

## REVENUE AND FINANCING POLICY

### BACKGROUND

The Revenue and Financing Policy describes who pay's for the Council's activities and how these will be funded.

The Local Government Act 2002 (the Act) sets out the requirement for a Revenue and Financing Policy in two sections, as follows:

- Section 101(3) deals with the considerations that Council must take into account when developing a Revenue and Financing Policy.
- Section 103 requires a council to state the funding sources for both operating and capital expenditure.

### POLICY CONSIDERATIONS

Section 101(3)(a) of the Act requires local authorities to demonstrate how they have considered the following:

- **Community outcomes** - the community outcomes to which the activity primarily contributes (in other words your rationale for service delivery).
- The **user/beneficiary pays principle** – the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals.
- The **intergenerational equity principle** – the period in or over which those benefits are expected to accrue.
- The **exacerbator pays principle** – 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.

The Council has considered each activity in respect of the above matters. These considerations are summarised in the tables within this policy.

### FUNDING TOOLS

Section 103 of the Act requires local authorities to state the funding tools used to fund operational and capital expenditure.

While operating expenditure must be funded from revenue, capital expenditure may be funded from financing tools such as borrowing or loans which will need to be repaid from revenue.

The following funding tools will be used by the Council to fund its activities.

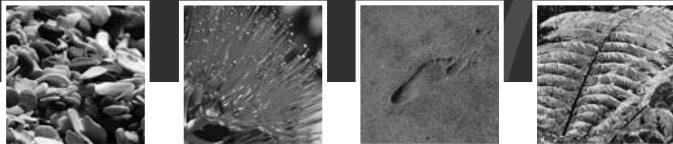
- **General Rates** - Including Uniform Annual General Charge. This is usually used to recover public good.
- **Targeted rates** - Any other rate includes, Uniform Annual Changes, rate set on a differential on value, rates set over an area of benefit and rates for a service or for an activity. This can be used for both private good and public good.
- **Lump sum contributions** - For the recovery of specific capital expenditure, otherwise loan funded (optional for ratepayer). These must have a high component of private good as they are paid by ratepayers for capital.
- **Fees and charges** - Any fee, recovery fine or charge made to the Council for service or activity. Must have a high component of private good.

- **Interest and dividends from investments** - Income from an investment. This would be generally public good.
- **Borrowing** - Loans, both short term and long term. This is a funding tool and does not need a split between public and private good as it is only deferring the eventual charge.
- **Proceeds from asset sales** - The proceeds from assets sales will be applied to reduce debt either within the activity from which the sale arose or by Council allocating the surplus to a specific activity.
- **Development contributions** - To levy these there must be a specific policy, however the revenue and financing policy must signal why these are going to be levied. This must have a high component of private good.
- **Grants and subsidies** - Income from external funding entity. These generally would be of a public good however this can depend on the purpose or source of the grant or subsidy.
- **Any other source** - Anything else that that is legal, however does include the use of Council created reserves.

### FUNDING PHILOSOPHY

As part of the overall Revenue and Financing Policy the Council has adopted the following philosophy for the apportionment of funding:

- Where services and the users of those services can be clearly defined, the users should contribute towards the cost of providing those services in proportion to their level of use; and



- Where services are provided to particular parts of the District, the cost of those services should be met through rates charged to that part of the District the services are provided to; and
- Where the users or the level of use of services cannot easily be defined then everyone should pay the same.
- The Council is often restricted in recovering the costs of activities from the users because of the inability to identify the appropriate users or restrictions within legislation. When this occurs the Council uses the taxation principles and has applied capital value as the rating base.

## CONSIDERATION OF WELL-BEINGS

Section 101(3)(b) of the Act requires local authorities to demonstrate how they have considered the following:

- 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 part of the development of this LTCCP the Council undertook a rating review process which considered the impact of rates allocations on the four wellbeings.

In addition to the funding tools set out in this policy, the Council has proposed a number of rating and postponement policies.

In developing these policies Council has considered the overall impact on the community and the long-term objectives of the district.

