

Attachment A:

2021-2031 Revenue and Financing Policy

The Revenue and Financing Policy sets out how Council funds each activity it is involved in and why. Council is required to have this policy to provide predictability and certainty to customers about the sources and levels of funding. The Revenue and Financing Policy describes how Council funds its operating and capital expenses from the funding sources available to Council and why it chooses the various mechanisms to fund the operating and capital expenditure of Council.

This Revenue and Financing Policy is required by section 102 and Part 1 of Schedule 10 of the Local Government Act 2002 (LGA) to be included as part of Council's Long-Term Plan and will be reviewed three-yearly as part of the Long-Term Plan process.

The Council must undertake services in a financially prudent and sustainable way for the Council and community as a whole. The Council decisions and rationale underpinning the funding of these services are set out in this Policy.

Our Funding Approach

In determining how activities are funded Council is obliged to equitably share the costs of delivering services across different users as well as ensuring equity between current and future generations. In deciding how to fund each activity, Council considers the nature of the services provided and who benefits from those services.

It considers Sec101(3):

- The community outcomes to which an activity primarily contributes;
- The distribution of benefits between the community, identifiable parts of the community and individuals;
- The period during which the benefits are expected to occur;
- The extent to which actions, or inactions, of individuals or groups contribute to the need to undertake the activity; and
- The costs and benefits of funding the activity distinctly from other activities.

It then considers the overall impact of any allocation of liability for revenue needs on the current and future well-being of the district and determines whether it needs to modify any of its earlier decisions.

Description of Funding Mechanisms

Types of Expenditure

Broadly speaking Council has two types of expenses: **operating expenditure and capital expenditure**.

Operating expenditure is used to fund the ongoing day to day activities and services of Council.

Capital expenditure is money spent in acquiring or upgrading a business asset such as equipment or buildings. Council has three categories of capital expenditure spread across its activities:

- Renewals – capital expenditure that increases the life or replaces an existing asset with no increase in service level;
- Increased Level of Service (ILOS) – capital expenditure that increases the service level delivered by the asset; and
- Additional Capacity (AC) – capital expenditure that is required to provide additional capacity in whole or part necessary to accommodate growth.

Funding Mechanisms

Different funding sources are used for different types of expenditure. Council funds its expenditure using the following funding mechanisms.

User Fees and Charges are fees charged to individuals or groups who are directly using a Council service. In this case, there is a direct benefit to an individual or group. User fees and charges also include rental income. For a user charge to be charged, the beneficiaries must be able to be identified and charged directly for the service they receive. Council also considers issues like the affordability of user charges or how they compare to the market rate for services. The use of user charges may be balanced with other funding sources where the Council believes that a charge set too high will reduce use and therefore diminish the value of the service to the community and impose a greater cost on ratepayers.

Rates

There are two main types of rates:

- General Rates, which can be distinguished according to
 - Value base rates
 - Differentials
 - Uniform Annual General Charge (UAGC)
- Targeted Rates

General Rate is a rate assessed across all rateable properties in the district based on a property valuation system. It is used to fund those services where Council believes there is a public benefit to the whole of the community across the district and where a fixed charge per Rating Unit is not considered appropriate. In so doing, Council acknowledges that a rate based on property value does not necessarily match ability to pay.

By law, the General Rate must be based on a property valuation system. Council currently uses a land valuation system.

Council has two differentials to its General Rate, (100 per cent for residential and lifestyle land under 2 hectares; 155 per cent for all other land use categories). The use of these differentials is to recognise that in addition to the public good element of the services funded by General Rates where everyone benefits and can use them there is a difference, which we have assessed by using land use categories, as to how much ratepayers characterised by each category benefit from the service, primarily the roading network and the extent to which they contribute to the costs of that service. The variable component of general rates is set as cents per dollar of land value, which is assessed according to the two differentials.

The Uniform Annual General Charge (UAGC) is a proportion of the General Rate set at a fixed amount per Rating Unit in the district. It is used to ensure a fair distribution across ratepayers given the marked difference in land values across the district. This mitigates the impact of a value-based rate which would otherwise place an unfair burden on higher value properties. The level of the UAGC represents a base level for the cost of benefits received from the services Council provides. Council's policy is to set the UAGC at close to the maximum allowable by law. This policy has been developed following consideration of the impacts of the overall allocation of rating liability required under section 101(3)(b) of the Local Government Act 2002.

