day activities and services of the Council. This includes the annualised cost of replacing our assets (depreciation), interest charges on borrowing, and the cost of Council overheads. Our operating expenditure will be funded each year in line with our adopted Long Term Plan and/or Annual Plan.

The available funding sources for operating expenditure are:

- Grants, subsidies, and other income
- Investment income
- Fees and charges
- Proceeds from asset sales
- Reserve funds (where a certain project (usually one-off) meets the criteria and objectives of a specified reserve fund)
- Rates (general or targeted)

Borrowing will not ordinarily be budgeted to fund operating expenditure unless it is otherwise resolved by Council. Council may resolve to fund operating expenditure from borrowing in instances where the expenditure provides benefits beyond the financial year of the expense (e.g. where operational work to remove sludge from the wastewater ponds provides additional capacity in the pond for many years). Council may also use borrowing or unallocated surpluses to fund any activity deficits or to cover unexpected events (e.g. expenses or loss of revenue due to natural disasters, pandemics etc.).

Grants, subsidies and other funding sources may become available for different activities from time to time. Where this source of funding is available and known at the time the budgets are set, it will be used to offset funding required from rates as set out below.

The following tables summarise our considerations for each activity in line with section 101 (3)(a) of the Local Government Act 2002.

Funding considerations by group of activity



Community Facilities and Property

Housing, rural halls, corporate / general

Funding considerations	Community Facilities and Property – Housing and property		
	Housing	Rural Halls	Corporate/General
Community Outcomes	He wāhi kaingākau ki te manawa A place with people at its heart He wāhi puawaitanga A place to thrive	He wāhi kaingākau ki te manawa A place with people at its heart He wāhi whakapapa, he wāhi hangahanga A place to belong and create	He wāhi puawaitanga A place to thrive
Distribution of benefits	Individuals: high (private occupancy)	Community within rural hall areas: high Individuals and area groups private hire: high	Community at large: 90% (access and availability) Private individuals: 10% individual or group utilisation
Period in which benefits occur	Current and future	Current and future	Current and future
Exacerbator issues	None	None	Minor issues relating to extraordinary demands from specific users
Transparency and accountability	Direct user charges reinforce accountability and transparency in the management of the activity	Separate funding sources link to community management of assets	Not affected by selected funding source
Overall impact on social, economic environmental and cultural wellbeing of the District	User charges to be set to recover costs. Economies of scale achieved to ensure costs are competitive and therefore charges below market levels are achieved	Selected funding sources assist with the achievement of the desired outcomes. The local communities within the major rating areas are the major users of the halls. The percentage recovery from fees and charges is a realistic amount. The local hall rates account for the difference	Selected funding sources assist with the achievements of the desired outcomes
Funding sources	<u>User charges:</u> 100%	<u>Targeted hall rates</u> on varying bases for each of the rating areas: 80%. <u>Fees and charges</u> on varying bases for each of the rating areas	<u>General rates:</u> 80-90% <u>Fees and charges:</u> 10-20%

Cemeteries, libraries, parks and open space, pool and spas, public toilets, community venues

Funding considerations	Community Facilities and Property					
	Cemeteries	Libraries	Parks and Open Spaces	Pools and Spas	Public Toilets	Community Venues
Community Outcomes	He wāhi whakapapa, he wāhi hangahanga A place to belong and create	He wāhi whakapapa, he wāhi hangahanga A place to belong and create	He wāhi e poipoi ai tō tātou taiao A place that embraces our environment He wāhi whakapapa, he wāhi hangahanga A place to belong and create	He wāhi kaingākau ki te manawa A place with people at its heart	He wāhi kaingākau ki te manawa A place with people at its heart	He wāhi whakapapa, he wāhi hangahanga A place to belong and create
Distribution of benefits	Total community benefit: Medium (access and availability) Individuals: Medium (burials and plot utilisation)	Community at large: medium (access and availability) Private individuals - high (personal use of library resources)	Community at large: high (access and availability)	Community at large: medium Private individuals: high	Community at large: high	Community at large: medium Private individuals: high
Period in which benefits occur	Current and future	Current and future	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	None	Some users result in the need for additional cost (e.g. lost or damaged books)	Some users result in the need for higher costs (e.g. sports fields) than would otherwise be necessary	Some users result in lost opportunities for revenue and impose higher administration costs	None	Some users result in lost opportunities for revenue and impose higher administration cost
Transparency and accountability	Fees and charges for burials. Use of general rate does not affect accountability	Fees and charges reinforce accountability to individual customers for library resources.	Fees and charges reinforce accountability to individuals and groups	Not affected by selected funding source	Not affected by selected funding sources	Not affected by selected funding source

		The charges also promote the need for Council to demonstrate 'value' to Library customers				
Overall impact on social, economic environmental and cultural wellbeing of the District	Selected funding sources assist with the achievement of the desired outcomes	Research shows that fees and fines significantly impact the ongoing utilisation of libraries and community spaces and are counter-productive to the outcomes Council is seeking to achieve. Recoveries from user fees will focus on additional services provided or costs incurred.	Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. Council will recover additional costs where possible	Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and in individual facilities, this may be achievable without compromising utilisation	100% public funding to ensure achievement of desired outcomes is sustainable	Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and in individual facilities, this may be achievable without compromising utilisation
Funding source	<u>General rates:</u> 30-60% <u>Fees and charges:</u> 40-70%	<u>General rates:</u> 90-100% <u>Fees and charges:</u> 0-10%	<u>General rates:</u> 90-100% <u>Fees and charges:</u> 0-10%	<u>General rates:</u> 50-70% <u>Fees and charges:</u> 30-50%	<u>General rates:</u> 100%	<u>General rates:</u> 60-80% <u>Fees and charges:</u> 20-40%

Roading and Rubbish and Recycling

Funding considerations	Infrastructure		
	Roading	Rubbish and Recycling	
		Waste Management Facilities (Transfer Stations/Resource Recovery Centres)	Kerbside Collection Services
Community outcomes	He wāhi puawaitanga A place to thrive. He wāhi e poipoi ai tō tātou taiao A place that embraces our environment	He wāhi e poipoi ai tō tātou taiao A place that embraces our environment He wāhi puawaitanga A place to thrive	
Distribution of benefits	Community at large: medium Private individuals: high	Community at large: medium (access, availability, healthy environment) Individuals: high	Individuals: high
Period in which benefits occur	Current and future	Current and future	Current and future
Exacerbator issues	Heavy traffic and some commercial activities can negatively impact on network maintenance	Individuals generate waste and through their actions or inaction can significantly impact the waste volume. Some activities generate hazardous wastes or large volumes of waste	Individuals generate waste and through their actions or inaction can significantly impact the waste volume
Transparency and accountability	Council has limited ability to directly recover the private benefits other than through rates. Government subsidy contributes a significant portion of the total funding	User charges for the use of waste management facilities is transparent and promotes accountability on waste generators	Targeted rate for properties to which Council is prepared to provide collection, promotes transparency and accountability linking a service provided to a specific Council rate
Overall impact on social, economic environmental and cultural wellbeing of the District	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits generates from the activity	Selected funding sources assist with the achievement of the desired outcomes.

