Revenue and Financing Policy | Te Kaupapa here ō nga pūtea me te moni-ā-tau

Introduction

Our Revenue and Financing Policy sets out the ways in which we intend to pay for each activity we're involved in, and why.

We've developed this policy in line with the Local Government Act 2002 which specifies how the Revenue and Financing Policy must be developed.

We must first identify the activities that we're involved in. We use the term 'activity' to describe goods or services provided by us or on our behalf.

In relation to each activity to be funded, we then must consider:

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

After completing the analysis above, we must then consider the overall impact of the funding allocation on the current and future social, economic environmental and cultural wellbeing of the community.

This Policy should be read in conjunction with our Funding Impact Statement. The Funding Impact Statement puts the Revenue and Financing Policy into practice. It details the revenue requirement for each of our activities and provides examples of rates for sample properties.

Our revenue and financing direction

Throughout the preparation of this Policy, the following directions with regard to the funding of our activities have guided us:

- to minimise and smooth rates increases (this is a direction in our Financial Strategy)
- to not assume that rates are the only available funding source (this is a component of minimising rates)
- to explore alternative funding sources in the first instance, where possible and appropriate (endeavours in this area have been and will continue to be made).

In developing this policy we have considered our activities, how they contribute to our community outcomes, who benefits from them (and for how long), and who creates a need or increases the cost of our activities. The funding arrangement of our activities requires careful consideration. User fees and charges (and targeted rates) cannot be utilised to a point where the cost becomes prohibitive and could potentially impact the community's use of the service. This is why we've balanced the use of user fees and charges and targeted rates with other funding sources.

We've also considered the costs and benefits of funding each activity distinctly from other activities. We aim to be balanced and fair and also endeavour to uphold suitable transparency, as well as administrative efficiency. For the most part we've chosen to fund distinctly for transparency. Most activities are funded separately but there are some cases where we're proposing not to separate the rate funding for activities due to the cost, or to ensure simplicity. The rate funding for a range of activities is combined into the general rate, e.g. Landfill Aftercare, Passive Reserves, District Grants and Donations, Animal Control, Emergency Management, CCTV, Property, Subdivision, Resource Management Policy Development, Strategic Policy Development.

After identifying our activities, and assessing who benefits from those activities or causes the need for them, we considered who should pay for them. Our draft proposed funding showed that 62% of our rates would be collected from the Uniform Annual General Charge (UAGC), which is a set charge that every property pays. The remaining 38% would be collected through the General Capital Value Rate. We call this a 62/38 split, where in our 2018-28 long term plan, we had a 45/55 split. This would mean a higher UAGC for all properties in the district, with a smaller portion of rates set on the capital value of a property.

As part of the policy development, we look at the overall impacts of our decisions, and how those decisions may affect community wellbeing, now and in the future. When we considered the 62/38 split, and what it would mean for rates, we decided to adjust the overall funding to be in line with our previous long term plan, so that 45% of rates would be from the UAGC, and 55% from capital value. This meant moving $2.08 million in rates income that would've been split evenly across all properties (UAGC), to be charged proportionate to the capital value (CV) of a property. In general this means that ratepayers with higher value properties will pay more and ratepayers with lower valued properties will pay less. We consider that provides more equitable rates over the district as our work on affordability shows that many of our ratepayers will find it difficult to pay their rates.

Types of expenditure

Broadly speaking we have two types of expenditure:

- **Operating expenditure**: the spend required for the day-to-day functioning of the Council as a business. It includes things like maintenance, electricity and wages.
- **Capital expenditure:** the money spent on acquiring, building, upgrading or renewing physical assets, such as buildings, or water treatment plants.

Operating expenditure and capital expenditure are funded differently. The details of the different funding mechanisms used are outlined in this Policy.

Legislation requires that we make adequate provision in our Long Term Plan to meet our identified expenditure needs. Generally, this will mean that all expenditure is funded. However, we do make a number of exceptions to this.

Whilst we do seek to fully fund our operating expenditure in each year, there may be occasions when this is not practical. Operating expenditure may be funded by prior years' surpluses or anticipated future years' surpluses. This approach aligns to a direction in our Financial Strategy to minimise and smooth rate increases.

We make decisions not to fund depreciation expenditure where it is financially prudent not to do so. Details of assets where the depreciation is not funded are listed in our 'Financial and General Assumptions', which can be found on our website or within the 2021-2031 Long Term Plan.

