

Council Policy

Policy Title: Revenue and Financing Policy
Responsibility: Group Manager Corporate Services
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1 Policy Objectives

- 1.1 The Revenue and Financing Policy is a document which sets out how Council plans to fund all of its operating and capital expenditure at an activity level over the life of the Long-Term Plan.
 - 1.1.1 The Policy discusses all the potential revenue and funding sources available to Council and outlines how and when it will use these. In order to arrive at its chosen funding arrangements Council has taken account of many factors, including:
 - (a) the community outcomes to which each activity primarily contributes,
 - (b) who benefits from the activity,
 - (c) over what period of time the benefits are delivered,
 - (d) whether the activity is needed in response to the action(s) (or lack of action(s)) of some person or group,
 - (e) whether it would be more prudent for the activity to be funded separately or included with other activities.
 - 1.1.2 Finally, the Policy discusses how Council addresses “the overall impact of any allocation of liability for revenue needs on the community.”
- 1.2 Every activity has been analysed using the factors discussed above. This analysis has then been used to develop a set of funding decisions about the use of rates, both general and targeted, user charges, and other funding sources to arrive at what Council considers is an optimal funding arrangement for the activity.
 - 1.2.1 The next step has been for Council to consider the overall effects of these separate funding proposals on the district as a whole.
- 1.3 The purpose of the Revenue and Financing Policy is to:
 - (a) demonstrate how and why Council funds each of its significant activities,
 - (b) make known Council’s intentions regarding funding methods for each of Council’s activities so the Ruapehu community can monitor and assess Council’s prudent financial management,
 - (c) comply with Sections 101, 102 and 103 of the LGA which requires Council to develop and consult on a Revenue and Financing Policy for inclusion in the Long Term Plan.

2 Definitions

- 2.1 **Defence Land** has the same meaning as in Section 22 of the Local Government Rating Act 2002 (LGRA).
- 2.2 **Exacerbator** means a person or group of people whose actions or inactions contribute to the need to undertake an activity.

3 Principles

- 3.1 After taking account of the factors identified above, Council has agreed the following basic principles to guide the assessment of fairness and equity in choosing funding sources.
- (a) Each generation of ratepayers should pay for the services they receive.
 - (b) User charges are preferred whenever a private benefit can be identified; and it is efficient to collect the revenue.
 - (c) Council will use any other funding sources before rates.
 - (d) Capital expenditure to replace assets will be primarily funded from depreciation.
 - (e) Capital expenditure to upgrade or build new assets will initially be funded through borrowings.
 - (f) Rate increases will be within the limits set in the Financial Strategy.
 - (g) Borrowing will be within the limits set in the Financial Strategy.
- 3.2 Complying with these principles can at times be challenging. Council must apply judgment in assessing many options to determine fairness in the development of budgets or acquisition of assets along with the choice of funding sources to implement these.

4 Policy Statement

4 OPERATING COST FUNDING SOURCES

4.1 Sources of Funding Operating Expenditure

LGA Section 103(1) requires Council to disclose policies in respect of the funding of operating expenses from the sources listed in Section 103(2). Operating expenses are funded annually using a mix of sources as described below. Borrowing is not generally used to fund operating expenses.

4.1.1 User Charges

User charges are used for services where there is a benefit to an individual or group. The price of the service is set, taking account of a number of factors. These could include:

- (a) The cost of providing the service.
- (b) An estimate of the users' private benefit derived from using the service.
- (c) Whether there are identifiable and distinct user groups/exacerbators identified by Council's Revenue and Financing Policy.
- (d) The impact of cost to encourage/discourage behaviours.
- (e) The impact of cost on the demand for the service.
- (f) The cost and efficiency of collection mechanisms.
- (g) The impact of affordability on users.
- (h) Other matters as determined by Council.

- (i) The user charge represents the fairest method to seek a contribution from identified beneficiaries or exacerbators.

4.1.2 Grants, Sponsorship and Subsidies

Grants, sponsorship and subsidies are used wherever they are available. The council expects to continue receiving substantial subsidies for road maintenance, and other Central Government grants/subsidies for waters and tourism infrastructure.

- 4.1.3 Some services can only be continued so long as funding from these sources continues.

4.1.4 Investment Income; Dividends, Interest

Income from dividends and interest is used to offset the overall costs of Council.

4.1.5 Other Revenue

Council receives other operating income from:

- (a) Petrol tax
- (b) Property rentals
- (c) Other minor sources

4.1.6 Rates

Having exhausted all other funding sources, Council proposes to fund its remaining operating expenses from rates. For many activities, this is the main funding source reflecting Council's view that the collective benefit to the District is greater than any identifiable individual benefit.

- 4.1.7 Council recognises that there is a balance between transparency and efficiency when considering rating options. In deciding whether to introduce a new targeted rate Council must take into account the overall costs before deciding on whether to separately fund the activity.

- 4.1.8 Some activities may be best funded using user charges, such as the issue of building and resource consents. Other activities are better funded by targeted rates such as water and sewerage services.

4.2 Separate Funding

Distinct or separate funding enables ratepayers or payers of user charges to assess more readily whether or not the cost of the service to them represents good value. They can also more easily determine how much money is being raised for and spent on the service. This is seen to promote transparency and accountability.

- 4.2.1 One of the factors Council is required to consider when deciding whether to separately fund an activity is the costs and benefits that might be achieved by that separate funding. The intent of this requirement is to avoid incurring costs in separately accounting for an activity where there is no clear benefit in so doing.

4.3 Rates

4.3.1 General Rate

A General Rate set as a differentiated rate in the dollar on capital value (CV) applied to all properties in the District with the exception of Defence Land which is rated on capital value but in accordance with Section 22 LG (R) Act, the rate does not exceed the amount that would have been charged if the District's rate was calculated on the basis of land value only.

General Rate Differentials
All land except for hydro-electric properties worth in excess of \$50 million
Hydro-electric properties worth in excess of \$50 million

- 4.3.2 A General Rate is used when:
- Council considers that a capital value rate is fairer than the use of other rating tools for the service funded,
 - Council considers that the community as a whole should meet costs of the activity or function,
 - Council is unable to achieve its user charge targets and must fund the expenditure shortfall.

4.3.3 Uniform Annual General Charge (UAGC)

A UAGC funds a portion of Council's general costs.

- 4.3.4 The UAGC is assessed on the basis of the Separately Used or Inhabited Part (SUIP) of a Rating Unit to part fund the activities of Council. It forms part of the General Rate.

- 4.3.5 The total rate revenue from the UAGC together with other targeted rates set on a uniform basis (other than those set for water and wastewater), will not exceed 30% of the total rates.