Funding considerations	Infrastructure		
	Roading	Rubbish and Recycling	
		Waste Management Facilities (Transfer Stations/Resource Recovery Centres)	Kerbside Collection Services
Funding sources	<p><u>Subsidy:</u> as determined by Government agency.</p> <p>Council has resolved to allocate interest earned from external investments to fund the Roothing activity to reduce the rates requirement. Council will determine the budgeted interest allocation on an annual basis.</p> <p><u>General rates:</u> balance of funding</p>	<p><u>General rates</u> 55%-75%</p> <p><u>Fees and charges:</u> 25%-45% - Transfer station fees.</p>	<p><u>Targeted rate:</u> 90-100% on a uniform basis for serviced properties</p> <p><u>Fees and charges:</u> 0%-10%</p>



Water, Stormwater and Wastewater

Funding considerations	Infrastructure		
	Stormwater	Wastewater	Water
Community outcomes	<p>He wāhi e poipoi ai tō tātou taiao A place that embraces our environment</p> <p>He wāhi puawaitanga A place to thrive</p>	<p>He wāhi e poipoi ai tō tātou taiao A place that embraces our environment</p> <p>He wāhi puawaitanga A place to thrive</p>	<p>He wāhi e poipoi ai tō tātou taiao A place that embraces our environment</p> <p>He wāhi puawaitanga A place to thrive</p>
Distribution of benefits	<p>Community at large: low (approximately 14% of the networks service public areas - roads, parks etc.)</p> <p>Township and property owners: high</p>	<p>Community at large: medium</p> <p>Individuals: high</p>	<p>Community at large: low-medium</p> <p>Private individuals: high</p>
Period in which benefits occur	Current and future	Current and future	Current and future
Exacerbator issues	<p>Some issues where particular activities result in pollutants entering stormwater reticulation</p>	<p>Properties connected to the sewer generate the waste.</p> <p>Rating legislation prevents residential properties being charged for more than one pan.</p> <p>Properties with more than one pan and with a higher intake of water are assumed to have a higher impact on the network.</p> <p>Some industries and businesses create high loading on the network</p>	<p>Activities that generate extraordinary levels of water utilisation</p> <p>Properties that are serviced by the reticulation, but not connected</p>
Transparency and accountability	<p>Targeted rate for properties within urban areas serviced by stormwater promote transparency and accountability, linking a service provided to a specific Council rate</p>	<p>Targeted rates for properties within urban areas serviced by waste water reticulation promote transparency and accountability, linking a service provided to a specific Council rate.</p> <p>Charging on a pan basis and modifying this by way of remission, further promotes accountability.</p> <p>Trade waste agreements address high impact activities</p>	<p>Targeted rate for properties within urban areas serviced by public water reticulation and water meter charging promote transparency and accountability, linking a service provided to a specific Council rate</p>

Funding considerations	Infrastructure		
	Stormwater	Wastewater	Water
Overall impact on social, economic environmental and cultural wellbeing of the District	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits the activity generates	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits the activity generates
Funding sources	<p><u>General rates:</u> 10-16%</p> <p><u>Targeted rate</u> on a uniform basis for serviced urban areas: 84-90%</p>	<p><u>Fees and charges</u> through trade waste agreements</p> <p>The balance of funding after fees and charges will come from either:</p> <p><u>General rates:</u> 0-6%, or;</p> <p><u>Targeted rate</u> on a per pan basis (using a scale of charges) for serviced urban areas: 94-100%</p> <p>Factors – properties connected Properties able to connect but not connected, Council will determine the actual percentages within the allowable range on an annual basis</p>	<p><u>Targeted rates</u> from metered water (including residential and from industry).</p> <p>The balance of funding after metered water will come from either:</p> <p><u>General rates:</u> 0-6%, or;</p> <p><u>Targeted rates</u> on a uniform basis for serviced urban areas: 94-100%</p> <p>Factors - properties connected Properties able to be connected but not connected, Council will determine the actual percentages within the allowable range on an annual basis</p>

Strategy and engagement

Funding considerations	Strategy and Engagement			
	Emergency Management	Communications and Events	Community Leadership	Strategies and Plans
Community outcomes	He wāhi kaingākau ki te manawa A place with people at its heart	He wāhi whakapapa, he wāhi hangahanga A place to belong and create He wāhi kaingākau ki te manawa A place with people at its heart	He wāhi whakapapa, he wāhi hangahanga A place to belong and create He wāhi kaingākau ki te manawa A place with people at its heart	He wāhi puawaitanga A place to thrive
Distribution of benefits	Community at large: high	Total community benefit: high	Total community benefit: high	Total community benefit: high
Period in which benefits occur	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	Actions of some individuals can give rise to emergency response (e.g. rural fires). Council will attempt to recover these costs from the individual land owner	None	None	None
Transparency and accountability	Not affected by selected funding sources	Not affected by selected funding sources Other accountability processes in place	Not affected by selected funding sources Other accountability processes in place	Not affected by selected funding sources
Overall impact on social, economic environmental and cultural wellbeing of the District	Selected funding sources assist with the achievement of the desired outcomes	100% public funding to ensure achievement of desired outcomes is sustainable	Selected funding sources assist with the achievement of the desired outcomes	100% public funding to ensure achievement of desired outcomes is sustainable
Funding sources	<u>General rates:</u> 100% <u>Exacerbator charges</u> where possible	<u>General rates:</u> 100%	<u>General rates:</u> 100%	<u>General rates:</u> 100%

Consents and Licensing

Funding considerations	Consents and Licensing					
	Animal Control	Building Consents and Monitoring	Licencing and enforcement			Resource Consents and Monitoring
			Health	Alcohol	Noise Control	
Community Outcomes	He wāhi kaingākau ki te manawa A place with people at its heart	He wāhi kaingākau ki te manawa A place with people at its heart He wāhi puawaitanga A place to thrive	He wāhi kaingākau ki te manawa A place with people at its heart.	He wāhi kaingākau ki te manawa A place with people at its heart	He wāhi kaingākau ki te manawa A place with people at its heart	He wāhi kaingākau ki te manawa A place with people at its heart He wāhi puawaitanga A place to thrive
Distribution of benefits	Community at large: medium (public safety) Individuals: medium	Community at large: medium (managed/ appropriate development) Individuals: medium	Community at large: high Private individuals: medium	Community at large: high	Community at large: high	Community at large: medium (managed/ appropriate development) Individuals: medium (resource consents)
Period in which benefits occur	Current and future	Current and future	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	The need for this activity arises from the expectation that animal ownership will not negatively impact on public safety. Animal owners and in particular, irresponsible owners, create the need for this activity.	Building activity drives the need for this activity. Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement.	Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement.	Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement.	Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement.	The District Plan captures the community's collective view on the types of development it desires as of right. People who propose development outside these parameters impose additional costs on Council.

Funding considerations	Consents and Licensing					
	Animal Control	Building Consents and Monitoring	Licencing and enforcement			Resource Consents and Monitoring
			Health	Alcohol	Noise Control	
						Non-compliance with some individuals result in the need for extraordinary monitoring and enforcement.
Transparency and accountability	Fees and charges promote owner accountability and transparency on Council's part.	Building fees promote transparency and accountability on Council to individual customers.	Not affected by selected funding sources.	Not affected by selected funding sources.	Not affected by selected funding sources.	Planning fees promote transparency and accountability on Council to individual customers.
Overall impact on social, economic environmental and cultural wellbeing of the District	<p>Council is satisfied that imposing the majority of the costs of the activity on animal owners promotes public safety. It is in the interests of the owners to reduce their ownership costs by being responsible.</p> <p>People who are irresponsible will pay a higher level again.</p> <p>The general rates funding</p>	<p>Council can demonstrate a strong linkage between the level of fees charged and the services received.</p> <p>Council is satisfied that the level of funding is consistent with the desired outcome to achieve managed and appropriate development for the community.</p>	Fees and charges for the activity are set largely by statute. The general rates funding must fund the balance.	Selected funding source assists with the achievement of desired outcomes.	Selected funding source assists with the achievement of desired outcomes.	<p>Council can demonstrate a strong linkage between the level of fees charged and the services received.</p> <p>Council is satisfied that the level of funding is consistent with the desired outcome to achieve managed and appropriate development for the community.</p>

Funding considerations	Consents and Licensing					
	Animal Control	Building Consents and Monitoring	Licencing and enforcement			Resource Consents and Monitoring
			Health	Alcohol	Noise Control	
	is set at a level that Council believes that the community is willing to pay to have a safe environment.					
Funding sources	<u>General rates:</u> 0-20% <u>Fees and charges</u> (including fines): 80-100%	<u>General rates:</u> 10-50% <u>Fees and charges:</u> 50-90%	Licence processing: 100% <u>user pays</u> Enquires/ complaints/ enforcement: 100% funded by <u>rates</u>	Licence processing fees set by legislation Enquiries/ complaints/ enforcement: 100 % funded by <u>rates</u>	<u>General rates:</u> 100%	Planning Resource Consent Processing and monitoring: 100% <u>user pays</u> Enquiries/ complaints/ enforcement: 100 % funded by <u>rates</u>



