

Council Policy

Policy Title:	Revenue and Financing Policy 2024
Responsibility:	Executive Manager Finance, Strategy and
First Adopted:	Governance
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Next Review Due:	June 2027



1 Policy Objectives

- 1.1 The Revenue and Financing Policy (the 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 (LTP).
- 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, in accordance with section 101(3) of the Local Government Act 2002 (LGA), taken account of many factors, including:
- The community outcomes to which each activity primarily contributes.
 - Who benefits from the activity.
 - Over what period of time the benefits are delivered.
 - Whether the activity is needed in response to the action(s) (or lack of action(s)) of some person or group.
 - Whether it would be more prudent for the activity to be funded separately or included with other activities.
- 1.1.2 The Policy discusses how Council addresses “the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural well-being of the community.”
- 1.2 Every activity has been analysed using the factors discussed above in paragraph 1.1.1. 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:
- Demonstrate how and why Council funds each of its activities.
 - 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.
 - 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 LTP.

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.
- 2.3 **Hapū** is a sub-tribe of people in Māori society, comprising of whānau who descend from a shared ancestor. Hapū hold customary and tribal rights as the people at place.

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 (renewals) will be primarily funded from funded depreciation. Any surplus or deficit will be applied to debt either through repayment of debt or adding new debt.
 - (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.
- 3.3 This Policy supports the principles set out in the Preamble to Te Ture Whenua Māori Act 1993. These principles include recognition that land is a taonga tuku iho of special significance to Māori, and for facilitation of the occupation, development, and utilisation of that land for the benefit of its owners, their whānau, and their hapū. Council considers that this policy supports those principles, particularly when viewed in conjunction with Council's Development Contributions Policy, Council's Remission of Rates on Māori Freehold Land Policy, and Council's Rates Remission Policy. The Council is committed to understanding and applying key Māori concepts to enhance outcomes for our communities, thereby bringing to life the principles of Te Tiriti o Waitangi, which is one of two pou, or metaphoric posts, that support Council's new Wellbeing Framework.

4 Policy Statement

4 OPERATING COST FUNDING SOURCES

4.1 Sources of Funding Operating Expenditure

Section 103(1)(a) of the LGA 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. Council expects to continue receiving substantial subsidies for road maintenance, and other Central Government grants/subsidies for waters and tourism infrastructure. Some services can only be continued so long as funding from these sources continues.

4.1.3 Investment Income; Dividends, Interest

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

4.1.4 Other Revenue

Council receives other operating income from:

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

4.1.5 Rates

Having exhausted all other funding sources, Council funds 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.

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.

Some activities may be best funded using user charges, such as building and resource consents. Other activities are better funded by targeted rates such as water and wastewater services.

4.2 Rates

4.2.1 General Rate

A General Rate is 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 CV but in accordance with Section 22 LGRA (i.e. 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 (CV)
Hydro-electric properties worth in excess of \$50 million (CV)

- 4.2.2 The General Rate is used when:
- (a) Council considers that a capital value rate is fairer than the use of other rating tools for the service funded.
 - (b) Council considers that the community as a whole should meet costs of the activity or function.
 - (c) Council is unable to achieve its user charge targets and must fund the expenditure shortfall.
- 4.2.3 Uniform Annual General Charge (UAGC)**
A UAGC funds a portion of Council's general costs.
- 4.2.4 The UAGC is charged on each Separately Used or Inhabited Part (SUIP) of a Rating Unit. It forms part of the General Rate.
- 4.2.5 The total rate revenue from the UAGC together with other targeted rates set on a uniform basis as an amount per rating unit or per separately used or inhabited part of a rating unit (other than those set for water and wastewater) will not exceed 30% of the total rates.
- 4.2.6 Targeted Rates**
Council sets a number of targeted rates to fund a range of services.
- 4.2.7 A targeted rate may be used when:
- (a) Council considers that a targeted rate would enable a higher level of transparency in funding allocation; or
 - (b) 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
 - (c) There is not an equal benefit to all of the district's ratepayers.
- 4.2.8 Differential Rates**
A differential may be applied to the General Rate or a Targeted Rate. Differential rates mean that some ratepayers may pay more or less than others with the same value property.
- 4.2.9 The General Rate is differentiated for hydro-electric properties worth over \$50 million. This is because Council considers that an undifferentiated rate on these properties would be unreasonable because 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).
- 4.2.10 A higher differential will 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. These properties will be charged a differential of:
- (a) 400% in the 2024/25 financial year (or a factor of 4).
 - (b) 500% in the 2025/26 financial year (or a factor of 5).
 - (c) 600% in the 2026/27 financial year (or a factor of 6).
 - (d) 700% in the 2027/28 financial year onwards (or a factor of 7).