4.3.6 Targeted Rates

Council proposes to set a number of targeted rates to fund a range of services. Some of these rates are seen as proxies for user charges, particularly for services such as water and sewerage. These rates are described as "proxies" because they are generally fixed amounts payable by the different category of ratepayer, rather than an amount based on the level of usage.

- 4.3.7 An example of the difference between a proxy and a user charge is the way that Council charges for sewerage. Council charges a fixed amount to the rating unit based on the number of SUIPS and/or the number of pans. If that rate were a true user charge, Council might charge on the basis of the amount of sewerage being discharged. Setting rates on that basis is not permitted so the only legal mechanism allowing for a rate to be truly usage-based is a water by meter rate.

- 4.3.8 A targeted rate may be used when:
- Council considers that a targeted rate would enable a higher level of transparency in funding allocation; or
 - Council considers that a targeted rate is fairer than the use of other existing rating tools for the activity or service funded, in consideration of the benefit derived from the service; or
 - There is not an equal benefit to all of the district's ratepayers.

- 4.3.9 A targeted rate may be set on a number of bases:
- Uniformly as a Targeted Uniform Annual Rate (TUAR) if Council considers there is an equal benefit to the district ratepayers or a specific beneficiary group/s, or
 - Differentially as a Targeted Annual Rate (TAR) if Council considers that the benefits arising from the rate varies according to the nature or location of the district ratepayers or specific beneficiary groups.

4.3.10 Differential Rates

A differential may be applied to the General Rate or a Targeted Rate under Section 13 and 14 of the LGRA based on the categories set out in Schedule 2.

4.3.11 Differential rates mean that some ratepayers may pay more or less than others with the same value property.

4.3.12 General and targeted rates

The general rate is differentiated for hydro-electric properties worth in excess of \$50 million. This is because Council considers that an undifferentiated rate on these properties would be unreasonable as a result of their extreme values. These properties will be charged a differential of 61% of the full general rate (or a factor of 0.61) and 61% of the targeted rate for Land Transport (or a factor of 0.61).

4.3.13 A higher differential may apply to the Land Transport targeted rate for properties where commercial forestry is the main or a significant activity. This is because Council considers that a differential rate will result in the commercial forestry sector paying a fairer share of roading costs, given the level of road pavement consumption relative to other land use categories. The differential rating factor will be set at 200% of the Land Transport targeted rate (or a factor of 2).

4.4 Council Sets the Following Targeted Rates

4.4.1 Land Transport

A differentiated targeted rate set on the basis of Capital Value on all rating units in the District.

Land Transport Rate Differentials	
Differential	Basis
General	All rating units other than the following:
Hydro-electric	Rating Units used for Hydro-electric purposes with a Capital Value in excess of \$50 million
Forestry	Rating Units used for exotic forestry with a Quotable Value Property Use Code of FE

4.4.2 Economic Development Targeted Rate

A uniform targeted rate set on the basis of a fixed amount on the basis of the SUIP on all rating units in the District.

4.4.3 Economic Development Commercial Targeted Rate

A targeted rate set on the basis of a rate per dollar of capital value on all rating units with QV Property Use Codes C (commercial) and I (industrial).

4.4.4 Visitor Accommodation Targeted Rate

A Visitor Accommodation Rate set on the basis of the rating unit to fund services provided to the tourism sector. This rate will be assessed on any property that is advertised in any form as providing short term accommodation to the tourism sector. For clarity, this rate will be payable by any property (rating unit) that is advertised and used for accommodation purposes, for example Bed & Breakfast (B&B), Book-a-Bach, Air B&Bs etc. This rate will not, however, be payable by any rating unit that is currently assessed as Economic Development – Commercial Targeted Rate. – Note this rate will be first charged in 2019/20.

4.4.5 **Solid Waste - Waste Minimisation Management & Facilities**

A targeted rate set on the basis of a fixed amount assessed differentially on every SUIP in the District to fund the cost of landfills, transfer stations and general recycling costs, plus all other refuse costs not included in the service charge for kerbside collection charged to individual households.

4.4.6 **Solid Waste - Kerbside Collection**

A targeted rate set as a fixed amount assessed differentially on every SUIP to which Council provides the service, to fund the cost of kerbside (refuse and recycling) collection within each of the defined rating areas from which Council is willing to collect refuse.

Solid Waste - Kerbside Collection Rate Differentials	
Differential	Basis
General Differential	All rating units within the rateable areas defined AND used for "Residential" ¹ purposes. Note: vacant land and land with minor improvements will not be liable for this rate
Commercial Differential	All rating units within the rateable areas defined AND used for any purpose other than residential. Note: vacant land and land with minor improvements will not be liable for this rate

4.4.7 **Accelerated and Enhanced Development Targeted Rates**

A targeted rate set on the basis of capital value on all rating units within each of the defined rating areas.

4.4.8 **Urban Periphery Roads**

A targeted rate set on the basis of a fixed amount per rating unit for all rating units with frontage on Kaha or Tau Streets, Rangataua (excluding the three rating units with frontage on a short section of Tau Street already sealed: valuation numbers 12765 198 00; 12765 222 00; 12765 223 00).

4.4.9 **Stormwater and Flood Protection (Urban)**

A targeted rate set on the basis of a fixed amount per SUIP of a rating unit within the communities of Taumarunui, Piriaka, Ohakune, Raetihi, Owhango, National Park, Rangataua, Waiouru, Kakahi to which stormwater and flood protection services are provided to fund these services. In this context, "are provided" means that the rating unit is within a water or sewerage supply area or an area serviced by kerbside collection AND is liable for any of those rates.

4.4.10 **Sewerage Rates**

(a) Sewerage Service Rate

A targeted rate set on the basis of a fixed amount assessed differentially on every SUIP that is connected or capable of connection, either directly or indirectly, to any of the District's public sewerage systems.

Note: Capable of connection means that rating unit is not currently connected to the sewerage reticulation but is within 30 meters of reticulation, capable of connection and Council is willing to allow it to connect.

Sewerage Differential Rate	
Differential	Description
General Use	Land other than land used for Primary and Secondary Schools
School Use	Land used for Primary and Secondary Schools.

¹ As defined as residential by Council's Valuation Service Provider and included in the Valuation Information Database

(b) Additional Pan Rate (Water Closet or Urinal)²

A targeted rate set on the basis of a fixed amount assessed differentially on every Pan in excess of two per SUIP that is connected, either directly or indirectly, to any of the District's public sewerage systems as set out below.

Additional Pan Differentials	
Differential	Description
General Use	Land other than land used for Primary and Secondary Schools
School Use	Land used for Primary and Secondary Schools.