This policy gives effect to Section 101(3)(b) by considering the four wellbeings as follows:

### Social:

- While the Council's general funding philosophy is one of user pays, where activities are considered to have a high social or recreational value the Council has taken a low user pays approach. For example this includes safer communities, libraries, museum and gallery, sports-fields, parks and reserves. This approach seeks to ensure access to these facilities across all members of the community.
- The Council has also developed a number of remission and postponement policies that consider the liability for the cost of an activity and provide for rates relief where it is considered fair and reasonable to do so. The Council also acknowledges the role of central government with its rates rebates scheme.
- The Council is aware that any change to the level of uniform annual charges and UAGC results in changing the incidence of rating. This is where there can be a transfer of total rates paid from high-value properties to lower value properties, or vice versa, depending on the total uniform annual charges levied. The Council considers that the incidence of rating as proposed in this LTCCP 2009-19 provides a fair balance between the different sectors of the community.

### Economic:

- The Council has adopted a funding philosophy that is primarily based on user pays where the user of the service can be identified and the level of use can be identified. The Council recognises that user pays places liability for the cost of an

activity on to an individual, organisation or area within the District which affects their economic wellbeing. However, the Council believes that this is fairer to the community as a whole and encourages more efficient use of Council resources. It should be noted that under the Council's philosophy where users of the level of service cannot be easily identified, then everyone will pay the same.

- The Council also specifically undertakes certain activities such as funding to Toi EDA (a Council Controlled Organisation) to support the economic wellbeing of the District.

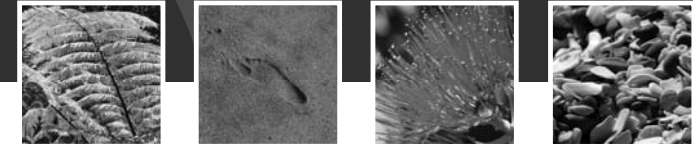
### Cultural:

- To preserve the cultural value of Māori land, the Council has developed a policy on the remission and postponement of rates on Māori Freehold Land. A number of objectives of this policy align with cultural wellbeing including; to recognize where land has been set aside for cultural purposes; to avoid further alienation of Māori freehold land; and, to support the traditional relationship of Kaitiakitanga.

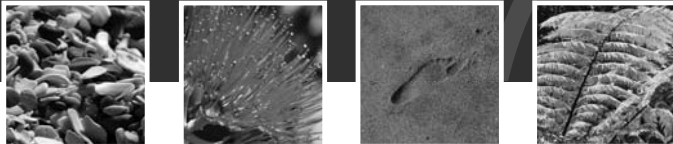
### Environmental:

- By identifying exacerbators the Council will recover, where possible, costs against those who pollute the environment. This includes targeted rates and/or fees and charges for storm water, waste water, refuse collection and processing. It also identified that there is a public good element in maintaining a clean environment and a proportion of these costs are funded from general rates.

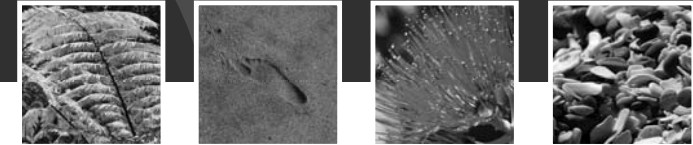
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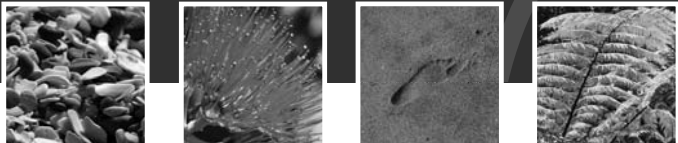
ACTIVITIES	PRIMARY COMMUNITY OUTCOME(S)	RATIONAL FOR ALLOCATION	PUBLIC %	PRIVATE %	CONSIDERATIONS				FUNDING TOOLS	
					USER PAYS	BENEFITS OVER TIME	EXACERBATOR	COSTS AND BENEFITS	OPERATIONAL	CAPITAL
Governance	Strong transparent and open leadership	The Governance activity is to provide for the democratic process, political structure for the benefit of the whole community.	100	0	Nil	Nil	Nil	Nil	General rates and Targeted rates	Nil
Community Support	Strong transparent and open leadership	The activity provides support to organisations and groups promoting the wellbeing of the residents of the district	100	0	Nil	Nil	Nil	Nil	General rates	Nil
Strategy and Policy	Strong transparent and open leadership	This activity provides the framework for the future direction of the community and district	100	0	Nil	Nil	Nil	Nil	General rates	Nil
Financially Assisted Roading	High-quality affordable infrastructure Prosperous economy	To provide and maintain a network of roads and infrastructure for the safe and efficient movement of goods, services and people throughout the district which is of private benefit.	0	100	M	M	L	M	Targeted rates Grants and subsidies	Targeted rates Grants and subsidies Development contributions Operating and capital reserves Borrowings