Capital expenditure

There are three types of capital expenditure:

Level of Service	Capital expenditure that increases the level of service provided to existing users
Growth	Capital expenditure required to provide additional capacity in the network to accommodate future users
Renewals	Capital expenditure that either replaces or continues the life of an existing asset

Capital expenditure will be funded in a manner that as far as is practicable and prudent, takes account of:

- The expected lives of assets
- The impacts on operating costs of our activities

The available funding sources for capital expenditure are:

- Borrowing (either internal or external)
- Development and financial contributions (including interest costs as per the policy). When development contributions are used, the distribution of benefits and rationale regarding funding sources is discussed within the Development Contributions Policy. Private contributions as may be agreed from time to time with individuals/ organisations. This will apply where we have entered into a partnership or arrangement to undertake capital development
- Lump sum contributions in accordance with the Local Government (Rating) Act 2002
- Targeted rates in accordance with the Local Government (Rating) Act 2002
- Subsidies (where applicable)
- Retained earnings (special funds and depreciation reserves)
- The proceeds of the sale of assets (as applicable)
- Specific revenue streams we determine (as applicable)

Considerations

The following considerations will apply in selecting the appropriate funding source:

We wish to allocate the cost of capital expenditure over the period that benefits are generated from the expenditure. Borrowing or accumulated depreciation reserves will be the normal source of funding for capital expenditure.

The annual loan costs will be met from the underlying funding sources for each significant activity. Council may determine that loans should be repaid sooner where this is considered prudent and ensures adequate borrowing headroom is maintained. The considerations that apply for operating expenditure will by default, apply to capital funding, (for example a targeted rate for an activity will meet the annual loan repayments).

The primary factors giving rise to the need for capital expenditure will influence our choice of funding mechanism. For example:

- Capital expenditure required as a result of growth, should be funded from Development Contributions
- The needs of a specific community may result in funding being raised from that community (e.g. Lump Sum Contributions)
- Special funds created for specific activities will be used for those activities

The costs and benefits of different funding sources will be assessed within the context of our Long Term Plan. We can then assess the potential impact of the selected funding source against the community outcomes. We may resolve to utilise a funding source that is not included in this policy.

Capital funding sources

	Community Facilities and Property	Consents and Licensing	Roading	Rubbish and Recycling	Storm water	Waste water	Water	Strategy and Engagement
Borrowing	✓		✓	✓	✓	✓	✓	
Financial contributions	✓							
Development contributions			✓		✓	✓	✓	
General and special reserves	✓		✓	✓	✓	✓	✓	✓
Lump sum contributions						✓	✓	
Grants and subsidies	✓		✓	✓	✓	✓	✓	✓
Targeted rates*					✓	✓	✓	

* Targeted rates are charged to industries that have entered into a partnership agreement with Council to recover their agreed share of the cost of capital upgrades to our systems.



DRAFT Rates Remission and Postponement Policy

Statement of Proposal

DRAFT FOR CONSULTATION



Introduction

This is a proposal to review Council's Rates Remission and Postponement Policy (Policy).

The Policy is formed under section 102 and 109 of the Local Government Act 2002 (LGA) and section 85 of the Local Government (Rating) Act 2002.

Council is consulting on this Policy in accordance with section 82 of the Local Government Act 2002 (LGA). This section of the LGA sets out the principles for consultation that we must follow.

We are asking the community for submissions to assess support/objections so that feedback can be considered and if necessary amendments made, before the Policy is adopted.

Background

Council's Rates Remission and Postponement Policy (Policy) sets out how and when Council can remit or postpone payment on rates. Council can only remit rates if they have adopted a rates remission policy under section 85 of the Local Government (Rating) Act 2002.

Remission of rates involves reducing the amount owing or waiving collection of rates altogether. Postponement of rates means that the payment of rates is not waived in the first instance but delayed for a certain time, or until certain events occur. The overall objective is to provide rates relief in situations to support both the fairness and equity of the rating system, and the overall wellbeing of the community.

We are required by legislation to review our Policy at least every six years (The Policy was last reviewed in 2023). Reviewing the Policy more regularly allows for changing requirements of both Council and the community to be included.

What is included in the Policy?

The Policy provides Council with the legislative authority to fairly and consistently remit rates or penalties on rates, or to allow for the postponement on payment of rates in situations it has deemed appropriate. Council's Rates Remission and Postponement Policy contains the following

1. Policy on the remission of rates on land protected for conservation purposes
2. Policy on the remission of penalties on unpaid rates
3. Policy on the remission of rates: other categories
4. Policy on remission of small rates balance
5. Policy on the remission of rates on Maori freehold land

6. Policy on the postponement of rates on Maori freehold land
7. Policy on remissions for metered water leaks
8. Policy on remissions of pan charge targeted rates based on water use
9. Policy on remissions of pan charge targeted rates for educational establishments
10. Policy on the remission of rates on abandoned land
11. Policy on the remission and postponement of rates for natural disasters and emergencies

Are we proposing any changes to the Policy?

Council are not proposing any major changes to the Policy apart from the removal of the policy on the remission of 2023/2024 targeted rates for kerbside collection. This was included in 2023 as a result of the new kerbside collection service introduced from September 2023. This ensured that the targeted rate for the 2023/2024 year was only charged to properties where the kerbside collection service was available to them. This policy is no longer required and has been removed.

We want to know from you if you think any changes are required to meet the needs of the community.

Analysis of reasonably practicable options

Council has considered the following options in reviewing the Policy and we would like to hear your feedback on what we should do:

Option 1 – Adopt the draft Policy

Council would adopt the Policy as it has been proposed.

Advantages	Disadvantages
The public are more likely to be familiar with the current Policy.	Removing the policy on the remission of 2023/2024 targeted rates for kerbside collection would not be removed. This would not reflect current circumstances.
Remissions/postponements remain the same and property owners may have come to expect that these would continue.	
The policy on the remission of 2023/2024 targeted rates for kerbside collection will be removed as it is no longer required	

Option 2 – Adopt the Policy with changes after public consultation

The Policy would change to reflect public consultation.

Advantages	Disadvantages
Changes may better reflect current circumstances.	Rates remission/postponement entitlements may change for some property owners.

Option 3 – Revoke the Policy

Council would revoke all or some of the Policies.

Advantages	Disadvantages
No one would be eligible for a rates remission, however Council may collect more in rates and penalties on late payments.	No one would be eligible for a rates remission, removing the ability to remit rates in certain circumstances where it would otherwise be reasonable to do so.
	Revocation of certain policies would be in breach of our role under section 102 of the Local Government Act 2002 that states that we are required to adopt a policy on the remission and postponement of Māori freehold land.

Statutory Requirements

Under section 102 of the Local Government Act 2002 Council must adopt a policy on the on the remission and postponement rates and must adopt a policy on the remission and postponement of rates on Māori freehold land. Section 102 is detailed below:

102 Funding and financial policies

- (1) *A local authority must, in order to provide predictability and certainty about sources and levels of funding, adopt the funding and financial policies listed in subsection (2).*
- (2) *The policies are—*
 - (a) a revenue and financing policy; and*
 - (b) a liability management policy; and*
 - (c) an investment policy; and*
 - (d) a policy on development contributions or financial contributions; and*
 - (e) a policy on the remission and postponement of rates on Māori freehold land; and*
 - (f) in the case of a unitary authority for a district that includes 1 or more local board areas, a local boards funding policy.*
- (3) *A local authority may adopt either or both of the following policies:*
 - (a) a rates remission policy;*
 - (b) a rates postponement policy.*

In reviewing these Policies, we must do so giving effect to section 82 of the Local Government Act - principals of consultation.

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Have your say

Whether you agree, oppose or you have suggestions on things we could change for this proposal or any other proposal, we want to hear from you.

You can make a submission between 20 March and 21 April 2024.

