

## Part II: Glossary of Terms

<b>Benefit analysis</b>	The process by which Council determines those who benefit from Council activities and the extent to which they benefit.
<b>Bequest value</b>	The value placed on leaving something for the enjoyment of future generations.
<b>CV</b>	Capital Value of property includes improvements and land value.
<b>Economic allocation</b>	Consideration of economic principles to identify whether the allocation of costs of providing a service match the benefits of the service.
<b>Equity</b>	Justice applied in circumstances covered by law, yet influenced by ethics and the qualities of fairness and impartiality.
<b>Exacerbator</b>	Person or organisation responsible for creating an adverse impact as a result of their use of resources.
<b>Excludable goods or services</b>	Goods and services from which individuals and/or groups can be effectively excluded from enjoying benefits, while those enjoying the benefits can be identified and charged.
<b>Existence value</b>	Value is attributed to the existence of certain facilities provided in the District, whether or not a person uses the facilities.
<b>Funding Tools</b>	Different methods of funding an activity including: Uniform Annual Charges (UAC), Uniform Annual General Charges (UAGC), Capital Value (CV), Ward Rates, fees, charges and fines.
<b>Intergenerational equity</b>	Judgements made as to which years' beneficiaries should bear what proportion of costs associated with the installation, maintenance and benefits associated with the asset on an on-going basis.
<b>Indirect or external benefits</b>	Residents and ratepayers of the community may not be direct users of the service but value the service provided by Council (usually linked with public goods).
<b>LV</b>	Land value of property excluding improvements.
<b>Non-rivalry</b>	The use of the benefit by one individual will not affect the availability or supply of the benefit to any number of other persons.
<b>Non-excludability</b>	It is difficult or impossible to exclude the benefit from anyone including those who are not prepared to pay for the benefit.
<b>Option value</b>	Value is attributed to the option of being able to use a facility, whether or not that option is taken up.
<b>Prestige value</b>	The value of certain facilities that create Civic pride in the District.
<b>Private benefit or good</b>	Benefits of a service can be enjoyed by identifiable individuals or groups, who may then be charged for that direct benefit.
<b>Public benefit or good</b>	Benefits of a service that are enjoyed by anyone; indirect or general benefit, non-excludability and non-rivalness exist.
<b>Rivalry</b>	If the use of a service or facility by one individual or group prevents the use of that service or facility by others, rivalry exists.
<b>SUIP</b>	Separately Used and Inhabited Part of a rating unit.
<b>Targeted</b>	Any funding tool that is targeted to a particular matter and factor.
<b>Third party benefits</b>	Types of public or general benefits which include bequest values, existence values, option values and prestige values.

<b>UAC</b>	Uniform Annual Charge - section 18(2) of the Powers Act 2002 provides for making and levying a separate uniform annual charge on a separately rateable property.
<b>UAGC</b>	Uniform Annual General Charge - section 15 of the Rating Act 2002 provides for making and levying an annual charge on each rateable property within the district or within a subdivision of the district. They are fixed amounts for every property to which they apply and are not linked to property values, being applied for fairness and equity. The amount of such a charge is subject to maximum limits.
<b>30% Limit</b>	Section 21 of the Rating Act 2002 limits the amount of revenue which can be raised by Uniform Annual General Charges and Uniform Annual Charges (except water and sewerage) to 30% of the annual estimated total rates revenue.

## Economic Allocation

Certain categories of benefits should match the types of funding sources. Where the benefits of a service are spread beyond just the users of the service to the general public, the allocation of costs should reflect this spread across communities. Council provides services which range from being predominantly of private benefit, such as Refuse Collection, to those which have predominantly public benefits, such as Public Toilets. Many services provide a mixture of private and public benefit.

A theoretical or economic allocation of costs would require all private benefit components to be funded by the beneficiaries (in fees and charges or Uniform Annual General Charge) and public benefit components funded by the community, but this is not always feasible. In these cases, Council modifies the economic allocation to reflect considerations such as fairness and equity and the social, economic and environmental wellbeing of communities. Decisions on the appropriate proportions of private and public benefits and a modified allocation of costs therefore may be somewhat subjective and involve political judgement as well as objective judgement (refer Part C - The Funding Policy Process).

The idea of matching benefits to costs in determining how expenditure needs should be funded may be compared with the requirement for assessing the costs and benefits of different options when making any decision which has significant financial consequences. However, where specific options and alternatives are able to be identified, costs and benefits may be quantified more precisely than when matching benefits to costs, as in a Funding Policy.

## Intergenerational Equity

Intergenerational equity is one of the economic principles that may be considered in identifying an allocation of costs. It can be defined as:

*“The principle that the costs of any expenditure should be recovered at the time the benefits of that expenditure accrue”.*

This principle is concerned with the spreading of costs across relevant timeframes in proportion to the benefits that are available for consumption during each period of the chosen timeframe. This ensures that ratepayers are only required to meet any costs when the benefits associated with that cost are available to be enjoyed.

Intergenerational equity is of particular importance when Council is considering the funding of any major capital investment and especially those within the infrastructure of the community. For example, after the construction of a major asset has been completed the resulting benefits could last for 100 years. Normally the project would be funded from a loan to be repaid over a period of (say) 25 years. This would mean that during the first 25 years of the use of the asset, the ratepayers would be paying for more than the benefits they received. However, for the next 75 years, the ratepayers would be able to enjoy the same benefits, free of cost. Council recognises the intergenerational equity issue in many of the activities in its operation, such as Water Supply and Wastewater disposal.

As with other economic principles, intergenerational equity involves some subjective judgement about when costs and benefits arise in time and in which year ratepayers should bear what proportion of capital cost. In some cases, Council may decide not to adhere strictly to the intergenerational equity principle and pass some assets onto the next generation free of debt.

## Community Wellbeing

The purpose of the Local Government Act 2002 is to require Hauraki District council to promote the sustainable development of the district, promoting the social, economic, environmental and cultural wellbeing of the community [Section 3(d)].

Promoting community wellbeing is vitally important to Council.

Consideration has been given to, and will continue to be given to, the impacts of revenue and financing policies upon the wellbeing of the community. issues such as economic allocation, equity, ability to pay, exacerbators, consumption of services, public benefit etc. need to be carefully considered.