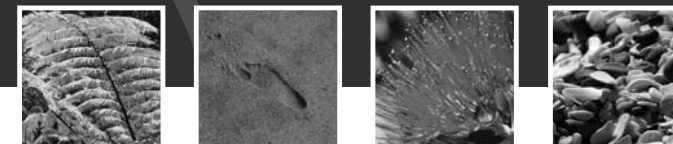
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Non Financially Assisted Roading	High-quality affordable infrastructure Prosperous economy	To provide and maintain a network of roads and infrastructure for the safe and efficient movement of goods, services and people throughout the district which is of private benefit.  This activity that does not receive government funding	0	100	M	M	L	M	Targeted rates	Targeted rates Development contributions Operating and capital reserves Borrowings
Special Purpose Roads	High-quality affordable infrastructure Prosperous economy	Under this activity roading with the classification of special purpose is provided and maintained for the safe and efficient movement of goods, services and people throughout the district which is of private benefit.  This activity receives 100% government subsidy.	0	100	M	M	L	M	Targeted rates Grants and subsidies	Targeted rates Grants and subsidies Development contributions Operating and capital reserves Borrowings



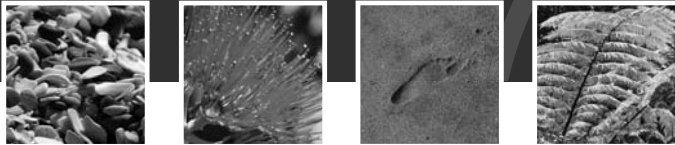
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Road Safety	High- quality affordable infrastructure Safe caring community	This activity contributes to the safety of goods, services and people using the roading network	20	80	L	M	M	L	Targeted rates Grants and subsidies	Nil
Parking Enforcement	High-quality affordable infrastructure Prosperous economy	The activity ensures the wise use and management of public parking areas by regulating and monitoring restrictions on the use of this space. The cost of the activity is recovered by fines on the exacerbators	0	100	M	L	H	L	Fees and charges	Fees and charges
Stormwater	High-quality affordable infrastructure Clean protected environment	The activity protects private property from inundation	0	100	L	H	L	L	Targeted rates Fees and charges	Targeted rates Development contributions Operating and capital reserves Borrowings



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Water	High quality affordable infrastructure Clean protected environment	The activity provides potable water supply service to consumers who are able to connect to schemes within the district	0	100	H	H	L	L	Targeted rates Fees and charges	Targeted rates Grants and subsidies Development contributions Operating and capital reserves Borrowings
Wastewater	High-quality affordable infrastructure Clean protected environment	The activity provides a wastewater disposal service to consumers who are able to connect to a scheme within the district	0	100	H	H	L	L	Targeted rates Fees and charges	Targeted rates Grants and subsidies Development contributions Operating and capital reserves Borrowings

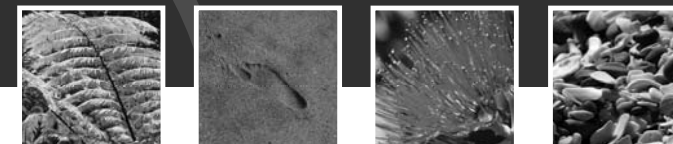


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Trade Waste	High-quality affordable infrastructure Clean protected environment	The activity manages the impacts of business that produce trade waste	30	70	H	L	H	L	General rates Fees and charges	NIL
Waste Reprocessing	Clean protected environment High-quality affordable infrastructure	The purpose of this activity is to provide for the collection of waste which can be reprocessed and thereby reduce the quantity going to landfill for disposal	0	100	H	M	M	L	Targeted rates Fees and charges	Targeted rates Operating and capital reserves Borrowings
Waste Disposal	Clean protected environment High-quality affordable infrastructure	The purpose of this activity is to provide for the collection and disposal of waste that cannot be reprocessed or recycled and the management of existing and closed landfills	0	100	H	M	M	L	Targeted rates Fees and charges	Targeted rates Operating and capital reserves Borrowings
Waste Recycling	Clean protected environment High-quality affordable infrastructure	The purpose of this activity is to provide for the collection of waste that can be recycled and thereby reduce the quantity going to landfill for disposal	0	100	H	M	M	L	Targeted rates Fees and charges	Targeted rates Operating and capital reserves Borrowings