For more information about this proposal, and to see what else we are consulting on, go to mpdc.govt.nz/ltp

Making a submission

🖨️ Go to mpdc.govt.nz/ltp to fill out the online form

📄 Drop off form: Any Council office

📧 Mail to: PO Box 266, Te Aroha 3342

✉️ Email: info@mpdc.govt.nz

Head to mpdc.govt.nz/ltp to make a submission and have your say by 21 April 2024

Please be aware that submissions made to Council are public information. Your submission will be used and reproduced for purposes such as reports to Councillors, which are made available to the public and media.

Key Dates

Council adopt proposal for community consultation	13 March 2024
Submission period	20 March – 21 April 2024
Community present submissions to Council	8 May (9 May if needed) 2024
Proposal is adopted	26 June 2024
New Rates Remission and Postponement Policy applies	1 July 2024





Matamata-Piako District Council
DRAFT Rates Remission and
Postponement Policy 2024-2034
For Approval by Council 13 March 2024
For consultation
Adopted X 2024

Department	Strategic Partnerships and Governance
Policy Type	External
CM Reference	TBC
Council Resolution Date	TBC
Policy Effective From	TBC
Engagement Required	Section 82 (Local Government Act 2002)
Policy Supersedes	Policies on the Remission and Postponement of Rates 2023-2031
Review Frequency	Every six years
Next Review Date	TBC



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Introduction

The Policies on the Remission and Postponement of Rates contains all our policies regarding the remission and postponement of rates including our:

1. Policy on the remission of rates on land protected for conservation purposes.
2. Policy on the remission of penalties on unpaid rates.
3. Policy on the remission of rates: Other categories.
4. Policy on the remission of small rates balances.
5. Policy on the remission of rates on Māori freehold land.
6. Policy on the postponement of rates on Māori freehold land.
7. Policy on remissions for metered water leaks.
8. Policy on remissions of pan charge targeted rates based on water use.
9. Policy on remissions of pan charge targeted rates for Educational Establishments.
10. Policy on remission of rates on abandoned land.
11. Policy on the remission and postponement of rates for natural disasters and
12. emergencies.
13. Policy on the remission of 2023/2024 targeted rates for kerbside collection
14. Council delegates the authority to implement these policies to the Chief Executive Officer.

The Chief Executive Officer may sub-delegate this role to any other council officer.

1. **Part 1 – Policy on the Remission of rates on land protected for conservation purposes**

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

This part is required to provide the legislative authority to grant rates remissions to landowners who have protected land for conservation purposes in perpetuity.

Objectives

The objectives are to:

- help landowners who have voluntarily protected areas of significance; and
- ensure that these areas remain protected.

Criteria and conditions

Sites that will qualify for remissions must be identified in at least one of the following:

- a. District Plan - Schedule 3 - Outstanding or Significant Natural Features and Trees and Other Protected Items.
- b. District Plan – Planning Maps – Kaitiaki Zone.
- c. Our register of Significant Natural Features.
- d. Any area that has any other type of formal protection method in place (e.g. a covenant under the Queen Elizabeth the Second National Trust Act 1977 on the title).

We will determine the amount of any remission at our discretion and will be guided by:

- the remission methods specified in the Significant Natural Features Policy; and
- the funding available through the Long Term Plan and/or the Annual Plan.

2. **Part 2 – Policy on the Remission of penalties on unpaid rates**

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objectives ~~of this policy~~ are to provide an efficient, transparent and fair framework for the remission of penalties, taking account of:

- the specific circumstances of the individual; and
- the interests of all ratepayers.

Criteria and conditions

Penalties on unpaid rates may be remitted where:

- a. we have not issued a rates assessment and/or invoice as required under the Local Government (Rating) Act 2002; or
- b. it can be substantiated that a ratepayer has been disadvantaged in the delivery of a rates assessment and/or invoice. Substantiation shall consist of some form of tangible evidence such as undelivered mail being returned to Council; or
- c. the ratepayer pays the rates through electronic banking and makes an error in the transaction; or
- d. a formalised and approved rate payment arrangement has been complied with. Only those penalty charges incurred since commencement of the arrangement will be considered for remission; or
- e. those who wish to pay their rates in full, and do so within one month of the issue date of the first instalment penalty charge notice or a monthly direct debit is in place and being honoured;
- f. the ratepayer:
 - provides a written explanation why payment could not be made by the due date; and
 - the explanation is considered reasonable, and
 - the ratepayer has not received a rates remission within the last three years, and
 - the ratepayer has not incurred more than three penalties within the last three years, and
 - there are no overdue rates outstanding (excluding the penalty remission application).

No further applications under this ~~section~~ part of the policy will be considered within the next three years, except on extraordinary grounds.

All applications for remission must be made in writing.

Applicants that are declined a remission under delegated authority may submit an appeal to Council.

3. **Part 3 – Policy on the Remission of rates – other categories**

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objectives are to provide Council with the ability to grant rates relief for land (except service charges) that qualifies for:

- a statutory rates remission;
- has a capital value of less than \$3,000 (inclusive of GST if applicable); or
- has a land value of greater than \$1 and less than \$500 (inclusive of GST if applicable); or
- is a cemetery that exceeds two hectares (cemeteries less than two hectares are non-rateable).

Criteria and conditions

Service Charges

Council may remit rates for service charges (i.e. water supply, sewage and refuse disposal, and stormwater) where the application meets the following criteria:

- a. the rates are for land that is owned or used by a society or association of persons for games or sports (excluding galloping races, harness races and greyhound races) except for rates due for any area covered by an alcohol licence
- b. the rates are for land owned or used by a society incorporated under the Agricultural and Pastoral Societies Act 1908 as a showground or place of meeting
- c. the rates are for land owned or used by a society or association of persons (whether incorporated or not) for the purpose of any branch of the arts
- d. half service charges for Council owned land which is non rateable under section 8 and schedule 1 of the Local Government (Rating) Act 2002 and where no services (as defined above) are provided or contemplated.

In the case of clauses a) to c) above, a maximum remission of 50% is available and in the case of clause d) above, a full remission is available.

Properties that are eligible for a full remission of rates

- a. Properties with a capital value of less than \$3,000 (inclusive of GST)
- b. has a land value of greater than \$1 and less than \$500 (inclusive of GST if applicable). These are generally small areas of land used for utility purposes or similar.
- c. Land used or set aside for cemetery purposes that has an area greater than two hectares.

4. **Part 4 – ~~Policy on the~~ Remission of small rates balances**

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objective is to save ~~Council~~ the costs of collecting rates of uneconomic value.

Criteria and conditions

To qualify for remission under this part of the policy, the rating unit must have a balance of less than one dollar (\$1.00) (inclusive of GST) owing at the time of assessing or invoicing a rate.

Process

Council will at its discretion remit any outstanding rates balance of less than one dollar (\$1.00) (inclusive of GST) on a quarterly basis.

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5. **Part 5 – Policy on the Remission of rates on Māori freehold land**

This **part of the** policy is prepared pursuant to sections 102 and 108 of the Local Government Act 2002 and section 114 of the Local Government (Rating) Act 2002.

We have considered the matters set out in Schedule 11 of the Local Government Act 2002 and how this policy supports the principles set out in the Preamble to Te Ture Whenua Māori Act 1993.

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Māori Land Court by freehold order. Only land that is the subject of such an order may qualify for remission under this **part of the** policy.

Objectives

The objectives **of this policy** are:

- to contribute to the fair and equitable collection of rates from all sectors of the community. We recognise that certain Māori lands have particular conditions or circumstances which make it appropriate to provide relief from rates
- to put in place a means of providing relief on rating for Māori land pursuant to section 108 of the Local Government Act 2002 by way of rate remission
- to recognise situations where a person or owner is only gaining an economic or financial benefit from part of the land
- to recognise matters related to the physical accessibility of the land
- to recognise and take account of the presence of wahi tapu that may affect the use of the land for other purposes
- To recognise and take account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing.

Note that application of the Mangatu decision to discount values will likely provide some relief also.