4.4.11 Water Rates

A targeted rate set on the basis of a fixed amount assessed differentially on every SUIP that is connected or capable of connection, either directly or indirectly, to any of the District's Public Water Supply Systems.

Water Differential Rate	
Differential	Description
General Use	All Rating Units/SUIPS other than those defined as Extraordinary Use
Extraordinary Use	Rating Units/SUIPS are deemed extraordinary by land use, Councils Water Supply Bylaw, or agreement with Council.

Note: Capable of connection means that rating unit is not currently connected to the water supply but is within 100 meters of reticulation, capable of connection and Council is willing to allow it to connect.

4.5 Fees and Charges

Fees and charges will be sought according to Council's Revenue and Financing Policy where:

- (a) it is assessed that the level of benefit to identified beneficiary/exacerbator groups justifies the seeking of user charges,
- (b) there are identifiable and distinct user groups/exacerbators identified by Council's Revenue and Financing Policy,
- (c) user fees represent the fairest method to seek a contribution from identified beneficiaries or exacerbators.

4.6 Grants and Subsidies

Council receives significant subsidy to part-fund operations, renewal and capital development in Land Transport. The percentage of this subsidy differs for different types of works.

4.7 Other Funding

Council also uses the following funding methods:

- (a) extra income, petrol tax, interest and dividends - Council receives limited interest and dividends.
- (b) proceeds from asset sales - used to offset debt first.
- (c) loan funding.

4.7.1 Council may receive additional minor funding from other sources, including Fees and Charges, across all activities.

² In terms of the Local Government (Rating) Act 2002 Schedule 3 Note 4, a rating unit used primarily as a residence for one household will be treated as having only one water closet or urinal.

4.8 Summary of Operating Funding Sources

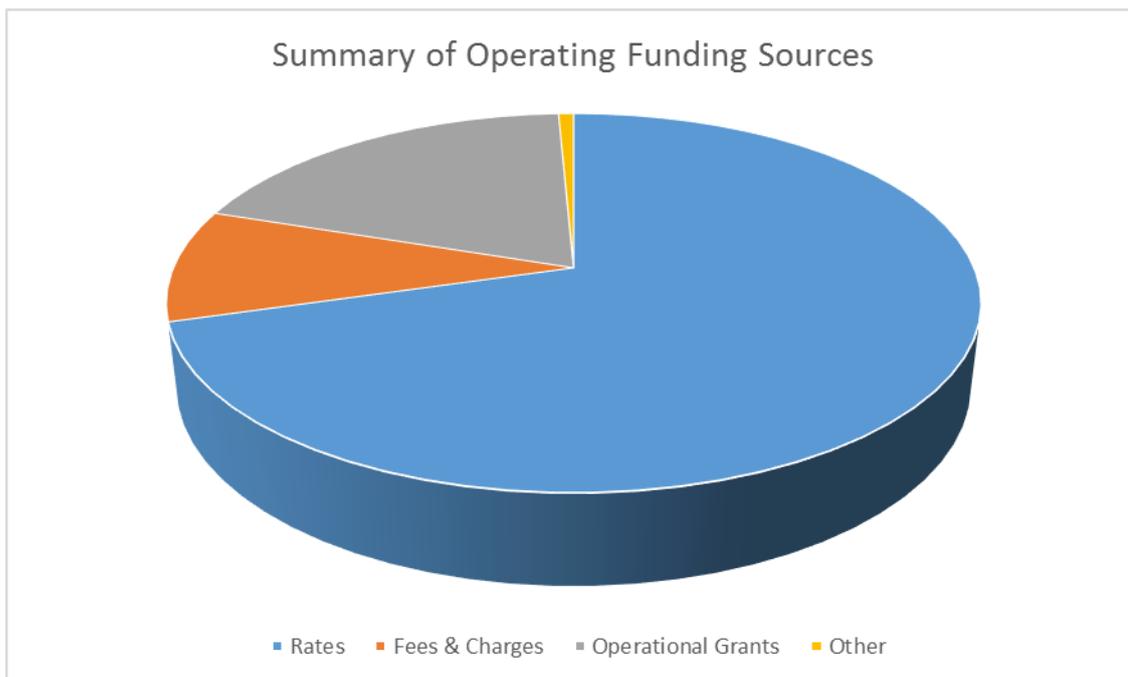


Figure 1 - Summary of Operating Income

5 SOURCES OF FUNDING CAPITAL EXPENDITURE

5.1 Capital Expenditure

Capital expenditure is the spending which Council undertakes for the purchase, development or acquisition of assets which provide the community with a service over a longer period of time than is the norm with operating expenditure.

5.1.1 There are a range of Capital Funding sources available to Council as set out below. Council's policy is that the funding of capital developments will be prioritised as follows:

5.1.2 **User charges**

User charges are generally not available for capital costs.

5.1.3 **Grants, subsidies, and other income**

Contributions towards capital expenditure from other parties such as the New Zealand Transport Agency (NZTA) (in relation to certain roading projects) and the Crown (in relation to certain projects).

5.1.4 **Financial Contributions**

Financial Contributions are sought in accordance with the Financial Contributions Policy in the District Plan. Any contributions are held in separate accounts, according to the purpose for which they are raised.

5.1.5 Council has received limited financial contributions to date.

5.1.6 **Development Contributions**

Development Contributions are sought in accordance with Council's Development Contributions Policy. Contributions from this source of funding are held in separate accounts, according to the purpose for which they are raised. The funds will be applied to projects that have resulted from development in the District.

5.1.7 Borrowings

For larger capital costs that provide a long-term benefit to the community, Council may determine that borrowing the funds is the fairest method of allocating the costs of a project over time to users.

5.1.8 Revenue collected to cover depreciation charges

Renewal projects are primarily funded from depreciation where those funds are available. Because Council only started funding depreciation in 1999/2000 the accumulated depreciation funds often do not have sufficient reserves to replace the assets. In those cases, Council will rely on borrowings.

5.1.9 Proceeds from the sale of assets

From time to time, the Council sells assets. Council will use the proceeds from the sale of assets, after paying for the cost of sale to repay any debt attached to the asset.

5.1.10 Some assets have restrictions on how the proceeds may be used, for example proceeds from the sale of land that previously had a reserve status can only be used for reserve purposes.

5.1.11 Operating surpluses

Operating surpluses can be used to fund capital expenditure.

5.1.12 Rates

Rates are primarily used to fund Council's day to day expenses. This includes funding an annual amount toward the ongoing replacement of existing assets (depreciation); and the funding of its financing costs on debt created to purchase assets.

5.1.13 From time to time Council may undertake specific capital works funded by borrowings, where the debt repayment is sourced from targeted rates. Usually, these are in respect of specific community projects.