4.3 Council Sets the Following Targeted Rates

4.3.1 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
Defence Land	Defence Land is rated on Capital Value but, in accordance with Section 22 LGRA, the assessed rate will not exceed the amount that would have been charged if the District's rate was calculated on the Land Value only.

4.3.2 Economic Development Targeted Rate

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

4.3.3 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).

4.3.4 Non-Commercial Visitor Accommodation Targeted Rate

A Visitor Accommodation Rate set on the basis of a fixed amount per 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.

4.3.5 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.

4.3.6 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, recycling and food waste) collection within each of the defined rating areas from which Council collects 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

4.3.7 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).

4.3.8 Veranda Replacement

A targeted rate set on the basis of a fixed amount per rating unit for all rating units to fund advances for the ratepayer share of veranda replacements.

4.3.9 Environmental Resilience Rate

A targeted rate set on the basis of a fixed amount per rating unit for all rating units to fund advances for the implementation of central government environmental policy.

4.3.10 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, Ōwhango, National Park, Rangataua, Waiouru, and 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 wastewater supply area or an area serviced by kerbside collection AND is liable for any of those rates. This funds 50% of the Stormwater activity.

4.3.11 Stormwater and Flood Protection (CV)

A targeted rate set on the basis of Capital Value (CV) on all rating units in the District to fund stormwater. This rate is set on a differential basis as described below.

The Stormwater & Flood Protection Capital Value Rate differentials are based on the CV and use as defined by Council’s Valuation Service Provider and included in the Rating Information Database. The differentials are set out in the following table.

Stormwater and Flood Protection 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

4.3.12 Stormwater & Flood Protection Rates – Defence Land

Defence Land is rated on Capital Value but, in accordance with Section 22 LGRA, the assessed rate will not exceed the amount that would have been charged if the District’s rate was calculated on the Land Value only.

4.3.13 Wastewater Rates

(a) Wastewater Service Rate

A targeted rate set on a differential basis for any land which is connected or capable of connection, either directly or indirectly, to any of the District’s public wastewater systems as follows. Capable of connection means that rating unit is not currently connected to the wastewater reticulation but is within 30 meters of reticulation, capable of connection and Council is willing to allow it to connect.

Wastewater 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.

The rate is assessed per SUIP of a rating unit for general use land and per pan for schools.

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

A targeted rate set on any rating unit in the general use category as defined above that has more than two pans per SUIP and which is connected, either directly or indirectly, to any of the District's public wastewater systems.³ The rate is assessed per pan.

4.3.14 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, Council's 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.

4.4 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.

4.5 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.

4.6 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.

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

4.7 Summary of Operating Funding Sources

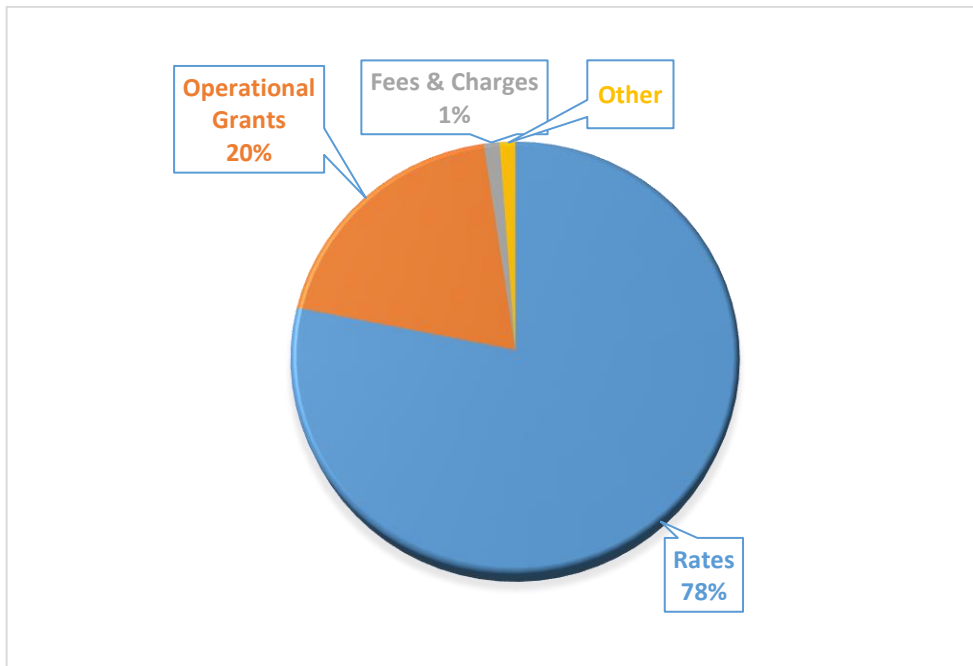


Figure 1 - Summary of Operating Income

5 SOURCES OF FUNDING CAPITAL EXPENDITURE

5.6 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.