Principles

The principles used in establishing this **part of the** policy are:

- a. that as defined in section 91 of the Local Government (Rating) Act 2002, Māori freehold land is liable for rates in the same manner as general land
- b. we are required to consider whether our policy on remission of rates on Māori freehold land will provide for the remission of rates.
- c. Those set out in the Preamble to Te Ture Whenua Māori Act 1993.
- d. the community benefits through the efficient collection of rates and the removal of rating debt that is non collectable
- e. that applications for relief meet the criteria in this policy
- f. that the policy does not provide for the permanent remission or postponement of rates on the property concerned.

Conditions and criteria

We will maintain a register called the 'Māori freehold land rates relief register' (the register). This will record properties that have had rates remitted under this **part of the** policy. Applications for land to be added to the register should be made in writing prior to commencement of the next rating year. Applications made after commencement of the rating year may be accepted at our discretion.

Owners or trustees making application should include the following information in their applications:

- details of the property
- the objectives that will be achieved by providing a remission
- documentation proving that the subject land is Māori freehold land.

We will review the register annually (or on a more regular basis at our discretion). We may, at our discretion, add properties to the register where Council makes an application on the owners or trustees behalf and we consider that the conditions and criteria of the policy are met.

We may also determine that properties no longer comply either fully or in part with the conditions and criteria on which the application for relief was granted. In such a case, we may either remove the property from the register or reduce the extent of the relief from the start of the next rating year.

We will consider granting a remission of rates on property where any one or more of our policy objectives will be met.

Remissions (up to 100%) can apply to all rates except targeted rates for:

- water supply
- wastewater
- stormwater
- kerbside collection or
- rural halls.

Any relief granted and the extent of that grant is at our sole discretion. This will consider where the rating value is significantly in excess of the economic value arising from the actual use of the property.

6. **Part 6 – Policy on the Postponement of rates on Māori freehold land**

This part of the policy is prepared pursuant to sections 102 and 108 of the Local Government Act 2002 (LGA) and section 115 of the Local Government (Rating) Act 2002 and how this policy supports the principles set out in the Preamble to Te Ture Whenua Māori Act 1993.

Council has considered the matters set out in Schedule 11 of the LGA.

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Māori Land Court by freehold order. Only land that is the subject of such an order may qualify for postponement under this part of the policy.

Objectives

The objectives are:

- to contribute to the fair and equitable collection of rates from all sectors of the community. We recognise that certain Māori lands have particular conditions or circumstances that make it appropriate to postpone rates; and
- to put in place a means of providing relief on rating for Māori land pursuant to section 108 of the Local Government Act 2002 by way of postponement of rates; and
- encourage the economic development of the land by a new occupier, where there are rate arrears that are, in the Council's opinion, recoverable; and
- facilitate the development and economic use of land where it is considered that utilisation would be uneconomic if full rates are required to be paid during the period in which plans for development are being actively prepared.

Principles

The principles used in establishing this **part of the** policy are:

- a. that as defined in section 91 of the Local Government (Rating) Act 2002, Māori freehold land is liable for rates in the same manner as general land
- b. we are required to consider whether our policy on the postponement of rates on Māori freehold land will provide for the postponement of rates
- c. those set out in the Preamble to Te Ture Whenua Māori Act 1993
- d. that applications for postponement meet the criteria we have set
- e. that the policy does not provide for the permanent postponement of rates on the property concerned.

Conditions and criteria

Applications for postponement of rates should be made in writing prior to commencement of the next rating year. Applications made after commencement of the rating year may be accepted at our discretion.

Owners or trustees should include the following information in their application:

- details of the property
- the objectives that will be achieved by providing a remission

- documentation proving that the subject land is Māori freehold land.

Any postponement granted and the extent of the grant is at our sole discretion.

No postponement will be granted on targeted rates for:

- water supply
- wastewater
- stormwater
- kerbside collection or
- rural halls.

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7. ~~Part 7 – Policy on~~ Remission of metered water leaks

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objective ~~of this policy~~ is to allow Council to provide some relief to metered water users from extraordinarily high charges as a result of a water leak when there is evidence that the required repairs have been carried out within thirty (30) days of written notification of the high water consumption to the owner.

Principles

The principles used in establishing this part of the policy are:

- that the responsibility of water leaks between the water outlet (e.g. house, trough) and the water meter is ultimately the owners' and any water rates remitted will be a cost to other water users
- that property owners should take action within a reasonable period of time to avoid wasting our water resource.

Conditions and criteria

We may consider granting relief where:

- a. we have received satisfactory evidence that there has been a water leak; and
- b. the property owner has repaired the leak within the policy timeframe; and
- c. we have received written application for relief. The request must be accompanied by a registered plumber's invoice or other suitable evidence that a significant leak was discovered (minimal amounts will not be considered), where the leak was located, and that it has been fully rectified.

We will calculate the volume of water lost based on the total water consumption for the particular period less the average period water consumption over the previous two years.

The relief for water leakage (excluding normal consumption) will be 50% of the water rates attributable to the leakage.

Any relief granted under this part of the policy is limited to one application within any three-year period for any particular meter.

8. **Part 8 – Policy on Remission of pan charge targeted rates based on water use**

This **part of the** policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objective **of this policy** is to provide a transparent, fair and more effective user pays targeted rate for wastewater, taking account of:

- the specific circumstances of the rateable property; and
- the interests of all ratepayers.

Principles

The principles used in establishing this **part of the** policy are:

- a. we have applied a targeted rate to all rateable properties connected to the wastewater supply based on the number of pans in each rating unit
- b. pursuant to clause 12, schedule 3, of the Local Government (Rating) Act 2002 all single residential rateable properties can only be charged for one pan
- c. we recognise the number of pans may not necessarily equate to the volume of discharge to the wastewater network
- d. we recognise a correlation between the consumption of water and volume of wastewater discharged
- e. currently the average water consumption per single residential rateable property is deemed to be 252 cubic metres of water per annum. This is a Household Equivalent Unit (HEU)
- f. the most accurate way to measure water consumption is by a water meter, however not all properties currently have a meter installed
- g. despite the number of pans, some properties are considered to have a low-impact on the wastewater network. To avoid the unnecessary expense of installing a water meter to these ratepayers, we will assess the number of HEUs applicable per rating unit by comparing them to similar properties that have a water meter
- h. in assessing the number of HEUs, the number will be rounded up to the next whole unit
- i. the HEU may be periodically reviewed
- j. this remission does not apply to schools or educational establishments. See the separate policy on remissions of pan charge targeted rates for educational establishments that follows.

Conditions and criteria

Properties with an existing water meter

- a. The rateable property must have six months (or more) of historical water consumption information to enable assessment of HEUs.

- b. The remission will be the difference between the actual number of pans and the number of HEUs based on historical water consumption
- c. The HEU will be reassessed annually based on the consumption for the year and an adjusted remission will be applied from 1 July one calendar year later.

For the avoidance of doubt, rateable properties with a meter cannot elect to be assessed for a remission on the same basis as a rateable property without a water meter.

Properties without an existing water meter

- a. We will assess the number of HEUs applicable per rateable property by comparing the current use of this property with a metered property of similar use.
- b. The remission will be the difference between the actual number of pans and the assessed HEU.
- c. Alternatively, to a and b above, the ratepayer can apply to have a water meter installed. Installation must be completed before 1 October in any rating year, so as to allow six months of consumption data to reassess the remission during the final quarter. The cost of the water meter and its installation will be at the applicant's expense.
- d. Any amended remission as a result of the water meter data will be processed during the final quarter of the rating year.

For the avoidance of doubt, rateable properties once fitted with a meter cannot then elect to be assessed for a remission on the same basis as a rateable property without a water meter.

9. **Part 9 – Policy on Remissions of pan charge targeted rates for educational establishments**

This **part of the** policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objective **of this policy** is to provide a transparent, fair and more effective user pays targeted rate for wastewater, taking account of the specific circumstances of educational establishments.