5.2 Council's S101(3) analysis for Sources of Capital Expenditure by Activity

Council will generally fund the cost of borrowing on the same basis as operating costs unless it resolves otherwise.

5.2.1 Generally, it is not practical to create separate funding policies for each and every capital project so Council will only do this when a project is particularly large, affects a particular group or does not fit with an existing funding policy or activity. Whenever Council resolves to consider a separate funding policy Council will consider the sources of funds outlined above, the Revenue and Financing Policy and complete a S101(3) assessment to determine a fair and equitable funding arrangement for the project.

5.2.2 Council will resolve the funding policy at the time the project is proposed in an Annual or Long-term Plan.

5.3 Summary of Capital Funding Sources

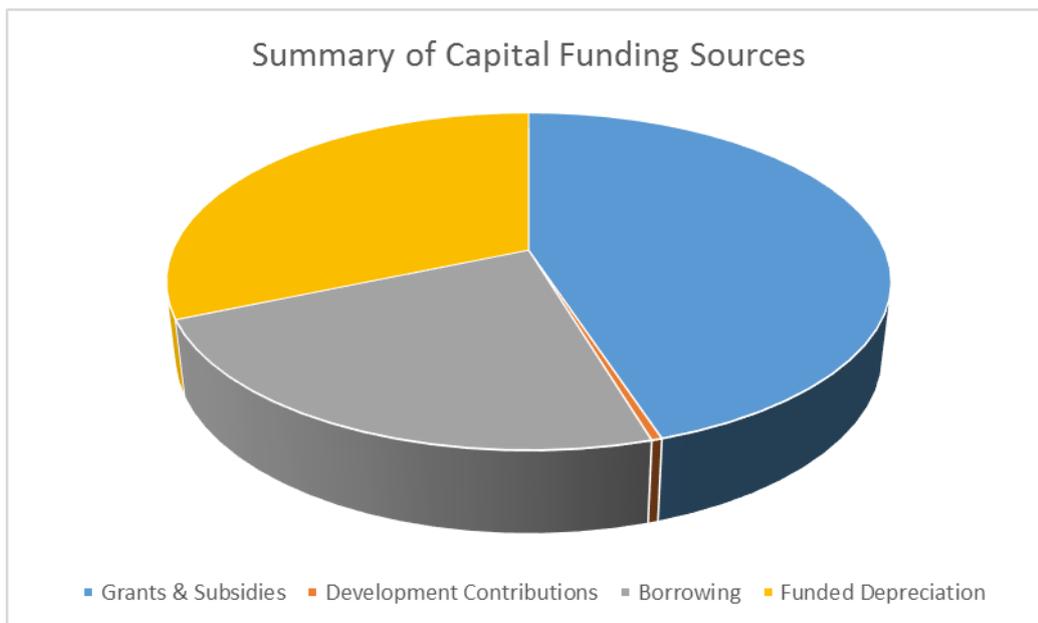


Figure 2 - Summary of Capital Funding

6 POLICY CONSIDERATIONS WHEN DECIDING FUNDING SOURCES

6.1 Key Funding Considerations

The funding needs of Council are met from those mechanisms that Council considers appropriate, after considering the matters set out in Section 101(3) of the LGA. These matters are summarised in this section.

6.1.1 *Intergenerational Equity*

Section 101(3)(iii) of the LGA includes the consideration of intergenerational equity in terms of “the period in or over which those benefits are expected to occur”. This means that, for some projects that have a long life, the cost of the project should be allocated over the life of the asset. However, funding an asset with a life of (say) 70 years with a loan over that term may not be prudent, due to the large interest repayments. In those circumstances the term of the funding may be shorter than the life of the asset.

6.1.2 The Intergenerational Equity policy is based on Council’s ‘Decline in Service Potential’ (DISP) policy. The key activities where the principle of intergenerational equity applies to capital projects are as follows:

- (a) Solid Waste disposal,
- (b) Wastewater collection and treatment,
- (c) Stormwater,
- (d) Water extraction, treatment and distribution,
- (e) Land Transport,
- (f) Community Facilities,
- (g) Other capital projects.

6.1.3 Other functions where intergenerational equity may apply to capital projects include parks and reserves, district swimming pools, community halls, libraries, public toilets, cemeteries, social housing, and investment activities.

6.1.4 Decline in Service Potential (DISP)

Council considers DISP to be a method of measuring the amount of 'service capacity' that is lost each year on key assets. For example, a water pipe slowly degrades over time to the point where it must be replaced. Each year, this reduction in life can be considered a reduction in service potential. As such, the concept of DISP is similar to depreciation. A number of methods for the treatment of DISP have already been established, based on accounting standards and government directives. Council has incorporated these and the following guidelines into the DISP Policy:

- (a) DISP on all assets will be calculated using the Depreciation Approach.
- (b) Funding DISP came into effect in the financial year commencing on 1 July 1999.
- (c) Expenditure of DISP funds can only be of a capital nature, such as new or replacement assets, or principal repayments. This is because of the requirement that all operating expenditure must be met out of operating revenues.

6.2 LGA Section 101 Analysis

Local Government Act Section 101 requires that Council develop a set of funding arrangements after considering the factors set out in LGA s101(3)(a). This section of the Policy discusses those requirements.

6.2.1 Community Outcomes (s101(3)(a)(i))

Council considered its agreed Community Outcomes and developed a set of revenue and financing mechanisms to reflect that:

- (a) Council is proactive, transparent and accountable.
- (b) Core infrastructure, water, wastewater, solid waste, and roading endeavours to keep pace with changing demand.
- (c) Economic diversity and core economic strengths are encouraged in partnership with others,
- (d) Our environment is accessible, clean and safe and that our water, soil and air meets required standards.

6.2.2 The Benefit Principle (s101(3)(a)(ii))

Council considered how the benefits from each activity are distributed to individuals, groups, or the community generally, using the following categories of benefit:

- (a) National benefit - benefits the nation and is public in nature.
- (b) District benefit - benefits the whole District and is public in nature.
- (c) Commercial benefit - benefits the commercial sector and has elements of both public and private benefit.
- (d) Community benefit - benefits a particular town, ward or other area and is public in nature.
- (e) User benefit - benefits an identifiable individual, group, or community segment.

6.2.3 Council considered the benefit of each of its activities and sub activities, to reflect the national, district, commercial, community or user component. This analysis helped Council decide an appropriate funding source or sources for each activity and the percentage of revenue that Council will try and collect from those sources for each activity.

6.2.4 The following benefit categories were seen as the best fit.

6.2.5 General Rate Funding

Council determined that following activities will be wholly funded by the General Rate/UAGC because the benefit is considered to be equal for the community in general, public in nature or have benefit nationally:

- (a) Leadership,

- (b) Public toilets,
- (c) Emergency management,
- (d) Grants,
- (e) i-Sites.