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:

5.6.1 User charges

User charges are generally not available for capital costs.

5.6.2 Grants, subsidies, and other income

Contributions towards capital expenditure from other parties such as Waka Kotahi NZ Transport Agency (Waka Kotahi) (in relation to certain roading projects) and Central Government (in relation to certain projects).

5.6.3 **Financial Contributions**

Financial Contributions are sought in accordance with Council's Financial Contributions Policy in the District Plan. Any contributions are held in separate accounts, according to the purpose for which they are raised. Council has received limited financial contributions to date.

5.6.4 **Development Contributions**

Development Contributions are sought in accordance with Council's Development Contributions Policy. The funds will be applied to projects that have resulted from development in the District.

5.6.5 **Depreciation funding**

Renewal projects are funded from depreciation where those funds are available with the balance being funded through debt.

5.6.6 **Debt funding**

Capital expenditure other than renewals is funded through debt. This is the fairest method of allocating the costs of a project over time to those who benefit from it.

5.6.7 **Proceeds from the sale of assets**

From time to time, 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.

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.

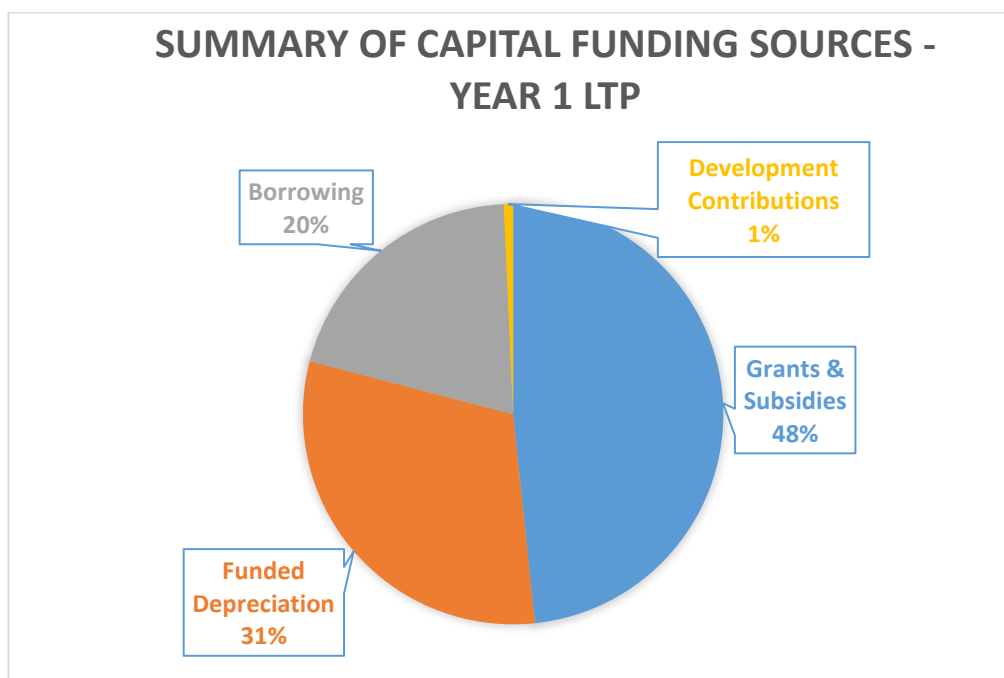
5.6.8 **Operating surpluses**

Operating surpluses can be used to fund capital expenditure.

5.6.9 **Rates**

Rates are used to fund the ongoing replacement of existing assets (depreciation) and financing costs on debt created to purchase assets.

5.7 **Summary of Capital Funding Sources**



6 POLICY CONSIDERATIONS WHEN DECIDING FUNDING SOURCES

6.6 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.

