

Section 5 – Other Policies



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Treasury Risk Management Policy (2014)

1. Purpose

This policy document is the policy document for the Dunedin City Council (“the DCC”). It has been prepared by Dunedin City Treasury Limited (DCTL) and before being submitted to the DCC for approval it has been reviewed and approved by the DCTL Board and the Board of Dunedin City Holdings Limited (DCHL). It is for the use of all subsidiaries owned by DCC and is the basis for the risk management parameters within the Council’s Liability Management and Investment policies that are approved from time to time by the Council. The entities that this policy document applies to are collectively called the Dunedin City Council Group (“DCC Group”).

For the purposes of this policy and as at the date of this policy, the DCC Group consists of the following entities:

- Dunedin City Council
- Dunedin City Holdings Limited
- Dunedin City Treasury Limited
- Dunedin Venues Limited
- Dunedin Venues Management Limited
- City Forests Limited
- Aurora Energy Limited
- Delta Utility Services Limited
- Taieri Gorge Railway Limited.

This policy replaces all existing Treasury Policies within the DCC Group.

The purpose of this policy is to set out a prudential framework for the identification, quantification, assessment and management of all financial market risks associated with the Borrowing, Investment, Foreign Exchange and Commodity exposures faced by the DCC Group.

This policy has been prepared with reference to the following:

- the Establishment Plan of DCTL dated 4 August 1992
- the Deed of Understanding entered into by the DCC and various subsidiary companies dated 30 June 1993
- statutory requirements relating to DCC Liability Management and Investment Policy preparation
- relevant accounting standards in relation to hedge accounting.

A sound treasury management control framework will assist the DCC Group in achieving its broader business objectives by:

- operating efficiently in accordance with sound commercial practice
- managing the cost of debt and treasury investment returns within an appropriate risk management framework
- maximising the net worth of its assets
- producing sustainable returns to the DCC.

The policy contains specific objectives, policies and reporting requirements for the management of:

- operational risk
- liquidity and funding risk
- interest rate risk
- credit risk
- investment risk
- foreign exchange and commodity risk.

Treasury risk management and related operational risk management are carried out internally by qualified and experienced personnel acting under specific delegations, which ensure appropriate segregation of duties, and act within a best practice code of conduct; and which utilise systems of an appropriate standard incorporating effective reporting.

The DCC has set in place a financial structure to allow effective financial management of its activities on a sound commercial basis. This structure consists of a number of companies which are independently managed through Boards of Directors. Notwithstanding this corporate structure, the benefits of a centralised approach to treasury management have been recognised. This policy provides a framework for treasury management by the DCC Group.

The DCC by its political nature and the ongoing requirement to deliver appropriate services to its ratepayers and to be the custodian of assets owned by, and for the benefit, of the ratepayers of Dunedin City, has a conservative approach to risk management. This policy document recognises these principles.

2. Treasury Structure – Roles and Responsibilities

The roles and responsibilities of the key parties involved in the treasury management process are detailed below. This is in addition to the specific delegations as noted in Appendix 1.

Currently the board of DCTL and DCHL are composed of the same board members.

2.1 Dunedin City Council

The Council has responsibility for:

- overall performance of the DCC Group
- approving the DCC treasury policy, on the recommendation of the DCHL Board
- approving Council Liability Management and Investment policies -on the recommendation of management and confirmation from the Council and the Group Chief Financial Officer that they are consistent with the risk management parameters contained in this policy
- approving annual Council borrowing requirements through the annual plan
- delegating authority to DCTL to undertake Treasury activities on behalf of the DCC
- overseeing the DCC Group Treasury activities through regular DCHL reporting.

2.2 DCHL Board

The DCHL Board has responsibility for:

- over viewing the operations of all subsidiaries under its supervision including treasury risk management activity
- approving the DCC treasury policy, on the recommendation of the DCTL Board
- monitoring the performance of DCTL against this policy by DCTL Board treasury reporting
- confirming any facility agreement between subsidiaries and DCTL including pricing levels and any annual adjustments to base pricing levels attributable to DCTL's actual performance.

2.3 DCTL Board

The DCTL Board has responsibility for:

- assisting the achievement of overall DCC objectives by promoting sound treasury management practices throughout the DCC Group
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- overseeing the operation and performance of DCTL ensuring that treasury activities within the DCC Group are conducted within agreed risk management parameters
- recommending the DCC treasury policy and subsequent changes to the DCHL Board for submission to the Council for approval
- assisting management through sound governance practices in achieving the risk management objectives set out in this policy as well as the annual objectives set out in the Statement of Intent prepared by the Group TM
- monitoring the performance of the treasury operation through the review of regular reports
- reviewing the opinions and needs of the DCC Group as users of treasury services provided by DCTL on an annual basis in conjunction with the relevant entities
- undertaking an annual internal review of this policy each year and an external review at least once every three years and recommending any changes to the DCHL Board for approval and subsequent submission to the Council for approval
- ensuring DCTL observes the terms of the Deed of Understanding
- over viewing the implementation of internal or external audit recommendations
- reviewing treasury activity through regular treasury reporting
- approving transactions, short term facilities or decisions outside the delegated authority of the Group TM
- reviewing performance against benchmarks
- reviewing and recommending instruments and techniques to manage risk outside the policy, to the DCHL Board and Council for approval.

The Group Treasury Manager (Group TM) has responsibility for:

- the management of all treasury risks within the DCC Group, excluding foreign exchange risk in those circumstances in which the DCHL Board has agreed that this will be managed at the subsidiary level
- exercising delegations as outlined in this policy
- notifying the DCTL Board of any breaches of the policy including a plan for remediation, as appropriate
- overseeing implementation of internal or external audit recommendations on treasury related issues after consultation with the DCTL Board
- managing and reporting to the DCTL Board the overall activities and results of DCTL

- negotiating and setting up facilities to ensure the availability of funding for the requirements of the DCC Group as identified
- formulating and implementing risk management strategies for DCTL and other DCC Group entities within the delegated limits
- developing and documenting appropriate operational procedures and -ensuring an appropriate system of internal control is in place
- entering into financial market transactions with external parties on behalf of DCTL and the wider DCC Group within delegated limits
- over viewing net cash requirements as provided by the DCC Group and developing long term funding plans
- over viewing the operation of treasury information systems and preparing treasury management reports
- managing all external bank accounts and external financial market relationships
- advising the DCC Group entities on foreign exchange risk management policies, financial products and techniques as requested
- over viewing all internal relationships with DCTL clients
- recommending to the DCTL Board those transactions which fall outside the scope of the Group TM's delegated authority
- managing relationships with banks, rating agencies and lenders
- reporting to the DCTL Board on the overall activities and results of DCTL.

The Assistant Treasurer has responsibility for:

- assisting in the management of all treasury risks within the DCC Group, excluding foreign exchange risk in those circumstances in which the DCHL Board has agreed that this will be managed at the subsidiary level
- exercising delegations as outlined in this policy
- assisting in negotiating and setting up facilities to ensure the availability of funding for the requirements of the DCC Group as identified
- assisting the Group TM in formulating and implementing risk management strategies for DCTL and other DCC Group entities within delegated limits
- entering into financial market transactions with external parties on behalf of DCTL and the wider DCC Group within delegated limits
- collating net cash requirements for DCC Group entities and managing day-to-day cashflow requirements of the DCC with internal and external parties

- assisting in advising DCC Group entities on foreign exchange risk management policies, financial products and techniques as requested
- day-to-day management of all treasury related internal relationships with other entities within the DCC Group and with external parties
- processing the day to day Treasury related transactions including – interest payments
- processing Treasury accounting entries.

The Council provided back office support has responsibility for:

- assisting the Group TM to ensure appropriate operational controls are in place
- providing accounting support to DCTL as agreed with the Group CFO of DCC
- assisting in the preparation of Treasury reports to management and the Boards, to ensure alignment of reporting practices and procedures across the DCC Group
- reconciling external transaction confirmations with internal records
- escalating any discrepancies resulting from the reconciliations, to the attention of the Group TM and the Group CFO of DCC.

The Boards of the DCC Group Entities and the Council (as counterparties of DCTL) have responsibility for:

- approving funding requirements as advised to DCTL on an annual basis
- determining the capital structure of each individual organisation
- ensuring the Finance Manager (or equivalent) provides information as required by this policy to DCTL
- reviewing financing facilities set up with DCTL
- observing the terms of the Deed of Understanding.

The Finance Managers (or equivalent) within the DCC Group Entities (as clients of DCTL) have responsibility for:

- preparing Funding Requirement Budgets (FRB) on an annual basis for DCTL
- assisting DCTL in achieving efficient working capital management
- identifying and collating all cash and funding availability/requirements within the organisation on a daily basis
- providing the Group TM or Assistant Treasurer with accurate, timely and relevant information as to cash requirements as specified in this policy

- communicating all finance and other banking needs to DCTL
- building a strong working relationship with DCTL
- advising DCTL of any foreign currency hedging requirements to be entered into with third parties and providing monthly reports evidencing policy compliance.

2.4 Internal Audit

Internal audit has responsibility for:

- reviewing operational risk controls and recommending change as appropriate
- reporting directly to the Audit Committee of DCTL.

2.5 Breach Reporting

Any breaches of this policy are to be advised in the first instance to the Group CFO of DCC by the Group TM within 1 business day of the breach being detected. This notification will outline the nature of the breach, its causes, and recommendations to rectify the breach.

This notification is to be escalated, if the breach is not rectified within 1 business day, as follows:

- the Board of DCTL
- the Board of DCHL.

The DCTL Board, the DCHL Board, Audit and Risk Sub-committee of Council and Council will be notified of all breaches (whether rectified or not) no later than their next scheduled meetings.

3. Operational Risk and Internal Control Policy

3.1 Purpose

The operational risk policy addresses the risk incurred by an organisation's internal activities. Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems, or from external events.

3.2 Policy Statement

DCTL manages this exposure by:

- ensuring the Treasury function is operating in a controlled manner and that adequate internal control procedures are in place for measurement and management of the various functions undertaken by the Treasury function

- ensuring the Treasury function has adequate systems in place for the management of financial risk
- ensuring Treasury function employees are suitably qualified and trained so as to undertake and perform financial risk management activities
- ensuring legal enforceability of financial management contracts.

A formal 'Treasury Procedures Manual' of written procedures/protocols for the treasury management function must be maintained detailing each stage of each procedure for the processing and checking of treasury transactions. The manual also details paper-flow, files, registers, internal controls and accounting treatment of all transactions. It also includes guidelines and precedent documents.

All DCC Group entities are responsible for implementing and reviewing their own appropriate operational and internal controls.

Delegated authorities for initiating financial transactions, appropriate dealing limits, and authorisation and settlement conditions are detailed in Appendix 1.

4. Interest rate risk policy

4.1 Purpose

Interest rate risk is the risk of adverse changes in interest income or interest expense arising from fluctuations in interest rates that impact on the net income of the DCC and may have to be compensated through increasing rates or charges or decreasing services provided. The risk is that the DCC may not be able to increase rates or charges to fund this increased expense without incurring significant pushback from rate-payers and/or may not be able to materially decrease services delivered within an appropriate timeframe.

The majority of interest rate risk arises from borrowings. DCTL is also responsible for transacting interest bearing investments within the controls detailed in this policy.

DCTL understands there is a trade off when seeking to minimise the cost of debt or maximise return on investments between certainty (fixed rate) and participating in favourable movements in interest rates (floating rate). This policy recognises the conservative nature of the DCC and the desire for stability in interest expense and interest income over multiple reporting periods. In no circumstances can transactions be entered into that are of a speculative nature. All hedging transactions must relate to underlying physical exposures and must decrease the net exposure to financial market movements.

Interest rate risk is managed by setting minimum and maximum levels of floating rate risk over various timeframes for borrowings and investments.

Fixed rate debt or investment is defined as having a re-pricing or rollover date of more than 12 months into the future.

4.2 Risk Management Approach

DCTL utilises a portfolio approach to manage interest rate risk.

Portfolio approach – a portfolio approach implies managing interest rate risk over multiple time frames within prescribed hedging parameters. This approach recognises the unacceptable levels of volatility that would be assumed if trying to pick market moves and predict interest rate changes over the long run, compared to the incremental approach that attempts to smooth volatility over time, implied by the portfolio approach.

4.3 Management of Interest Rate Risk

Interest rate risk is managed by implementing the following:

An annual Funding Requirement Budget (FRB) is submitted to DCTL by each member of the DCC Group that will require debt funding at least two (2) months before the start of the financial year. The FRB also includes projected debt requirements for as long as projected but for at least a further two years.

DCTL maintains an approved debt interest rate reset profile within the debt interest rate resetting profile detailed below.

Fixed Rate Maturity Profile Limit		
Period ¹	Minimum Cover	Maximum Cover
Year 1	50%	100%
Years 2 and 3	40%	90%
Years 4 and 5	30%	70%
Years 6 and 7	20%	50%
Years 8, 9 and 10	0%	30%

¹ Any hedging beyond 10 years requires DCHL approval. Time periods are on a rolling 12 months basis.

Specified permitted debt instruments are detailed in section 6.

All interest rate hedges are entered into by DCTL with external counterparties.

Other DCC Group entities are precluded from entering into any financial transactions with external counterparties.

This policy recognises that an implementation plan will be required detailing a timetable for complying with the hedging parameters detailed above. The Group TM will present an implementation plan to the DCTL Board within three (3) months of the approval of this policy -and will report on implementation of this plan to the DCTL Board through regular treasury reporting and will report quarterly to the DCHL Board and the DCC until the hedging in place complies with the policy.

5. Liquidity and Funding Risk Policy

5.1 Liquidity Risk

Liquidity and funding risk management is associated with ensuring the availability of sufficient funds to meet the DCC Group's financial commitments in a timely manner. It is also associated with planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. These risks include:

- an unplanned reduction in revenue thus reducing cash receipts
- unexpected business disruption
- unplanned capital or operating expenditures
- external market liquidity.

5.2 Measurement of Liquidity Risk

Liquidity management is the analysis of the DCC Group's cash flows, in both the short and long terms for all perceived requirements and contingencies, and arrangement of suitable sources of liquid resources.

Liquid resources are defined as:

- Unencumbered financial assets which can be readily converted to cash in a short space of time with no loss of principal value; and
- Undrawn committed or standby facilities which can be accessed within a suitable time frame.

The DCC Group recognises three aspects to liquidity management:

Short term operational liquidity management: To be monitored and controlled by short term cash forecasts. This responsibility remains within each member of the DCC Group.

Long term operational liquidity management: To be monitored and controlled through the functioning of long term financial planning and long term cash forecasting. This management process is monitored through the annual budget preparation coordinated by DCHL.

Contingency planning: Maintenance of a liquidity buffer to be monitored through the long and short term planning processes and arrangement of liquidity sources sufficient to meet maximum forecast requirements.

Each DCC Group entity is responsible for identifying short term operational and long term liquidity planning in conjunction with the FRB process and communicating these to DCTL. Each DCC Group entity is also responsible for identifying contingent requirements and communicating those to DCTL.

DCTL is responsible for overall liquidity management based on the requirements identified by the DCC Group entities. Because of the credit quality of DCC and DCTL (currently AA, A-1+) liquidity is maintained through a commercial paper programme supported by committed, but unutilised, bank debt facilities. The quantum of committed bank facilities required is reviewed annually by the Group TM and approved by the Board of DCTL. This must be reviewed if DCC and/or DCTL are advised that they will be placed on negative credit watch or are downgraded.

5.3 Funding Risk

Funding risk is the risk to the DCC Group of not being able to re-finance or raise new debt at a future time at competitive rates, fees and borrowing margins, and also terms.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any unforeseen events occur, the overall interest cost is not materially increased because of adverse margin changes, adverse base interest rates or a lack of availability of funds.

The DCC Group aims to manage this risk by having its funding facilities spread over a reasonable period of years and from a range of funding sources.

The risks for the DCC Group are as follows:

- if the majority of facilities are maturing at, or around, the same time there is a risk that it is an unfavourable time to be renewing facilities in the market due to high pricing/margins required from lenders
- if the DCC Group is experiencing some difficulties, by having all facilities maturing at one time this may impact adversely on the DCC Group's ability to either renew the facility or receive favourable conditions
- there is a danger of saturating the market and negatively impacting on pricing and/or terms and conditions if all facilities are maturing at the same time.

To spread this risk it is prudent to have the total debt spread so that there is a maximum amount maturing in any 12 month period.

The policy control in relation to funding risk is:

- No more than \$200 million can mature over the next 12 months or in any 12 month period thereafter and at least 20% of total debt must have a maturity greater than 5 years (but no more than 10 years without DCC approval).

5.4 Funding within the DCC Group

DCTL provides all funding to all of the DCC Group entities with the exception of two specific external funding facilities in place in relation to the Forsyth Barr Stadium and City Forests Limited. This funding is excluded from this policy as it is not considered material but it is also expected that upon expiry these facilities will be replaced, if still required, with internal funding from DCTL.

DCTL provides funding to the DCC Group entities on a floating rate basis priced off the three (3) month BKBK FRA rate at the day of drawdown plus a pre-agreed margin detailed in the specific funding facility documentation for that entity.

An implementation plan to achieve this will be developed by the Group TM within three (3) months of this policy being submitted to the DCTL Board for approval. This plan will include detailing the liaison with internal and external audit as required.

The actual interest expense recognised for each DCC Group entity each financial year will be based on DCTL's actual cost of funds plus a margin to reflect the costs of operating DCTL. At the end of each financial year each DCC Group entity will be subject to an internal adjustment to underlying interest expense based on floating rates as above and any residual fixed rate swaps to ensure actual interest expense is in line with DCTL performance.

Because all interest rate risk management is at the DCTL level interest rate expense will not be a KPI for any DCC Group entity other than DCTL. However, KPI's for the DCC Group entities around accuracy of cash flow projections, debt projections etc are expected to be implemented.

6. Permitted Debt Instruments Policy

6.1 Purpose

The Permitted Debt Instruments Policy describes the instruments which can be transacted, having regard to any legislative requirements and the potential risks that may need to be hedged and the risk inherent in the instruments.

6.2 Permitted Instruments

This list of permitted instruments for debt management is:

Borrowing Instruments

- Bank overdraft.
- Committed bank facilities.
- Commercial paper issuance.
- Fixed rate bonds, floating rate notes from the domestic debt capital markets

Borrowings via the Local Government Financing Authority (LGFA) are subject to approval from Council in relation to participation in the LGFA structure and analysis from DCTL that this would be a cost effective funding source.

Borrowings from international capital markets are subject to prior Council approval and analysis from DCTL that this would be a cost effective funding source. Any such borrowings must be in NZD.

Derivative Instruments

- Forward interest rate agreements (FRA's).
- Interest rate swaps.
- Interest rate options (purchase of caps or collars only).
- Options on interest rate swaps.

Any combination of these instruments is permitted.

Derivative instruments permitted under this policy may be used for hedging purposes or to position the portfolio for interest rate moves within the constraints contained in the interest rate risk policy. The following specific policy constraints are required:

- all hedging transactions must relate to an underlying debt exposure and no speculative transactions can be undertaken
- where possible any instruments used should be designated as effective hedges for accounting purposes and should be matched to physical debt in DCTL's debt portfolio. If this is not possible the potential impact must be advised to the Boards of DCTL and DCHL and the Council before the transaction is undertaken
- interest rate options are not permitted to be sold except to cancel a previously purchased option where hedging is no longer required or where the option is combined with a purchased option of matching maturity and principal in the course of executing an interest rate collar strategy.

Delegated authorities for initiating derivative transactions are detailed in Appendix 1.

7. Cash Management Policy

7.1 Definition of Policy Purposes

Cash management is concerned with ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of and to limit the borrowings of funds. Accurate and timely forecasting of cash movements by the DCC Group is essential.

Cash management practices are to focus on cost effective collection of funds, achieving minimal float, retention of funds for as long as possible and controlled disbursement.

7.2 Cash Accountability

DCTL is responsible and accountable for the investment of surplus cash and financing of short term borrowings.. The Finance Manager or equivalent within each DCC Group entity co-ordinates procedures that support the achievement of the overall DCC Group cash management objective and advises the Assistant Treasurer as to cash requirements..

Responsibility for operating a cash efficient operation ultimately rests with the individual DCC Group entities, which must have systems in place to ensure the efficient management of their cash flows and to be able to work proactively with DCTL to achieve this. Responsibility for developing controls and procedures is that of the individual entity's Finance Manager (or equivalent) with such controls and procedures reviewed by DCTL to ensure practical application can be achieved.

7.3 Bank Account Structure

The location and counterparties of Council's accounts form the bank account structure. The DCC limits the number of accounts to the minimum necessary to service financial requirements. Wherever possible DCC Group entities should all have their transactional banking with the same financial institution.

Given that this is not currently the case within six (6) months of this policy being adopted an implementation plan for undertaking a review of DCC Group transactional banking relationships will be prepared by the Group TM and submitted to the Board of DCTL for approval. This plan will include a clear timeframe for the Group TM to review all DCC Group banking relationships and pricing and make a recommendation to the DCC around potential changes and the appropriateness of completing a formal transactional banking review/tender.

7.4 Funding DCC Accounts

All accounts are funded directly by DCTL. This funding will be made in accordance with agreed funding limits and agreements. The DCC Group entities must endeavour to maintain an adequate balance in their bank accounts to cover un-presented cheques. A maximum balance should be agreed between the Group TM and the Finance Manager or equivalent within each DCC Group entity on an annual basis. In any case, surplus balances should be monitored closely recognising the cost of having these funds earning little or no interest when compared to overall cost of funds for the DCC.

7.5 Cash Collection and Disbursement

7.5.1 The Cash Cycle

The bulk of revenues are received on cyclical or regular intervals and are typically divorced from expenditure which is incurred on an ongoing basis. This cash flow pattern emphasises the importance for accurate cash flow forecasts and efficient cash collection and disbursement mechanisms.

7.5.2 Cash Collection

The policy is to optimise the earnings potential of cash inflows by shortening the cash collection cycle wherever possible.

Collection float is defined as the aggregate delay from the time the ratepayer or other debtor writes a cheque or commits to payment and when that payment is available as cleared funds.

The DCC seeks to promote collection methods which reduce processing requirements and provide more accurate value dating of receivables.

7.5.3 Cash Disbursement

The policy is to optimise the earning potential of available cash by lengthening the cash disbursement cycle wherever possible.

DCTL encourages the use of electronic transactions and mechanisms to reduce uncertainty of value date and promote the minimisation of float.

All DCC entities ensure that DCTL is advised of the larger cash flows (both cash receivable and payable) in a timely manner.

The major cash flow items will include capital asset purchases, dividend flows, taxation payments and subvention payments.

The strategic and long term financial planning processes are to be supported by:

- Three (3) year forecast by year, prepared annually on a rolling basis.
- Capital expenditure forecasts over a minimum five (5) year period, prepared annually on a rolling basis.

This process forms part of the annual budget preparation undertaken by each DCC Group entity and is co-ordinated by DCHL.

8. Investment Management Policy

8.1 Purpose

The Investment Management Policy establishes appropriate benchmarks (for performance measurement) and prudent limits for the management of surplus funds. The investment management objective is to optimise returns subject to maintaining an appropriate risk profile.

8.2 Rationale

The objective of investment management is to achieve an appropriate return consistent with the risk assumed. While the DCC Group has a number of cash and fixed interest investments in place currently that provide income and also a source of liquidity, the aim going forward is to have the bond holdings repaid on maturity (even if there is an option to reinvest) and, unless approved by Council, there will be no new investments entered into for a term in excess of one year. Cash investments will by nature become a function of liquidity and cashflow management and DCTL will endeavour to minimise outstanding borrowings by applying material cash surpluses to debt reduction. At its discretion DCTL can sell bonds held before maturity subject to market conditions, term to maturity, actual interest income received against average cost of debt for DCTL and potential capital gains. Unless there are credit concerns about any holding DCTL should not consider sales at a capital loss, rather hold to maturity and thus receive the whole face value back. Any such sales must be approved by the DCTL Board.