6.2.6 User Funding

Council determined that following activities will be funded by the user, because the benefit is considered to be solely or primarily private.

- (a) Water supply.
- (b) Wastewater.
- (c) Kerbside collection.

6.2.7 Mixed Rate/User Funding

Council determined that following activities will be funded by a mix of Fees and Charges and General Rates/UAGC. This reflects the benefits received by both the community at large and the beneficiary/exacerbator.

- (a) Resource management,
- (b) Regulation,
- (c) Waste management and minimisation.,
- (d) Recreation and community facilities (excluding public toilets),
- (e) Environmental health and alcohol licensing,
- (f) Community property,
- (g) Community development (excluding grants).

Land Transport is funded by a mix of subsidies and targeted rates as Council considers there are benefits to the community and users. Council considers a targeted rate enables a higher level of transparency in funding allocation for this activity.

6.2.8 The following activities are funded by a mixture of capital value rates on commercial and industrial properties and a Targeted Uniform Annual Rate on all properties as Council considers that there is more benefit to commercial and industrial properties, but that the District as a whole also benefits (under Economic Development).

- (a) Regional tourism,
- (b) Economic development,
- (c) Business development.

6.2.9 The following activity is funded by a mix of the General Rates/UAGC and Urban Targeted Rates, as Council considers that there is more benefit to urban properties, but all properties benefit to some extent.

- (a) Stormwater and flood protection.

6.3 Period in or Over Which the Benefits are Expected to Occur (s101(3)(a)(iii))

As part of its consideration of Intergenerational Equity and Decline in Service Potential, Council considered the period over which the benefit for each activity is expected to occur.

6.4 The Exacerbator Principle (s101(3)(a)(iv))

Council considered whether the activity was required to mitigate the effect of an individual or group and, where appropriate, charges fees, charges and fines.

6.5 Costs and Benefits (s101(3)(a)(v) LGA)

Council considered the costs and benefits of funding its activities separately. Council considers that each activity and, in some cases, sub activities, should be accounted for separately as this is the most transparent method for funding capital and operating expenses of these activities. This allows more detailed understanding of expenditure, transparency and accountability and the ability of input from the community. This also

allows for monitoring of each activity separately. Council believes that the benefit of this funding method outweighs the costs.

7 Balanced Budget Statement

Section 100 of the LGA requires that Council's projected operating revenues match its projected operating expenditures. Despite this, Council may choose not to fully fund operating expenditure in any particular year if Council can show that it is financially prudent to do so and where the deficit can be funded from operating surpluses in the immediately preceding or subsequent years. An operating deficit will only be budgeted when it would be beneficial to avoid significant fluctuations in rates, fees, or charges.

7.1 Council may choose to fund from the above sources more than is necessary to meet the operating expenditure in any particular year. Council will only budget for such an operating surplus if it is necessary to fund an operating deficit in the immediately preceding or following years, or to repay debt. Council will have regard to forecast future debt levels when ascertaining whether it is prudent to budget for an operating surplus for debt repayment.

7.2 Council has determined the proportion of operating expenditure to be funded from each of the sources listed above, and the method for apportioning rates and other charges. The details of the funding apportionment are set out in the Funding Sources Summary that is included in this policy.

7.3 The LGA requires Council to produce Funding Impact Statements (FIS), which provides details of the funding mechanisms to be used for each group of activities for each year covered by the LTP. These Funding Impact Statements show how Council intends to implement the Revenue and Financing Policy. It also shows the amounts to be collected from each available source for each group and how various rates are to be applied.

8 Summary of Operating Revenue Sources

Council has determined the proportion of operating expenditure to be funded from each of the sources listed below, and the method for apportioning rates and other charges. A summary of the funding sources for each of Council's primary activities is presented in figure 3 below.

8.1 As can be seen, some activities are fully funded by the general or targeted rates and others have some level of other income, usually fees and charges.

8.2 These funding arrangements have been agreed by Council following an analysis of the District's overall funding requirements.

8.3 Additional Information

This policy is presented in a high level short format. It was prepared following a detailed funding needs analysis for each activity as required by Local Government Act 2002, Section 101(3). The results of this analysis are included in the Revenue and Financing Policy Analysis document which is attached as Appendix One.

8.3.1 Further information relevant to this policy is contained in the Financial Strategy, Rating Policies and Funding Impact Statement contained within the Long-term Plan.

8.4 Overall Funding Consideration

Council is required by S101(3)(b) to consider the overall impact of the allocation of liability for revenue needs on the community. This is a reference to the Purpose Statement of Local Government

- 8.4.1 “...to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses”
- 8.4.2 This brings the concept of “affordability” into the mix and allows Council, as a final measure, to modify the overall mix of funding in response to these considerations.
- 8.4.3 Council uses its choice of differentials and general and targeted rates, to achieve the most affordable outcomes for the community as a whole. Council recognises that the disparate nature of property values across the District result in wide variations in rating levels. For this reason, it consciously recovers a relatively high proportion of its income from the UAGC and other fixed rates.

8.5 Summary of Funding Arrangements

Following an analysis of the operating activities, Council has prepared a funding strategy to share the costs between the different funding streams, these include:

- (a) General Rates,
- (b) Targeted Rates,
- (c) Subsidies and Grants,
- (d) Fees and Charges,
- (e) Other income.

- 8.5.1 Figure 3 shown below graphically indicates the agreed operational funding arrangements for each of the different activities outlined in the proposed policy. This is presented in more detail in Appendix C attached here to.