Targeted Rates (Area of Service) are rates that are charged to particular communities or groups of ratepayers. They are used to fund services where a particular community or group benefits from the activity being funded. Targeted rates may be assessed on the land value (LV), applied on a uniform basis to each ratepayer (TR) or charged based on the ratepayer's

consumption of the service (consumption). The following activities currently utilise targeted rates funding mechanisms:

- Flood protection and control works (LV);
- Stormwater drainage (LV);
- Sewerage and the treatment of sewage (TR);
- Water supply (Consumption);
- Mangawhai Harbour Restoration (TR);
- Ruawai Tokatoka Hall (TR); and
- Forestry Targeted rate (LV)

Council will charge each Rating Unit for each targeted rate. The wastewater targeted rate is to be charged per Separately Used or Inhabited Part (SUIP) except for non-residential properties which will be assessed based on rating units and pan charges.

Separately Used or Inhabited Parts of a Rating Unit (SUIP)

Separately Used or Inhabited Part of a Rating Unit includes any portion inhabited or used by a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, license or other agreement. For the purpose of this policy, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as 'used'. For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one SUIP.

Under the Local Government (Rating) Act 2002 charging Separately Used or Inhabited Parts of a Rating Unit is a factor that may be used to determine liability for both a Uniform Annual General Charge and for targeted rates. The following are examples of where there may be application of multiple charges for Separately Used or Inhabited Parts of a Rating Unit:

- Single dwelling with flat attached
- Two or more houses, flats or apartments on one Certificate of Title (Rating Unit)
- Business premise with flat above
- Commercial building leased to multiple tenants
- Farm property with more than one dwelling
- Council property with more than one lessee
- Where part of a rating unit is subject to a right of exclusive occupation

Proceeds from Asset Sales are the funding received from selling physical assets, such as plant and equipment. They are initially used to repay debt associated with that asset. Any remaining proceeds will be used to repay debt.

Development contributions These are levies paid in accordance with the Council's Development Contributions Policy and the LGA 2002 to recover Council expenditure on reserves, community infrastructure and network infrastructure to meet increased demand resulting from new development. These levies can be used for capital expenditure for the purpose they were charged for and may not be used to cover operational costs.

Financial contributions under the Resource Management Act Financial contributions apply to holders of resource consents in the form of sums payable, or land transferred to the Council. These contributions are used to mitigate, avoid or remedy any adverse effects arising from subdivision or development. Council's Policies on Financial Contributions set out the methods by which contributions are calculated and required.

Grants and Subsidies are funding received from other agencies, usually for a specific purpose. As such, they are used to fund those purposes.

Depreciation Reserves are funds in which the probable replacement cost of assets is accumulated each year over the life of the assets, so that they can be replaced readily when they become obsolete. Depreciation in turn is funded from rates.

Other Reserves are funds for specific purposes. Retained earnings are used to fund operating or capital expenses at the Council's discretion. Special reserves will be used to fund either operating or capital expenses according to the policy applying to those reserves.

Investment Interest and Dividends are used to reduce the amount of General Rate required.

Borrowing is defined as taking on debt. The Council usually only borrows to fund long-lived capital assets. The Council will not borrow to fund operating costs for a service, unless there are reasons to justify borrowing as a short-term or interim solution. It is used to ensure fairness or intergenerational equity so that current ratepayers pay for the services they use now, and future ratepayers pay their share too. It is generally used where other available funding sources are exhausted. Council only uses borrowing to fund operational expenditure when it is financially prudent to do so and where there are clearly benefits that are delivered beyond the immediate financial year in which the expenditure is incurred. An example is where there is a significant single year spike in operational costs in delivering a particular activity (such as desludging the wastewater ponds), where the ongoing benefits of the work outweigh the financial costs of borrowing.

Lump Sum contributions are where ratepayers are asked to pay a capital (or lump sum) payment towards meeting the cost of providing a particular asset in their community (e.g. upgrading of wastewater supply) rather than pay for these capital costs via an annual targeted rate. These contributions will be used to fund the retirement of debt for specific capital activity from time to time.

Application of Funding Mechanisms to Expenditure

Different funding sources are used for different types of expenditure. Council uses the funding mechanisms as follows:

Funding Mechanism	Operating Expenditure	Capital Expenditure		
		Additional Capacity	Increased Level of Service	Renewals
General Rates, including the Uniform Annual General Charge	•		•	•
Targeted Rates	•		•	•
Lump Sum Contributions		•*	•	•
Fees and Charges	•		•	•
Borrowing	•**	•	•	•
Asset Sales			•	•
Development Contributions		•		
Financial Contributions		•		
Grants and Subsidies	•		•	•
Depreciation			•	•

* Application depends on how the activity to which capital expenditure relates is funded.