When making decisions not to fund depreciation expenditure, we've had regard to:

- whether at the end of its useful life, the replacement of the asset will be funded by way of a grant or subsidy from a third party
- whether we've decided not to replace an asset at the end of its useful life
- whether the original cost of constructing the asset has been fully funded
- whether fully funding depreciation in the short-term will result in an unreasonable burden on ratepayers.

In some activities we take over ownership of assets from developers when subdivisions are completed. For accounting purposes this needs to be shown as income in the cost of service statements and funding impact statements for those activities. We don't take this income into account as a funding source in this Policy.

Operating expenditure funding sources

The mechanisms for funding applied under this policy are those set out under section 103(2) of the Local Government Act 2002. Our policy on funding operating expenditure is to utilise sources of funds in priority shown on the table below along with a definition of the funding source and when we would use it.

Funding source	Priority of application	Definition	When we'll use it
Grants and subsidies	1.	Funding received from other agencies, usually for a specific purpose.	We'll use grants or subsidies from central government or other organisations where available, usually for a specific purpose. This approach minimises the cost to the community of undertaking projects and activities. In analysing the benefits and costs to the community of various project and activity options, we'll consider the availability of grants and subsidies.
User fees and charges	2.	Fees charged to individuals or groups who are directly using our services.	User fees and charges are generally applied where there is a direct benefit to an individual. The use of fees and charges may be balanced with other funding sources. We set our fees and charges annually to reflect increases in costs or changes to charging structures. The Fees and Charges schedule is available on our website. The fees and charges revenue targets set out in this policy are subject to influences beyond the Council's control. Therefore, they are by their nature variable and subject to change. Any drop in anticipated revenue from them will be compensated by rates.
Investment fund income	3.	Income received from our Investment Fund.	Generally used to reduce the amount of Uniform Annual General Charge required.
Rates	4.	Includes the Uniform Annual General Charge (UAGC), General Rates and Targeted Rates.	Where the above listed funding sources are not available, we will fund its expenditure requirements by rates. There are a variety of rating types to recognise the different circumstances. See under Rating Type Classifications heading for further description.
Special funds	5.	Revenue received in the past set aside for a particular purpose.	Special funds may be used to fund specific community projects that we have selected.
Internal borrowing	6.	We operate an internal treasury function. This means that we use the cash surpluses from some activities to lend to other activities that need to borrow.	We do this to reduce our overall cost of borrowing. We charge interest on the funds lent to the borrowing activities, and receive interest on the funds borrowed from the lending activities. We will fund short term deficits with internal borrowing that we have deemed prudent.
External borrowing	7.	Borrowing from external sources.	We may need to borrow funds externally to ensure there are adequate funds to meet our overall operational cash flow requirements. External borrowing is not linked or tied to specific activities. We use borrowing to smooth rates increases in the short term and to cover short term operating deficits.

Capital expenditure funding sources

As with operating expenditure, the mechanisms for funding applied under this Policy are limited to those set out under section 103(2) of the Local Government Act 2002. Our policy on funding capital expenditure is to utilise sources of funds in priority shown on the table below along with a definition of the funding source and when we would use it.

Funding source	Priority of application	Definition	When we'll use it
Grants and subsidies	1.	Funding received from other agencies, usually for a specific purpose.	We will use grants or subsidies from central government or other organisations where available and usually for a specific purpose. This approach minimises the cost to the community of undertaking projects and activities. In analysing the benefits and costs to the community of various project and activity options, we will consider the availability of grants and subsidies.
Financial Contributions/ Development Contributions	2.	Contributions made by developers to help fund new or expand existing (increase capacity) infrastructure that has reached its capacity as a result of growth.	Where available, we may charge Development Contributions in accordance with our Development Contributions Policy, to recover previous capital expenditure or to seek contributions toward future capital expenditure that is intended to create additional capacity. We may charge Financial Contributions in accordance with our District Plan.
Depreciation	3.	Allocating funding over the life of a capital asset so that it can be replaced at the end of its useful life.	We will use depreciation from current and prior years that has not already been applied to fund asset replacements. Depreciation on assets is funded in the same way that the operating costs for the relevant activity are funded.
Proceeds from asset sales	4.	Funds gained from selling our assets, e.g. property.	Funding received from selling physical assets will initially be used to repay debt associated with the activity that funded it. Following this, any remaining funds will be used to fund other capital expenditure within that same activity.
Reserves - past surpluses	5.	Funds held from past surpluses, a bit like a savings account.	Where past surpluses are available, these may be used to fund capital expenditure.
Borrowing – internal	6.	We operate an internal treasury function. This means that we use the cash surpluses from some activities to lend to other activities that need to borrow.	Where the options 1 – 5 are not available to fund capital expenditure it will be necessary to borrow the sum required. We operate an internal treasury function. We use the cash surpluses from some activities to lend to other activities that need to borrow. We do this to reduce our overall cost of borrowing. We charge interest on the funds lent to the borrowing activities, and pays interest on the funds borrowed from the lending activities.
Borrowing – external	7.	Borrowing from external sources.	We may need to borrow funds externally to ensure there are adequate funds to meet our overall capital cash flow requirements. External borrowing is not linked or tied to specific capital projects or activities. Borrowing enables us to fund our activities over the life of our assets. For example, the life of a water treatment plant is approximately 50 years. We consider the funding mix for this asset so that today's ratepayers pay their fair share, as do tomorrow's ratepayers. This is known as intergenerational equity.