8.5.2 Summary of Operating Funding

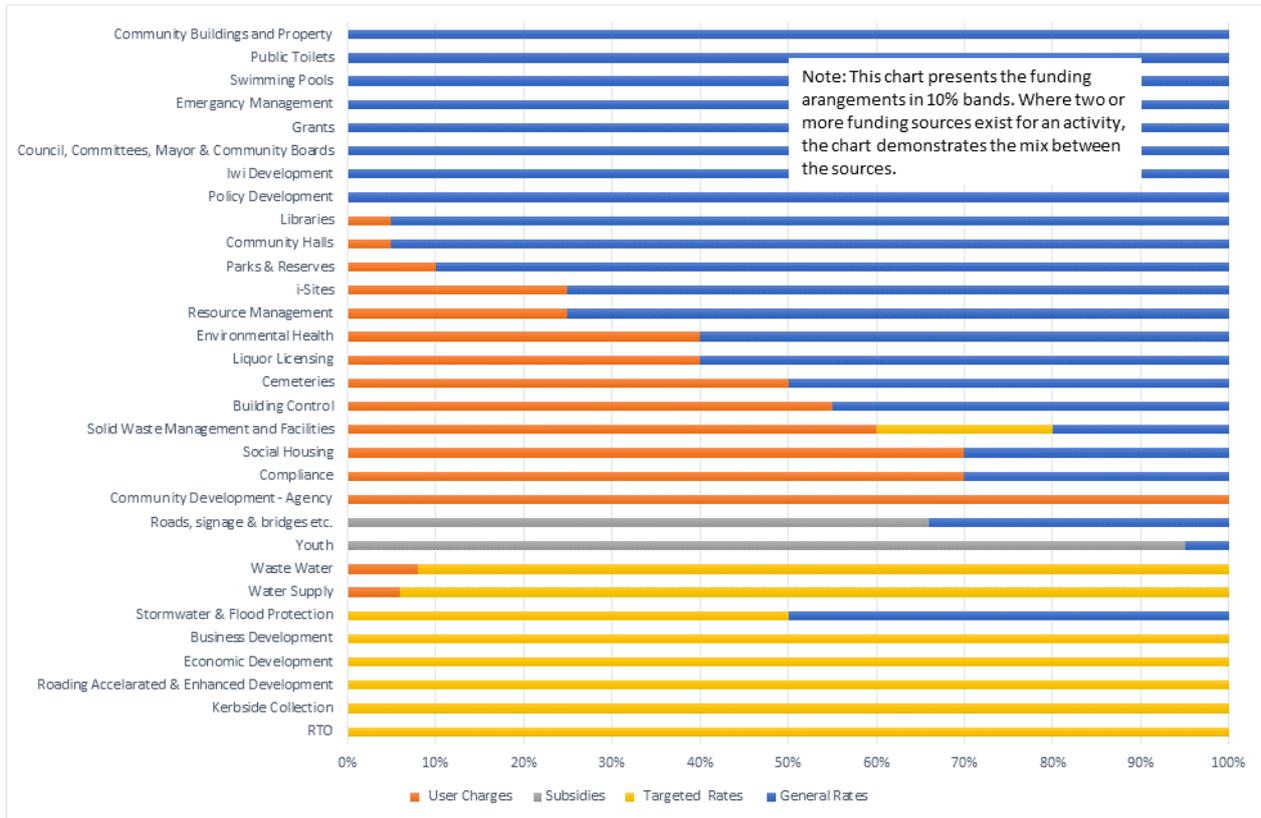


Figure 3 - Summary of Operating Funding Allocations

8.6 Additional Information

Appendix A presents a summary of the analysis undertaken for each activity. This identifies the community outcomes to which the activity contributes, the beneficiaries and/or exacerbators for whom the activity is undertaken and the rationale underpinning the final funding methods or arrangements adopted by Council.

8.6.1 Appendix B presents a consolidated summary of the funding arrangements.

Annotations

Date	Description
June 2006	Policy adopted as part of LTP Process
June 2009	Policy amended and adopted as part of LTP Process
June 2012	Policy amended and adopted as part of LTP Process
June 2015	Policy amended and adopted as part of LTP Process

Appendix A - Revenue and Financing Policy Funding Needs Analysis

The purpose of this document is to set out how Council proposes to fund each of its activities. It has been prepared in accordance with the provisions of Section 101(3) of the Local Government Act 2002 (the Act).

Note: throughout this appendix references are made to legislative provisions. Unless stated otherwise, these references refer to the Local Government Act 2002.

Introduction

The Act requires all councils to adopt a Revenue and Financing Policy showing how Council proposes to fund its various operating and capital expenditures, and more importantly, who will pay these and why.

Council must decide in accordance with S101(3) how each activity will be funded taking into consideration:

- The community outcomes to which the activity primarily contributes; and
- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- The period in or over which those benefits are expected to occur; and
- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

And must also consider:

- The overall impact of any allocation of liability for revenue needs on the community.

This analysis document is designed to show how Council has considered each of these requirements and how they relate to the final Revenue and Financing Policy.

The S101(3) funding analysis included in Appendix A identifies the arrangements Council proposes to apply to be able to budget for each activity. Frequently there is a mix of funding mechanisms including both general and targeted rates together with a range of fees and charges. In many instances, the final funding mix depends on the level of activity and the ability to recover costs from user charges.

Council's S101(3) analysis for Capital Expenditure by Activity

Council will fund the cost of borrowing on the same basis as operating costs unless it resolves otherwise.

Generally, it is not practical to create separate funding policies for each and every capital project so Council will only do this when a project is particularly large, affects a particular group or does not fit with an existing funding policy or activity. Whenever Council resolves to consider a separate funding policy Council will consider the sources of funds outlined above, the Revenue and Financing Policy and complete a S101(3) assessment to determine a fair funding and equitable arrangement for the project.

Generally, Council will resolve the funding policy at the time the project is proposed in an Annual or Long-term Plan.

APPENDIX A – Section 101 (3) analysis of Operational Expenditure									
Activity	Community Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose actions creates need	Separate Funding	Rationale	Public	Private	
* Notes: 1. The Funding Source relate to Council's costs only, it excludes any subsidies that may be received from NZTA, Min of Health etc. 2. The split between public and private benefit is arranged in 10% bands									
Recreation and Community Facilities									
Community Buildings and Property	Safe, Healthy Communities and People	Individuals, Businesses & Community	Ongoing	Activity benefits current and future users (as buildings, if well maintained, are a long-life asset).	This activity is funded from rates with limited user funding	User charging is feasible for buildings that can be rented or where usage for private purposes is identifiable. Separate rating though is generally not appropriate as most of the properties are core to long term Council activities and the majority of the benefits are attributable to community as a whole.	100%	0%	
Cemeteries	Safe, Healthy Communities and People	Individuals, groups & Community	Ongoing	Users, Individuals & Community	There is a significant private benefit funded by fees, but it also includes some public benefit funded from general rates.	This activity is of medium public benefit, but mainly has user benefits, fees remain low due to less use, but high maintenance costs.	50%	50%	
Community Halls	Safe, Healthy Communities and People • Vibrant and Diverse Living	Individuals, groups & Community	Ongoing	Users	This activity is primarily funded from the general rate	Some user charges apply though Council also considers affordability issues, and broader community benefits, in allocating costs.	90% 100%	10% 0%	
Parks and Reserves	Safe, Healthy Communities and People • Vibrant and Diverse Living	Individuals, groups & Community	Ongoing	Actions of individuals and groups do not contribute in significant way to the need for the activity	This activity is primarily funded from rates with some user funding	The activity has general public benefit as all the public can use parks and reserves. There is a small user component that can be identified and targeted. % allocation based on past actuals with reach	90% 100%	10% 0%	
Public Toilets	Safe, Healthy Communities and People	Individuals, & Community	Ongoing	Users, Individuals & Community	This activity is primarily funded from the general rate	Activity is of general public benefit to both local community and visitors and is not targeted at any specific groups. Also, it is not administratively feasible to charge user fees.	100%	0%	