** Used in exceptional circumstances.

Funding of Activities

In determining how activities are funded Council is obliged to equitably share the costs of delivering services across different users as well as ensuring equity between current and future generations. In deciding how to fund each activity, Council considers the nature of the services provided and who benefits from those services and uses the approach as described above.

From 2018 to 2021 for operational expenditure, funding portions contributing to each activity were expressed as ranges:

Low: 0-33%,
Medium: 34-66%
High: 67-100%

These have been found to be very broad and for this LTP the % split is more defined for clarity in budgeting. Actuals may vary, plus or minus 10%.

The analysis undertaken for 2021- 2031 has been placed into a table for each of the services performed.

Council Service	Community Outcomes	Period of Benefit/ Distinct Funding	Distribution of Benefits / Exacerbator	Modification Funding Split	Funding Source Operating Capital
Reserves/ open spaces (parks, gardens beaches)	Vibrant communities	Short & long term benefits Distinct funding low benefit	Gardens and parks open to all Beach esplanade accessible Hired for Events minimal	Public 100%	General rates, fees and charges Financial contributions Borrowing Grants and subsidies
Cemeteries (network)	Vibrant communities	Short & long term benefits Distinct funding low benefit	Reserve for all Burial of family member	Costs unaffordable by individuals if paid for all costs Public 30% Private 70%	Fees & charges general rates Financial contributions Borrowing
Ruawai Hall	Vibrant communities Celebrating diversity	Short term benefits Distinct funding high benefit	Users of Ruawai Hall Funds collected for its renewal	Private 100%	Targeted rates
Sports Parks (network)	Vibrant communities	Short & long term benefits	Organised sport	Sports clubs don't have	Fees & Charges

		Distinct funding low benefit		funds to contribute to costs Public 95% Private 5%	General rates Financial contributions Borrowing
Campgrounds (network)	Vibrant communities Prosperous economy	Short & long term benefits Distinct funding medium benefit	General access to some facilities Kai Iwi lakes tourists/ holiday makers 100%	Some campgrounds can't recover Private 100%	Fees & charges /lease General rates Financial contributions Borrowing
Community assistance (supporting community organisations & volunteers)	Vibrant communities Trusted council	Short & long term benefits Distinct funding low benefit	Benefits groups & individuals e.g. Dargaville pool, community partnerships	Public 100%	General rates Grants and Subsidies
Civil defence enhance capability to recover from emergencies	Trusted council Prosperous economy	Short & long term benefits Distinct funding high benefit	Benefits attributable to the whole community Some added value services to individuals	Public 100%	General rates Grants & subsidies Borrowing
Community libraries	Vibrant communities Celebrating diversity	Short & long term benefits Distinct funding low benefit	Information and education of public Social benefits Individuals borrowing books	Individuals can't be fully charged Public 100%	General rates, fees & charges Grants & subsidies Borrowing Financial & development contributions
Animal control (dog licensing, impounding facilities for dogs & stock)	Vibrant communities	Short term benefits Distinct funding low benefit	General benefit keeping stock & animals under control Animal control so individuals	Public 50% Private 50%	Fees & charges General rates Borrowing

			<p>can keep dogs & dog walking areas signposted</p> <p>Exacerbator-wandering, menacing or dangerous animals. Those dogs impounded</p>		
<p>Building Control (consenting, inspecting & certifying building work, enforcement)</p>	<p>Vibrant communities</p> <p>Trusted council</p> <p>Prosperous economy</p>	<p>Short term benefits</p> <p>Distinct funding high benefit</p>	<p>Building enforcement provides public benefits</p> <p>Administration, enquiries and answering of calls can't be charged</p> <p>Direct benefits to owners of property to build</p> <p>Exacerbator-noncompliance with consents</p>	<p>Public 15% Private 85%</p>	<p>Fees & charges</p> <p>General rates</p>
<p>District leadership District Plan</p> <p>(consultation, district plan)</p>	<p>Trusted council</p> <p>Prosperous economy</p> <p>Celebrating diversity</p> <p>Climate smart</p>	<p>Short & long term benefits</p> <p>Distinct funding low benefit</p>	<p>Whole community benefits by a well thought out district plan & from policies & bylaws developed</p>	<p>Public 100%</p>	<p>General rates</p>
<p>Resource consents (process land use, subdivision & monitoring)</p>	<p>Prosperous economy</p> <p>Trusted council</p>	<p>Short term benefits</p> <p>Distinct funding high benefit</p>	<p>Community has protection from adverse events</p> <p>Monitoring of complaints</p> <p>Phone</p>	<p>Public 30% Private 70%</p>	<p>Fees & charges</p> <p>General rates</p>