8.3 Policy Parameters

The following controls apply:

all investments are to be in accordance with the Permitted Investment Instruments policy (Section 9) and the Credit Risk Policy (Section 10)

- investments in risk-leveraged derivative instruments are not permitted
- investment performance is to be benchmarked against an appropriate index as agreed between the Group TM and the DCTL Board.

9. Permitted Investment Instruments Policy

9.1 Purpose

The Permitted Investment Instruments Policy describes the investment related instruments which can be transacted having regard to any legislative requirements and the potential risks faced by the DCC Group and inherent in the instruments.

9.2 Permitted Instruments

The list of permitted instruments for investment are:

- investments Instruments
- bank deposits (maximum 365 days)
- commercial paper (maximum 182 days)
- fixed rate bonds, floating rate notes from the domestic debt capital markets (maximum 365 days to maturity) other than residual bond holdings at the time of this policy's approval.

10. Credit Risk Policy

10.1 Requirement for External Credit Limits

The risk of financial loss that could accrue to the DCTL from the non-settlement of financial transactions requires a separate credit limit to be established for all outside counterparties.

No transaction will be entered into with any outside counterparty for whom an approved credit limit has not been established within the parameters detailed in this policy.

10.2 Establishing External Credit Limits

10.2.1 Maximum Counterparty Credit Limit

The maximum credit limit which is to be applied to any outside counterparty reflects the maximum exposure in total likely to be incurred at any one time, the maximum loss which could be sustained by DCTL without affecting viability and the benefits of risk reduction through diversification.

10.2.2 Individual Counterparty Credit Limits

Rated Organisations

Individual credit limits will be determined by reference to credit rating published by internationally recognised rating agencies. Principal use will be made of S&P followed by Moody's and then Fitch rating assessments.

Limits will be assigned on the basis of their relative standing in respect of the maximum available rating and the maximum counterparty credit limit. Formulas and limits are set out in Section 10.5. All limits are to be approved by the DCTL Board.

Unrated Organisations

No limit will be established for unrated organisations without Council approval. The Group TM will provide a formal request in support of any application including the cost benefit of contemplating such a relationship.

10.3 External Credit Limit Operation

The Assistant Treasurer will ensure that information is available on total exposure to counterparties and that proposed transactions can be assessed against available limits.

All transactions with external counterparties are to be recorded against the relevant counterparty based on approved risk weightings. No transaction is to be entered into without calculation of credit limit usage and confirmation that sufficient limit is available to accommodate the transaction.

10.4 External Credit Limit Reviews

Credit ratings are reviewed by the Assistant Treasurer on an ongoing basis, especially in the event of notices of "credit-watch negative" and credit downgrades with credit limits and exposures adjusted accordingly. Credit ratings will be reviewed by the Group TM annually.

Counterparties exceeding limits must be reported to the Board of DCTL as soon as the policy breach is recognised with a plan for correction that must be approved by the Board.

The Group TM may recommend with immediate effect the termination or reduction in the limit of a counterparty at any time.

10.5 External Counterparty Credit Limits

The following schedule confirms the approved limits:-

Instrument	Long Term S&P Rating (or Moody's or Fitch equivalent)	Maximum exposure to any one counterparty with this rating (\$ million)
All Exposures	AAA	\$150
All Exposures	AA to AA+	\$100
All Exposures	AA-	\$50
All Exposures	A to A+	\$30
Residual Investments	BBB to A-	\$5

Exposures are to be calculated as follows:

Cash/Bonds 100% of face value including accrued interest

Other Investments

FX forwards/options MTM + FV * remaining tenor(y) * 10%

Interest Rate Swaps MTM + FV * remaining tenor(y) * 2%

Interest Rate Options MTM + FV * remaining tenor(y) * 2%

CCIRS MTM + FV * remaining tenor(y) * 10%

(Where Mark to Market “MTM” is positive if the position is in the money for DCTL and negative if it is out of the money for DCTL).

For each instrument, if MTM + PCE is negative, a nil value is assigned. If the total exposure for any one FI is net out of the money for DCTL, then a nil value is used when calculating total exposure for the relevant credit band.

The Assistant Treasurer will report monthly on actual credit usage by all of the DCC Group with all external counterparties against the approved limits.

10.6 Internal Credit Risks

The credit risk is managed as follows:-

No transaction is to be undertaken unless it is formally documented as a facility agreement which includes the facility limit and is approved by the DCTL Board and the relevant DCC entity Board subject to final approval by the DCHL Board.

No security arrangements are required for all entities that are ultimately 100% owned by the DCC. However, it is recognised that security arrangements are currently in place and as part of the Group TM's implementation plan requirements, within 6 months the Group TM will propose a timeframe to unwind these arrangements in the most cost effective manner.

11. Foreign Exchange Risk Policy

11.1 Purpose

The Foreign Exchange Risk Policy establishes guidelines under which foreign exchange risk management occurs.

11.2 Rationale

The objective of the policy is to mitigate the potential for financial loss arising through unfavourable movements in exchange rates. This foreign exchange transaction risk can result in the DCC Group's cash flows being adversely affected by movements in exchange rates that will change the New Zealand dollar (NZD) value of foreign currency exposures.

11.3 Permitted Instruments

In addition to foreign currency spot transactions the DCC Group can enter into the following instruments to manage foreign exchange risk by undertaking:

- forward foreign exchange transactions
- foreign exchange options.

The maximum contract term and amount for any hedging instrument is the same as the underlying contract exposure. Hedges are undertaken to match the expected payment or receipt of a firm commitment.

11.4 Hedging Parameters

- The various DCC Group entities will monitor their net foreign exchange position in all currencies. Any foreign currency exposure greater than NZD\$50,000 by individual contract, is deemed significant and, subject to this policy, needs to be notified to DCTL within one business day of the commitment being entered into.

- Net foreign currency exposures in excess of NZD\$50,000 are to be fully hedged within one business day of the exposure being notified to DCTL. Exposure is defined to exist at the firm commitment of an approved sale or purchase in a foreign currency. Foreign exchange hedging must be conducted through an approved counterparty.
- DCTL is provided with delegated authority as to the choice of hedging instruments.
- The Assistant Treasurer will ensure that all hedges are supported by the acquisition of a physical asset, payment of a liability or a high degree of certainty that a potential foreign currency exposure or part thereof will become a firm commitment to purchase. That is, all hedges are to be physical hedges and not “trading” positions. Hedge accounting is implemented where possible.
- DCTL will enter all FX transaction in the Treasury system, which records all foreign exchange hedges and the underlying exposures in all currencies.
- Delegated authorities for initiating foreign exchange transactions are outlined in Appendix 1.

11.5 Hedging at Subsidiary Level

An individual DCC Group entity can manage its own foreign exchange exposures subject to approval from the DCHL Board and subject to a formal foreign exchange risk management policy being developed by the entity, reviewed by DCTL and approved by the entity’s Board and the DCTL Board.

However, this would only be expected to occur if the entity had ongoing foreign exchange transactional exposures linked to export receipts or import payments that are a core part of the underlying business, e.g. the foreign exchange exposures are ongoing and directly related to – day-to-day business activities.

In these circumstances hedging transactions with external counterparties will be executed by DCTL upon instruction from the entity. All such deals will be in the name of the hedging entity to avoid the requirement for internal transactions to be completed.

12. Commodity Risk Policy

12.1 Purpose

The Commodity Risk Policy establishes guidelines under which commodity price risk management occurs.

12.2 Rationale

The objective of the policy is to mitigate the potential for financial loss arising through unfavourable movements in commodity prices. This commodity transaction risk can result in the DCC’s cash flows being adversely affected by movements in commodity prices that will change the New Zealand dollar (NZD) value of commodity payables or receipts.

At this stage there are not considered to be any material commodity exposures within the DCC Group but if material exposures that are ongoing are identified (defined as an underlying exposure in excess of NZ\$500,000 equivalent per annum) DCTL will work with the entity to develop an appropriate policy to manage that risk with the policy being submitted for approval in accordance with this policy.

For clarity the trading in physical forest assets are not considered a commodity.

Any one-off commodity exposures (defined as in excess of NZ\$50,000) will be reviewed by DCTL which will recommend a potential hedging strategy to the Board of the DCC Group entity incurring the exposure. Any such hedge must be approved by the DCTL Board.

13. Reporting

13.1 Definition for Policy Purposes

Management information is the basis for monitoring and reporting treasury activity. For the reason management must have access to information that is timely, accurate, relevant and complete. Characteristics of effective information for treasury management purposes are:

- information that deals primarily with treasury activities; Information sources must be clearly identified
- information must be timely and made available to appropriate levels of management; Reports must be clearly presented, preferably on a summary basis
- reports must be internally consistent.

13.2 Management Reports

Management reports for the DCTL Board are produced on a monthly basis providing the following categories of information:

- approved facility limits provided to DCC entities, and current utilisation
- external counterparty limit utilisation for the DCC Group
- debt hedging profile against policy parameters, funding profile against policy parameters and liquidity levels
- details of DCC Group FX hedging against policy parameters
- quarterly reporting that measures the actual interest cost against interest expense in the current Annual Plan and also current LTP.

13.3 Reporting to DCTL Board

The DCTL Board will be provided with a monthly report of treasury activity. The report will include details of any exception to the policy and information supporting any decisions required of DCTL, DCHL or Council where authority has not been delegated to management.

The Group TM is responsible for preparing the report, with the format to be agreed on an ongoing basis with the DCTL Board. The report will include progress in relation to the approved Group TM implementation plans as detailed previously in this document.

14. Performance measurement

14.1 Definition for Policy Purposes

Performance measurement is the analysis of DCTL activity in order to compare actual achievement with the objectives established for its operation. Without such a systematic and objective approach no judgements can be formulated as to achievement, as to whether the DCC is receiving value from DCTL and as to what improvements have been made.

14.2 Establishing Performance Indicators

Performance indicators are established annually in the Statement of Intent. Performance indicators for the treasury functions must:

- be consistent with the objectives established for treasury management and be recast as changes occur in short or long term objectives
- have a time horizon chosen for measurement purposes which is relevant; and the targets must be achievable
- have targets agreed by all involved but at a minimum will compare average all up interest rate (% terms) against current Annual Plan budget and current LTP budget.

14.3 Performance Measurement Reporting

A quarterly report to the DCHL and DCTL Boards will update performance against the key indicators agreed.

Appendix 1: Delegations of Authority

The following table lists individuals who have the authority to deal, the dealing limits, and any specific conditions applicable to the type of transaction:

Transaction Type	Delegation given to	Dealing Limit Total Value per week
Cash Management (borrowing) Commercial paper, bank overdraft, bank facilities.	DCTL Board Group Chief Financial Officer Group TM Assistant Treasurer	\$50 million to 180 days. \$30 million 181 to 365 days. \$20 million to 180 days. \$10 million 181 to 365 days. \$10 million to 180 days. \$5 million 181 to 365 days.
Long-term funding represented by new and maturing debt drawdown	DCTL Board Group Chief Financial Officer Group TM Assistant Treasurer	\$100 million to 5 years. \$50 million to 10 years. \$50 million to 3 years. \$20 million to 5 years. N/A Total debt outstanding after transaction must not be in excess of debt projection and latest funding budget approved by DCTL Board.
Foreign exchange and commodity price management	Group TM Assistant Treasurer	Total of exposure being hedged. Total of exposure being hedged.
Debt management via derivative transactions	DCTL Board Group Chief Financial Officer Group TM Assistant Treasurer	\$50 million to 3 years. \$30 million to 5 years. \$20 million to 3 years. \$10 million to 5 years. N/A
Investment Transactions	Group TM Assistant Treasurer	\$10 million to 180 days. \$5 million to 365 days. \$5 million to 180 days. \$2 million to 365 days.

Appendix 2: Key Terms and Definitions

Cash Forecasting

The process of estimating the total of the cash inflows and outflows which will occur during various periods into the future for entities (or group of entities where a central treasury function is used) and calculating the projected net cash balance at the end of each of the various future periods.

Counterparty

A counterparty is the other party to a transaction entered into for example, if one party agrees to invest some money with a bank, then that bank is the counterparty in relation to that transaction.

Credit Risk

The risk to one party that a counterparty, to a transaction entered into, will be unable to perform its side of the transaction. This could result in the loss of money invested with them, or could involve the cost of replacing the transaction at current market rates.

DCC

This is the body corporate, Dunedin City Council, and includes its officers acting under delegated authority where the context so requires.

DCC Group

This is comprised of DCC, DCHL plus all of the companies (other than Dunedin International Airport Limited) in which either DCC or DCHL owns some or all of the share capital.

DCHL

This is Dunedin City Holdings Limited. This company holds the DCC's investment in the share capital of some of the DCC Group companies. Dunedin City Holdings Limited is 100% owned by DCC.

DCTL

This is Dunedin City Treasury Limited. This company is responsible for funding the financial requirements of the DCC Group. To satisfy these funding requirements, DCTL borrows from and invests money with organisations inside and outside the DCC Group. In performing this task it is required to manage its own interest rate risk within defined limits set out in its Treasury Management Policy document.

Deed of Understanding

This is the Deed entered into by all members of the DCC Group recording their agreement on various restrictions, requirements and obligations imposed on each member with the Group as regards their respective operations and undertakings.

Facility

A formal arrangement with another party to make available an agreed service on request (for example, an overdraft facility with a bank allows one party to overdraw the balance available in that bank account whenever required, up to the limit agreed in that facility).

Foreign Exchange Risk

The risk arising from a change in foreign exchange rates against the New Zealand dollar adversely affecting the New Zealand denominated value of an outstanding transaction, asset, or liability.

Interest Rate Risk

The risk inherent in an adverse change in market interest rates. This risk can be reflected in the interest rate paid on new borrowings/rollover of existing borrowings, and the opportunity cost relating to interest rates agreed to on borrowings already raised.

Liquidity

Having access to sufficient cash at the times necessary to make the required payments.

Performance Measurement

The process of comparing what was actually achieved with the objectives and indicators set.

Statement of Corporate Intent

The document as defined in the Local Government Act 1974 and, the Energy Companies Act 1992

Treasury Management Policy

A document setting out guidelines within which treasury related activities (for example, borrowing and investment of money, working capital control, cash flow forecasting, interest risk rate risk management) will be conducted.

Subsidiary/Subsidiaries

This refers to DCHL plus all of the companies in which DCHL owns some or all of the share capital but excluding Dunedin International Airport Limited.

Working Capital Control

The process of managing current assets (for example, cash debtors, stock – in its various stages) and current liabilities (for example, creditors) to produce the greatest net benefit relative to the net investment in working capital (current assets less current liabilities)

Appendix 3: Standard & Poor’s Liquidity Calculation

Liabilities to cover		
Commercial paper		XXX
Other direct S/T debt		XXX
Long term loans maturing within 12 months		XXX
12 months interest		XXX
TOTAL		XXX
Required liquidity	80%	A
Calculated free cash and liquid assets		
		Haircut
Unrestricted cash		0%
Government bonds/money market instruments		5%
Liquid bonds/money market instruments IG		30%
Liquid bonds/money market instruments NIG		50%
Equities listed on a major stock exchange		50%
= calculated free cash and liquid assets		
Committed bank lines		
Bank line 1		
Bank line 2		
Bank line 3		
Other sources of funds		
Total Liquidity		B
Net Liquidity		A-B

Development Contributions Policy 2015/16

Overview

The Dunedin City Council (DCC) is expected to continue to experience growth in resident population, dwelling numbers, visitor numbers, development and economic activity. The DCC must make significant investment in additional assets and services, and assets of greater capacity, in order to meet the demands of growth. The Development Contributions Policy (‘this Policy’) provides a transparent and consistent basis for requiring contributions from developers towards the capital expenditure incurred to provide for growth.

This Policy has been prepared in accordance with the Local Government Act 2002. Development contributions are defined by the provisions of Part 8 Subpart 5 and Schedule 13 of the Local Government Act 2002. The DCC is required to have a Development Contributions Policy as a component of its Funding and Financial Policies in its Long Term Plan under section 102(2)(d) of the Local Government Act 2002.

The schedule of charges for the Mosgiel Plan Change Areas is calculated using a different methodology to the other ‘areas of benefit’ defined in this Policy, as set out in the Development Contributions Policy contained in the Dunedin City Council Community Plan 2009/10 –2018/19 and the latest schedule of charges is included in this Policy.

Definitions

The terminology used in this Policy adopts the definitions in section 197 of the Local Government Act 2002.

Purpose

The purpose of development contributions is to enable the DCC to recover from those persons undertaking development a fair, equitable, and proportionate portion of the costs of capital expenditure necessary to service growth. This Development Contributions Policy ensures that growth, and the cost to provide for growth, is funded in a fair and reasonable manner by those who create, or those who have created, the need for that cost. The DCC’s baseline position is that it is inappropriate to burden the community as a whole, by way of rating or other payment means, to meet the cost of growth.

The DCC intends to entirely fund the portion of capital expenditure that is attributable to growth by development contributions wherever it is legislatively permitted, fair, equitable, and proportionate to do so.

Development contributions are not a tool to fund the cost of maintaining or improving/ changing levels of service for existing users. These costs will be met from other sources.

Principles and approach

The DCC is permitted by section 199 of the Local Government Act 2002 to require development contributions, subject to the limitations specified by section 200. The sustainable management of the DCC’s network of community facilities is important. Growth through development places demands upon such networks in the form of increased use, additions or expansion. The District Plan seeks to ensure that such demands are managed in a planned and integrated manner. This Policy will ensure that the costs of additional community facilities are funded in a fair, equitable and proportionate manner by those who create the additional demand.

Development contributions will be required if the effects or cumulative effects of developments will create or have created a requirement for the Council to provide or to have provided new or additional assets or assets of increased capacity.

A development contribution may be required for capital expenditure that the DCC has already incurred in anticipation of growth.

The DCC will adopt the following approach to fund the growth component of the capital expenditure for community facilities:

- a development contribution will be payable for any development which creates an additional or part unit of demand, within any area of Dunedin City, for: water supply, transportation, wastewater, community infrastructure, stormwater and reserves
- a development contribution payable will be based on the development funding up to 100% of the assessed growth cost of community facilities attributable to the additional demand resulting from that development.
- The DCC may amend this Policy to require contributions for any development that creates additional units of demand:
 - in areas that have been identified for growth through a change made to the District Plan after 19 April 2004
 - in areas where capital expenditure has been or will be incurred to provide for additional capacity in network infrastructure in anticipation of future growth.

Schedules will identify the community facility and the relevant geographic area of benefit where development contributions will be required. Each schedule will contain the standard development contribution required and reference a map showing the area of benefit. Should the DCC approve a water supply or wastewater connection to a property outside the areas of benefit, the applicable development contribution, or a reassessed amount, shall be required.

Reasons

Section 106(2)(c) of the Local Government Act 2002 requires the DCC’s Development Contributions Policy to explain why the DCC has determined that it is appropriate to use development contributions as a funding source, by reference to the matters in section 101(3) of the Local Government Act 2002.

For the purposes of section 101(3)(a) community outcomes are as identified in ‘Section 1 – Major Issues and Financial Strategy’ of the Dunedin City Council Long Term Plan 2012/13 – 2021/22. For the purposes of this Policy, activities have been grouped into:

- reserves and community infrastructure
- utilities – water supply, wastewater and stormwater
- transportation – roading and footpaths

This Policy has been established to support these activities and help deliver the community outcomes to which each group of activity primarily contributes as shown below:

Relevant activity	Community Outcome
Transportation (Roading and Footpaths)	A Connected Community
Utilities (Water Supply, Wastewater and Stormwater)	A Safe and Healthy City
Reserves and Community Infrastructure (Parks and Reserves)	An Active City

For each activity the DCC has determined that development contributions are an appropriate method of funding growth costs, following consideration of each matter specified in section 101(3) of the LGA 2001, and documented in Table 1.

Each matter has been considered for each activity, however in some cases the reasons given are valid for all activities. Where this is the case Table 1 shows the common reasons applicable to all activities.

Table 1: Considerations of Section 101(3) of the Local Government Act 2002

Reserves and Community Infrastructure	Utilities (Water Supply, Wastewater and Stormwater)	Transportation
Reserves and community infrastructure are managed City-wide as a network providing a variety of active and passive recreation opportunities to all residents. The network also provides amenity, landscape and ecological benefits for City residents.	Water supply, stormwater and wastewater networks throughout the City are provided to levels appropriate to sustain the density of use provided for in that locality. These networks are recognised by the District Plan, which utilises zoning to provide for use and development to ensure sustainable management of existing infrastructure and any extensions. The three networks are grouped together as they share similarities in their management and in terms of the effects any extensions have upon them.	The transportation network is maintained throughout the city at an appropriate level to ensure accessibility for all possible origins and destinations, and to provide for all possible activities.
Section 101(3)(a)(i) the community outcomes to which the activity primarily contributes;		
An Active City	A Safe and Healthy City	A Connected Community
Section 101(3)(a)(ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals;		
<p>Existing Community and Growth Community</p> <p>Capital expenditure will provide capacity, and therefore benefit, to the existing community, the growth community, or both these groups. The DCC intends to recover the cost of growth from the growth community via development contributions. Improving levels of service, historical catch-up or asset renewal will be funded by other sources of revenue by the existing community. In determining the value of the benefits being received by the growth community, it is assumed that the value of those benefits is equal to the cost of providing them.</p> <p>Each item of capital expenditure undergoes a cost driver analysis to define the benefit, and the cost, attributed to each part of the community using one or many of the following cost drivers:</p> <ul style="list-style-type: none"> • growth • level of service • renewal. <p>The growth costs provide for new or additional assets or assets of increased capacity to meet the demands growth places on community facilities.</p>		
<p>Areas of Benefit</p> <p>Each area of benefit is a defined geographic area with a separate development contribution. The areas of benefit reflect the variations in the cost of providing assets according to the characteristics of each particular locality and the nature of the works required.</p>		

Reserves and Community Infrastructure	Utilities (Water Supply, Wastewater and Stormwater)	Transportation
<p>The DCC intends to use two areas of benefit for Reserves and Community Infrastructure to distribute the benefits:</p> <ul style="list-style-type: none"> • Dunedin Metropolitan • Dunedin Other <p>A decision was made that the Transportation area of benefit boundary should also apply to Community Infrastructure and Reserves. Areas that have a high utilisation of the inner city transport network are likely to use the inner city Reserves and Community Infrastructure assets.</p> <p>The growth costs for each project have been apportioned to both areas based on the following variables:</p> <ul style="list-style-type: none"> • Location of capital works • Cross border benefit/utilisation between the two areas 	<p>The DCC intends to use the scheme boundaries to define the areas of benefits for the Water Supply and Wastewater contributions. These are:</p> <ul style="list-style-type: none"> • Water Supply • Dunedin Metropolitan • Mosgiel • Outram • Rockland Rural • Waikouaiti, Merton, Karitane, Seacliff • Waitati and Warrington • West Taieri • Wastewater • Middlemarch • Green Island (Dunedin Metropolitan) • Mosgiel • Seacliff • Tahuna (Dunedin Metropolitan) • Waikouaiti / Karitane • Warrington <p>Stormwater has a single city-wide area of benefit.</p>	<p>The DCC intends to use two areas of benefit for Transportation to distribute the benefits:</p> <ul style="list-style-type: none"> • Dunedin Metropolitan • Dunedin Other <p>The core philosophy behind this decision is that the Dunedin Metropolitan area of benefit defines an area in which there are a high proportion of commuters which travel into Dunedin's main urban area and that developments in this area should pay a different contribution to those that use mainly rural and township roads.</p> <ul style="list-style-type: none"> • The growth costs for each project have been apportioned to both areas based on the following variables: <ul style="list-style-type: none"> – Location of capital works • Cross border benefit/utilisation between the two areas
Section 101(3)(a)(iii) the period in or over which those benefits are expected to occur;		
<p>Capital expenditure often has benefits extending beyond the 10 year Long Term Plan planning horizon. For each of the individual capital expenditure projects, the DCC determines the length of time over which the asset created by that expenditure will provide a benefit to the community. The DCC also determines the capacity of that asset and the amount of capacity that will be utilised by the growth community. The use of development contributions ensures that existing ratepayers are not paying for the infrastructural capacity that they do not require, and this ensures intergenerational equity.</p> <p>Once a development contribution has been paid in relation to a development, the benefits of the asset, service, or environmental enhancement shall occur indefinitely.</p>		

Reserves and Community Infrastructure	Utilities (Water Supply, Wastewater and Stormwater)	Transportation
Section 101(3)(a)(iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity;		
<p>The DCC has projected the extent of growth within the City. The DCC has also identified its capital expenditure necessary to meet the needs of the growth community. Funding the cost of providing increased capacity in community facilities through development contributions, rather than rates serviced debt, promotes equity between the existing community and the growth community.</p> <p>The areas of benefit discussed above in relation to section 101(3) (a) (ii) also ensure the growth costs are attributed to those which contribute to the need to undertake the activity.</p>		
Land Use Categories		
<p>The DCC will use land use categories to ensure the growth costs are attributed to identifiable parts of the growth community which contribute to the need to undertake the activity. Growth in each land use category generates a different demand for community facilities and therefore each land use shall pay appropriate fair, equitable and proportionate contribution.</p>		
<p>The land use categories used for reserves and community infrastructure (CI) are:</p> <ul style="list-style-type: none"> • Residential • Rural Residential • Visitor Accommodation • Commercial (CI only) • Farming • Industrial (CI only) • University/Polytechnic – Accommodation • University/Polytechnic – Other (CI only) 	<p>The land use categories used for utilities are:</p> <ul style="list-style-type: none"> • Residential • Rural Residential • Visitor Accommodation • Commercial • Farming • Industrial • Otago University/Polytechnic – Accommodation • Otago University/Polytechnic – Other 	<p>The land use categories used for transportation are:</p> <ul style="list-style-type: none"> • Residential • Rural Residential • Visitor Accommodation • Commercial • Farming • Industrial • Otago University/Polytechnic – Accommodation • Otago University/Polytechnic – Other
Section 101(3)(a)(v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities;		
<p>Development contributions received for a specific activity will only be used for, or towards, the capital expenditure of that activity for which the contribution was required.</p> <p>Using development contributions to fund the cost of providing additional community facilities provides greater transparency. This enables the DCC's growth costs to be recovered from developers through development contributions. The benefits of this approach are deemed to exceed the costs of assessing development contributions.</p>		
Section 101(3)(b) the overall impact of any allocation of liability for revenue needs on the community;		
<p>The liability for revenue falls directly with the growth community. At the effective date of this Policy, the DCC considers that any negative impact of the allocation of liability for revenue on this particular sector of the community is outweighed by a positive impact on the wider community. At any stage in the future where there may be impacts of this nature, the DCC may revisit this policy.</p>		

The full methodology that demonstrates how the calculations for development contributions were derived is contained in the Detailed Supporting Document, which is available to the public as per section 106(3) of the Local Government Act 2002. The Detailed Supporting Document is available on the DCC website www.dunedin.govt.nz or on request from the DCC Customer Services Agency, Civic Centre, 50 The Octagon, Dunedin.