6.7 LGA Section 101 Analysis

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

6.7.1 **Community Well-being Outcomes (s101(3)(a)(i))**

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

6.7.1.1 Council is proactive, transparent and accountable.

6.7.1.2 Core infrastructure, water, wastewater, solid waste, and roading endeavours to keep pace with changing demand.

6.7.1.3 Economic diversity and core economic strengths are encouraged in partnership with others.

6.7.1.4 Our environment is accessible, clean and safe and that our water, soil and air meets required standards.

6.7.2 **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:

6.7.2.1 National benefit - benefits the nation and is public in nature.

6.7.2.2 District benefit - benefits the whole District and is public in nature.

6.7.2.3 Commercial benefit - benefits the commercial sector and has elements of both public and private benefit.

6.7.2.4 Community benefit - benefits a particular town, ward or other area and is public in nature.

6.7.2.5 User benefit - benefits an identifiable individual, group, or community segment.

6.7.3 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.

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

6.7.5 **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:

6.7.5.1 Leadership

6.7.5.2 Public toilets

6.7.5.3 Emergency management

6.7.5.4 Grants

6.7.5.5 i-Sites

6.7.6 User Funding

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

- 6.7.6.1 Water supply
- 6.7.6.2 Wastewater
- 6.7.6.3 Kerbside collection

6.7.7 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.

- 6.7.7.1 Resource management
- 6.7.7.2 Regulation
- 6.7.7.3 Waste management and minimisation
- 6.7.7.4 Recreation and community facilities (excluding public toilets)
- 6.7.7.5 Environmental health and alcohol licensing
- 6.7.7.6 Community property
- 6.7.7.7 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.

6.7.8 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).

- 6.7.8.1 Regional tourism
- 6.7.8.2 Economic development
- 6.7.8.3 Business development

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

- 6.7.9.1 Stormwater and flood protection

6.8 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.

6.8.1 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.

6.9 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.

6.10 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.

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.

7.6 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.

7.7 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.

7.8 The LGA requires Council to produce Funding Impact Statements (FIS), which provide details of the funding mechanisms to be used for each group of activities for each year covered by the LTP. These FIS 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.

8.6 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.

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

8.8 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.

8.8.1 Further information relevant to this policy is contained in the Financial Strategy, Rating Policies and Funding Impact Statement contained within the LTP.

8.9 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 current and future social, economic, environmental and cultural well-being of the community. This is a reference to the Purpose Statement of Local Government “...to promote the social, economic, environmental and cultural well-being of communities in the present and for the future.”

8.9.1 This brings the concept of “wellbeing” into the mix and allows Council, as a final measure, to modify the overall mix of funding in response to these considerations.

8.9.2 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.

8.10 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

8.11 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.

8.11.1 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
June 2018	Policy amended and adopted as part of the LTP process
June 2021	Policy amended and adopted as part of the LTP process
June 2024	Policy amended and adopted as part of the 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 current and future social, economic, environmental, and cultural well-being of the community, as shown in the table below.

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.

APPENDIX A – Section 101 (3) analysis of Operational Expenditure

Activity	Community Well-being Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose Actions Creates Need	Separate Funding	Rationale	Public	Private
<p>*Notes: 1. The funding source relates 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 where necessary.</p>								
Recreation and Community Facilities								
Community Buildings and Property	<p>Our infrastructure assets and services are resilient and fit for purpose</p> <p>Our local communities are thriving and enabled to pursue their aspirations</p> <p>Our natural and built environment is healthy, strong, and safe</p>	User, Commercial & 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	Our infrastructure assets and services are resilient and fit for purpose	User, Commercial & 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	<p>Our infrastructure assets and services are resilient and fit for purpose</p> <p>Our local communities are thriving and enabled to pursue their aspirations</p>	User, Commercial & 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.	95% 100%	5% 0%
Parks and Reserves	<p>Our local communities are thriving and enabled to pursue their aspirations</p> <p>Our natural and built environment is healthy, strong, and safe</p>	User & 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	Our infrastructure assets and services are resilient and fit for purpose	User & 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.	100%	0%

Social Housing	Our infrastructure assets and services are resilient and fit for purpose Our local communities are thriving and enabled to pursue their aspirations	User & 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	Our infrastructure assets and services are resilient and fit for purpose Our local communities are thriving and enabled to pursue their aspirations	User & 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 which is fully rate funded.	100%	0%