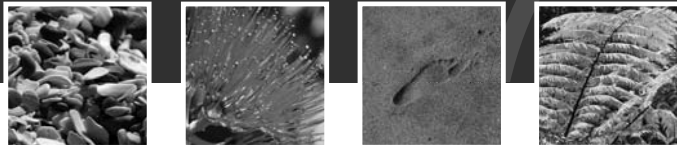


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Economic Development	Prosperous economy	The purpose of this activity is to provide for training and other initiatives to promote the growth of businesses in the district	40	60	M	NIL	NIL	M	Targeted rates Fees	NIL
Promotion	Prosperous economy	The purpose of this activity is to promote the district and the therefore provide opportunity for increased business development	0	100	M	NIL	NIL	M	Targeted rates Fees	NIL
Visitor Information	Prosperous economy	The activity provides information about services available to visitors to the district	70	30	M	NIL	NIL	M	General rates Fees and charges	NIL
Resource management – Consents	Environmentally responsible development Prosperous economy	The purpose of this activity is to manage the subdivision and development of the district through the consent process	10	90	H	L	L	L	General rates Fees and charges	NIL
Resource management – Policy	Clean protected environment Environmentally responsible development Prosperous economy	The purpose of this activity is to provide a framework for the sustainable management of growth and development in the district	90	10	L	L	L	L	General rates Fees and charges	NIL

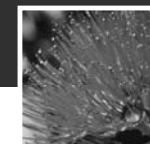
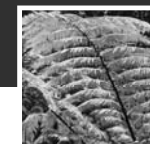




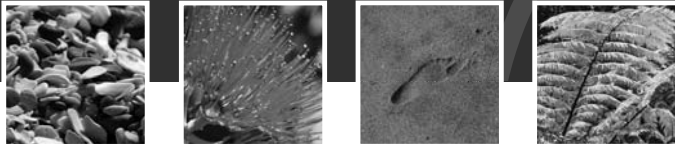
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Licensing (Liquor and Gambling)	Safe caring community Healthy people and quality housing	The activity allows the operation of licensed premises but provides some control over the sale of liquor	5	95	H	NIL	M	L	General rates Fees and charges	NIL
Environmental Health	Clean protected environment Healthy people and quality housing Safe caring community	The purpose of this activity is to provide for the registration of businesses to provide restricted goods and services to the community. To advise and manage a number of issues related to health risks	70	30	M	NIL	M	L	General rates Fees and charges	NIL
Regulation Monitoring	Clean protected environment Safe caring community	This activity administers and enforces bylaws, legislation and policies relating to health and safety in public places	90	10	L	NIL	M	L	General rates Fees and charges	NIL
Safer Communities	Safe caring community	This activity promotes a safe community through a variety of methods including education, interagency collaboration and externally funded programmes	60	40	L	L	M	L	General rates Grants and subsidies	NIL
Building	Healthy people and quality housing Safe caring community	The purpose of this activity is to manage the legal requirements for the construction and alteration of buildings	20	80	H	NIL	M	L	General rates Fees and charges	NIL



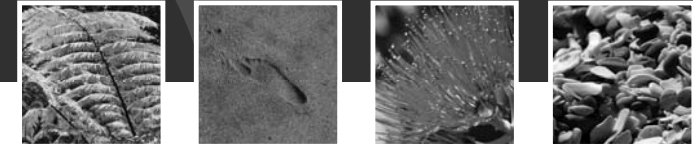
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Animal Control	Safe caring community	The purpose of this activity is to safeguard human safety and health through the registration and enforcement of legislation, bylaws and policies of dogs and stock	20	80	H	L	H	M	General rates Fees and charges	General rates Fees and charges Operating and capital reserves
Library	Education and training opportunities for all Diverse, creative and active community	The purpose of this activity is to provide access to printed and digital information for education and recreation and to encourage literacy through programmes	90	10	L	M	L	L	Targeted rates Fees and charges	Targeted rates Fees and charges Operating and capital reserves
Museum and Gallery	Education and training opportunities for all Diverse, creative and active community	The purpose of this activity is to manage the preservation, display and provide education around the artefacts and other historical assets on behalf of the community	90	10	L	M	NIL	L	General rates Fees and charges	General rates Fees and charges Operating and capital reserves