When will contributions be required

Section 198 of the Local Government Act 2002 gives territorial authorities the power to require a contribution for developments.

The DCC will assess whether development contributions are payable when any of the following occur:

- a Resource Consent is granted
- a Building Consent is granted
- a Certificate of Acceptance is issued for building work situated in its district (whether issued by the territorial authority or by a building consent authority)
- an Authorisation for a Service Connection is granted.

Enforcement powers

If payment of development contributions is not received the DCC will enforce powers outlined in Section 208 of the Local Government Act 2002.

Until a development contribution required in relation to a development has been paid or made under section 198, the DCC may:

- in the case of a development contribution required under section 198(1)(a), –
 - withhold a certificate under section 224(c) of the Resource Management Act 1991
 - prevent the commencement of a resource consent under the Resource Management Act 1991.
- in the case of a development contribution required under section 198(1)(b), withhold a code compliance certificate under section 95 of the Building Act 2004
- in the case of a development contribution required under section 198(1)(ba), withhold a certificate of acceptance under section 99 of the Building Act 2004
- in the case of a development contribution required under section 198(1)(c), withhold a service connection to the development
- in each case, register the development contribution under the Statutory Land Charges Registration Act 1928, as a charge on the title of the land in respect of which the development contribution was required.

Financial contributions

Councils have the option to use either the provisions of the Resource Management Act 1991 (Financial Contributions) or those of the Local Government Act 2002 (Development Contributions) or a combination of both to obtain funds or land from developers. Councils must ensure that they do not ‘double dip’ for the same infrastructure.

The DCC has decided to establish its Development Contributions Policy within the requirements of the Local Government Act 2002. However, one financial contribution currently provided for in the District Plan will remain in that document because it does not fall within the scope of the Local Government Act 2002 provisions for Development Contributions. The provision is: Section 10: Industrial Activities – Rule 10.6.2(vii) Industrial 2 Zone landscaping requirements.

If situations arise in future where contributions not allowed by the Local Government Act 2002 would be permissible within the Resource Management Act 1991 provisions, the DCC will consider whether or not the event is of sufficient frequency and value to justify a change to the District Plan introducing the financial contribution – for the avoidance, remediation or mitigation of adverse environmental effects.

Which policy will apply

This Policy will apply to applications for resource consent, building consent or service connection received after 1 July 2015.

In all other cases, the DCC will apply the provisions of the applicable Development Contributions Policy.

Capital expenditure

Only capital expenditure is considered in determining development contributions charges under this Policy. All operational expenditure is excluded, including internal overheads.

Capital expenditure is identified from two sources:

- the latest Annual Plan/Long Term Plan – future capital expenditure
- historic financial reports – historic capital expenditure. Historic growth-related capital expenditure will only be included:
 - where there is a current debt balance, and
 - where there is documented evidence that there was a growth component to the project. The documented evidence must have existed at the time of construction.

Capital expenditure is considered in nominal (current day) dollars, and interest considerations are included.

All third-party funding is excluded from the capital expenditure used in calculating development contributions charges.

Cost driver apportionments

All capital expenditure has been apportioned into three cost drivers – growth, renewal and level of service. Only the growth portion is used for assessing development contributions. The cost drivers have been assessed using several methods.

These are:

- asset capacity
- using design life of new assets to approximate growth percentage
- assessed using professional judgement.

The growth related capital expenditure is referred to in this policy as growth costs.

Unit of demand

To identify the share of the growth costs attributable to each unit of demand the DCC will use an Equivalent Household Unit (EHU). An EHU represents the impact of a typical residential dwelling for each activity.

All development shall be converted to an EHU using land use differentials and conversion factors. These enable the number of EHU's to be calculated for non-residential developments based on a standard measure of size.

Further information about the land use differentials and conversion factors can be found in the Detailed Supporting Document.

Overview of calculation methodology

A brief introduction to the development contributions calculation method is presented here. A full disclosure of the methodology and calculations is in the Detailed Supporting Document and is available on the DCC website www.dunedin.govt.nz or on request from the DCC Customer Services Agency, Civic Centre, 50 The Octagon.

The key concept of the approach is to define the total growth costs consumed by the growth community over a period of time. This consumption of growth costs is then apportioned among the increased number of units of demand (Equivalent Household units) over the same time period. This defines the long run average cost of growth per unit of demand, defined as the equivalent household unit (EHU) contribution. This can be represented by the following formula:

$$\text{Standard Contribution} = \frac{\text{Sum of Growth Costs Consumed in Analysis Period}}{\text{Sum of New Equivalent Household Units in Analysis Period}}$$

The calculation method can be simplified according to the following steps:

- Step 1: Assess growth costs on an asset by asset basis using financial reports (past expenditure) and the Long Term Plan (projected expenditure)
- Step 2: Apportion growth costs by the growth population (equivalent household units) over the design life of the asset, to assess the \$/EHU
- Step 3: For each year in the analysis period determine the total consumption of asset capacity for each asset identified, namely

$$\text{Growth Cost Consumed} = \text{Standard Contribution } (\$/\text{EHU}) \times \text{Number of EHUs}$$
- Step 4: Sum for all assets in each year in the analysis period, namely total capacity consumed in that year, measured in \$
- Step 5: Sum each year in the 10-year analysis period and divide by the growth population (new equivalent household units) projected over the analysis period to determine the equivalent household unit contribution.

Development contributions for each activity shall be capped at \$5,000 per Equivalent Household Unit (EHU) in all areas of benefit, except:

- the existing Mosgiel Plan Change Areas, which will be subject to 100% of the calculated development contribution being charged
- any other Plan Change Areas where an application for a change to the District Plan is lodged subsequent to 1 July 2014, which will be subject to 100% of the calculated development contribution being charged.

Schedule of development contributions charges

The following tables indicate:

- the areas of benefit where development contributions are to be sought
- the development contributions per equivalent household unit for each activity within each area
- the conversion factors for each activity and for each area of benefit
- the contributions have been rounded to the nearest \$10
- the contributions capped at \$5,000 per EHU are shown in italics
- the contributions below do not apply to the Mosgiel Plan Change areas. These are shown in Table 5.

Table 2: Schedule of Development Contributions per Equivalent Household Unit – (excluding GST)

Area of Benefit	Water Supply	Wastewater	Stormwater	Transportation	Reserves	Community Infrastructure	Total Contribution by Area of Benefit
Allanton	\$0	\$0	\$0	\$490	\$340	\$50	\$880
Dunedin Metro WS – Green Island WW	\$1,680	\$2,330	\$180	\$490	\$340	\$50	\$5,070
Dunedin Metro WS – Tahuna WW	\$1,680	\$3,500	\$180	\$490	\$340	\$50	\$6,240
Karitane	\$5,000	\$100	\$0	\$450	\$160	\$70	\$5,780
Merton	\$5,000		\$0	\$450	\$160	\$70	\$5,680
Middlemarch	\$0	\$320	\$180	\$450	\$160	\$70	\$1,180
Mosgiel WS – Mosgiel WW	\$1,580	\$2,080	\$180	\$490	\$340	\$50	\$4,720
Mosgiel WS – Green Island WW	\$1,580	\$2,330	\$180	\$490	\$340	\$50	\$4,970
Outram	\$1,820		\$180	\$490	\$340	\$50	\$2,880
Rockland Rural	\$0		\$0	\$450	\$160	\$70	\$680
Seacliff	\$5,000	\$230	\$0	\$450	\$160	\$70	\$5,910
Waikouaiti	\$5,000	\$100	\$180	\$450	\$160	\$70	\$5,960
Waitati	\$5,000		\$0	\$450	\$160	\$70	\$5,680
Warrington	\$5,000	\$0	\$0	\$450	\$160	\$70	\$5,680
West Taieri	\$5,000		\$0	\$450	\$160	\$70	\$5,680
All Other Dunedin Metropolitan	\$0		\$180	\$490	\$340	\$50	\$1,060
All Other Dunedin Other	\$0		\$180	\$450	\$160	\$70	\$860

Notes to Table 2:

- See section on Water Supply and Wastewater charges for details.
- ‘Mosgiel’ in the table above excludes the Mosgiel Plan Change Areas.
- In establishing the development contribution rates for Reserves, section 203 of the LGA 2002 states that development contributions for Reserves must not exceed the greater of:
 - 7.5 percent of the land value of the additional allotments created by the subdivision (either cash or land equivalent); and
 - The value equivalent of 20 square metres of land for each additional household unit created by the development.
- The Areas of Benefit Maps section below shows the areas of benefit described above.
- WS means Water Supply.
- WW means Wastewater

Table 3: Equivalent Household Unit Conversion Factors for each Land Use Category

Land Use Category	Equivalent Household Units (EHU) per unit of measure									
	Water Supply		Wastewater	Stormwater	Transportation		Reserves		Community Infrastructure	
	Working Charge EHU's	Network Charge			Dunedin Metropolitan	Dunedin Other	Dunedin Metropolitan	Dunedin Other	Dunedin Metropolitan	Dunedin Other
Residential unit 3 or more habitable rooms	1 EHU per unit		1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit
Residential unit 2 habitable rooms	0.75 EHU per unit		0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit
Residential unit 1 habitable room	0.5 EHU per unit		0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit
Family Flat	0 EHU		0 EHU	0 EHU	0 EHU	0 EHU	0 EHU	0 EHU	0 EHU	0 EHU
Rural Residential	0.86 EHU per dwelling	0.41 EHU per property	1.48 EHU per dwelling	0.34 EHU per 100m ² ISA	1.63 EHU per dwelling	0.82 EHU per dwelling	1 EHU per dwelling	1 EHU per dwelling	1 EHU per dwelling	1 EHU per dwelling
Visitor Accommodation	0.56 EHU per 100m ² GFA	0.93 EHU per property	0.99 EHU per 100m ² GFA	0.34 EHU per 100m ² ISA	0.31 EHU per 100m ² GFA	0.37 EHU per 100m ² GFA	0.30 EHU per 100m ² GFA	0.30 EHU per 100m ² GFA	0.71 EHU per 100m ² GFA	0.67 EHU per 100m ² GFA
Commercial	0.19 EHU per 100m ² GFA	0.94 EHU per property	0.31 EHU per 100m ² GFA	0.34 EHU per 100m ² ISA	6.01 EHU per 100m ² GFA	3.21 EHU per 100m ² GFA			0.04 EHU per 100m ² GFA	0.05 EHU per 100m ² GFA
Farming	0.86 EHU per dwelling	0.41 EHU per property	1.48 EHU per dwelling	0 EHU per 100m ² ISA	5.34 EHU per 100 Ha	2.17 EHU per 100 Ha	0.50 EHU per dwelling	0.50 EHU per dwelling	0.50 EHU per dwelling	0.50 EHU per dwelling
Industrial	0.36 EHU per 100m ² GFA	0.90 EHU per property	0.58 EHU per 100m ² GFA	0.34 EHU per 100m ² ISA	3.39 EHU per 100m ² GFA	3.27 EHU per 100m ² GFA			0.03 EHU per 100m ² GFA	0.03 EHU per 100m ² GFA
Otago University/ Polytechnic – Other	0.16 EHU per 100m ² GFA	0.94 EHU per property	0.28 EHU per 100m ² GFA	0.34 EHU per 100m ² ISA	2.02 EHU per 100m ² GFA				0.04 EHU per 100m ² GFA	
Otago University/ Polytechnic – Accommodation	0.61 EHU per 100m ² GFA	0.93 EHU per property	1.09 EHU per 100m ² GFA	0.34 EHU per 100m ² ISA	0.72 EHU per 100m ² GFA		0.60 EHU per 100m ² GFA		0.80 EHU per 100m ² GFA	

Notes to Table 3:

- GFA means gross floor area, and is defined, as ‘the sum of the gross area of the several floors of all buildings on a site, measured from the exterior faces of the exterior walls, or from the centre lines of walls separating two buildings’. For the purpose of this policy this definition of gross floor area, excluding car parking areas, will be used.
- ISA means impermeable surface area.
- Non-residential Farming developments (for example, barns and sheds) would not be charged a development contribution, except where a farm is subdivided. Farm subdivisions will be assessed under the Farming land use category, and the per dwelling charges for Water Supply, Wastewater, Reserves and Community Infrastructure will only be applicable where a new residential dwelling forms part of the development. Where an additional residential dwelling is built on an existing farm, this will be assessed under the Rural Residential land use category.

Assessment of developments of unknown size

If the gross floor area is unknown, which may be the case at the subdivision or land use consent stage, the deemed values in Table 4 will be used to estimate gross floor area. These deemed values are considered to be conservative estimates of the potential gross floor area of a development in each category.

When an estimate of the gross floor area and impermeable surface area is used in the development contribution assessment then the DCC will only charge 75% of the calculated contribution at subdivision or land use consent. The balance of the contribution based on actual gross floor area and impermeable surface area would be required at building consent.

Table 4: Estimation of gross floor area

Category	Building Coverage	Number of Floors
Residential	1 dwelling / lot	
Rural Residential	1 dwelling / lot	
Visitor Accommodation	45%	2
Commercial	75%	1
Industrial	75%	1

Notes to Table 4:

- Where the impermeable surface area is unknown and the gross floor area is known, the gross floor area will be used as an estimate of the impermeable surface area.
- Where both the impermeable surface area and gross floor area is unknown, the impermeable surface area will be estimated according to the estimation of gross floor area as set out in Table 4.
- Where the gross floor area is unknown for Otago University / Polytechnic developments, the category Commercial in Table 4 shall be used as the basis of assessments of unknown size.
- The assumptions in Table 4 will also be used to assess credits for vacant non-residential lots.

Water supply and Wastewater charges

All developments within the area of benefit that are intended and able to be serviced by water supply and/or wastewater are required to connect and the DCC will charge the relevant development contribution. The development contribution may be levied at resource consent, land use consent or building consent stage. In extraordinary circumstances where an in-zone property is not practically able to be supplied with water supply and/or wastewater exception may be granted and zoning reviewed. Should the DCC approve an out of zone water supply or wastewater connection to a property outside the areas of benefit, the applicable development contribution, or a reassessed amount, shall be required.

For some properties at the Burnside end of Kaikorai Valley Road and surrounding streets, the DCC will determine on the basis of line capacity whether to connect the property to the Tahuna or Green Island wastewater treatment plant. Where the DCC determines a property will connect to the Green Island wastewater plant, the Dunedin Metro WS - Green Island WW area of benefit charges will apply. Where the DCC determines a property will connect to the Tahuna wastewater plant, the Dunedin Metro WS - Tahuna WW area of benefit charges will apply.

Schedule of Development Contribution Charges – Mosgiel Plan Change Areas

The methodology for calculating charges for the Mosgiel Plan Change Areas remains as per the DCC’s 2009/10 Development Contributions Policy. The schedule of charges for 2015/16 is shown in Table 5 below. All schedules of charges in this Policy will be updated annually to reflect changes to the actual and budgeted cost of capital expenditure. The City-wide Reserves contribution is the only contribution common across all of the Mosgiel areas of benefit.

The area of benefit maps can be found in the final section of this policy. Further details on these calculations can be found in the Detailed Supporting Document or the 2009/10 Development Contributions Policy, available from the DCC website www.dcc.govt.nz or on request from the DCC Customer Services Agency, Civic Centre, 50 The Octagon.

Table 5: Mosgiel Plan Change Areas – Schedule of Charges

Area of benefit	City Wide Reserves	Reserves – Local	Water Supply	Wastewater	Stormwater	Transportation	Total Contribution per Unit of Demand (excluding GST)
Variation 9B			\$3.94 per m ² site area	\$1.08 per m ² site area			\$5.02 per m ² site area
Plan Change 15 – Mosgiel East Area	\$340.00 per lot	\$3,363.43 per lot		\$1,318.86 per lot	\$3,226.40 per lot	\$2,925.87 per lot	\$11,174.55 per lot
Plan Change 15 – Mosgiel West Area	\$340.00 per lot	\$2.51 per m ² site area	\$3.65 per m ² site area	\$1.01 per m ² site area		\$5.86 per m ² site area	\$340 per lot + \$13.03 per m ² site area
Plan Change 15 – Mosgiel West Area – Access Road to Riccarton Road Area						\$2.46 per m ² site area	\$2.46 per m ² site area
Plan Change 15 – Mosgiel East Area C	\$340.00 per lot		\$2.42 per m ² site area	\$1.33 per m ² site area			\$340 per lot + \$3.75 per m ² site area

Calculation assumptions

All information used in the calculations of development contributions is the best available at the time.

All figures are in nominal New Zealand dollars.

Interest has been included and an interest rate of 7.3% has been applied.

Development contributions are calculated on capital expenditure projections in the 2015/16 Long Term Plan.

Risks

The risks relating to the Policy are listed below. The steps required to mitigate these risks are also shown. This ensures that the correct development contributions are collected by the DCC.

Subsidies: The future portion of the development contributions are based on the DCC's 10-year Long Term Plan programme. There are a number of projects in the budget that

may be fully or partially subsidised by non-DCC entities. The actual capital expenditure will be input into the calculation model on an annual basis as soon as it is available. This will ensure the contributions are based on the DCC's most up to date information and reflect the actual growth related expenditure.

Legislative changes: This Policy and calculation model will be updated to incorporate any legislation changes.

Growth lower or higher than anticipated: If the growth in Dunedin City is more or less than projected, the DCC risk under or over collecting contributions. The growth projections will be reviewed regularly to ensure they are as accurate as possible.

Growth apportionment: Any changes in the growth rates may affect the apportionment of some capital projects and hence the growth capital expenditure to be recovered through development contributions charges.

The variables above can be reviewed every year via the Annual Plan/Long Term Plan update and review process. This ensures that development contribution charges are based on the most up-to-date information possible.

Growth Projections – Source Data

The growth projected for each area of benefit has been estimated using the best information available.

- Dunedin City Council Population Projections 2009 – Rationale Ltd.
- Site Specific Projections – One-off studies completed by the DCC for specific projects.
- BERL Otago Regional and Sub-Regional Economic Profile 2008 – 2009, March 2010.

The growth in each area of benefit can be found in the disclosure tables in this policy.

The following table shows the projected 10-year EHU growth for each activity.

Table 6: EHU Growth over 10 years by Activity

Activity Units	10-Year Growth in Equivalent Household Units (2015-2024)
Water Supply	2,796
Wastewater	2,988
Stormwater	2,797
Transportation	4,901
Community Infrastructure	3,347
Reserves	3,410

Each activity has a different method for converting property growth into EHU’s. This is based on the different impact of each land use category on the infrastructure of each activity, namely land use differential and conversion factors. This is described in Part 3 of the Detailed Supporting Document, available from the DCC website www.dcc.govt.nz or on request from the DCC Customer Services Agency, Civic Centre, 50 The Octagon.

Implementation and review

This Policy will be reviewed once every three (3) years or more frequently as required. The review will include adjustment of figures to reflect changes in budgeted costs.

Any review of this Policy may take account of:

- any changes to significant assumptions underlying this Policy
- any changes in the capital development works programme for growth
- any changes to the District Plan

- development of the DCC Strategies which affect growth
- any changes in the pattern and distribution of development in the City
- any changes that reflect new or significant modelling of the networks
- any change in actual costs and/or actual interest costs
- addition of new projects and changes, or new areas of benefit, or deletion or modification to existing projects, costs or areas of benefit
- the regular reviews of the Funding and Financial Policies, and the Long Term Plan
- any other matters the DCC considers relevant, including amendments to legislation and regulations.

Under section 106 of the Local Government Act 2002 a development contribution may be increased without consultation, formality, or a review of the development contributions policy if

- a) the increase does not exceed the result of multiplying together –
 - the rate of increase (if any), in the Producers Price Index Outputs for Construction provided by Statistics New Zealand since the development contribution was last set or increased; and
 - the proportion of the total costs of capital expenditure to which the development contribution will be applied that does not relate to interest and other financing costs; and
- b) before any increase takes effect, the territorial authority makes publicly available information setting out –
 - the amount of the newly adjusted development contribution; and
 - how the increase complies with the requirements of paragraph (a).

The scope and nature of consultation on any changes to this Policy will be determined by Council on the basis of the Council’s Significance and Engagement Policy.

Developer provision of assets – liability

The DCC may accept or require a contribution to the equivalent value in the form of land or infrastructure. It may be appropriate, for example, to allow water supply assets to vest in the DCC through the subdivision consent process, where they meet the DCC’s requirements, and credit them against the contributions required. Any such proposals will need to be the subject of an agreement with the DCC before the consent is issued, and will be dealt with on a case by case basis.

Credits

Credits can be used to reduce or offset any development contributions that might be payable.