Principles

The principles used in establishing this **part of the** policy are:

- This policy applies to schools and educational establishments as defined in Schedule 1, Part 1, clause 6(b) of the Local Government (Rating) Act 2002. It specifically excludes schools and early childhood centres that operate for profit.
- We consider the nationally used 'Donnelly Formula' (one pan per twenty students/staff) as a fair basis for providing remission to educational establishments.
- We have applied a targeted rate to all educational establishments connected to the wastewater supply based on the number of pans calculated using the 'Donnelly Formula'.
- We recognise the number of pans may not necessarily equate to the volume of discharge to the wastewater network.
- We recognise a correlation between the consumption of water and volume of wastewater discharged.
- Currently the average water consumption per single residential rateable property is deemed to be 252 cubic metres of water per annum. This is a Household Equivalent Unit (HEU).
- The most accurate way to measure water consumption is by a water meter, however not all educational establishments currently have a meter installed.
- Despite the number of pans calculated using the 'Donnelly Formula', some educational establishments are considered to have a low impact on the wastewater network. To avoid the unnecessary expense of installing a water meter to these, we will assess the number of HEUs applicable per rateable property by comparing them to other educational establishments with a similar roll/staff numbers.
- The school roll used to calculate the 'Donnelly Formula' will be as advised annually by the Ministry of Education and will be applied from the following 1 July.
- In assessing the number of HEUs, the number will be rounded up to the next whole unit.
- The HEU may be periodically reviewed.

Conditions and criteria

Educational establishments with an existing water meter

- a. The rateable property must have six months or more historical water consumption information to enable assessment of HEUs.
- b. The remission will be the difference between the number of pans assessed using the 'Donnelly Formula' and the HEU based on historical water consumption.
- c. The HEU will be reassessed annually based on the consumption for the year and an adjusted remission will be applied from 1 July one calendar year later.
- d. For the avoidance of doubt, rateable properties with a meter cannot elect to be assessed for a remission on the same basis as a rateable property without a water meter.

Educational establishments without an existing water meter

- a. We will assess the number of HEUs applicable per rateable property by comparing the current use of this property with a metered property of similar use.
- b. The remission will be the difference between the number of pans calculated using the 'Donnelly Formula' and the assessed HEU.
- c. Alternatively, to a and b above, the educational establishment can apply to have a water meter installed. Installation must be completed before 1 October in any rating year, so as to allow six months of consumption data to reassess the remission during the final quarter. The cost of the water meter and its installation will be at the applicant's expense. Any amended remission as a result of the water meter data will be processed during the final quarter of the rating year.
- d. For the avoidance of doubt, rateable properties once fitted with a meter cannot then elect to be assessed for a remission on the same basis as a rateable property without a water meter.

10. **Part 10 – ~~Policy on~~** Remission of rates on abandoned land

Objectives

The objectives ~~s of this policy are~~ is to enable administration costs ~~where it is unlikely that rates assessed on an abandoned rating will ever be collected~~ to be avoided where it is unlikely that rates assessed on an abandoned rating unit will ever be collected.

Conditions and criteria

Where any rating unit meets the definition of abandoned land as prescribed in section 77(1) of the Local Government (Rating) Act 2002 and that land is unable to be sold using the authority provided in sections 77-83, then all rates will be remitted on an annual basis.

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11. **Part 11 – ~~Policy on the~~ Remission and postponement of rates for natural disasters and emergencies**

Objectives

In the event of a natural disaster or other type of emergency affecting the capacity of one or more rating units to be used for an extended period of time, Council may remit or postpone all or part of any rate or charge where it considers it fair to do so.

Conditions and criteria

The Council may, on written application from the ratepayer of a rating unit affected by a natural disaster or emergency, remit or postpone all or part of any rate or charge levied where:

- A natural disaster or emergency affects one or more rating units' capacity to be inhabited, used or otherwise occupied for an extended period of time; and
- The Council considers it is fair to grant a remission in the circumstances.

At its sole discretion, Council will determine by resolution whether a specific event constitutes a natural disaster or emergency for the purposes of applying this policy. Council will determine the criteria for the remission or postponement at the time of the resolution, and those criteria may change depending on the nature and severity of the event and available funding at the time.

Each application will be considered on its merits and remission or postponement of all or parts of the rates payable may be granted where it is considered just and equitable to do so. Remissions or postponements approved under this policy do not set a precedent and will be applied for each specific event and only to properties directly affected by the event.

12. Part 12 – Delegations

Council delegates the authority to implement this policy to the Chief Executive Officer.
The Chief Executive Officer may sub-delegate this role to any other council officer.

DRAFT FOR CONSULTATION

Policy on the remission of 2023/2024 targeted rates for kerbside collection

This policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

A new kerbside collection contract will commence during the first quarter of the 2023/2024 financial year.

From September 2023, the kerbside collection service will no longer be available to rating units within the central business, commercial and industrial areas. These properties will be included in the defined serviced areas for the purpose of setting the targeted rate for kerbside collection at 1 July 2023.

In addition, from September 2023, the kerbside collection service will be available to properties previously excluded from the serviced collection area including a number of private roads, lanes and right-of-ways. These properties will be included in the defined serviced areas for the purpose of setting the targeted rate for kerbside collection at 1 July 2023.

Objectives

The objective of this policy is to ensure that the targeted rate for kerbside collection for the 2023/2024 year is only (in effect) charged to the rating units for the period that the service is available to them.

Criteria and conditions

- a. All rating units that have a change in provision of the kerbside collection service during 2023/2024 (i.e. the service is no longer provided or the service is newly available) will have a portion of the kerbside collection targeted rate automatically remitted.
- b. The amount of the remission will be calculated:
 - i. At 83% of the kerbside collection targeted rate, for those rating units that will no longer receive the kerbside collection service from September 2023.
 - ii. At 17% of the kerbside collection targeted rate, for those rating units that will start to receive the kerbside collection service from September 2023.
- c. If the kerbside collection service commences at a date that is not in September 2023, the percentage specified in paragraph (b)ii will not apply and instead the percentage will be the proportion of the financial year calculated in days to the date of the actual commencement.
- d. It is intended that the remission will be applied to the rating units at the start of the rating year (instalment one), however this could be subject to change.



Matamata-Piako District Council
DRAFT Rates Remission and
Postponement Policy 2024-2034
For Approval by Council 13 March 2024
For consultation
Adopted X 2024

Department	Strategic Partnerships and Governance
Policy Type	External
CM Reference	TBC
Council Resolution Date	TBC
Policy Effective From	TBC
Engagement Required	Section 82 (Local Government Act 2002)
Policy Supersedes	Policies on the Remission and Postponement of Rates 2023-2031
Review Frequency	Every six years
Next Review Date	TBC



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DRAFT FOR CONSULTATION

1. Part 1 – Remission of rates on land protected for conservation purposes

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

This part is required to provide the legislative authority to grant rates remissions to landowners who have protected land for conservation purposes in perpetuity.

Objectives

The objectives are to:

- help landowners who have voluntarily protected areas of significance; and
- ensure that these areas remain protected.

Criteria and conditions

Sites that will qualify for remissions must be identified in at least one of the following:

- a. District Plan - Schedule 3 - Outstanding or Significant Natural Features and Trees and Other Protected Items.
- b. District Plan – Planning Maps – Kaitiaki Zone.
- c. Our register of Significant Natural Features.
- d. Any area that has any other type of formal protection method in place (e.g. a covenant under the Queen Elizabeth the Second National Trust Act 1977 on the title).

We will determine the amount of any remission at our discretion and will be guided by:

- the remission methods specified in the Significant Natural Features Policy; and
- the funding available through the Long Term Plan and/or the Annual Plan.

2. Part 2 – Remission of penalties on unpaid rates

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objectives are to provide an efficient, transparent and fair framework for the remission of penalties, taking account of:

- the specific circumstances of the individual; and
- the interests of all ratepayers.