APPENDIX A – Section 101 (3) analysis of Operational Expenditure									
Activity	Community Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose actions creates need	Separate Funding	Rationale	Public	Private	
Social Housing	Safe, Healthy Communities and People	Individuals, & Community	Ongoing	Users, Individuals	There is mainly private benefit funded by fees, but it also includes some public benefit funded from general rates.	Separate funding is appropriate as tenants are the primary beneficiary though affordability needs to be considered as social housing is targeted at more vulnerable groups.	20% 30%	80% 70%	
Swimming Pools	Safe, Healthy Communities and People Vibrant and Diverse Living	Individuals, & Community	Ongoing	Users, Individuals	Mainly benefits users of the facilities who can be identified and charged user fees though there are broader community benefits.	User fees are paid directly to the swimming pools therefore Council only contributes a balancing amount with is fully rate funded	100%	0%	
Community Support									
Community Development - Agency	Vibrant and Diverse Living	Individuals, & Community	Ongoing	Users, Individuals	There is mainly private benefit funded by fees	These agency services are transactional and service fees are transparent so the user can be charged.	0% 10%	100% 90%	
Emergency Management	Safe, Healthy Communities and People	Individuals, Groups Businesses & Community	Ongoing	The actions of individuals and groups have little impact on this activity	This activity is primarily funded from the general rate	The activity benefits the community as a whole.	100%	0%	
Community Development - Grants	Vibrant and Diverse Living	Community	Ongoing	The actions of individuals and groups have little impact on this activity	This activity is primarily funded from the general rate	The activity benefits the community as a whole.	100%	0%	
Regional Tourism Organisation	Thriving and Prosperous Economy and Lifestyles Vibrant and Diverse Living Our Places – Natural and Beautiful	Businesses & Community	Ongoing	The actions of individuals and groups have little impact on this activity	Separate funding appropriate as primary beneficiaries of activity can be identified. Rating separately encourages accountability to key beneficiaries and improves transparency.	Benefits are expected to be higher for businesses (who manage and run this activity on behalf of Council) as tourist numbers increase so a share of the costs are attributed to them. Percentage split is based on past actuals. Broader flow-on benefits to the community also reflected in allocation to the community as a whole.	60% 70%	40% 30%	

APPENDIX A – Section 101 (3) analysis of Operational Expenditure									
Activity	Community Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose actions creates need	Separate Funding	Rationale	Public	Private	
i-Sites	Thriving and Prosperous Economy and Lifestyles Vibrant and Diverse Living Our Places – Natural and Beautiful	Visitors, Businesses & Community	Ongoing	Visitors have an impact on the need for the activity	This activity is funded from fees and the general rate	The activity benefits individuals and visitors so fees and commissions can be charged/recouped, and income generated from sales. But there is also a community benefit funded from rates.	80% 70%	20% 30%	
Library Services	Vibrant and Diverse Living	Individuals, Groups & Community	Ongoing	The actions of individuals and groups have little impact on this activity	This activity is primarily funded from the general rate with some fee income	A small amount of funding is collected from user charges recognizing the private benefits. This needs to be kept at a reasonable level so that the facility is affordable and accessible to all.	90% 100%	10% 0%	
Land Transport									
Accelerated and Enhanced Development	Safe, Healthy Communities and People	Individuals, Groups & Community	Ongoing	Individuals or groups actions do not influence the need for the activity	Separate funding can be used for this category of activity as it is for identifiable projects that are funded by the communities who benefit from higher level of service.	The activity occurs where communities have shown willingness to pay for higher level of service therefore, it is funded by an identifiable group defined by geographic area. Used as necessary	0%	100%	
Road, Signage & Bridges; Footpaths, Kerbs and Channels & Street Furniture.	Safe, Healthy Communities and People	Individuals, Groups & Community	Ongoing	Road users create the need for the activity.	Funded from a mixture of NZTA subsidies and general rates	The activity benefits all users of roads – locals, visitors and through traffic. As roads are open to all users the activity needs to be funded by community as a whole. Forestry sector charged at a higher rate as considered a specific exacerbator	100% <i>(Note: this funding relates to the Council share – funding is also provided by NZTA)</i>		

APPENDIX A – Section 101 (3) analysis of Operational Expenditure									
Activity	Community Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose actions creates need	Separate Funding	Rationale	Public	Private	
Leadership									
Business Development	Thriving and Prosperous Economy and Lifestyles	Businesses & Community	Ongoing	Not applicable	This activity is primarily funded from the general rate	This is a general public good activity and has benefits for the community as a whole.	60% 70%	40% 30%	
Council, Committees, Mayor & Community Boards	A Strong Voice	All ratepayers	Ongoing	Not applicable	This activity is primarily funded from the general rate	This is a general public good activity and has benefits for the community as a whole.	100%	0%	
Economic Development	Thriving and Prosperous Economy and Lifestyles	Businesses & Community	Ongoing	Not applicable	Separate funding appropriate as primary beneficiaries of activity can be identified. Rating separately encourages accountability to key beneficiaries and improves transparency.	Activity focuses on strategic planning and catalyst activities to promote development. Direct benefits to commercial sector, broader community, families and individuals. Benefits are expected to be higher for businesses. . Broader flow-on benefits to the community also reflected in allocation to the community as a whole.	60% 70%	40% 30%	
Iwi Development	A Strong Voice	The Community as a whole	Ongoing	Not applicable	This activity is primarily funded from the general rate	This is a general public good activity and has benefits for the community as a whole.	100%	0%	
Policy Development	A Strong Voice	The Community as a whole	Ongoing	Not applicable	This activity is primarily funded from the general rate	This is a general public good activity and has benefits for the community as a whole.	100%	0%	
Youth Development	Vibrant and Diverse Living	Individuals, Groups & Community	Ongoing	Individuals or groups actions do not influence the need for the activity	This activity is primarily funded by subsidies but with some rate contributions	This activity attracts funding on a project by project basis for example from Central Government from the Local Government Youth Partnership fund. Council contributes through allocating staff time to co-ordination/liaison.	10% 0%	90% 100%	
Regulation									