The following principles will apply to all development contribution credit assessments:

- Credits will be specific to the activity for which they were assessed (i.e. a water supply credit will not be able to offset a wastewater contribution).
- For vacant sites, credits are based on the underlying District Plan zoning of the lot and not the proposed activity, except as otherwise provided for in the definitions in the glossary. Where the underlying zoning of the lot allows for multiple land uses, the primary purpose of the zone will be considered, and where that is unclear, the current rating classification will be considered in determining an appropriate land use category for assessing credit.
- For existing developments with a non-residential land use category, credits will be assigned based on the actual demand or an assigned demand from Table 4 of this Policy using the underlying District Plan zoning, whichever is the greater.
- Where recent demolition on a site has occurred, credits will be applied to any development in existence within the 12 month period prior to the application being made.
- Credits are to be site specific (not transferable) and non-refundable unless the refund provisions of the Local Government Act 2002 apply.
- The existing demand of any lot or building that is to be developed will be converted to an Equivalent Household Unit (EHU) credit when assessing development contributions. Credits for existing demand will be adjusted upwards as necessary for any additional credits for development contributions already paid or to reflect historic entitlements. Development contributions will then be required for the additional demand created by the new development.
- If the demand of a proposed activity is less than the existing demand then a credit will sit with the site. No time limit will apply to the use of the credit in the future towards another development on the same site.

There are two types of development contribution credits that may be applicable in addition to existing demand, termed Actual Credits and Deemed Credits. Where both an Actual Credit and a Deemed Credit applies to a development, only the Actual Credit can be claimed.

Actual Credits

A credit will be given for any development contribution already paid, under this or an earlier Policy. Actual credits will be assessed based on the EHUs paid for at the time. Therefore changes to contributions in a subsequent policy, such as inflation or changes to the schedule of charges will not be passed onto a development that has paid at an earlier date.

Deemed Credits

Deemed credits reflect historic entitlements. Deemed credits will be granted as follows:

- Any lot absent of dwellings with a land use category of residential that was created prior to 1 July 2006 or granted subdivision consent prior to 1 July 2014 will receive a credit of 1 EHU per lot.
- Any lot absent of dwellings with a land use category of rural residential that was created prior to 1 July 2006 or granted subdivision consent prior to 1 July 2014 will receive credits equivalent to one dwelling.
- On sites with a land use category of residential, on which there is a lawfully established dwelling in existence on 1 July 2014, or a resource consent or building consent for a dwelling has been granted prior to 1 July 2014 that has not lapsed, each dwelling will receive a credit equivalent to a three habitable room residential unit.
- Any lot with a land use category other than residential, rural residential or farming that was created (or granted subdivision consent) prior to 1 July 2014 will receive a credit in accordance with the greater of:
 - the actual GFA and ISA of any development in existence on 1 July 2014 plus any additional GFA and ISA approved under any resource consent or building consent issued prior to 1 July 2014 that has not lapsed, or
 - a deemed GFA and ISA using the site coverage assumptions and application rules in the Assessment of Unknown Size section of this Policy (Table 4).

Deemed credits do not apply to the farming land use category.

The deemed credit provisions do not apply to the Mosgiel Plan Change Areas.

Development exceeding permitted zone densities

Where a development exceeds permitted zone densities, the standard contributions will be payable and there may also be additional costs for upgrading infrastructure.

Under these circumstances the DCC's preference is to minimise its involvement. The DCC is likely to specify the required upgrades required by virtue of the resource consent or plan change. All options should be open to accomplish the upgrades. The DCC's broad order of preferred approach is as follows, where 1 is the most preferred.

- 1 Developer undertakes and funds upgrades.
- 2 The DCC undertakes upgrades and developer pays upfront.
- 3 Upgrades are incorporated into the broader area of benefit analysis. This may or may not increase the standard contributions depending on the cost of the development.
- 4 Set up separate area of benefit contributions.

Where it can be demonstrated that third parties including the DCC benefit, the costs will be fairly allocated to those parties. The objective is to ensure the costs sit with those who benefit from the infrastructure provided. The DCC wants to avoid facilitating infrastructure upgrades beyond the permitted densities.

Invoicing and payment of development contributions

The development contributions identified by the DCC in the schedules of this Policy are no longer required pursuant to the Resource Management Act 1991 (except those financial contributions identified in this Policy), but are a requirement pursuant to the Local Government Act 2002 and therefore will no longer:

- be a condition of a resource consent
- be able to be challenged through the provisions of the Resource Management Act 1991.

The DCC shall assess the development contribution at the earliest opportunity (resource consent, land use consent, building consent, certificate of acceptance or service connection). The development contribution assessed will be payable at the following times:

- Subdivision Consent – prior to the issue of the section 224 completion certificate.
- Land Use Consent – prior to commencement of the consent.
- Building Consent – prior to issuing the code of compliance.
- Certificate of acceptance – prior to issuing the certificate of acceptance.
- Service Connection – prior to service connection.

GST exclusive

Development contributions specified in the schedules are exclusive of Goods and Services Tax (GST). GST will need to be added to the final calculation.

Service connections

The DCC will continue to collect service connection fees in accordance with current practice and the Local Government Act 2002 for the following assets:

- Water Supply connection
- Stormwater connection
- Wastewater connection.

Nothing in this Policy will prevent the DCC from requiring, as a condition of resource consent, the provision of works and services usually, but not exclusively, internal to or on the boundaries of the development site required to service that development, to connect it to existing infrastructural services and to avoid, remedy or mitigate the environmental effects of the development, except where such works are provided for in the Long Term Plan.

Nothing in this Policy will prevent the DCC from requiring, at its request and cost, the provision of additional 'extra-over' works by the developer, such as installing a larger pipe and/or constructing a wider road through their development, in anticipation of future demand on those services beyond the boundaries of the development.

Where additional extra-over works for a development are supplied by the developer that will benefit the current and future requirements of growth and/or levels of service, and where the cost of the works exceeds the development contribution assessed and payable for that development, the DCC may, at its discretion, reimburse the developer. The reimbursement will be via a contractual agreement entered into by both parties, being the developer and the DCC. The payment terms of any monies will be negotiated in the terms of the contractual agreement.

Development agreements

Where in the DCC's opinion, it is in the best interests of all parties, the DCC reserves the discretion to enter into a development agreement with a developer for the provision of particular infrastructure to meet the special needs of a development. An example is where a development requires a special level of service or is of a type or scale which is not readily assessed in terms of units of demand.

The DCC envisages that such agreements could be used in situations where significant developments occur or are proposed and require new capital expenditure to cater for growth but no budgeted capital expenditure has been provided and no development contribution has been set. This situation is likely to occur where a plan change has resulted in the rezoning of an area, greenfield sites are to be developed, a structure plan has been prepared in anticipation of development of an area, or a resource consent is issued which would result in additional pressures on services or the requirement of upgraded or additional services or reserves. Development agreements could also be used in situations where alternative technologies or on-site management may provide acceptable solutions.

The DCC may enter into a development agreement with a developer if:

- a) the developer has requested in writing that the DCC enter into a development agreement with the developer; or
- b) the DCC has requested in writing that the developer enter into a development agreement with the DCC.

In establishing a development agreement the applicant will be expected to provide supporting information and detailed calculations of their development's roading, water supply and waste water demands in terms of units of demand.

The development agreement must clearly state the departures from the standard process and calculation, and the reasons for entering into the agreement. The agreement would also specify land to be vested in the Council, works to be undertaken on or off the site, timeframes of when infrastructure will be provided, and financial contributions required for the provision or upgrading of existing services.

The DCC will consider a written request from a developer to enter into a development agreement without unnecessary delay. The DCC may accept the request in whole or in part subject to any amendments agreed to by the DCC and the developer, or decline the request. The DCC shall provide the developer who made the request with a written notice of its decision and the reasons for its decision.

A developer who receives a request from the DCC to enter into a development agreement may, in a written response to the DCC accept the request in whole or in part subject to any amendments agreed to by the DCC and the developer; or decline the request.

Reconsiderations

An applicant may request reconsideration of development contributions levied to correct any erroneous figures or resolving misunderstandings around the design or location of a development.

An applicant may request the DCC to reconsider the requirement if the applicant has grounds to believe that:

- a) the development contribution was incorrectly calculated or assessed under the territorial authority's development contributions policy; or
- b) the DCC incorrectly applied its development contributions policy; or
- c) the information used to assess the applicants development against the development contributions policy, or the way the DCC has recorded or used it when requiring a development contribution, was incomplete or contained errors.

A request for Reconsideration must be made in writing stating clearly which of the above grounds the applicant believes the DCC has erred. The request for Reconsideration must be made within 10 working days after the date on which the applicant received the demand notice or invoice for the development contribution.

The process the DCC will follow for reconsiderations is to:

- a) consider any new information supplied by the applicant; and
- b) check all calculations used in the assessment.

The Council will, within 15 working days after the date on which it receives all required relevant information relating to a request, give written notice of the outcome of its reconsideration to the person who made the request.

A reconsideration cannot be requested if the applicant has already lodged an objection. If the applicant is not satisfied with the outcome of the reconsideration, they may lodge an objection as specified in the following section.

Objections

An applicant for a development may lodge an Objection to the assessed amount of the development contribution with the DCC for review by an independent commissioner(s). The process for lodging, considering and determining an Objection is set out in the Local Government Act 2002 and regulations (if any).

Remissions, unusual developments and deferral of payment

The DCC will consider requests for remissions, unusual developments and deferral of payment.

Unusual Developments – The DCC reserves the right to individually assess contributions on any development that it deems to create a significantly different demand on infrastructure than could usually be expected under their relevant land use category. This may include a development that the DCC deems does not fit into the land use categories.

Remissions – At the request of the applicant, the development contribution required on a development may be considered for remission at the DCC’s discretion on a case-by-case basis.

Any application for remission will be considered and determined by the DCC

Remission (in whole or in part) of development contributions may be allowed in the following circumstances:

- where the actual cost of the project or a revised estimate is significantly lower than the cost used as the basis for the contributions indicated in this policy
- where the applicant will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure
- where the projects or alternative solutions indicated in this policy are no longer to be undertaken
- where the DCC determines that a Development Contribution will not be charged.

Any remission (in whole or in part) may result in the need for a private development agreement to confirm alternative arrangements.

Deferral of payment – the DCC will consider deferring the payment of development contributions. These will be assessed on a case by case basis and may use any of the following mechanisms.

- Defer using Local Government Act 2002 parameters – allow payment to be made later in the sequence of development (for example, at building consent).
- Defer using Resource Management Act 1991 mechanisms – for example, using lot amalgamation under the consent process to allow payment to be made as sections are sold.
- Defer using legal agreement – for example, requiring payment as sections are sold. A legal agreement and a bank guaranteed bond (or similar) may be used to ensure payment.

Any deferral of contributions will be cost neutral to the DCC so administration and interest costs will be added to deferred payments.

Process for remissions, unusual developments and deferral of payment

Applications for remission, unusual development and deferral of payment must be applied for before a development contribution payment is made to the DCC. The DCC will not allow remissions or assessment of unusual developments retrospectively. Any request for remission, assessment of an unusual development or a deferral of payment of development contributions shall be made by notice in writing, from the applicant to the DCC before development contributions required on the development are paid. Any request for remission, assessment of unusual developments or deferral of payment shall set out reasons for the request.

Cost – The cost of considering a remission, unusual development or deferral of payment will be on a cost recovery basis. Each applicant pays for the actual cost of processing their particular application. The developer will be required to pay an initial fixed deposit when they make their application. This deposit must be paid before the application will be accepted.

The fixed deposit and schedule of charges for processing an application are set out in a schedule of charges that will be reviewed annually. The final amount payable is dependent on the total amount of time and money the DCC spends in processing the application for a remission, assessment of an unusual development or a deferral of payment.

When a decision on the application has been made the DCC will add up the amount of time and money spent and compare the total to the initial deposit. If the total is more than \$25 above the initial deposit, the applicant will be sent an invoice requiring the payment of the additional costs. If the total is more than \$25 below the initial deposit, the applicant will be sent a refund of the unspent money. The invoice or refund will normally be sent within one month of a decision on the application being made or the application being withdrawn.

In undertaking the assessment:

- the DCC shall consider the request as soon as reasonably practicable
- the DCC may determine whether to hold a hearing for the purposes of the review, and if so, give at least five working days’ notice to the applicant of the commencement date, time, and place of the hearing

- for a remission only, the DCC may, at its discretion, uphold, reduce, or cancel the original amount of development contribution required on the development
- the DCC shall communicate its decision in writing to the applicant within 15 working days' of any determination or hearing.

Where the DCC decides to consider a request for a remission the following matters will be taken into account:

- The Development Contributions Policy.
- The DCC's Funding and Financial Policy.
- The extent to which the value and nature of works proposed by the applicant reduces the need for works proposed by the DCC in its capital works programme.
- The level of existing development on the site. Where multiple existing and pre-existing uses can be established the DCC may have regard to the most intensive use(s) and the extent of time that has elapsed since those pre-existing uses existed.
- Development contributions paid and/or works undertaken and/or land set aside as a result of:
 - Development Contributions
 - Agreements with the DCC
 - Financial Contributions under the Resource Management Act.
- Any other matters the DCC considers relevant.

Refunds

The refund of money and return of land will occur in accordance with sections 209 and 210 of the Local Government Act 2002, in the following circumstances:

- if development or building does not proceed
- if a consent lapses or is surrendered
- if the DCC does not provide any reserve, network infrastructure or community infrastructure for which the development contribution has been collected within 10 years of that contribution being received. Where a specific project does not proceed, DCC will only refund a contribution if the service delivered by that project is not provided.

Any refunds will be issued to the consent holder of the development to which they apply. The amount of any refund will be the contribution paid, less any costs already incurred by the DCC in relation to the development or building and its discontinuance, and will not be subject to any interest or inflationary adjustment.

Money or land

The Local Government Act 2002 provides that a development contribution may be money or land, or both. Under this Policy the contribution shall be money unless, at the sole discretion of the DCC, a piece of land offered by the developer would adequately suit the whole or part of the purpose for which the contribution is sought.

Esplanade Reserves

Esplanade Reserves and Strips do not fall within the ambit of reserves for development contributions. Esplanade Reserves will continue to be dealt with under the Resource Management Act 1991 as they are at present and will generally not be discounted against development contributions due for Reserves. There may be rare circumstances where the DCC desires a wider Esplanade Reserve, for example, and where additional land may be offered as partial or total payment of the development contribution liability for reserves. This would have to be agreed with the DCC's Parks and Recreation Services Department and recorded in a development agreement.

Glossary

Commercial – Use of land or buildings that includes the display, offering, provision, sale or hire of goods, equipment or service. Includes administrative or professional offices, offices and depots for trade services, childcare facilities, restaurants, service stations, rural retail sales activity, rural tourist activity, self-storage units, panel beaters, internet-based sales, repair stores and garden supply stores.

Equivalent household unit (EHU) – A typical residential dwelling, representing a unit of demand for which non-residential land uses can be described by. Non-residential activities, such as visitor accommodation and commercial, can be converted into equivalent household units using land use differentials. Equivalent household units enable the demand of different land uses to be considered collectively.

Dwelling – Any residential unit, irrespective of the number of habitable rooms in that unit, but excluding family flats.

Family Flat – A family flat is a secondary residential unit to be occupied by a family member/s of the household that lives in a residential unit on the same site or within the same building as the family flat. The family flat must be within the same site as the primary residential unit and be on the same infrastructure connection. A written statement shall be provided with the application creating the family flat confirming that it is not intended for tenancy, lease, licence or other agreement.

Farming – Land zoned Rural with no dwelling, irrespective of the rating land use, plus sites zoned Rural greater than 15ha than contain a dwelling. Also includes land zoned Rural Residential but rated Farmland where no dwelling exists or is proposed to be built.

Gross Floor Area – The sum of the gross area of the several floors of all buildings on a site, measured from the exterior faces of the exterior walls or from the centre lines of walls separating two buildings. Buildings that have no enclosed sides or only one fully enclosed side will be excluded from gross floor area.

Habitable Rooms – In determining habitable rooms within a residential unit, accessory building or family flat, a habitable room is any room that is greater than 4.5m² in floor area and capable to be used for sleeping purposes. Habitable rooms do not include entranceways, passageways, toilets, bathrooms, separate kitchen, laundries, or garages. For residential units with more than one habitable room, the calculation of habitable rooms will exclude only one functional living area per residential unit (including family flats). Any additional rooms which could be used both as a living area or for sleeping purposes will be counted as a habitable room.

Studio rooms count as one habitable room. Habitable rooms in associated sleepouts and accessory buildings will be counted towards the rooms in the principal residential unit.

Industrial – Primarily activities that involve the manufacturing, fabricating, processing, packing or associated storage of goods. Also includes rural processing activities, transport yards and depots, printing and publishing, warehousing/large scale storage activities (but not self-storage units), wholesale distributors and port-related activities.

Impermeable Surface Area – The sum of the roof area of buildings on a site and the area of hard surfaces used for driveways, parking or manoeuvring. A hard surface is a surface through which water cannot pass and examples include concrete, asphalt, chip seal, and impermeable/impervious/non-porous paving stones. For the Rural Residential land use category, only the roof area of dwellings shall be counted as impermeable surface area.

Lot – has the same meaning as a 'Site' under the District Plan, meaning an area of land held in one Certificate of Title, which may be sold or otherwise disposed of separately without reference to the Council, provided that a site may contain one or more Certificates of Title where a restriction has been registered on the Title preventing sale or lease of any parcel. of Title where a restriction has been registered on the Title preventing sale or lease of any parcel.

Otago University/Polytechnic (Accommodation) – Land or buildings used or intended to be used by students or staff of the University of Otago or Otago Polytechnic for residential type accommodation, where the primary activity takes the form of a college or hall of residence. Such developments are typified by a larger number of bedrooms, shared cooking or dining facilities for a large number of occupants, and catering and laundry services being provided for residents. Developments with any building or part of a building containing 10 or more habitable rooms in a residential unit will be treated under this category.

Otago University/Polytechnic (Other) – Land or buildings used by the University of Otago or Otago Polytechnic that are not for the purpose of residential type accommodation.

Residential Unit – A residential unit is defined as a residential activity which consists of a single self-contained household unit, whether of one or more persons, and includes accessory buildings and a family flat. For the purposes of this definition, residential activity means the use of land and buildings by a residential unit for the purpose of permanent living accommodation and includes emergency housing, refuge centres, halfway houses and papakaika housing if these are in the form of residential units.

Residential activity also includes home occupation, childcare facility for up to and including five children, and home stay or boarding house for up to and including five guests – provided that these are secondary to the permanent living accommodation

Rural Residential – Land zoned Rural Residential in the Dunedin City District Plan where there is an existing dwelling on the site, or sites with no dwelling where the rating differential is Lifestyle. Proposals to build a dwelling on land zoned Rural Residential with a rating differential of Farmland will be treated as Rural Residential. Proposals to build an additional dwelling on an existing farm will be assessed as Rural Residential. Sites zoned Rural in the Dunedin City District Plan and less than 15ha in size will be treated as Rural Residential where there is an existing dwelling on the site, or where a dwelling is proposed to be built.

Visitor Accommodation – Land or buildings used for the accommodation of people and which are or can be let on a commercial tariff, including boarding houses for six guests or more, and home stays for six (6) guests or more. This category includes backpacker accommodation, motels, hotels, tourist lodges, holiday flats, tourist cabins, camp grounds, motor inns, and accessory buildings or ancillary activities on the same site. Boarding houses for less than six guests and home stays for less than six guests will be treated as residential.

Summary Disclosure Tables

The following disclosure tables show a summary for each activity, and for each area of benefit, for the 10-year period between 2015/16 and 2024/25. The disclosure tables demonstrate:

- The nature and level of expected capital expenditure required by the DCC and the portion that is attributable to growth.
- The growth costs consumed within each contributing area and the growth, in EHU's, used to calculate the development contributions.

The disclosure tables show the total calculated contributions, before any rounding or \$5,000 caps are applied. The full disclosure tables can be found in the appendices of the Detailed Supporting Document.

Table 7: Water Supply

Water Supply Area of Benefit	Total Capital Costs Considered	Total Growth Costs Considered	Growth Portion of Total Capital Costs Considered	2015/16-2024/25 Long Term Plan Total Capital Cost	2015/16-2024/25 Long Term Plan Growth Costs	2015/16-2024/25 Long Term Plan Costs Funded by Other Sources	Growth Costs to be Funded by Development Contributions	Growth Costs Consumed 2015-2024	Weighted Average No. of EHU's 2015-2024	Standard Development Contribution Per EHU (\$)
City Headworks Charge – WS	167,980,666	10,759,497	6%	86,016,928	1,197,469	84,819,459	100%	4,330,826	2,738	\$1,582
Dunedin Metro WS – Other Assets Charge	50,612,857	412,475	1%	21,966,396	32,839	21,933,557	100%	210,384	2,157	\$98
Mosgiel WS – Other Assets Charge	5,676,989	3,573	0%	2,986,504	0	2,986,504	100%	576	511	\$1
Outram WS – Other Assets Charge	375,798	28,205	8%	0	0	0	100%	5,674	24	\$235
Waitati, Warrington, Merton, and Seacliff WS – Other Assets Charge	7,964,100	1,985,196	25%	0	0	0	100%	1,066,595	46	\$23,120
Allanton – WS scheme	0	0	0%	0	0	0	100%	0	44.4	\$0
Rockland Rural – WS scheme	67,094	0	0%	0	0	0	100%	0	0.5	\$0
Waikouaiti, and Karitane – WS scheme	5,699,543	389,632	7%	1,608,698	1,022	1,607,676	100%	202,730	39	\$5,231
West Taieri – WS scheme	9,496,722	1,338,742	14%	4,231,875	298,326	3,933,548	100%	537,554	19	\$28,662
Total	247,873,768	14,917,321	6%	116,810,400	1,529,656	115,280,744		6,354,338	2,796	

Note: Dunedin Metropolitan, Mosgiel, Outram and Waitati & Warrington pay a City Headworks Charge and an Other Assets Charge.

Table 8: Wastewater

Wastewater Area of Benefit	Total Capital Costs Considered	Total Growth Costs Considered	Growth Portion of Total Capital Costs Considered	2015/16-2024/25 Long Term Plan Total Capital Cost	2015/16-2024/25 Long Term Plan Growth Costs	2015/16-2024/25 Long Term Plan Costs Funded by Other Sources	Growth Costs to be Funded by Development Contributions	Growth Costs Consumed 2015-2024	Weighted Average No. of EHU's 2015-2024	Standard Development Contribution Per EHU (\$)
Tahuna WW Treatment Charge	129,418,280	16,345,217	13%	17,352,019	686,577	16,665,442	100%	6,927,454	2,021.4	\$3,427
Tahuna WW Other Assets Charge	64,849,583	230,517	0%	43,434,136	176,400	43,257,736	100%	145,732	2,021.4	\$72
Green Island WW Treatment Charge	24,315,983	2,448,232	10%	3,046,913	209,978	2,836,935	100%	892,875	392.2	\$2,276
Green Island WW Other Assets Charge	9,323,349	52,352	1%	6,127,696	44,215	6,083,481	100%	19,668	392.2	\$50
Mosgiel WW Treatment Charge	11,047,391	659,159	6%	4,911,883	373,167	4,538,716	100%	388,914	539.2	\$721
Mosgiel WW Other Assets Charge	13,512,928	1,300,968	10%	8,035,035	59,263	7,975,773	100%	734,798	539.2	\$1,363
Middlemarch – WW scheme	773,270	5,258	1%	619,028	5,051	613,978	100%	2,012	6.3	\$318
Seacliff – WW scheme	169,070	2,847	2%	129,565	2,732	126,834	100%	1,121	4.8	\$233
Waikouaiti, Karitane – WW scheme	2,637,091	548	0%	1,943,734	528	1,943,206	100%	186	1.9	\$99
Warrington – WW scheme	546,044	0	0%	431,969	0	431,969	100%	0	21.9	\$0
Total	256,592,989	21,045,098	8%	86,031,979	1,557,910	84,474,068		9,112,759	2,988	

Note: Tahuna, Green Island and Mosgiel pay a Treatment Charge and an Other Assets Charge.