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APPENDIX A – Section 101 (3) analysis of Operational Expenditure								
Activity	Community Well-being Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose Actions Creates Need	Separate Funding	Rationale	Public	Private
Community Support								
Regional Tourism Organisation	Our local communities are thriving and enabled to pursue their aspirations Our businesses are prosperous and connected to their community	Commercial & 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. Broader flow-on benefits to the community also reflected in allocation to the community as a whole.	0%	100%
Emergency Management	Our local communities are thriving and enabled to pursue their aspirations	User, Commercial & 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	Our local communities are thriving and enabled to pursue their aspirations	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%
i-Sites	Our local communities are thriving and enabled to pursue their aspirations Our businesses are prosperous and connected to their community	National	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	Our local communities are thriving and enabled to pursue their aspirations	User & 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%

APPENDIX A – Section 101 (3) analysis of Operational Expenditure

Activity	Community Well-being Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose Actions Creates Need	Separate Funding	Rationale	Public	Private
Land Transport								
Accelerated and Enhanced Development	<p>Our infrastructure assets and services are resilient and fit for purpose</p> <p>Our local communities are thriving and enabled to pursue their aspirations</p> <p>Our natural and built environment is healthy, strong, and safe</p>	User District 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.	<p>Our infrastructure assets and services are resilient and fit for purpose</p> <p>Our local communities are thriving and enabled to pursue their aspirations</p> <p>Our natural and built environment is healthy, strong, and safe</p>	User, District & 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% (Note: this funding relates to the Council share – funding is also provided by NZTA)	
Leadership								
Business Development	<p>Our local communities are thriving and enabled to pursue their aspirations</p> <p>Our businesses are prosperous and connected to their community</p>	Commercial & 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	Our local communities are thriving and enabled to pursue their aspirations	District	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	Our local communities are thriving and enabled to pursue their aspirations Our businesses are prosperous and connected to their community	Commercial & 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% I 70%	40% I 30%
Iwi Development	Our local communities are thriving and enabled to pursue their aspirations	District	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	Our local communities are thriving and enabled to pursue their aspirations	District	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%

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APPENDIX A – Section 101 (3) analysis of Operational Expenditure

Activity	Community Well-being Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose Actions Creates Need	Separate Funding	Rationale	Public	Private
Youth Development	Our local communities are thriving and enabled to pursue their aspirations	User, & 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 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								
Building Control	Our natural and built environment is healthy, strong, and safe	User, Commercial & 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	Our natural and built environment is healthy, strong, and safe	User & 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	Our natural and built environment is healthy, strong, and safe	User, Commercial & 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	Our natural and built environment is healthy, strong, and safe	User, Commercial & 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%

APPENDIX A – Section 101 (3) analysis of Operational Expenditure

Activity	Community Well-being Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose Actions Creates Need	Separate Funding	Rationale	Public	Private
Resource Management	Our natural and built environment is healthy, strong, and safe	User, Commercial & 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								
Kerbside Collection	Our infrastructure assets and services are resilient and fit for purpose Our natural and built environment is healthy, strong, and safe	User	Ongoing	The residents of urban communities who create refuse.	Fully funded by targeted rates.	The activity benefits the user therefore funded by targeted rates for those who receive the service.	0%	100%
Waste Minimisation – Management and Facilities	Our infrastructure assets and services are resilient and fit for purpose Our natural and built environment is healthy, strong, and safe	User & 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%

APPENDIX A – Section 101 (3) analysis of Operational Expenditure								
Activity	Community Well-being Outcomes – Refer Appendix B	Who Benefits	Period of Benefit	Whose Actions Creates Need	Separate Funding	Rationale	Public	Private
Waters								
Stormwater and Flood Protection	Our infrastructure assets and services are resilient and fit for purpose Our natural and built environment is healthy, strong, and safe	User & 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%
Wastewater	Our infrastructure assets and services are resilient and fit for purpose Our natural and built environment is healthy, strong, and safe	User, Commercial & Community	Ongoing	Users	This activity is regarded as a separate activity therefore is funded separately by targeted rates and fees.	Separate funding is appropriate for this service however as all properties connected to any one of the reticulated schemes receive a similar level of benefit it is appropriate that they pay the same targeted rate. Some Fees and Charges apply for connections etc.	0% 6%	100% 94%
Water Supply	Our infrastructure assets and services are resilient and fit for purpose Our natural and built environment is healthy, strong, and safe	User, Commercial & Community	Ongoing	Users	This activity is regarded as a separate activity therefore is funded separately by targeted rates and fees.	Separate funding is appropriate for this service however as all properties connected to any one of the reticulated schemes receive a similar level of benefit it is appropriate that they pay the same targeted rate. Some Fees and Charges apply for connections etc.	0% 8%	100% 92%

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%	100%	0%
Waste Water	6%	0%	94%	0%
Water Supply	8%	0%	92%	0%