Rating types

We use different types of rates to fund our activities, depending on factors outlined in this policy. The different types of rates we charge are described in detail below.

Uniform Annual General Charge (UAGC)

The UAGC is a fixed charge per rating unit. It is used to fund activities that deliver benefit to the whole District.

General Rate – Capital Value

The General Rate is assessed on all rating units in the District based on capital value. It is used to fund activities where we believe the activity delivers a public benefit to the whole of the community and where a fixed charge per rating unit is not considered appropriate.

We apply a capital value general rate differentially, which means some pay a higher rate than others based on their land use. Our differential rates are explained in the table below.

Differential General Rate	Description
Residential/Rural	Means all rating units used primarily for residential, recreational, cultural use or primarily or predominately for the purposes of agriculture, viticulture, horticulture or silviculture.
Commercial/Industrial	Means all rating units used for commercial or industrial purposes, including utility networks.
Mineral Extraction Land Use	Means all mineral value rating units that are not used in precious metal mining.
Mining Land Use	Means all mineral value rating units that are used in precious metal mining.

Targeted Rates

We use targeted rates (as defined in the Local Government (Rating Act) 2002) to appropriately charge those that directly benefit from or use the service. Targeted rates are chosen where the services provided are specific to a particular community or area within the District and it is not considered fair to charge all ratepayers. Details of our targeted rates, how the targeted rates are calculated, and revenue to be generated by targeted rates is detailed in our Funding Impact Statement.

How we fund our activities

The table below provides more detail on how we intend to fund our activities.

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
Governance and Leadership	Democracy	100% Rate – Capital Value – General	None
	Iwi liaison	100% Rate - Uniform Annual General Charge	None
	Resource management policy development	**Policy**: 100% Rate – Capital Value - General **Private Plan Changes**: 100% Fees and Charges	None
	Strategic policy development	100% Rate – Capital Value – General	None
Land transport	Carriageways and bridges	60-85% Subsidies 15-40% Rate – Capital Value Roading	1. Waka Kotahi Subsidy 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
	Footpaths	60-85% Subsidies 15-40% Rate – Uniform Annual Charge - Ward	
	Lighting	60-85% Subsidies 15-40% Rate – Capital Value Roading	
	Network management	60-85% Subsidies 15-35% Rate – Capital Value Roading 0-5% Fees and Charges	None
	Amenity	95-100% Rate – Capital Value Roading 0-5% Fees and Charges	1. Waka Kotahi Subsidy 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
	Public transport	100% Rate - Capital Value Roading	None
	Local public transport	50-100% Rate - Capital Value Roading 0-50% Fees and charges	None
	Safety	100% Uniform Annual General Charge	1. Waka Kotahi Subsidy 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
	Stock underpass subsidies	100% Rate - Capital Value Roading	None
	Carparks	90-100% Ward – Annual Charge 0-10% Fees and Charges	1. Development Contributions/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
Land transport	Town centre upgrades	60% Rate – Uniform Annual Charge – Ward 20% Rate – Capital Value – Ward Business 20% Rate – Annual Charge – Ward Business	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
Water supply	Water supply	100% Rate – Targeted (annual charge and volume charge)	1. Grants and subsidies 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
Wastewater	Wastewater	85-100% Rate – Targeted Charge (Pan Charge) 0-15% Fees and Charges	1. Grants and subsidies 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
Stormwater	Urban stormwater	85% Rate – Targeted – Capital Value 15% Rate - Capital Value – General	1. Grants and subsidies 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
Land drainage	Land drainage	85% Rate – Targeted – Land Value 15% Rate - Capital Value – General	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Flood protection	85% Rate – Targeted – Land Value 15% Rate - Capital Value – General	
Waste management	Transfer stations	0-100% Rate – Capital Value – General 0-100% Fees and Charges	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Kerbside collection	0-100% Rate – Targeted – Annual Charge 0-100% Fees and Charges	None
	Waste minimisation	30-80% Rate – Capital Value –General 20-50% Grants and Subsidies 0-20% Fees and charges	None
	Landfill aftercare	100% Rate – Capital Value – General	1. Borrowing – internal 2. Borrowing – external
Community recreation	Libraries	93-96% Rate – Uniform Annual General Charge 4-7% Fees and Charges	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Swimming pools	93-96% Rate – Uniform Annual General Charge 4-7% Fees and Charges	