			<p>enquires & administration can't be charged</p> <p>Consent to individual has direct benefits</p> <p>Exacerbator-noncompliance with consents or district plan</p>		
Environmental health (controlling food safety, sale of liquor)	<p>Prosperous economy</p> <p>Trusted council</p>	<p>Short term benefits</p> <p>Distinct funding low benefit</p>	<p>Enforcement of bylaws benefits community health and safety</p> <p>Benefit holding License or certifications for activities</p> <p>Exacerbator-noncompliance with Acts</p>	Public 70% Private 30%	<p>Fees & charges</p> <p>General rates</p>
Parking	<p>Trusted council</p> <p>Prosperous economy</p>	<p>Short term benefits</p> <p>Distinct funding medium benefit</p>	<p>Parking spaces attributable to individuals</p> <p>Exacerbator those that breach parking restrictions</p>	Private 100%	Fees & charges
Mangawhai harbour restoration	<p>Prosperous economy</p> <p>Healthy environment</p>	<p>Short term benefits</p> <p>Distinct funding high benefit</p>	<p>Benefits Mangawhai public using harbour</p> <p>Monies gathered on behalf of society</p>	Private 100%	Targeted rates
Governance (informed decisions)	Trusted council	<p>Short & long term benefits</p> <p>Distinct funding low benefit</p>	<p>Allows public to be part of democratic process</p> <p>Council takes</p>	Public 100%	General rates

			leadership on behalf of all residents		
Corporate services (annual plan, annual reports, long term plans, finance & computing)	Trusted council	Short & long term benefits Distinct funding low benefit	Long term plans, annual plans annual reports All activities benefit targeted rate activities benefit from this & get an allocation	Public 100%	Fees & charges General rates Borrowing
Roads, footpaths & bridges	Prosperous economy Vibrant communities	Short & long term benefits Distinct funding medium benefit	Have access to a roading network Individual properties gain varying benefits Heavy maintenance of forestry roads	Public Private Forestry roads	General rates Targeted rates Fees & charges Grants & subsidies Development & financial contributions Borrowing
Waste management & waste minimisation (transfer station, rubbish collection, waste minimisation education)	Healthy environment	Short & long term benefits Distinct funding medium benefit	Public litter bins as promote public health Landfill rehabilitation for 15 years of past landfills Recycling helps sustainability Transfer stations Waste collection for every household	Public 95% Private 5%	Fees & charges General rates Grants & subsidies Borrowing Reserves

			Exacerbators-fly-tippers. Those who abuse the kerbside collection		
Stormwater	Prosperous economy	Short & long term benefits Distinct funding high benefit	Some public benefits as stormwater is controlled Private properties primarily benefit	Public 10% Private 90%	Targeted rates (on LV) General rates Development contributions Borrowing
Flood protection/land drainage	Prosperous economy Climate smart		Protects roads & private property Protects electricity Particular communities benefit	Private 100%	Targeted rates (on LV) General rates Development contributions Borrowings
Water supply	Prosperous economy	Short & long term benefits Distinct funding high benefit	Access to safe drinking water Assured supply of fire fighting Water for public toilets Private household benefits	Private 100% Connectable-want sections in communities to connect 75% charge Sections benefit in sale value so should be charges Hybrid scheme-operating costs combined but capital kept separate	Fees & charges General rates Financial & development contributions Borrowing Lump sum contributions
Wastewater treatment & reticulation	Prosperous economy	Short & long term benefits Distinct	Public benefit is that harbours are kept clean	Private 95% Public 5% Connectable-	Fees & charges General rates

		funding low benefit	Public toilets Private household benefits Exacerbator high waste users pay based on activity levels	want sections in communities to connect 75% charge Sections benefit in sale value so should be charges Hybrid scheme- operating costs combined but capital kept separate Note: 50% interest on Mangawhai outstanding development contributions included in general rates Te Kopuru kept separate for affordability	Financial & development contributions Borrowing Lump sum contributions
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