Table 9: Stormwater

Stormwater Area of Benefit	Total Capital Costs Considered	Total Growth Costs Considered	Growth Portion of Total Capital Costs Considered	2015/16-2024/25 Long Term Plan Total Capital Cost	2015/16-2024/25 Long Term Plan Growth Costs	2015/16-2024/25 Long Term Plan Costs Funded by Other Sources	Growth Costs to be Funded by Development Contributions	Growth Costs Consumed 2015-2024	Weighted Average No. of EHU's 2015-2024	Standard Development Contribution Per EHU (\$)
City Wide	56,332,278	1,015,754	2%	40,467,100	845,863	39,621,237	100%	502,796	2,797	180

Table 10: Transportation

Transportation Dunedin Area of Benefit	Total Capital Costs Considered	Total Growth Costs Considered	Growth Portion of Total Capital Costs Considered	2015/16-2024/25 Long Term Plan Total Capital Cost	2015/16-2024/25 Long Term Plan Growth Costs	2015/16-2024/25 Long Term Plan Costs Funded by Other Sources	Growth Costs to be Funded by Development Contributions	Growth Costs Consumed 2015-2024	Weighted Average No. of EHU's 2015-2024	Standard Development Contribution Per EHU (\$)
Dunedin Metro	242,094,054	3,355,853	1%	111,206,933	2,519,480	108,687,453	100%	2,148,990	4,380	\$491
Dunedin Other	53,971,233	598,493	1%	24,267,170	439,347	23,827,824	100%	236,336	521	\$453
Total	296,065,286	3,954,345	1%	135,474,103	2,958,827	132,515,276		2,385,326	4,901	

Table 11: Community Infrastructure

Community Infrastructure Area of Benefit	Total Capital Costs Considered	Total Growth Costs Considered	Growth Portion of Total Capital Costs Considered	2015/16-2024/25 Long Term Plan Total Capital Cost	2015/16-2024/25 Long Term Plan Growth Costs	2015/16-2024/25 Long Term Plan Costs Funded by Other Sources	Growth Costs to be Funded by Development Contributions	Growth Costs Consumed 2015-2024	Weighted Average No. of EHU's 2015-2024	Standard Development Contribution Per EHU (\$)
Dunedin Metropolitan	8,520,002	258,141	3.03%	3,254,274	253,880	3,000,395	100%	142,016	3,088	\$46
Dunedin Other	3,532,350	40,040	1.13%	328,226	39,253	288,972	100%	18,256	259	\$70
Total	12,052,352	298,182	2.47%	3,582,500	293,133	3,289,367		160,272	3,347	

Table 12: Reserves

Reserves Area of Benefit	Total Capital Costs Considered	Total Growth Costs Considered	Growth Portion of Total Capital Costs Considered	2015/16-2024/25 Long Term Plan Total Capital Cost	2015/16-2024/25 Long Term Plan Growth Costs	2015/16-2024/25 Long Term Plan Costs Funded by Other Sources	Growth Costs to be Funded by Development Contributions	Growth Costs Consumed 2015-2024	Weighted Average No. of EHU's 2015-2024	Standard Development Contribution Per EHU (\$)
Dunedin Metropolitan	17,542,742	2,092,773	12%	3,589,655	94,855	3,494,800	100%	1,058,635	3,151	\$336
Dunedin Other	837,647	84,979	10%	291,845	25,423	266,421	100%	40,631	259	\$157
Reserves Total	18,380,389	2,177,753	12%	3,881,500	120,278	3,761,222		1,099,266	3,410	

Table 13: Mosgiel Plan Change Areas Schedule of Projects

Area of Benefit	Activity	Asset/Project	DCC Capital Cost	Growth %	Proportion recovered through DC's	Proportion recovered from other sources
Mosgiel East	Wastewater	Factory Road foul sewer – 300 diameter	\$344,991	100%	\$344,991	\$0
		* Pump Station Upgrade for Variation 15 and 9B	\$286,367	13%	\$37,868	\$248,499
	Wastewater Total		\$631,358		\$382,859	\$248,499
	Stormwater	Hagart Alexander Drive stormwater sewer project	\$2,273,333	30%	\$682,000	\$1,591,333
	Transportation	Roundabout: Wingatui Road/Factory Road	\$600,000	85%	\$510,000	\$90,000
		Factory Road Improvements	\$448,839	90%	\$403,955	\$44,884
		Wingatui Road Improvements	\$368,079	90%	\$331,271	\$36,808
		Factory Road/Centre Street Roundabout Land	\$82,390	10%	\$8,239	\$74,151
		Roundabout: Factory Road/New Road	\$0	85%	\$0	\$0
		Roundabout: Factory Road/Centre Street/Hagart Alexander Drive	\$206,822	0%	\$0	\$206,822
	Transportation Total		\$1,706,130		\$1,253,465	\$452,665
	Reserves – Local	* Reserve Development Mosgiel East	\$1,793,778	91%	\$1,631,366	\$162,412

Area of Benefit	Activity	Asset/Project	DCC Capital Cost	Growth %	Proportion recovered through DC's	Proportion recovered from other sources
Variation 9B	Water Supply	Variation 9B watermain	\$1,230,450	100%	\$1,230,450	\$0
	Wastewater	* Pump Station Upgrade for Variation 15 and 9B	\$172,858	13%	\$22,858	\$150,000
		* Reticulation Facilities for Variation 9B	\$584,579	60%	\$352,721	\$231,858
	Wastewater Total		\$757,437		\$375,579	\$381,858
Plan Change 15 – Mosgiel West Area	Reserves – Local	* Reserve Development Mosgiel West	\$1,125,000	100%	\$1,125,000	\$0
	Water Supply	* Mosgiel West and East C Gladstone Road watermain	\$405,000	100%	\$405,000	\$0
		* Mosgiel West and East C Gladstone Road watermain	\$732,800	100%	\$732,800	\$0
	Water Supply Total		\$1,137,800		\$1,137,800	\$0
	Wastewater	* Pump Station Upgrade for Variation 15 and 9B	\$214,422	13%	\$28,354	\$186,068
		* Burns St PS Upgrade Variation 15 – Pump Station	\$418,529	40%	\$167,411	\$251,117
		* Burns St PS Upgrade Variation 15 – Mosgiel West Wastewater reticulation upgrades	\$152,471	100%	\$152,471	\$0
	Wastewater Total		\$785,422		\$348,237	\$437,185
	Transportation	Upgrade to Cemetery Road	\$2,012,600	100%	\$2,012,600	\$0
		Riccarton Road Access Link Area	\$786,720	100%	\$786,720	\$0
	Transportation Total		\$2,799,320		\$2,799,320	\$0
Plan Change 15 – Mosgiel East Area C	Water Supply	* Mosgiel West and East C Gladstone Road watermain	\$405,000	100%	\$405,000	\$0
	Wastewater	* Gladstone Road North Pump Station	\$245,900	100%	\$245,900	\$0

Areas of Benefit Maps

Water Supply Areas of Benefit Maps

- Dunedin Metro
- Mosgiel
- Outram
- Waitati, Warrington, Merton and Seacliff
- West Taieri
- Rocklands
- Waikouaiti and Karitane

Wastewater Areas of Benefit Maps

- Tahuna
- Green Island
- Mosgiel
- Middlemarch
- Seacliff
- Waikouaiti and Karitane
- Warrington

Stormwater Area of Benefit Map

- City Wide

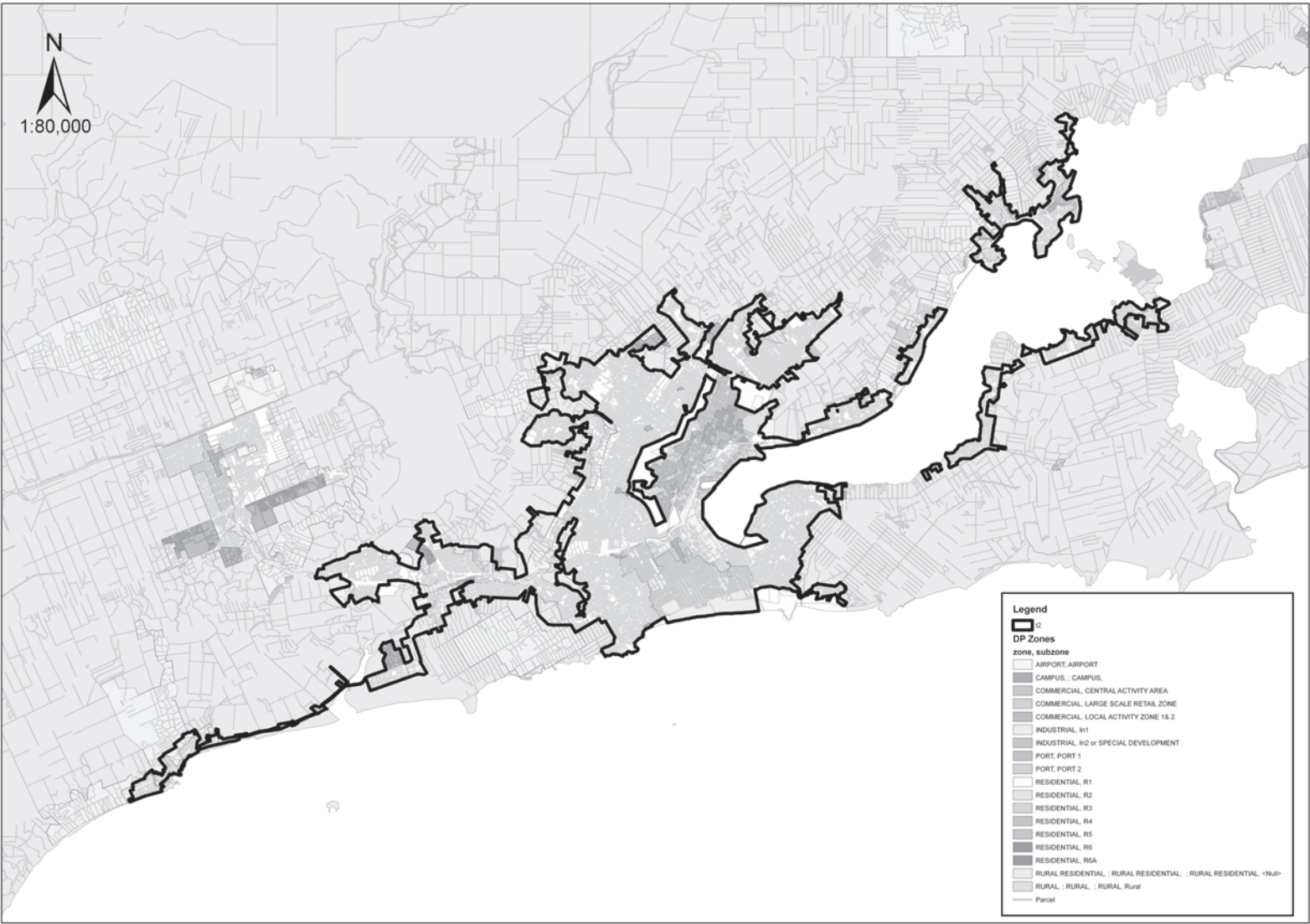
Transportation, Community Infrastructure and Reserves Areas of Benefit Map

- Dunedin Metropolitan and Dunedin Other

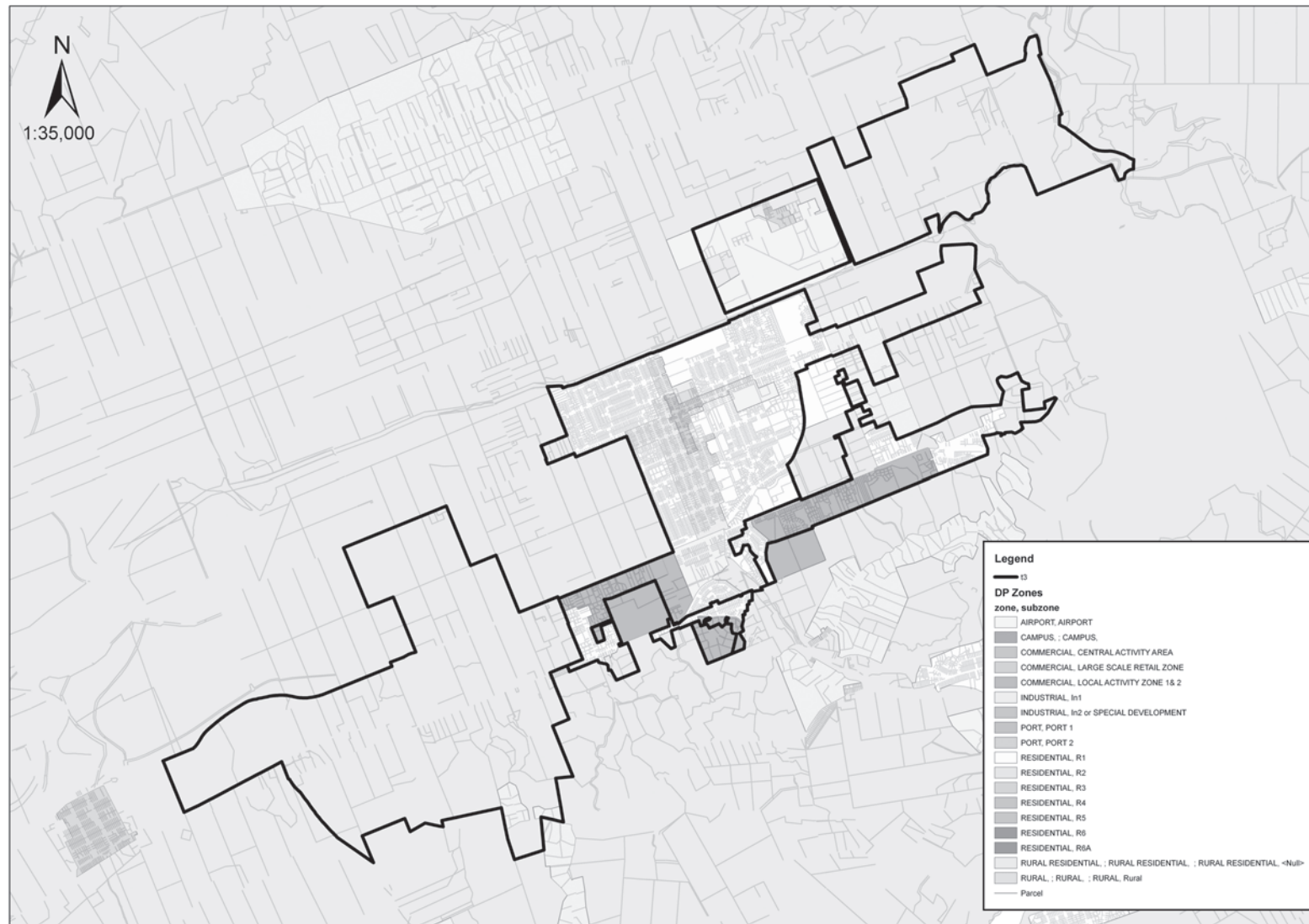
Mosgiel Plan Change Area of Benefit Map

- Mosgiel East – Local Reserves, Transportation, Stormwater and Wastewater
- Mosgiel West – Local Reserves, Transportation, Water Supply and Wastewater
- Mosgiel West – Transportation – Riccarton Road Access Link Area
- Mosgiel East C Water Supply and Wastewater
- Mosgiel Variation 9B Water Supply and Wastewater

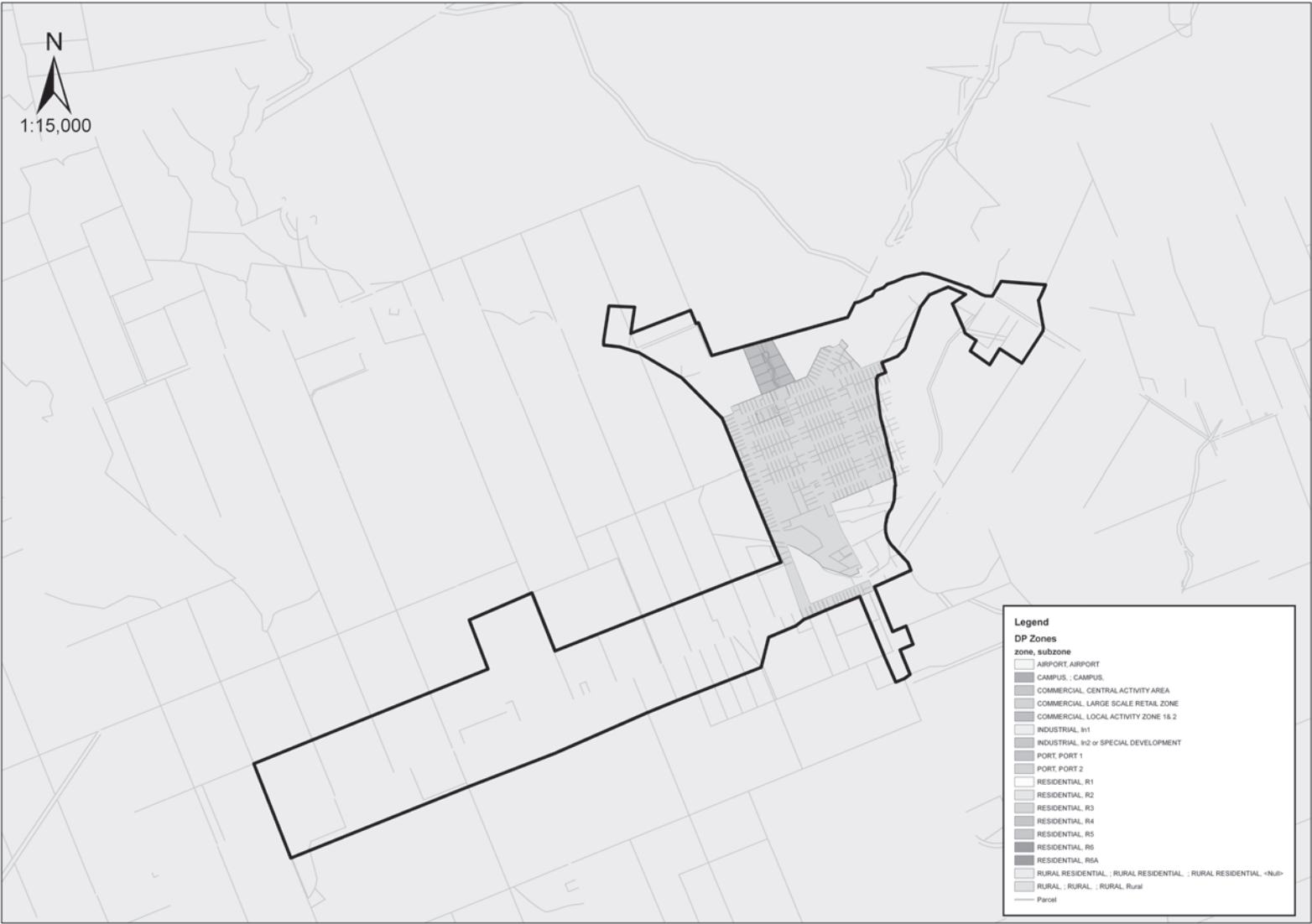
Map 1: Dunedin Metro Area of Benefit – Water Supply



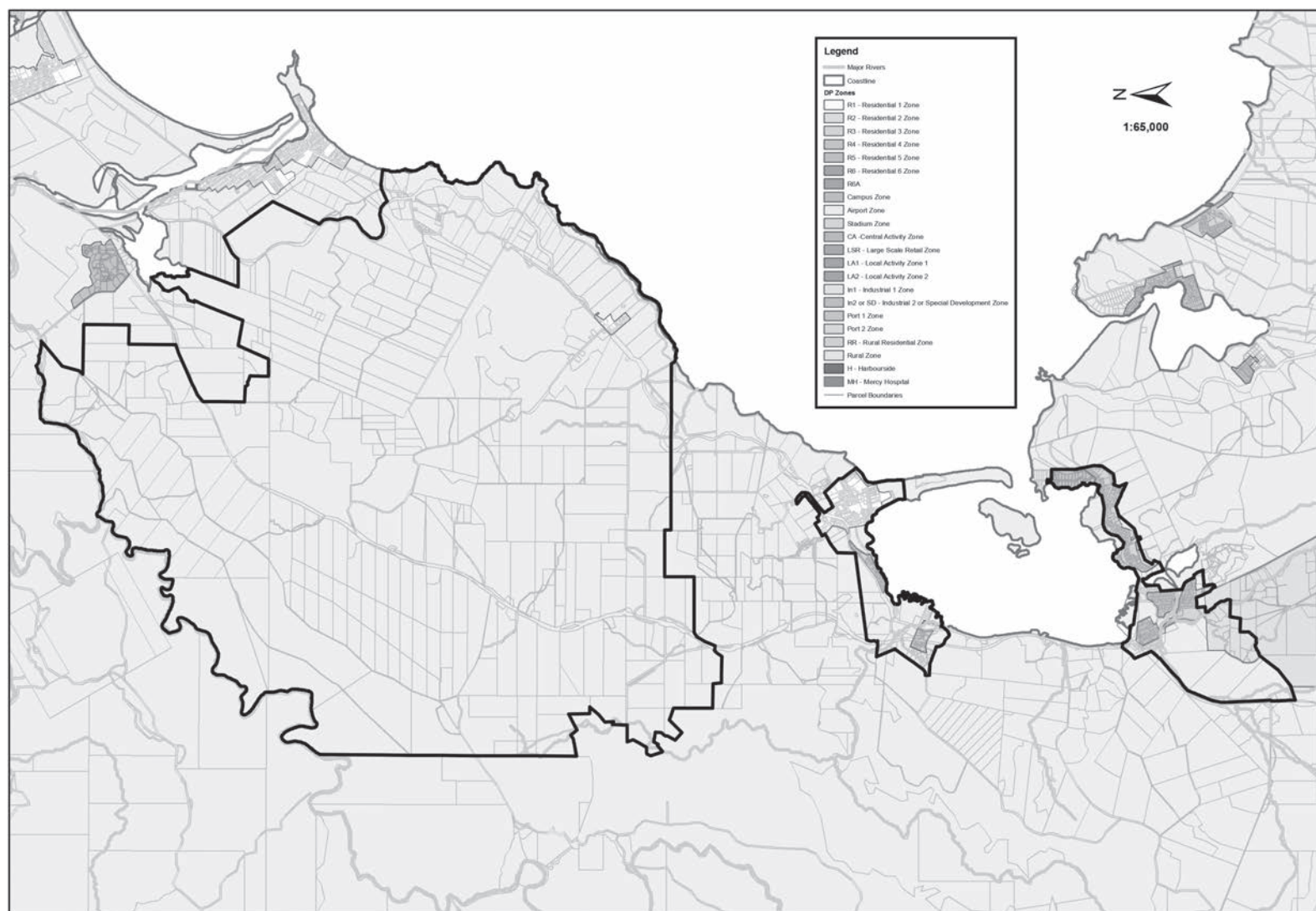
Map 2: Mosgiel Area of Benefit – Water Supply