Criteria and conditions

Penalties on unpaid rates may be remitted where:

- a. we have not issued a rates assessment and/or invoice as required under the Local Government (Rating) Act 2002; or
- b. it can be substantiated that a ratepayer has been disadvantaged in the delivery of a rates assessment and/or invoice. Substantiation shall consist of some form of tangible evidence such as undelivered mail being returned to Council; or
- c. the ratepayer pays the rates through electronic banking and makes an error in the transaction; or
- d. a formalised and approved rate payment arrangement has been complied with. Only those penalty charges incurred since commencement of the arrangement will be considered for remission; or
- e. those who wish to pay their rates in full, and do so within one month of the issue date of the first instalment penalty charge notice or a monthly direct debit is in place and being honoured;
- f. the ratepayer:
 - provides a written explanation why payment could not be made by the due date; and
 - the explanation is considered reasonable, and
 - the ratepayer has not received a rates remission within the last three years, and
 - the ratepayer has not incurred more than three penalties within the last three years, and
 - there are no overdue rates outstanding (excluding the penalty remission application).

No further applications under this part of the policy will be considered within the next three years, except on extraordinary grounds.

All applications for remission must be made in writing.

Applicants that are declined a remission under delegated authority may submit an appeal to Council.

3. Part 3 – Remission of rates – other categories

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objectives are to provide Council with the ability to grant rates relief for land (except service charges) that qualifies for:

- a statutory rates remission;
- has a capital value of less than \$3,000 (inclusive of GST if applicable); or
- has a land value of greater than \$1 and less than \$500 (inclusive of GST if applicable); or
- is a cemetery that exceeds two hectares (cemeteries less than two hectares are non-rateable).

Criteria and conditions

Service Charges

Council may remit rates for service charges (i.e. water supply, sewage and refuse disposal, and stormwater) where the application meets the following criteria:

- a. the rates are for land that is owned or used by a society or association of persons for games or sports (excluding galloping races, harness races and greyhound races) except for rates due for any area covered by an alcohol licence
- b. the rates are for land owned or used by a society incorporated under the Agricultural and Pastoral Societies Act 1908 as a showground or place of meeting
- c. the rates are for land owned or used by a society or association of persons (whether incorporated or not) for the purpose of any branch of the arts
- d. half service charges for Council owned land which is non rateable under section 8 and schedule 1 of the Local Government (Rating) Act 2002 and where no services (as defined above) are provided or contemplated.

In the case of clauses a) to c) above, a maximum remission of 50% is available and in the case of clause d) above, a full remission is available.

Properties that are eligible for a full remission of rates

- a. Properties with a capital value of less than \$3,000 (inclusive of GST)
- b. has a land value of greater than \$1 and less than \$500 (inclusive of GST if applicable). These are generally small areas of land used for utility purposes or similar.
- c. Land used or set aside for cemetery purposes that has an area greater than two hectares.

4. Part 4 – Remission of small rates balances

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objective is to save the costs of collecting rates of uneconomic value.

Criteria and conditions

To qualify for remission under this part of the policy, the rating unit must have a balance of less than one dollar (\$1.00) (inclusive of GST) owing at the time of assessing or invoicing a rate.

Process

Council will at its discretion remit any outstanding rates balance of less than one dollar (\$1.00) (inclusive of GST) on a quarterly basis.

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5. Part 5 – Remission of rates on Māori freehold land

This part of the policy is prepared pursuant to sections 102 and 108 of the Local Government Act 2002 and section 114 of the Local Government (Rating) Act 2002.

We have considered the matters set out in Schedule 11 of the Local Government Act 2002 and how this policy supports the principles set out in the Preamble to Te Ture Whenua Māori Act 1993.

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Māori Land Court by freehold order. Only land that is the subject of such an order may qualify for remission under this part of the policy.

Objectives

The objectives are:

- to contribute to the fair and equitable collection of rates from all sectors of the community. We recognise that certain Māori lands have particular conditions or circumstances which make it appropriate to provide relief from rates
- to put in place a means of providing relief on rating for Māori land pursuant to section 108 of the Local Government Act 2002 by way of rate remission
- to recognise situations where a person or owner is only gaining an economic or financial benefit from part of the land
- to recognise matters related to the physical accessibility of the land
- to recognise and take account of the presence of wahi tapu that may affect the use of the land for other purposes
- To recognise and take account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing.

Note that application of the Mangatu decision to discount values will likely provide some relief also.

Principles

The principles used in establishing this part of the policy are:

- a. that as defined in section 91 of the Local Government (Rating) Act 2002, Māori freehold land is liable for rates in the same manner as general land
- b. we are required to consider whether our policy on remission of rates on Māori freehold land will provide for the remission of rates.
- c. Those set out in the Preamble to Te Ture Whenua Māori Act 1993.
- d. the community benefits through the efficient collection of rates and the removal of rating debt that is non collectable
- e. that applications for relief meet the criteria in this policy
- f. that the policy does not provide for the permanent remission or postponement of rates on the property concerned.

Conditions and criteria

We will maintain a register called the 'Māori freehold land rates relief register' (the register). This will record properties that have had rates remitted under this part of the policy. Applications for land to be added to the register should be made in writing prior to commencement of the next rating year. Applications made after commencement of the rating year may be accepted at our discretion.

Owners or trustees making application should include the following information in their applications:

- details of the property
- the objectives that will be achieved by providing a remission
- documentation proving that the subject land is Māori freehold land.

We will review the register annually (or on a more regular basis at our discretion). We may, at our discretion, add properties to the register where Council makes an application on the owners or trustees behalf and we consider that the conditions and criteria of the policy are met.

We may also determine that properties no longer comply either fully or in part with the conditions and criteria on which the application for relief was granted. In such a case, we may either remove the property from the register or reduce the extent of the relief from the start of the next rating year.

We will consider granting a remission of rates on property where any one or more of our policy objectives will be met.

Remissions (up to 100%) can apply to all rates except targeted rates for:

- water supply
- wastewater
- stormwater
- kerbside collection or
- rural halls.

Any relief granted and the extent of that grant is at our sole discretion. This will consider where the rating value is significantly in excess of the economic value arising from the actual use of the property.

6. Part 6 – Postponement of rates on Māori freehold land

This part of the policy is prepared pursuant to sections 102 and 108 of the Local Government Act 2002 (LGA) and section 115 of the Local Government (Rating) Act 2002 and how this policy supports the principles set out in the Preamble to Te Ture Whenua Māori Act 1993.

Council has considered the matters set out in Schedule 11 of the LGA.

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Māori Land Court by freehold order. Only land that is the subject of such an order may qualify for postponement under this part of the policy.

Objectives

The objectives are:

- to contribute to the fair and equitable collection of rates from all sectors of the community. We recognise that certain Māori lands have particular conditions or circumstances that make it appropriate to postpone rates; and
- to put in place a means of providing relief on rating for Māori land pursuant to section 108 of the Local Government Act 2002 by way of postponement of rates; and
- encourage the economic development of the land by a new occupier, where there are rate arrears that are, in the Council's opinion, recoverable; and
- facilitate the development and economic use of land where it is considered that utilisation would be uneconomic if full rates are required to be paid during the period in which plans for development are being actively prepared.

Principles

The principles used in establishing this part of the policy are:

- a. that as defined in section 91 of the Local Government (Rating) Act 2002, Māori freehold land is liable for rates in the same manner as general land
- b. we are required to consider whether our policy on the postponement of rates on Māori freehold land will provide for the postponement of rates
- c. those set out in the Preamble to Te Ture Whenua Māori Act 1993
- d. that applications for postponement meet the criteria we have set
- e. that the policy does not provide for the permanent postponement of rates on the property concerned.

Conditions and criteria

Applications for postponement of rates should be made in writing prior to commencement of the next rating year. Applications made after commencement of the rating year may be accepted at our discretion.

Owners or trustees should include the following information in their application:

- details of the property
- the objectives that will be achieved by providing a remission

- documentation proving that the subject land is Māori freehold land.

Any postponement granted and the extent of the grant is at our sole discretion.

No postponement will be granted on targeted rates for:

- water supply
- wastewater
- stormwater
- kerbside collection or
- rural halls.

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7. Part 7 – Remission of metered water leaks

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objective is to allow Council to provide some relief to metered water users from extraordinarily high charges as a result of a water leak when there is evidence that the required repairs have been carried out within thirty (30) days of written notification of the high water consumption to the owner.