APPENDIX A – Section 101 (3) analysis of Operational Expenditure								
Activity	Community Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose actions creates need	Separate Funding	Rationale	Public	Private
Building Control	Safe, Healthy Communities and People; Thriving and prosperous Economy and Lifestyles	Individuals, Businesses & Community	Ongoing	Applicants for Building Consents	The activity is primarily funded from fees and charges with some “public good” rate contribution	Users should part fund their use of this activity, but as the activity has a public benefit as well which benefits the district and the country as a whole, part of this activity should be funded from rates	40% 50%	60% 50%
Compliance	Safe, Healthy Communities and People; Thriving and prosperous Economy and Lifestyles	Individuals & Community	Ongoing	Individuals or businesses not complying with Council Bylaws and other regulations and dog owners who must comply with legislation/regulations	The activity is primarily funded from fees and charges with some “public good” rate contribution	Users should part fund their use of this activity, but as the activity has a public benefit as well which benefits the district and the country as a whole, part of this activity should be funded from rates	65% 75%	35% 25%
Environmental Health	Safe, Healthy Communities and People	Individuals, Businesses & Community	Ongoing	Operators of premises that must comply with food safety requirements or other regulation because they could pose a risk to public health and safety	The activity is partly funded from fees and charges but with a significant “public good” rate contribution	Users should part fund their use of this activity, but as the activity has a public benefit as well which benefits the district and the country as a whole, part of this activity should be funded from rates	55% 65%	45% 35%
Liquor Licencing	Safe, Healthy Communities and People	Individuals, Businesses & Community	Ongoing	Operators of premises that must comply with sale and supply of alcohol laws.	The activity is partly funded from fees and charges but with a significant “public good” rate contribution	Users should part fund their use of this activity, but as the activity has a public benefit as well which benefits the district and the country as a whole, part of this activity should be funded from rates.	55% 65%	45% 35%
Resource Management	Safe, Healthy Communities and People; Thriving and prosperous Economy and Lifestyles Our Places – Natural and Beautiful	Individuals, Businesses & Community	Ongoing	Applicants undertaking development that could have adverse environmental effects.	The activity is partly funded from fees and charges but with a significant “public good” rate contribution	Users should part fund their use of this activity, but as the activity has a public benefit as well which benefits the district and the country as a whole, part of this activity should be funded from rates	70% 80%	30% 20%
Solid Waste								

APPENDIX A – Section 101 (3) analysis of Operational Expenditure									
Activity	Community Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose actions creates need	Separate Funding	Rationale	Public	Private	
Kerbside Collection	Safe, Healthy Communities and People; Thriving and prosperous Economy and Lifestyles Our Places – Natural and Beautiful	Individuals	Ongoing	The residents of urban communities who create refuse	Fully funded by targeted rates	The activity benefits the user therefore funded by targeted rates	0%	100%	
Waste Minimisation – Management and Facilities	Safe, Healthy Communities and People; Thriving and prosperous Economy and Lifestyles Our Places – Natural and Beautiful	Individuals & Community	Ongoing	The residents who create refuse	Part funded by user charges but with “public good” rate contribution	There is a moderate public benefit to the activity but the user charge acknowledges that some members of the public and businesses use the activity more than others.	30% 40%	70% 60%	
Waters									
Stormwater and Flood Protection	Safe, Healthy Communities and People; Thriving and prosperous Economy and Lifestyles Our Places – Natural and Beautiful	Individuals & Community	Ongoing	Individuals, households and businesses in urban areas	Part funded by local targeted rates but with “public good” General Rate contribution	While the district as a whole will benefit from stormwater and flood protection, the main beneficiaries are the ratepayers in urban centres.	45% 55%	55% 45%	
Sewerage	Safe, Healthy Communities and People; Thriving and prosperous Economy and	Individuals, Businesses & Community	Ongoing	Users	This activity is regarded as a separate activity therefore is funded separately by targeted rates and fees. Council is proposing to	Separate funding is appropriate this service however Council now believes that as all properties connected to any one of the reticulated schemes receive a similar level of benefit it is appropriate that they pay similar levels of rates. Some Fees and Charges apply for installation of Tobys etc.	0% 6%	100% 94%	

APPENDIX A – Section 101 (3) analysis of Operational Expenditure								
Activity	Community Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose actions creates need	Separate Funding	Rationale	Public	Private
	Lifestyles Our Places – Natural and Beautiful				treats all sewerage schemes collectively as a single service rather than separately funding each individual area.			
Water Supply	Safe, Healthy Communities and People; Thriving and prosperous Economy and Lifestyles Our Places – Natural and Beautiful	Individuals, Businesses & Community	Ongoing	Users	This activity is regarded as a separate activity therefore is funded separately by targeted rates and fees. Council treats all water schemes collectively as a single service rather than separately funding each individual area.	Separate funding is appropriate this service however Council now believes that as all properties connected to any one of the reticulated schemes receive a similar level of benefit it is appropriate that they pay similar levels of rates. Some fees and charges apply for connections	0% 1 8%	100% 1 92%
<ul style="list-style-type: none"> N.B. The above percentages are targets and may vary slightly each year 								

Appendix B - Detailed Activity Funding Arrangements

Activity Group - Activity	User Charges	Subsidies	Targeted Rates	General Rates
Recreation and Community Facilities				
Community Buildings and Property	0%	0%	0%	100%
Cemeteries	50%	0%	0%	50%
Community Halls	5%	0%	0%	95%
Parks & Reserves	10%	0%	0%	90%
Public Toilets	0%	0%	0%	100%
Social Housing	70%	0%	0%	30%
Swimming Pools	0%	0%	0%	100%
Community Support				
Community Development - Agency	100%	0%	0%	0%
RTO	0%	0%	100%	0%
Emergency Management	0%	0%	0%	100%
Grants	0%	0%	0%	100%
i-Sites	25%	0%	0%	75%
Libraries	5%	0%	0%	95%
Land Transport				
Accelerated & Enhanced Development	0%	0%	100%	0%
Roads, signage & bridges etc.	0%	72%	0%	28%
Leadership				
Business Development	0%	0%	100%	0%
Council, Committees, Mayor & Community Boards	0%	0%	0%	100%
Iwi Development	0%	0%	0%	100%
Policy Development	0%	0%	0%	100%
Economic Development	0%	0%	100%	0%
Youth	0%	95%	0%	5%
Regulation				
Building Control	55%	0%	0%	45%
Resource Management	25%	0%	0%	75%
Compliance	70%	0%	0%	30%
Environmental Health	40%	0%	0%	60%
Liquor Licensing	40%	0%	0%	60%
Solid Waste				
Kerbside Collection	0%	0%	100%	0%
Management and Facilities	60%	0%	20%	20%
Waters				
Stormwater & Flood Protection	0%	0%	50%	50%
Waste Water	6%	0%	94%	0%
Water Supply	8%	0%	92%	0%