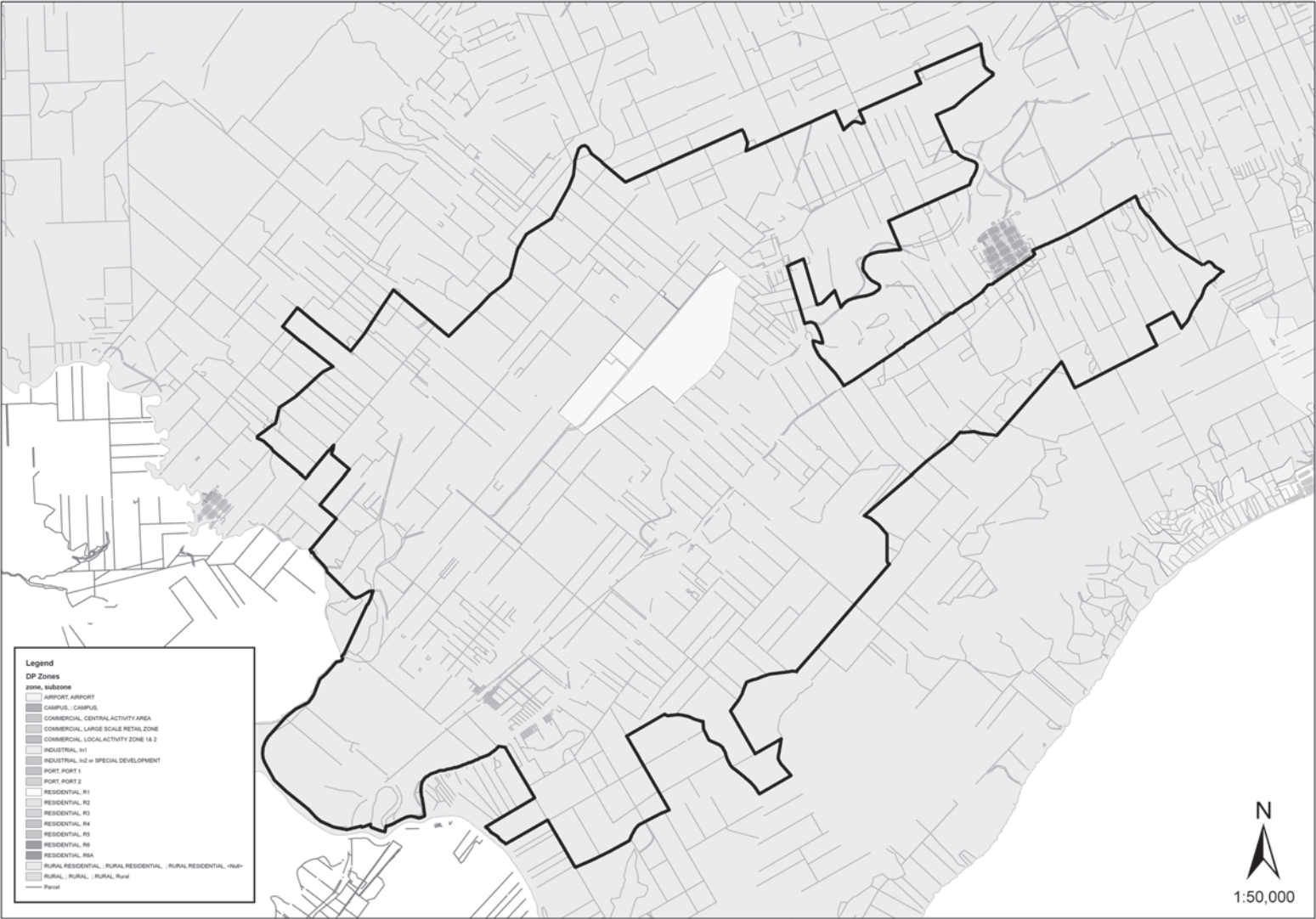
Map 3: Outram Area of Benefit – Water Supply



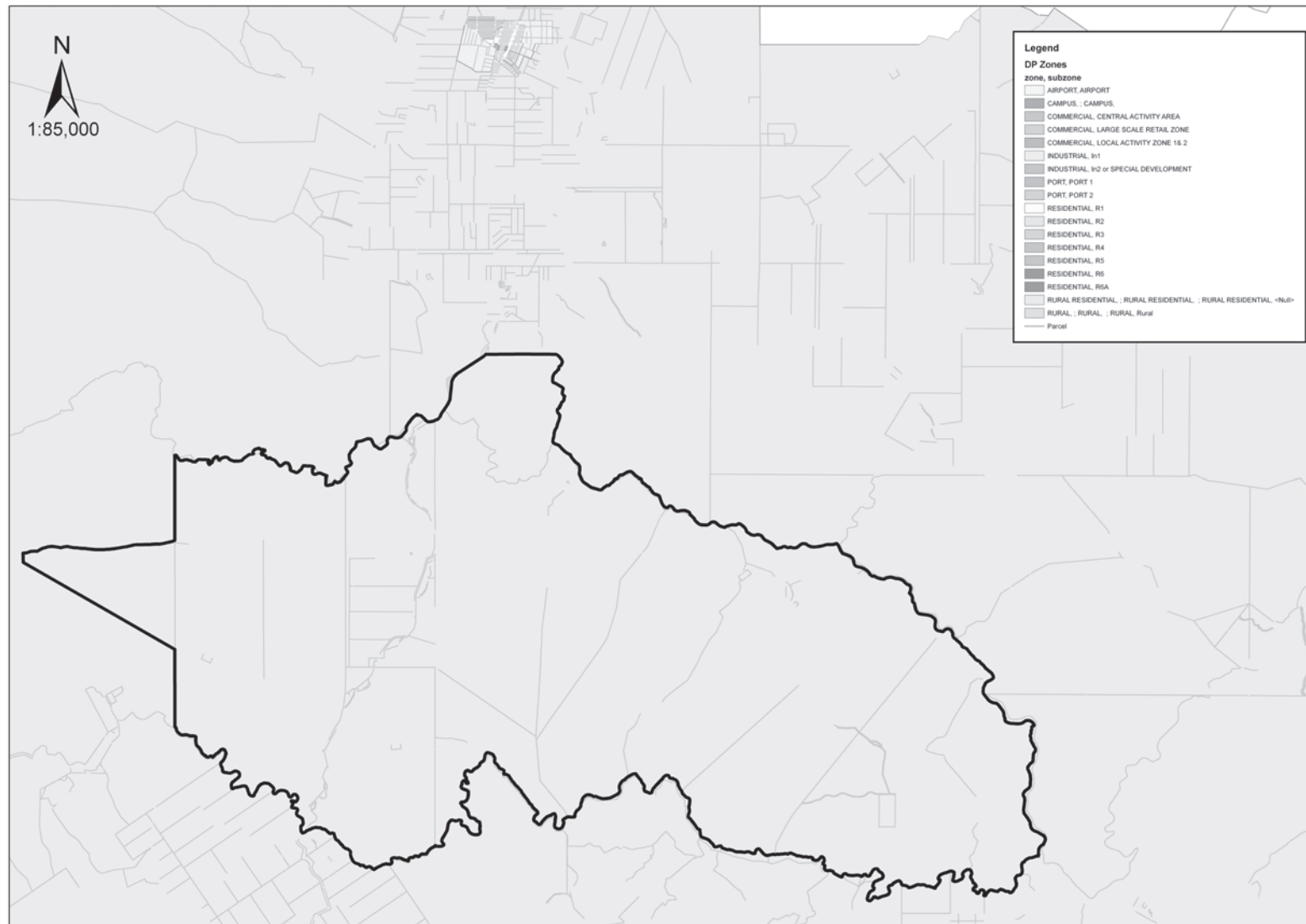
Map 4: Waitati, Warrington, Merton and Seaclyff Area of Benefit – Water Supply



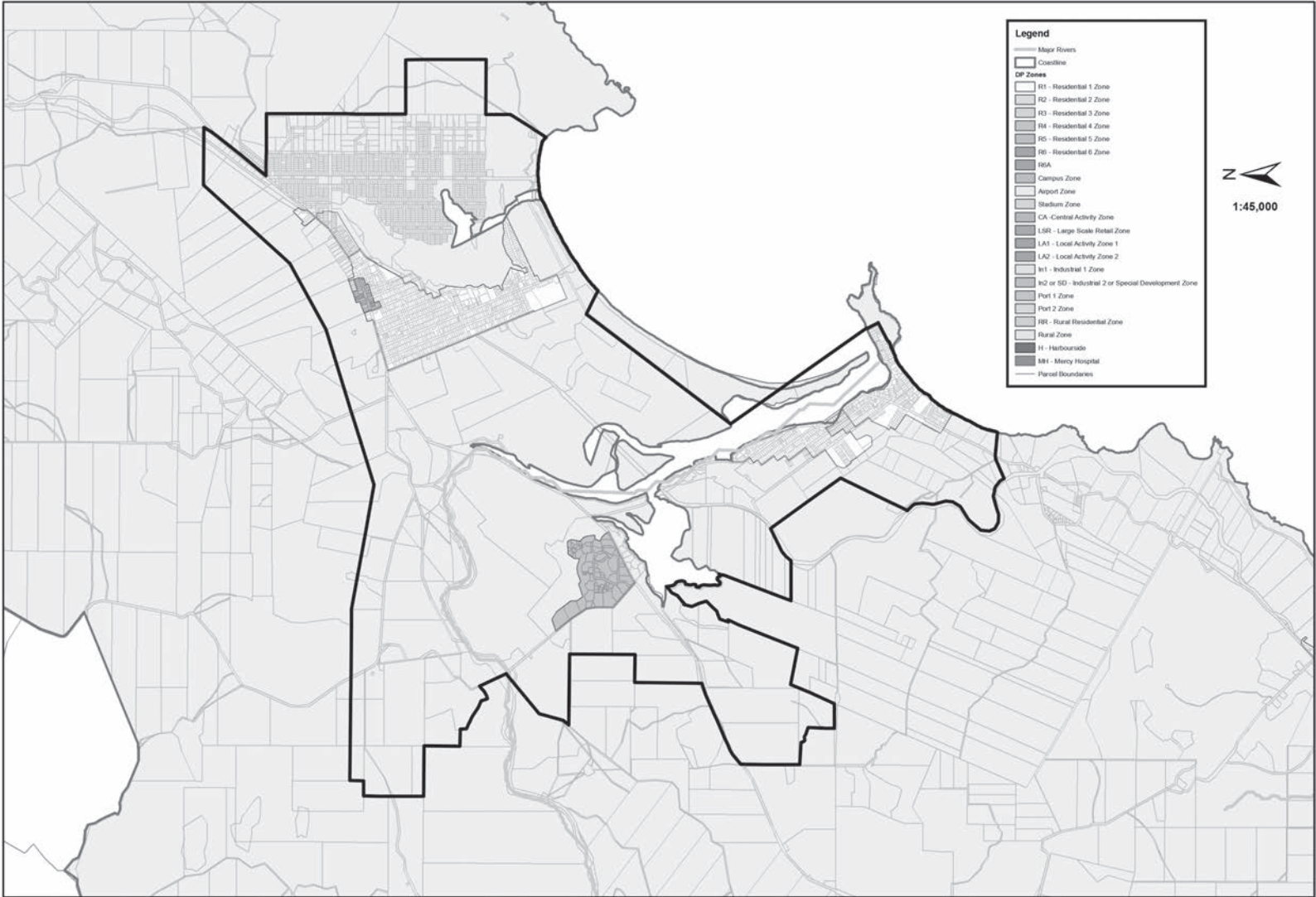
Map 5: West Taieri Area of Benefit – Water Supply



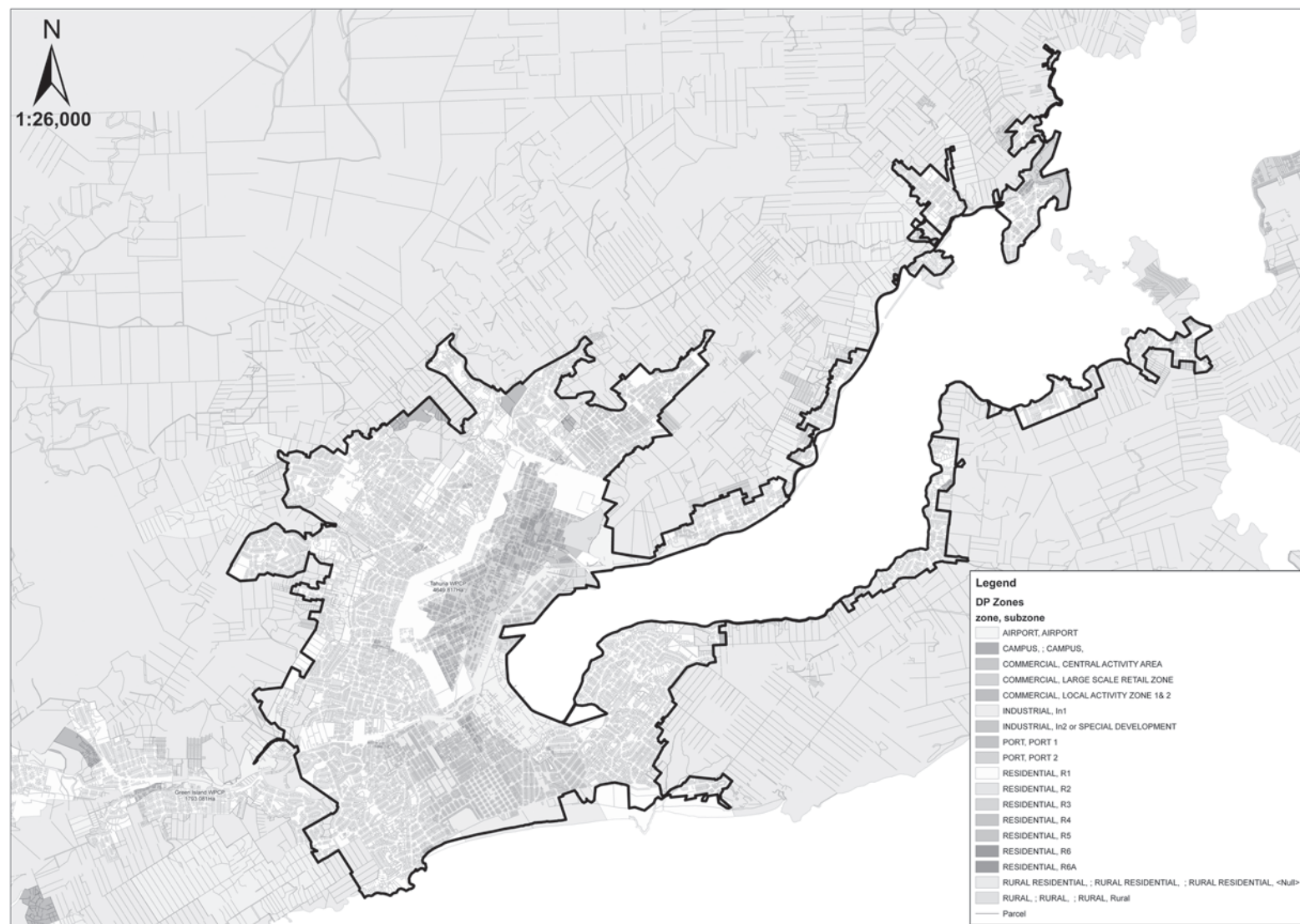
Map 6: Rocklands Area of Benefit – Water Supply



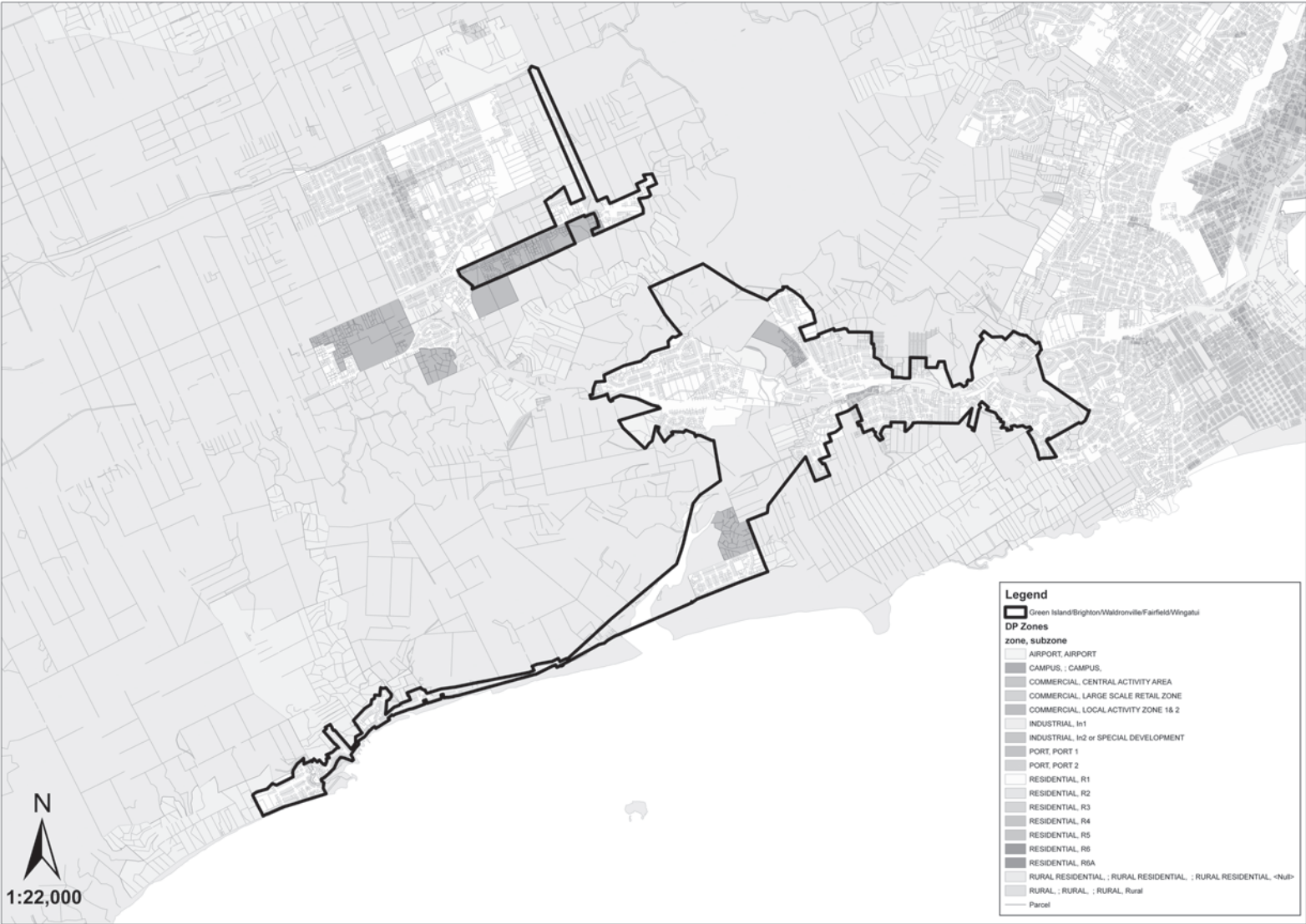
Map 7: Waikouaiti and Karitane Area of Benefit – Water Supply



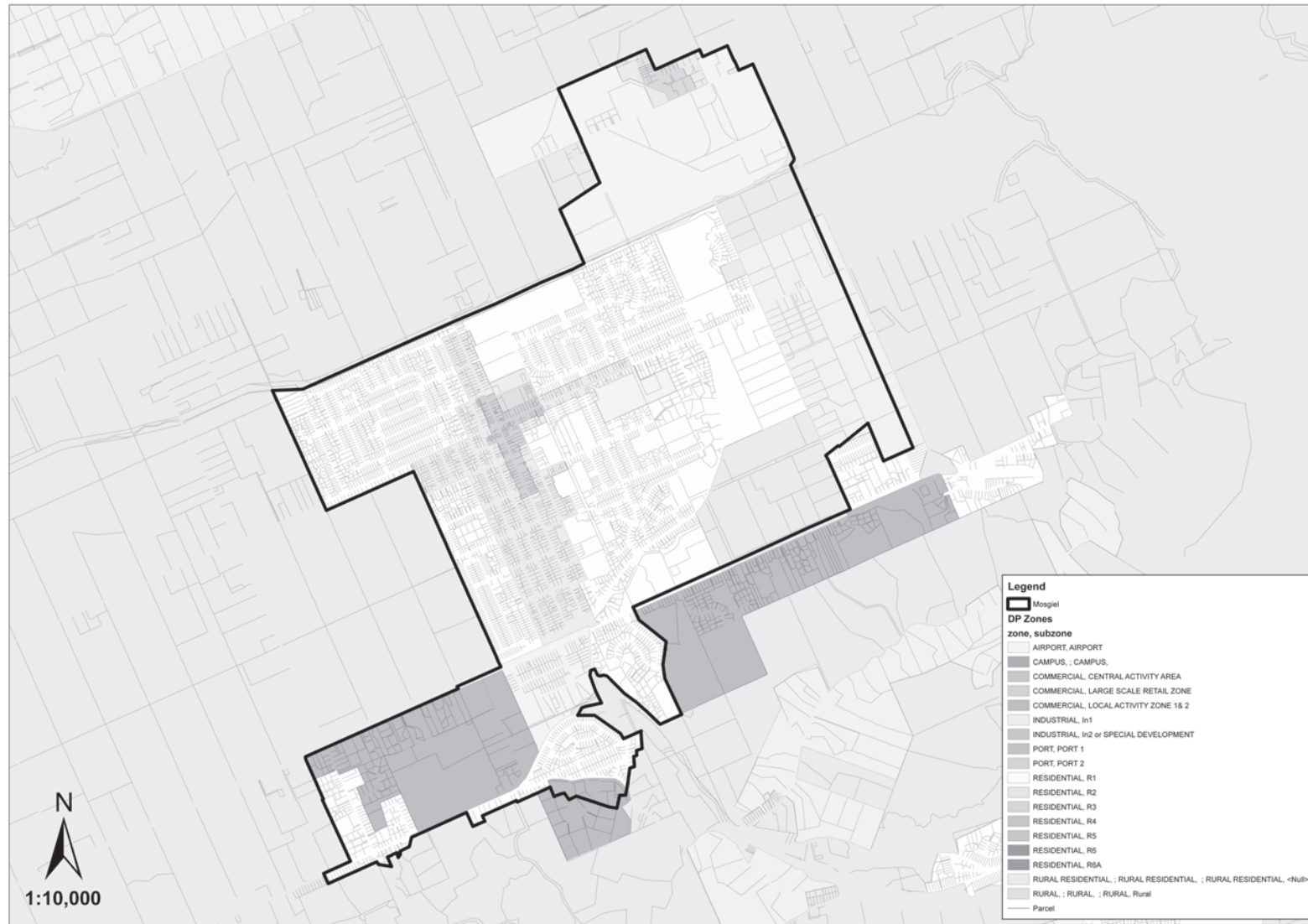
Map 8: Tahuna Area of Benefit – Wastewater