Principles

The principles used in establishing this part of the policy are:

- that the responsibility of water leaks between the water outlet (e.g. house, trough) and the water meter is ultimately the owners' and any water rates remitted will be a cost to other water users
- that property owners should take action within a reasonable period of time to avoid wasting our water resource.

Conditions and criteria

We may consider granting relief where:

- a. we have received satisfactory evidence that there has been a water leak; and
- b. the property owner has repaired the leak within the policy timeframe; and
- c. we have received written application for relief. The request must be accompanied by a registered plumber's invoice or other suitable evidence that a significant leak was discovered (minimal amounts will not be considered), where the leak was located, and that it has been fully rectified.

We will calculate the volume of water lost based on the total water consumption for the particular period less the average period water consumption over the previous two years.

The relief for water leakage (excluding normal consumption) will be 50% of the water rates attributable to the leakage.

Any relief granted under this part of the policy is limited to one application within any three-year period for any particular meter.

8. Part 8 – Remission of pan charge targeted rates based on water use

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objective is to provide a transparent, fair and more effective user pays targeted rate for wastewater, taking account of:

- the specific circumstances of the rateable property; and⁹
- the interests of all ratepayers.

Principles

The principles used in establishing this part of the policy are:

- a. we have applied a targeted rate to all rateable properties connected to the wastewater supply based on the number of pans in each rating unit
- b. pursuant to clause 12, schedule 3, of the Local Government (Rating) Act 2002 all single residential rateable properties can only be charged for one pan
- c. we recognise the number of pans may not necessarily equate to the volume of discharge to the wastewater network
- d. we recognise a correlation between the consumption of water and volume of wastewater discharged
- e. currently the average water consumption per single residential rateable property is deemed to be 252 cubic metres of water per annum. This is a Household Equivalent Unit (HEU)
- f. the most accurate way to measure water consumption is by a water meter, however not all properties currently have a meter installed
- g. despite the number of pans, some properties are considered to have a low-impact on the wastewater network. To avoid the unnecessary expense of installing a water meter to these ratepayers, we will assess the number of HEUs applicable per rating unit by comparing them to similar properties that have a water meter
- h. in assessing the number of HEUs, the number will be rounded up to the next whole unit
- i. the HEU may be periodically reviewed
- j. this remission does not apply to schools or educational establishments. See the separate policy on remissions of pan charge targeted rates for educational establishments that follows.

Conditions and criteria

Properties with an existing water meter

- a. The rateable property must have six months (or more) of historical water consumption information to enable assessment of HEUs.
- b. The remission will be the difference between the actual number of pans and the number of HEUs based on historical water consumption

- c. The HEU will be reassessed annually based on the consumption for the year and an adjusted remission will be applied from 1 July one calendar year later.

For the avoidance of doubt, rateable properties with a meter cannot elect to be assessed for a remission on the same basis as a rateable property without a water meter.

Properties without an existing water meter

- a. We will assess the number of HEUs applicable per rateable property by comparing the current use of this property with a metered property of similar use.
- b. The remission will be the difference between the actual number of pans and the assessed HEU.
- c. Alternatively, to a and b above, the ratepayer can apply to have a water meter installed. Installation must be completed before 1 October in any rating year, so as to allow six months of consumption data to reassess the remission during the final quarter. The cost of the water meter and its installation will be at the applicant's expense.
- d. Any amended remission as a result of the water meter data will be processed during the final quarter of the rating year.

For the avoidance of doubt, rateable properties once fitted with a meter cannot then elect to be assessed for a remission on the same basis as a rateable property without a water meter.

9. Part 9 – Remission of pan charge targeted rates for educational establishments

This part of the policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002.

Objectives

The objective is to provide a transparent, fair and more effective user pays targeted rate for wastewater, taking account of the specific circumstances of educational establishments.

Principles

The principles used in establishing this part of the policy are:

- This policy applies to schools and educational establishments as defined in Schedule 1, Part 1, clause 6(b) of the Local Government (Rating) Act 2002. It specifically excludes schools and early childhood centres that operate for profit.
- We consider the nationally used 'Donnelly Formula' (one pan per twenty students/staff) as a fair basis for providing remission to educational establishments.
- We have applied a targeted rate to all educational establishments connected to the wastewater supply based on the number of pans calculated using the 'Donnelly Formula'.
- We recognise the number of pans may not necessarily equate to the volume of discharge to the wastewater network.
- We recognise a correlation between the consumption of water and volume of wastewater discharged.
- Currently the average water consumption per single residential rateable property is deemed to be 252 cubic metres of water per annum. This is a Household Equivalent Unit (HEU).
- The most accurate way to measure water consumption is by a water meter, however not all educational establishments currently have a meter installed.
- Despite the number of pans calculated using the 'Donnelly Formula', some educational establishments are considered to have a low impact on the wastewater network. To avoid the unnecessary expense of installing a water meter to these, we will assess the number of HEUs applicable per rateable property by comparing them to other educational establishments with a similar roll/staff numbers.
- The school roll used to calculate the 'Donnelly Formula' will be as advised annually by the Ministry of Education and will be applied from the following 1 July.
- In assessing the number of HEUs, the number will be rounded up to the next whole unit.
- The HEU may be periodically reviewed.

Conditions and criteria

Educational establishments with an existing water meter

- a. The rateable property must have six months or more historical water consumption information to enable assessment of HEUs.
- b. The remission will be the difference between the number of pans assessed using the Donnelly Formula and the HEU based on historical water consumption.
- c. The HEU will be reassessed annually based on the consumption for the year and an adjusted remission will be applied from 1 July one calendar year later.
- d. For the avoidance of doubt, rateable properties with a meter cannot elect to be assessed for a remission on the same basis as a rateable property without a water meter.

Educational establishments without an existing water meter

- a. We will assess the number of HEUs applicable per rateable property by comparing the current use of this property with a metered property of similar use.
- b. The remission will be the difference between the number of pans calculated using the Donnelly Formula and the assessed HEU.
- c. Alternatively, to a and b above, the educational establishment can apply to have a water meter installed. Installation must be completed before 1 October in any rating year, so as to allow six months of consumption data to reassess the remission during the final quarter. The cost of the water meter and its installation will be at the applicant's expense. Any amended remission as a result of the water meter data will be processed during the final quarter of the rating year.
- d. For the avoidance of doubt, rateable properties once fitted with a meter cannot then elect to be assessed for a remission on the same basis as a rateable property without a water meter.

10. Part 10 – Remission of rates on abandoned land

Objectives

The objective is to enable administration costs to be avoided where it is unlikely that rates assessed on an abandoned rating unit will ever be collected.

Conditions and criteria

Where any rating unit meets the definition of abandoned land as prescribed in section 77(1) of the Local Government (Rating) Act 2002 and that land is unable to be sold using the authority provided in sections 77-83, then all rates will be remitted on an annual basis.

DRAFT FOR CONSULTATION

11. Part 11 – Remission and postponement of rates for natural disasters and emergencies

Objectives

In the event of a natural disaster or other type of emergency affecting the capacity of one or more rating units to be used for an extended period of time, Council may remit or postpone all or part of any rate or charge where it considers it fair to do so.

Conditions and criteria

The Council may, on written application from the ratepayer of a rating unit affected by a natural disaster or emergency, remit or postpone all or part of any rate or charge levied where:

- A natural disaster or emergency affects one or more rating units' capacity to be inhabited, used or otherwise occupied for an extended period of time; and
- The Council considers it is fair to grant a remission in the circumstances.

At its sole discretion, Council will determine by resolution whether a specific event constitutes a natural disaster or emergency for the purposes of applying this policy. Council will determine the criteria for the remission or postponement at the time of the resolution, and those criteria may change depending on the nature and severity of the event and available funding at the time.

Each application will be considered on its merits and remission or postponement of all or parts of the rates payable may be granted where it is considered just and equitable to do so. Remissions or postponements approved under this policy do not set a precedent and will be applied for each specific event and only to properties directly affected by the event.

12. Part 12 – Delegations

Council delegates the authority to implement this policy to the Chief Executive Officer.
The Chief Executive Officer may sub-delegate this role to any other council officer.

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