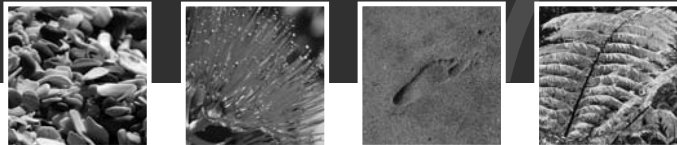
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Pensioner Housing	Diverse, creative and active community Healthy people and quality housing	The purpose of this activity is to provide low cost housing for the elderly	0	100	H	M	NIL	L	Fees and charges	Fees and charges Operating and capital reserves
Halls	Diverse, creative and active community Healthy people and quality housing	The purpose of this activity is to provide public facilities for community use	80	20	H	M	NIL	L	Targeted rates Fees and charges	Targeted rates Fees and charges Operating and capital reserves
Commercial Property	Diverse, creative and active community Prosperous community	The purpose of this activity is to manage commercial assets vested in the Council.	0	100	H	H	NIL	M	Investment Income Fees and charges	Investment Income Fees and charges



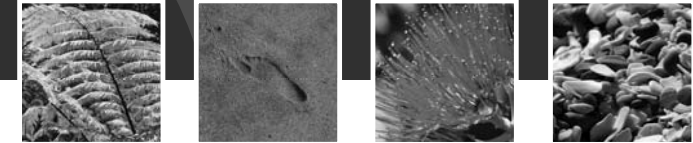
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Parks and Reserves	Diverse creative and active community Clean protected environment Environmentally responsible development	The purpose of this activity is to provide a range of leisure and recreational opportunities for the public	100	0	L	H	M	M	General rates Fees and charges	General rates Fees and charges Development contributions Operating and capital reserves Borrowings
Cemeteries and Crematorium	Clean protected environment	The purpose of this activity is to provide for an appropriate method and location for burials	10	90	L	M	M	M	General rates Fees and charges	General rates Fees and charges Development contributions Operating and capital reserves Borrowings



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Public Conveniences	Clean protected environment Healthy people and quality housing	The purpose of this activity is to provide appropriately located public conveniences for public use	100	0	L	H	H	M	General rates	General rates Development contributions Operating and capital reserves Borrowings
Aquatic Centres	Diverse creative and active community Healthy people and quality housing	The purpose of this activity is to provide facilities for recreational, educational and sporting use	100	0	M	H	L	L	Targeted rates Fees and charges	Targeted rates Fees and charges Development contributions Operating and capital reserves Borrowings
Ports and Harbour	Prosperous community High-quality affordable infrastructure Diverse, creative and active community	The purpose of this activity is to manage the port, launch facilities and associated assets	80	20	M	H	L	L	Investment Income Fees and charges	Investment Income Fees and charges



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Sports Fields	Diverse creative and active community Clean protected environment Environmentally responsible development	The purpose of this activity is to provide facilities for recreational, educational and sporting use	100	0	L	H	L	L	Targeted rates Fees and charges	Targeted rates Fees and charges Development contributions Operating and capital reserves Borrowings
Recreation	Diverse creative and active community Healthy people and quality housing	The purpose of this activity is to provide, develop, foster, and promote participation in recreational programmes	100	0	L	L	L	L	General rates	General rates
Emergency Management	Safe caring community	The purpose of this activity is to have in place measures that prepare the community for disasters and to be able to respond and recover from disasters	100	0	NIL	L	NIL	L	General rates Grants and subsidies	General rates Grants and subsidies



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Disaster Mitigation	<p>Strong transparent and open leadership</p> <p>High-quality affordable infrastructure</p> <p>Safe caring community</p>	The purpose of this activity is to manage the recovery process through the provision of approved mitigation works	100	0	NIL	H	NIL	L	<p>Targeted rates</p> <p>Grants and subsidies</p>	<p>Targeted rates</p> <p>Grants and subsidies</p>
Corporate Activities	Strong transparent and open leadership	The purpose of this activity is to manage develop and maintain internal organisational systems to support the delivery of efficient and effective external services.	As this is an internal activity allocations are made at the end user account				Internal charges	Additional capacity funded by way of borrowings		