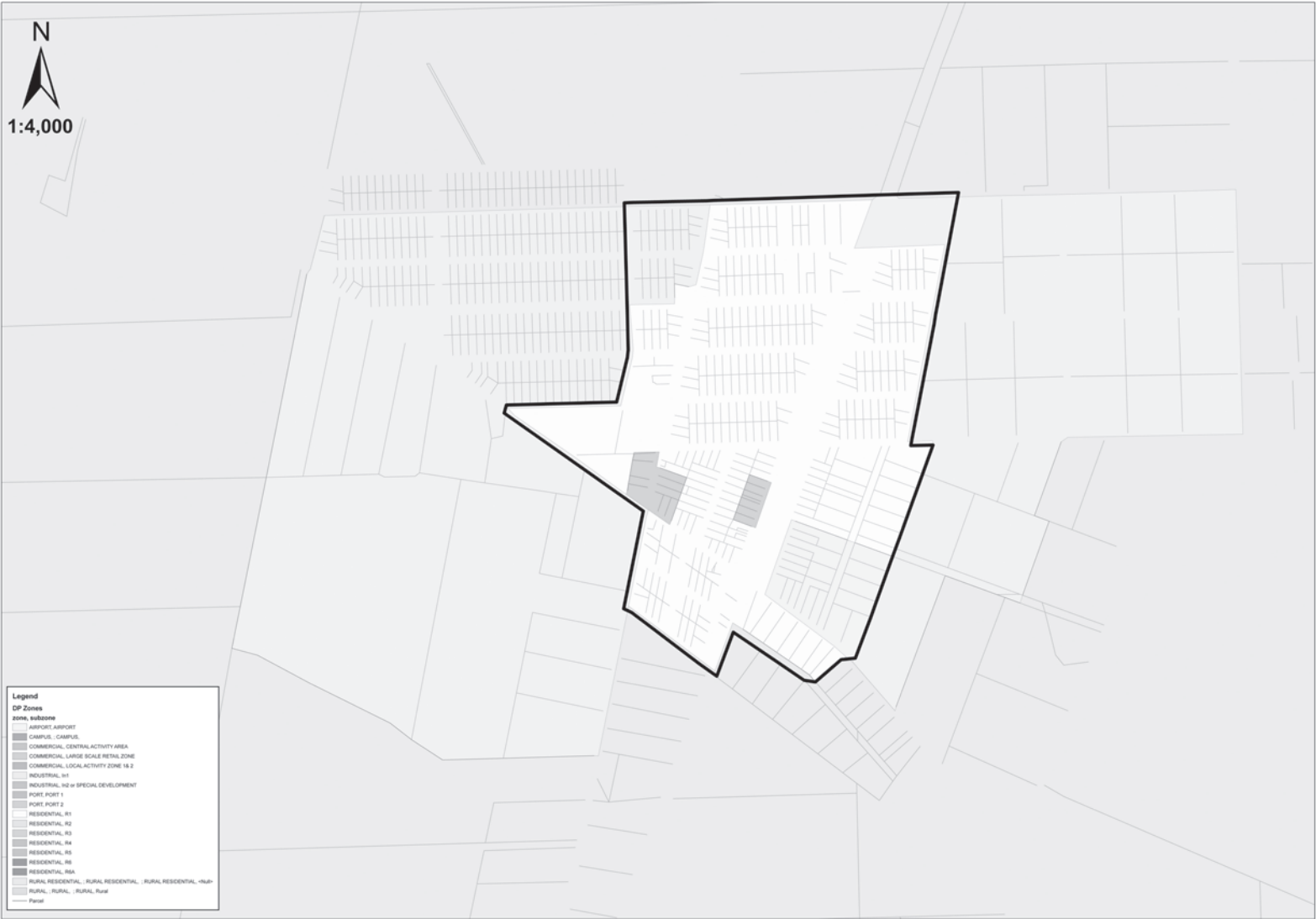
Map 9: Green Island Area of Benefit – Wastewater



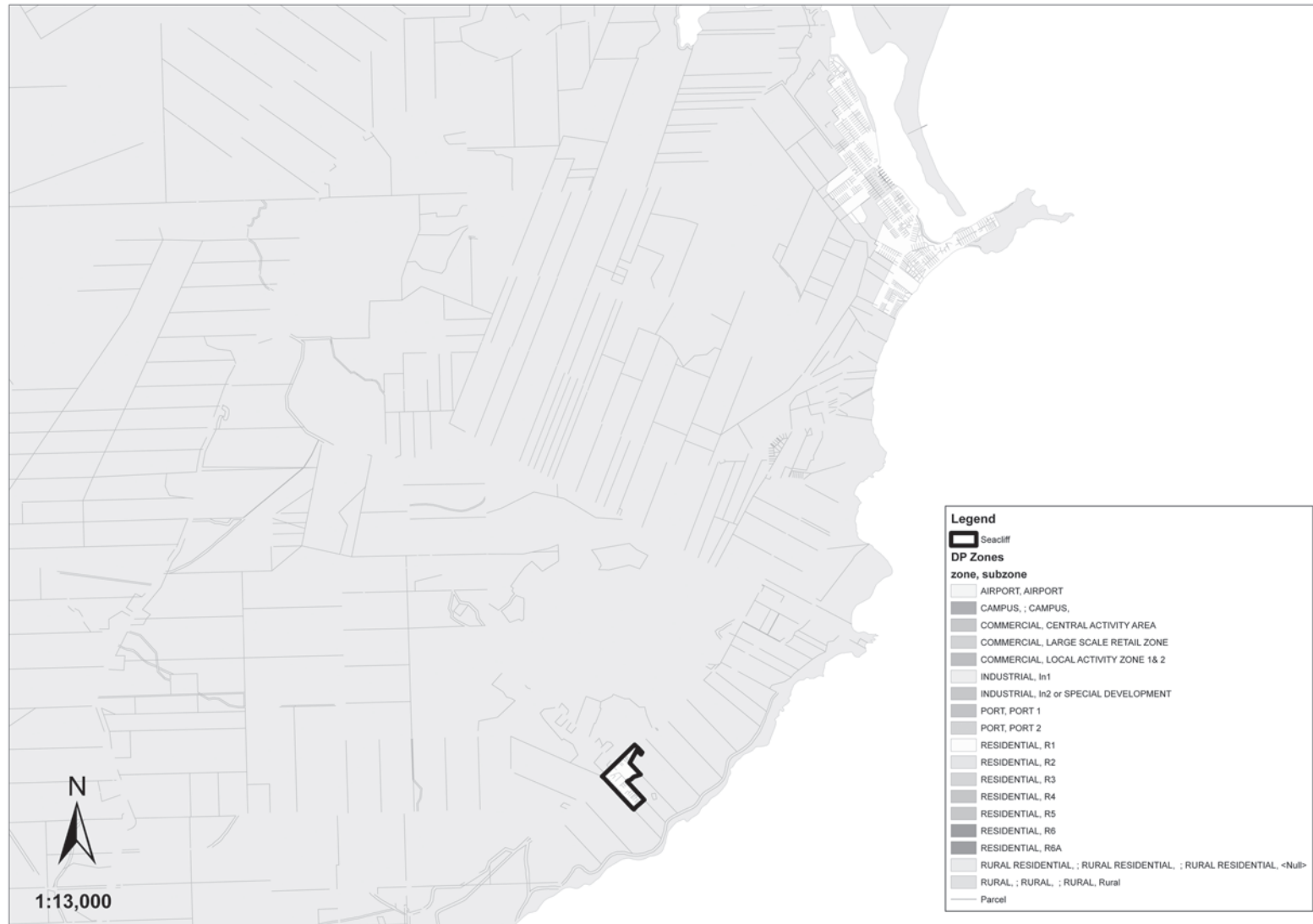
Map 10: Mosgiel Area of Benefit – Wastewater



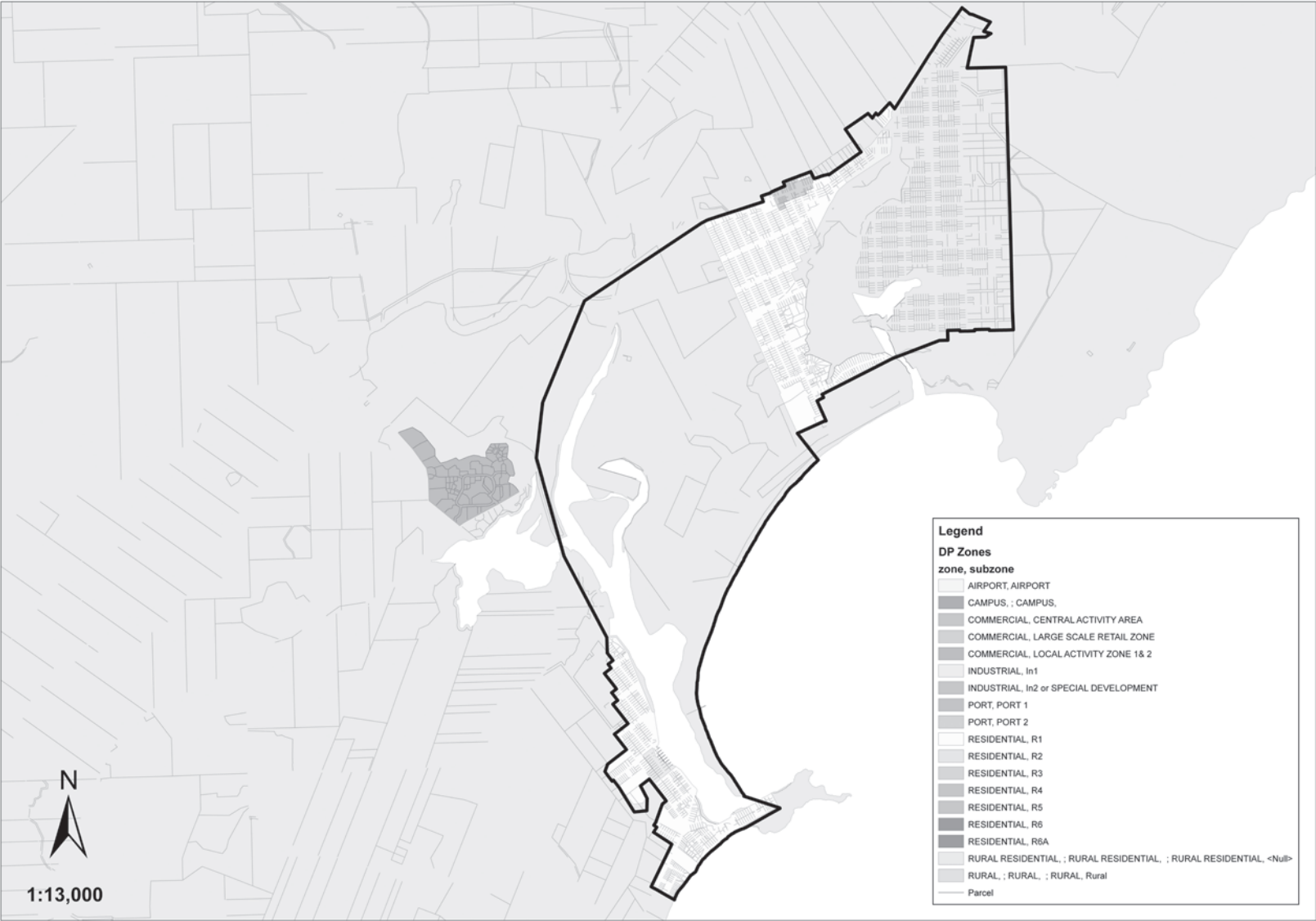
Map 11: Middlemarch Area of Benefit – Wastewater



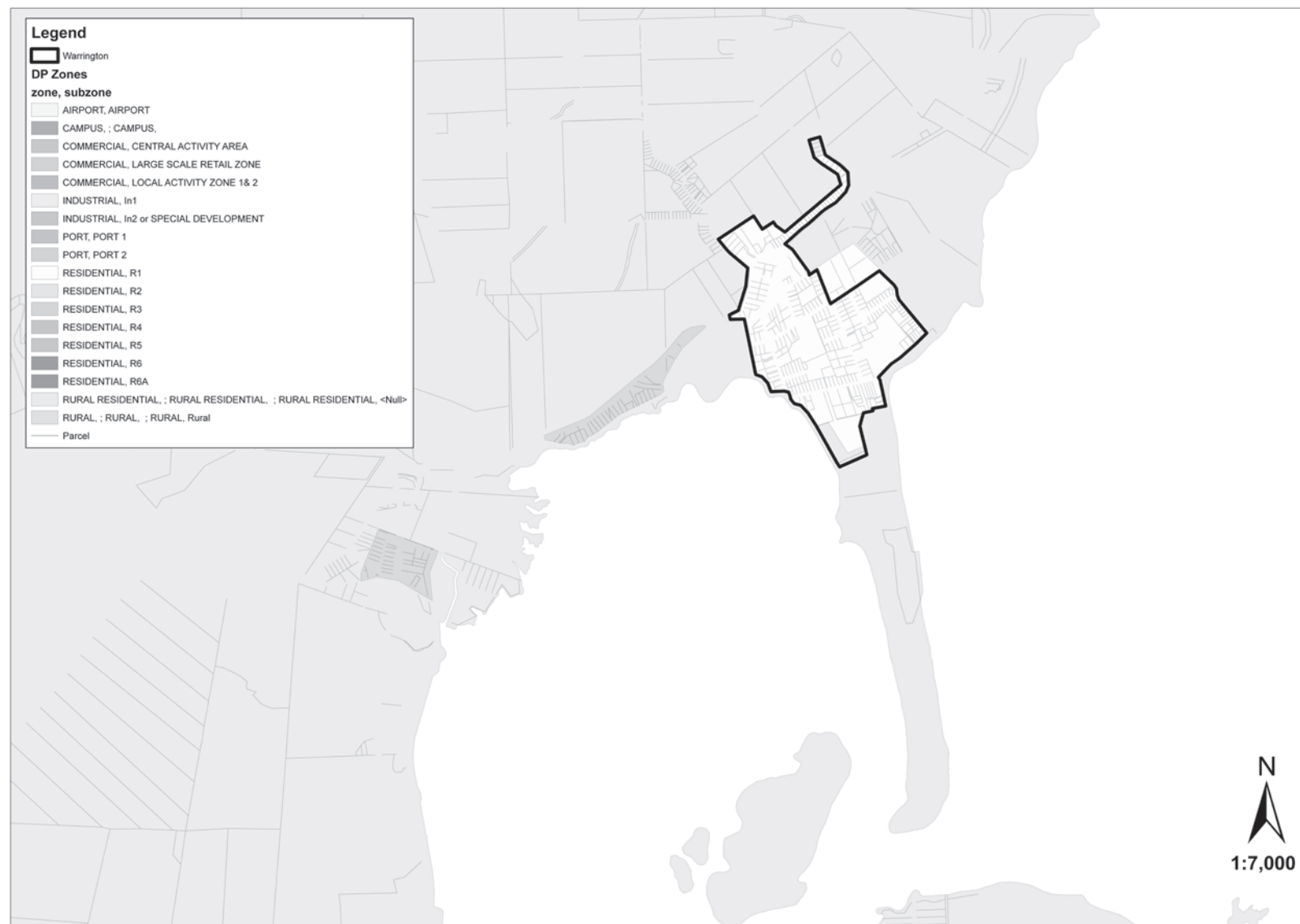
Map 12: Seacliff Area of Benefit – Wastewater



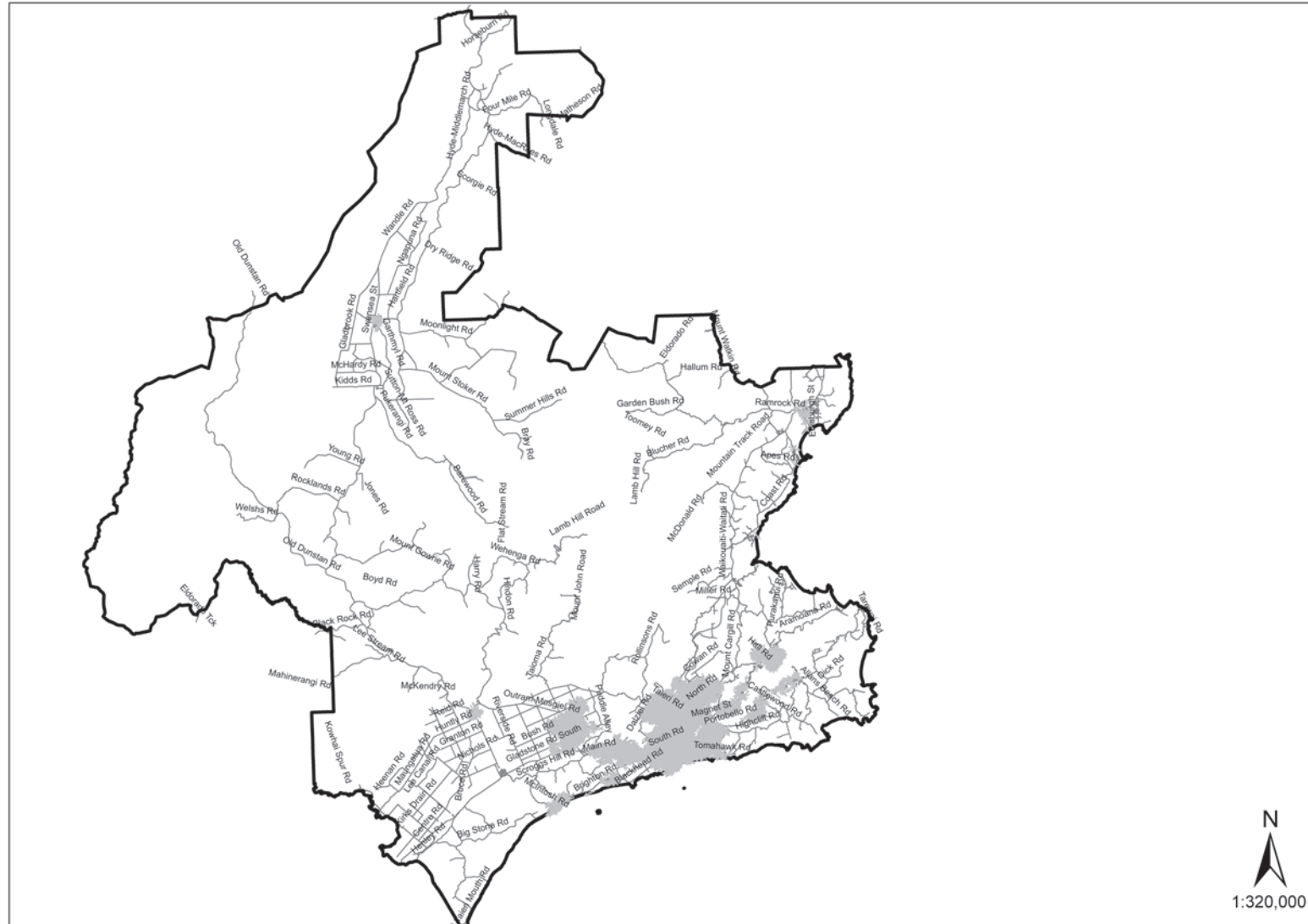
Map 13: Waikouaiti, Karitane Area of Benefit – Wastewater



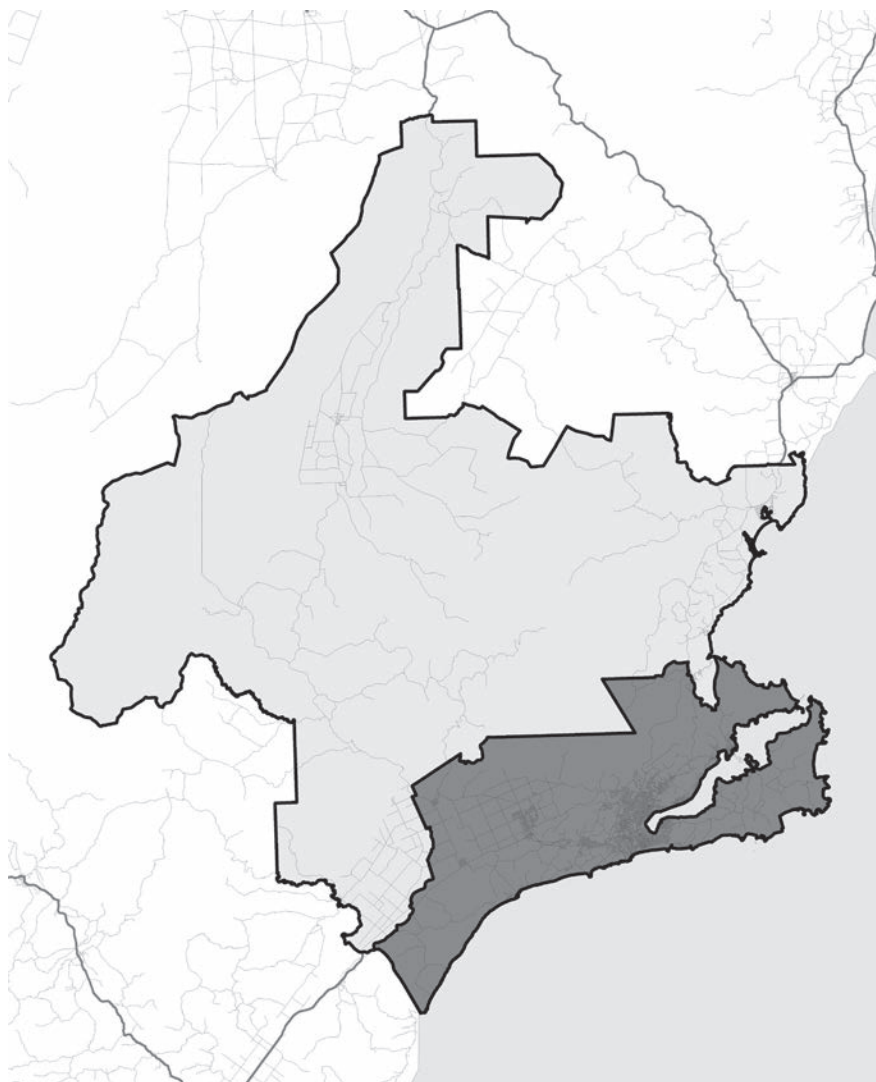
Map 14: Warrington Area of Benefit – Wastewater



Map 15: Stormwater Area of Benefit Map



Map 16: Transportation, Community Infrastructure and Reserves Area of Benefit

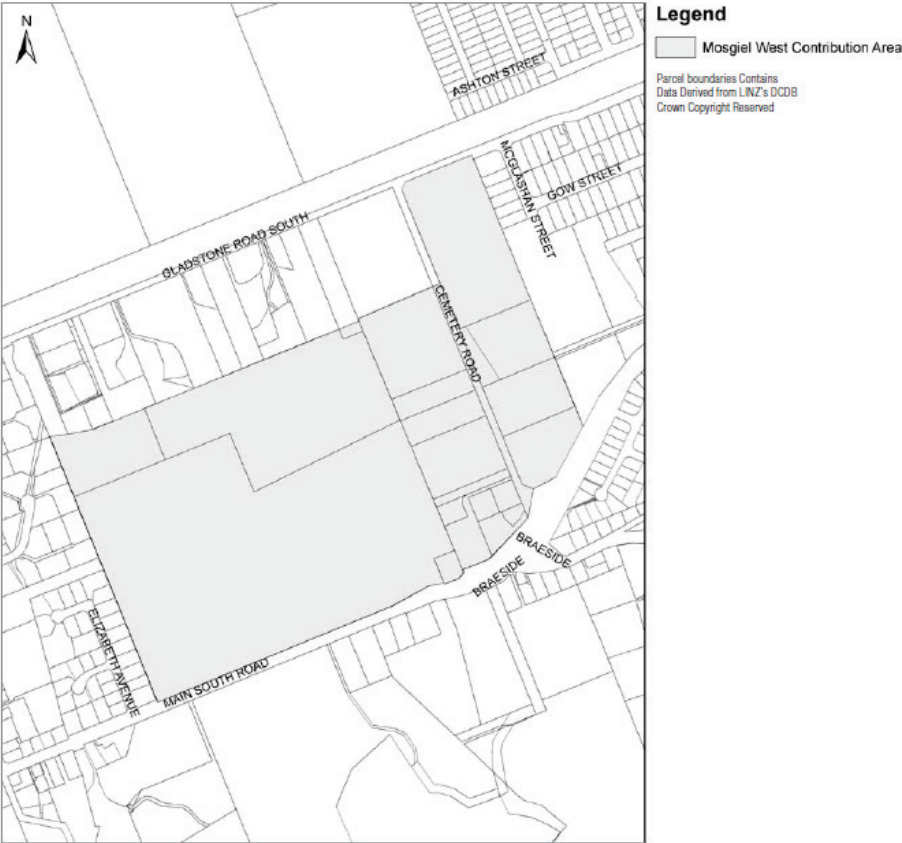


Mosgiel Plan Change Areas of Benefit

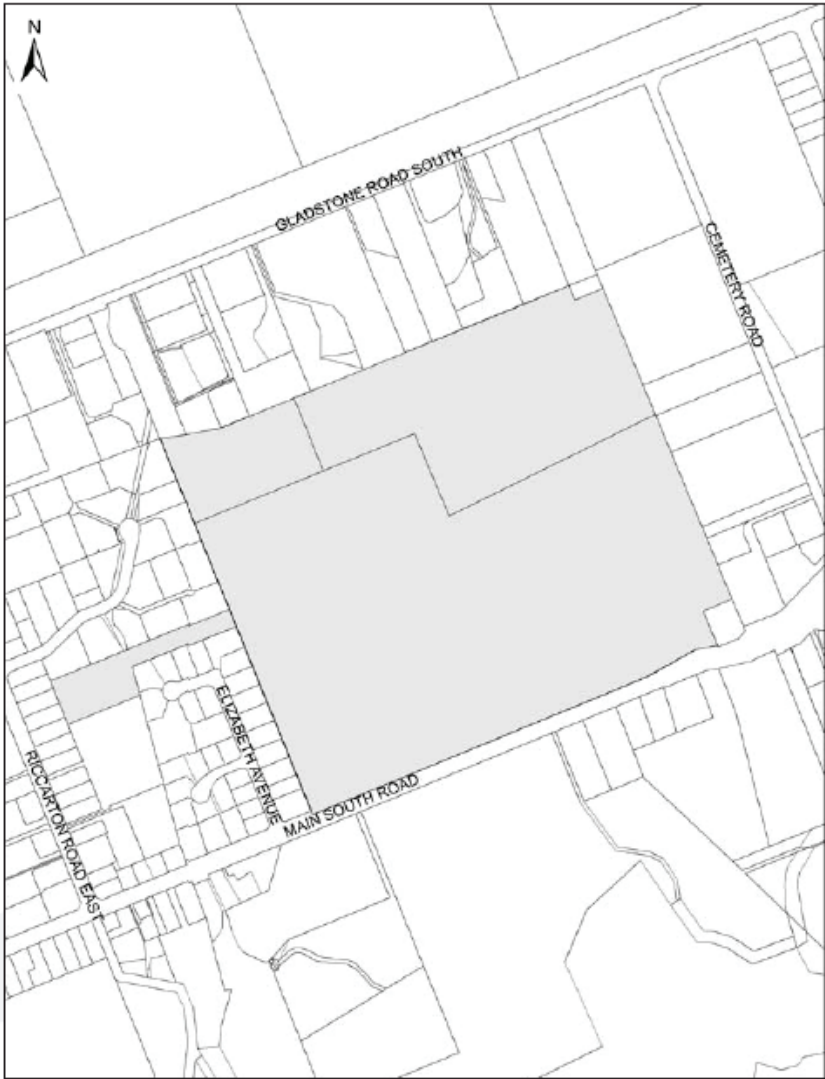
Map 1: Mosgiel East – Local Reserves, Transportation, Stormwater and Wastewater