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
Community recreation	Event centre	40-45% Rate – Uniform Annual General Charge 40-45% Rate – Uniform Annual Charge – Ward 10-20% Fees and Charges	
	Sports fields	47-50% Rate - Uniform Annual General Charge 47-50% Rate - Uniform Annual Charge – Ward 0-6% Fees and Charges	
	Recreation reserves	98-100% Rate - Uniform Annual Charge – Ward 0-2% Fees and Charges	
	Traveller's reserves	98-100% Rate – Capital value -– Roading 0-2% Fees and Charges	1. Depreciation 2. Reserves 3. Borrowing –internal 4. Borrowing – external
	Town centres	60% Rate – Uniform Annual Charge – Ward 20% Rate – Capital Value – Ward Business 20% Rate – Annual Charge – Ward Business	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Passive reserves	100% Rate – Uniform Annual General Charge	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Sports coordinator	100% Rate – Uniform Annual General Charge	None
	Cycleway (Hauraki Rail Trail)	75% Rate – Uniform Annual General Charge 25% Rate – Capital Value – General (Differential on Commercial/Industrial)	1. Grants and subsidies 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
Community facilities	Town halls	80-90% Rate - Uniform Annual General Charge 10-20% Fees and Charges	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Rural hall assistance	100% Rate -Targeted Community Hall Rates	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Cemetery Burials	100% Fees and Charges	1. Reserves 2. Borrowing – internal 3. Borrowing – external
	Cemetery Reserves	100% Rate - Uniform Annual General Charge	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
Community facilities	Public conveniences	77-80% Rate – Capital Value Roading 17-20% Rate – Uniform Annual General Charge 0-3% Fees and Charges	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Elderly person housing	100% Fees and Charges	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Interest	100% Rate – Uniform Annual Charge – Ward	None
Manaaki Toiora	Economic project assistance	100% Rate - Capital Value District differential on commercial/industrial	None
	Social initiatives	$56,000 Investment Income Remainder - Rate – Capital Value - General	None
	Event coordination	50% Rate - Uniform Annual General Charge 50% Rate - Capital Value - General differential on commercial/industrial	None
	Visitor information services	50 % Rate – Uniform Annual General Charge 50% Rate - Capital Value – General (differential on commercial/industrial)	None
	Grants and donations – District	100% Rate – Uniform Annual General Charge	None
	Grants and donations – Local	100% Rate –Uniform Annual Charge - Ward	None
	Whakawhanaunga / Extended relationships	100% Rate – Uniform Annual General Charge	None
Regulatory	Resource management implementation	40-70% Rate – Capital Value – General 30-60% Fees and charges	None
	Building services	45-55% Rate – Capital Value - General 45-55% Fees and charges	None
	Health	75-90% Rate - Uniform Annual General Charge 10-25% Fees and Charges	None
	Alcohol licensing	40-60% Rate - Uniform Annual General Charge 40-60% Fees and charges	None
	CCTV and abandoned mines monitoring	100% Rate – Uniform Annual General Charge	None
	Emergency management	100% Rate – Uniform Annual General Charge	None
	Dog registration	100% Fees and Charges	None

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
	Animal control	85-95% Rate - Uniform Annual General Charge 5-15% Fees and charges (Fines)	None
Support services	Property	100% Fees and Charges	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Forestry	100% Fees and Charges (timber sales)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Subdivision	100% Fees and Charges (section sales)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Plant	100% Fees and Charges (internal charges)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Business units	100% Fees and Charges (internal charges)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Overheads	100% Fees and Charges (internal charges)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external