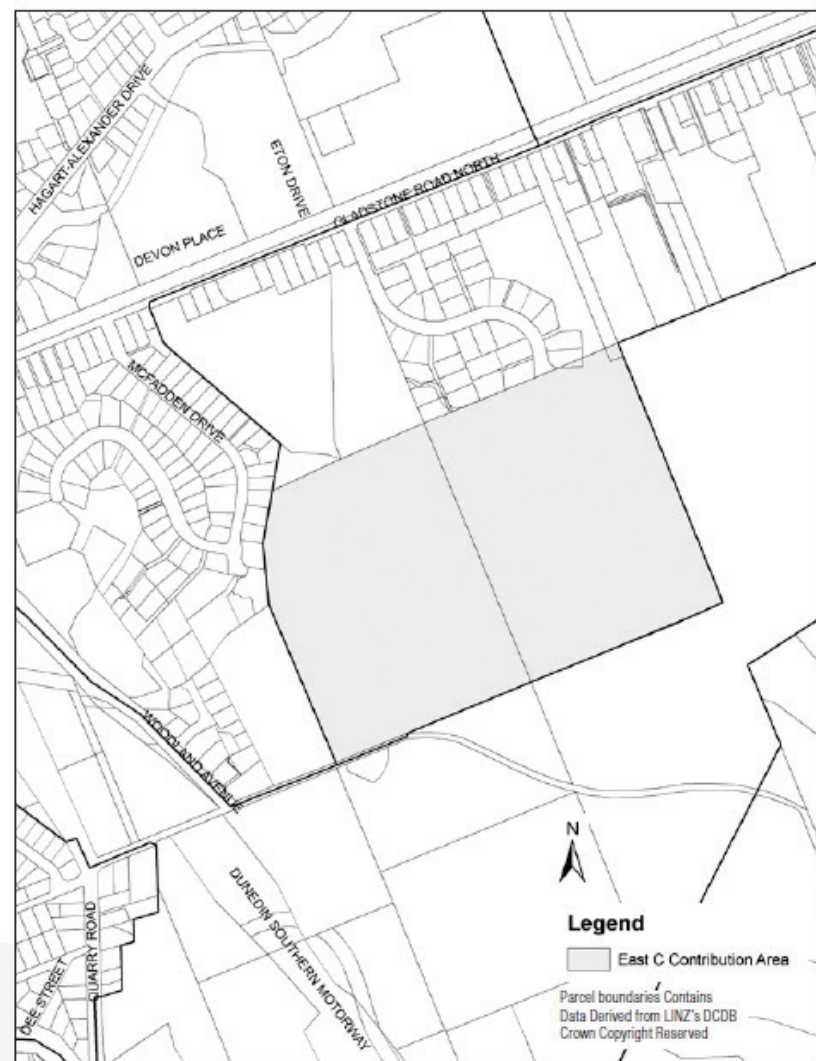
Map 2: Mosgiel West – Local Reserves, Transportation, Stormwater and Wastewater



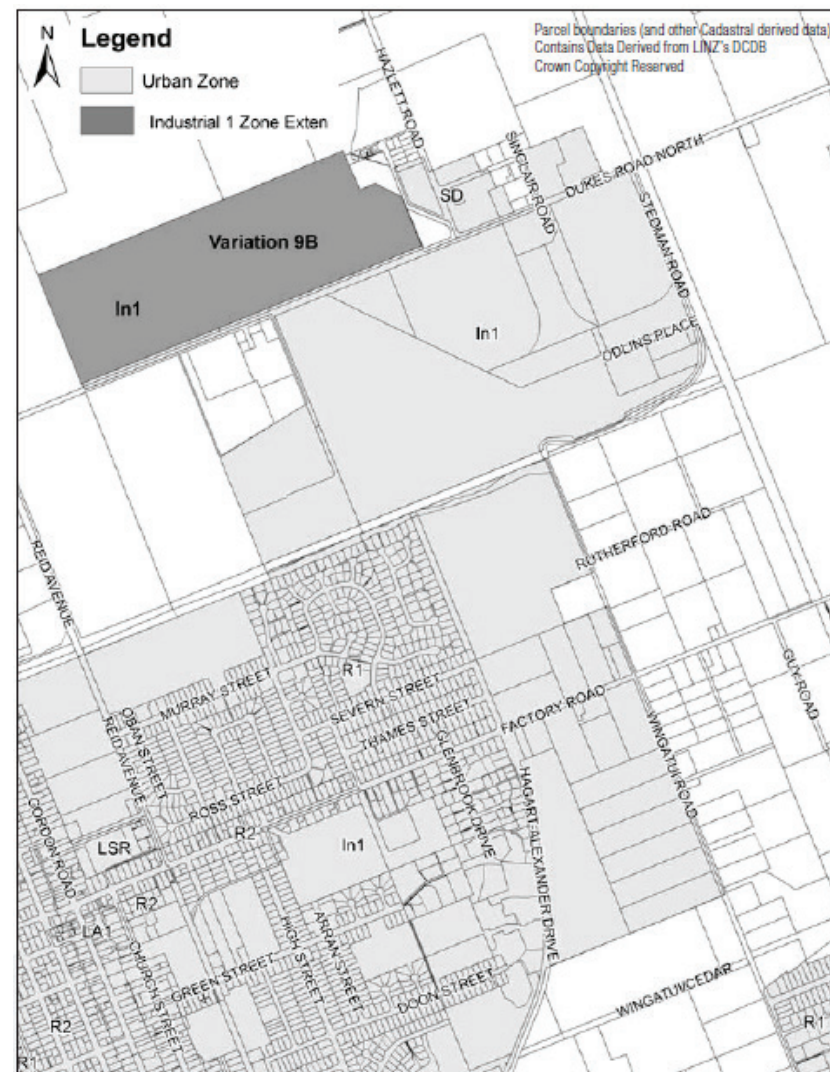
Map 3: Mosgiel West Riccarton Road Access Link Contribution Area



Map 4: Mosgiel East C Water Supply and Wastewater



Map 5: Mosgiel Variation 9B Water Supply and Wastewater



Significance and Engagement Policy

1 Introduction

1.1 Purpose

The Dunedin City Council will consider community views when making decisions. This Policy establishes a general approach for determining the significance of Council decisions and sets out when and how the Council will engage the community in its decision-making relative to the significance of the decision.

1.2 Objectives

The objectives of this Policy are:

- a) to establish a process for determining the significance of a decision
- b) to support public involvement in significant decision-making, which will ensure good decision-making
- c) to build positive relationships with stakeholders and the wider community, encouraging co-operation, respect and mutual understanding of other points of view
- d) to ensure that the Council meets all legislative requirements in terms of consultation and community engagement, including the requirements of section 76AA of the Local Government Act 2002 (LGA).

2 Significance

Significance means the importance of an issue, proposal, decision, or matter, as assessed by the Council, in terms of its likely impact on, and likely consequences for:

- a) Dunedin as a whole
- b) the parties and communities who are likely to be particularly affected or interested in the issue, proposal, decision or matter
- c) the financial and non-financial costs and implications, or the capacity of the Council to perform its role/functions.

2.1 Determining Significance

DCC staff and elected members will be responsible for assessing the significance of a potential decision, in accordance with legislation and this Policy.

When determining the significance of an issue, proposal, decision or other matter the criteria in section 2.2 will be considered.

2.2 Criteria for Significance

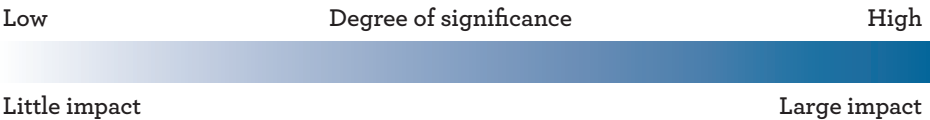
The Council has identified criteria to assess the degree of significance. The significance of an issue, proposal or decision lies somewhere on a continuum from low to high. Where the significance of a proposal or decision is unclear against one criterion, then the Council will treat that criterion as being more, rather than less, significant. If any of the following criteria are met, the proposal or decision may be ‘significant’. However, the criteria should be considered collectively to get to this point.

2.2.1 Importance to Dunedin

The extent to which the matter impacts on the DCC area, now and in the future.

Factors to be considered include:

- a) the effect on existing levels of service provided by the DCC for significant activities (including a decision to begin or cease a significant activity)
- b) the long-term social, economic, environmental and cultural impact of the decision on the needs of current and future generations
- c) the opportunity costs, the level of risk and how difficult it would be to reverse the effects of the decision.



2.2.2 Community interest

The extent to which individuals, organisations, groups and sectors within the community are particularly affected by, or are interested in, the matter.

Factors to be considered include:

- a) the number of individuals, organisations, groups and sectors within the community that are affected
- b) the extent of the impact on affected individuals, organisations, groups and sectors within the community
- c) the level of public interest, or the potential for the issue to generate interest or controversy
- d) the extent to which community opinion is divided on the matter.

Low	Degree of significance	High
Good Community Agreement		Divided Community Views

2.2.3 Consistency with existing policy and strategy

The extent to which the matter is consistent with the Council's Strategic Framework and policies (refer to Schedule 1).

Factors to be considered include:

- the extent to which the decision is consistent with the Council's community outcomes, Strategic Framework priorities and policies
- the extent to which the decision is consistent with previous Council decisions.

Low	Degree of significance	High
Consistent with other strategies and policies		Large inconsistencies with other strategies and policies

2.2.4 Impact on Council's finances, capacity and capability

The impact of the decision on the ability to achieve the objectives set out in the Council's Long Term Plan and Financial Strategy.

Factors to be considered include:

- transfers of strategic assets to or from the Council (refer to section 2.3)
- the financial cost of the decision, in the short, medium and long term
- the extent of the impact on rates and/or debt (including cumulative effects)
- the extent to which the decision is consistent with the Financial Strategy
- the impact on the Council's capacity/capability to meet legislative requirements.

Low	Degree of significance	High
Little impact		Large impact

2.3 Strategic assets

Some assets or groups of assets are considered strategically important to achieve and promote the current or future wellbeing of the community and the priorities of the Strategic Framework. These assets are identified in Schedule 2.

In general, the Council will, at a minimum, engage the community using the special consultative procedure (as described in section 3.3.5) on any significant changes to the Council's ownership or control of strategic assets and any decisions to construct, replace or sell strategic assets.

3 Engagement

Engagement provides an opportunity for the public to debate and discuss their views on a decision or proposal being considered by the DCC. The community views expressed through an engagement process will be considered and taken into account, along with other information, when decisions are made. Engagement may not necessarily result in consensus. However, engagement should allow for an exchange and examination of information and points of view between affected and interested people and decision-makers before a decision is made. Engagement ensures that decisions are informed and improved by the community's involvement.

3.1 Principles of engagement

The Council will take a principle-based approach to our community engagement activities.

- Genuine: We will engage honestly and we will respect and listen to the views provided by the community with an open mind and will give due consideration to them when making decisions.
- Timely: We will engage with the community as early as appropriate and ensure that engagement processes are an integral part of project planning. We will allow enough time for participants to contribute and for them to be able to raise unexpected issues.
- Purposeful: We will be clear about the purpose of engagement and the ability and scope of the engagement to influence decisions.

- **Inclusive and accessible:** We will engage in a way which encourages participation of all who are likely to be affected by, or are interested in, a decision.
- **Recognition of diversity:** We will use engagement methods which are appropriate to the issue and those we are seeking to engage, having regard to their culture, age, ability and time availability.
- **Informed:** We will provide clear, easy to understand and objective information relating to the engagement and ensure it is readily available so that participants can make informed contributions.
- **Responsive:** We will be transparent about how we record, consider and respond to participants' contributions, and provide clear information on how the community's feedback has been taken into account in decision making.
- **Engagement with Māori:** We will acknowledge the unique perspectives of Māori in the city. **Cost-effective:** We will engage in a cost-effective manner, and resource engagement in proportion to the significance of the decision. We will ensure the least possible cost to all involved in the engagement (including the costs to the communities / affected parties).

3.2 Determining when to engage

3.2.1 Statutory Compliance

The LGA and other legislation require the Council to consult with the community in a range of circumstances. The LGA has also sets out principles to guide all consultation and prescribes specific consultative procedures, which must be followed in certain circumstances (refer to section 3.3.5). At a minimum, the Council will adhere to all legislative requirements.

3.2.2 Significant proposals or decisions

The Council will determine the nature and form of the engagement in accordance with the significance of the particular decision. In general, the greater the significance of the decision, the more we will do to engage the community. A 'significant' decision will not automatically require the special consultative procedure (refer to section 3.3.5).

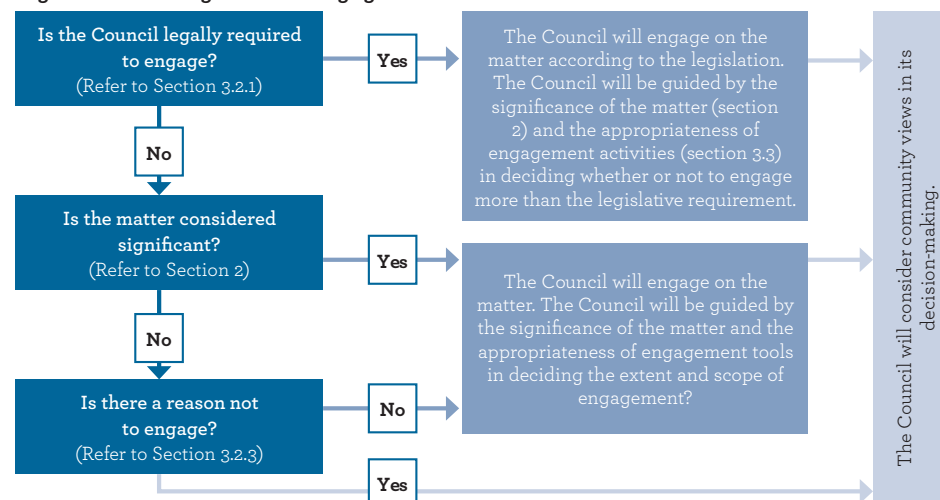
3.2.3 Reasons not to engage

The Council acknowledges there are times when it is not necessary, appropriate or possible to engage the community on a proposal or decision. The Council may also choose not to engage on a proposal or decision, but will only decide this in accordance with at least one of the criteria below:

- the proposal or decision is not of a nature or significance that requires engagement
- the Council already has a sound understanding of the views and preferences of the people likely to be affected by, or interested in, the proposal or decision
- there is a need for confidentiality or commercial sensitivity
- the costs of engagement outweigh the benefits of it
- the proposal or decision has already been addressed by the Council's strategies, policies or plans, which have recently been consulted on
- an immediate or quick response or decision is needed or it is not reasonably practicable to engage.

Whenever the Council does not formally engage, community views will still be considered before a decision is made and as much information will be provided to the public as possible. Figure 1 provides a summary of the factors the Council will consider when deciding when to engage.

Figure 1: Deciding when to engage



3.3 Engagement Activities

The Council will decide which engagement activities or processes to use based on the individuals, communities and sectors that are affected by, or interested in the proposal; and the extent of that interest/impact. In the first instance, DCC staff will be responsible for assessing the appropriateness of engagement activities for each proposal or decision at the project planning stage. Reports to the Council and its Committees will outline a proposed engagement plan, to be approved by the Council or Committee.

3.3.1 Spectrum of engagement activities

The Council recognises that differing levels of engagement activities may be required during the various stages of decision-making on an issue and for different stakeholders. Figure 2 is based on the International Association of Public Participation (IAP2) spectrum of engagement and sets out some engagement activities. It describes when these activities may be appropriate for particular kinds of decisions and when the community can expect to be involved in the decision-making. However, this list does not commit the Council to using specific tools or activities in any specific circumstance.

Figure 2: Types of Engagement Activities (IAP2 spectrum of engagement)

Level	Inform	Consult	Involve	Collaborate	Empower
Goal of engagement	To provide the public with a balanced and objective information to assist them in understanding the problem, alternatives, or solutions.	To obtain public feedback on analysis, alternatives or decisions.	To work directly with the public throughout the process to ensure that public concerns are constantly understood and considered.	To partner with the community and stakeholders in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place the final decision-making in the hands of the public.
Examples of issues, decisions or matters where this engagement might be appropriate	Temporary road closure District Plan monitoring reports Council reports	Long Term Plan consultation Dog Control Bylaw	Review of the Community Grants Policy Revitalisation of an area (e.g. Warehouse Precinct)	Development of a Strategy (e.g. Economic Development Strategy) Upgrade of playgrounds	Triennial council election
Engagement activities the Council might use	Public notice Letter drop Media release Discussion paper DCC website Radio advertising FYI story Social media	Exhibition Expo Public hearing Survey Special consultative procedure People's Panel Roadshow	Community Board meeting Hui/public meeting Working party Workshops Focus group	Multi stakeholder process Advisory group Round table meeting	Referendum Citizen juries Participatory budgeting
When the community can expect to be involved in the decision-making	The Council will advise the community when a decision has been made.	The Council will advise the community when a draft decision has been made and will provide the community with an opportunity to participate and respond before a final decision is made.	The Council will provide the community with opportunities to be involved throughout the decision-making process, before a final decision is made.	The Council will provide the community with opportunities to be involved throughout the decision-making process, including when the options are being considered before a final decision is made.	The Council will provide the community with the power to make the final decision.

3.3.2 Engagement concerning local issues

Some local issues will be considered highly significant for particular communities. In these cases, the Council will engage with affected communities directly. The Council will take a flexible approach on how it engages with the community on local issues according to the community's preferences for engagement. This approach will often involve DCC staff, Councillors and, where relevant, Community Boards.

3.3.3 Engagement linked to day-to-day council business

DCC staff, in consultation with the relevant Councillors and Community Boards, will identify and manage community engagement activities associated with the organisation's usual work and projects. The responsible department will establish the most appropriate engagement activities at the project planning stage. The department will then be responsible for providing information to the community on the issue and facilitating the community involvement.

3.3.4 Ongoing engagement activities

The Council recognises that engagement is not a one-off activity, and uses a number of initiatives regularly to engage with the community. Such activities enable early engagement on issues, and include:

- **Advisory and Stakeholder Groups** – The Council establishes advisory and stakeholder groups to engage with organisations, groups and sectors within the community. These advisory and stakeholder groups may be ongoing or established for a particular timeframe. All advisory and stakeholder groups will be established by a Council resolution, have specific terms of reference and regularly report to a relevant Council Committee.
- **Community Boards** – The Council partners with Community Boards, which provide advice on matters affecting their communities and advocate for the interests of their communities. Community Boards may also make submissions to the Council and other organisations on matters affecting their areas.
- **Partnerships** – The Council facilitates a range of partnerships and networks between all levels of government, business and community organisations, including informal engagement with staff and key stakeholders.

- **Place-based Approach** – The Council works with a number of specific communities and neighbourhoods to set priorities in their area, improve the co-ordination of services being delivered within their area and enable consideration of all issues relating to their area.
- **Online Engagement** – The Council uses digital tools for engaging with the community, such as the People's Panel, social media and the DCC's website.

3.3.5 Special Consultative Procedure

The Council will engage with the community using the special consultative procedure when required by legislation, and when it is the most effective engagement tool for a particular proposal or decision. The special consultative procedure is outlined in section 83 of the LGA, and is summarised below.

The Council will prepare and adopt a written statement of proposal, and if relevant, a summary of that proposal, which will:

- clearly identify what the proposal is and the reasons for it
- provide an analysis of feasible options.
- The Council will provide an opportunity for people to give feedback on the matter and will:
- ensure the summary and statement of proposal is widely available
- enable interaction between the community and the Council, or its representatives
- provide an opportunity for people to present their views to the Council
- provide at least one month for feedback.

4 Review

This Policy will be reviewed at least once every three years, and within 12 months following each triennial election.

Schedule 1: DCC Strategic Framework



Schedule 2: Strategic Dunedin City Council Assets

Strategic assets are those considered by the Council to be strategically important to achieve and promote the current or future wellbeing of the community and the priorities of the Strategic Framework. The Council may consider any other asset or group of assets as being ‘significant’ by using the criteria of significance in section 2.2. Some examples of strategic assets are:

Cemeteries
 Community Housing
 Dunedin Botanic Garden
 Dunedin Centre, Town Hall and Municipal Chambers
 Dunedin Chinese Garden
 Dunedin Public Art Gallery and Collections
 Dunedin Public Libraries and Collections
 Dunedin Railway Station
 Edgar Centre
 Forsyth Barr Stadium
 Fortune Theatre
 Hereweka Harbour Cone
 Landfill Facilities
 Logan Park
 Moana Pool
 Olveston House
 Regent Theatre
 Shares in Dunedin International Airport Company Limited
 Dunedin City Holdings Limited
 Stormwater Collection and Disposal System
 The Town Belt
 Toitū Otago Settlers Museum and Collections
 Transportation Network
 Wastewater Collection, Treatment and Disposal System
 Water Collection, Storage, Treatment and Distribution System

Notes

- Where a strategic asset is a network, or has many components, decisions can be made on individual components within the network without it being regarded as significant, unless that component substantially affects the level of service provided to the community.
- Decisions can be made to physically alter strategic assets that are required to prevent an immediate hazardous situation arising, or repair an asset due to damage from an emergency or unforeseen situation.
- As agreed by the Council, in the case of Council Controlled Organisations (CCOs), decisions relating to the management, acquisition or divestment of assets are taken by the independent board of the CCOs under the Statement of Intent.