



REVENUE AND FINANCING POLICY

Te Kaupapa here o te Pūtea

1.0 Purpose

The Local Government Act 2002 (the Act) requires Whakatāne District Council (the Council) to manage its finances prudently and in a way that promotes the current and future interests of the community. This policy outlines the choices we have made in deciding the appropriate sources of funding for operating and capital expenditure, and how we have made these choices.

2.0 Policy considerations

Section 101 of the Act requires local authorities to consider certain matters when determining the sources that will be used to meet funding needs. The Council has considered the following matters:

2.1 COMMUNITY OUTCOMES

Community Outcomes represent the Council's contribution to community wellbeing in the district. They represent the goals that the Council is aiming towards and underpin the rationale for the activities and services the Council delivers.

2.2 DISTRIBUTION OF BENEFITS

For each activity, this consideration analyses the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals.

The funding sources selected by the Council for each activity will typically, although not always, reflect who is benefiting from the activity. It will also be influenced by the other policy considerations listed in this section.

2.3 USER PAYS AND EXACERBATOR PAYS

This consideration analyses the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity. Examples are community facilities, water supply, solid waste, road and footpath and health and safety. The principle suggests that Council should recover some costs directly from those causing demand for the service. A number of Council's activities exhibit user pays and exacerbator pays characteristics. Through the use of fees and charges (including fines), the Council will seek to recover expenditure where this situation exists. However, it is acknowledged that it can be difficult, inefficient or sometimes inappropriate, and in these circumstances activities will be funded through general rates.

2.4 PERIOD OVER WHICH BENEFITS ACCRUE

This consideration analyses the period in or over which the benefits of Council's activities are expected to accrue. This then indicates the period over which the operating and capital expenditure should be funded.

For all activities, operating costs are directly related to providing benefits in the year of expenditure. As such, they are appropriately funded on an annual basis from annual revenue.

Intergenerational equity applies to capital expenditure where assets have useful lives ranging from a few years through to many decades. One method used to spread these costs over time is loan funding. This ensures that current ratepayers do not pay for benefits received by future ratepayers. Each year's ratepayers service the debt associated with this asset. This results in infrastructural costs being spread more evenly across the life of the asset and the different ratepayers who benefit from it.

2.5 COSTS AND BENEFITS (OF SEPARATE FUNDING)

This consideration analyses the costs and benefits of funding the activity distinctly from other activities.

There are administration costs associated with separate funding and these need to be weighed against any benefits of targeting specific beneficiaries/users of a service, including transparency and accountability. Transparency and accountability are most evident when an activity has one defined funding source. This allows ratepayers, or payers of user charges, to see exactly how much money is being raised and spent on the activity, and to assess whether or not the cost to them of the activity represents good value.

However, funding every activity this way would be extremely complex. The administrative cost and lack of significance lead Council to fund a number of activities by way of a general rate. To aid in transparency and accountability, Council separates the total general rate into reasonable activity breakdowns, when presenting the ratepayer with their rates assessment notices. This then allows the ratepayer to make some form of meaningful assessment down to activity level.

2.6 OVERALL IMPACT ON THE COMMUNITY OF ANY ALLOCATION OF LIABILITY FOR REVENUE NEEDS

This consideration complements the previous considerations listed above.

Once all the previous considerations have been taken into account, Council ensures that overall funding sources are not creating a disproportionate burden on a specific sector or part of the community.



3.0 Funding sources

Funding sources are either paying for operating costs or capital costs.

3.1 FUNDING OF OPERATING COST

Operating expenditure pays for Council's day-to-day spending on services we provide. These include contribution for maintaining existing assets, or other expenditure that does not buy or build a new asset.

Council funds operating expenditure from the following sources:

- General rates, including uniform annual general charges;
- Targeted rates, including fixed targeted rates;
- Fees and charges;
- Interest and dividends from investments;
- Grants and subsidies; and
- Other operating revenue (e.g. operating reserves).

The 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 Council may choose to not fully fund operating expenditure in any particular year, if the deficit can be funded from operating surpluses in the immediately preceding or subsequent years. An operating deficit will only be budgeted when beneficial to avoid significant fluctuations in rates, fees or charges.

The Council may choose to fund from the above sources more than necessary to meet the operating expenditure in any particular year.

The Council will have regard to forecast future debt levels when ascertaining whether it is prudent to budget for an operating surplus for debt repayment. The LGA requires Council to produce a Funding Impact Statement that provides details on the funding mechanisms to be used for each year covered, and for this statement to be included in the Long Term Plan and Annual Plan, as appropriate. The Funding Impact Statement shows how the Council intends to implement the Revenue and Financing Policy each year. It also shows the amount of funding to be collected from each available source, including how various rates are to be applied.

3.2 FUNDING OF CAPITAL COST

Capital expenses pay for buying or building new assets, including replacing an existing asset or improving an existing one, to deliver a better service.

The Council usually funds capital expenditure from borrowing, spreading repayments over several years, or from reserves. Borrowing is managed within the framework specified in Council's Liability Management Policy. Borrowing for capital expenditure enables the Council to ensure there is intergenerational equity in terms of who funds capital expenditure – the repayments are spread over the reasonably-expected average life of the asset where practicable. This means today's ratepayers are not asked to fund tomorrow's assets.

To help offset the impact of debt repayments on rate payers, we will look for funding sources for capital cost. Other funds include:

- Grants and subsidies- from agencies such as Waka Kotahi NZ Transport Agency, and Ministry of Health, and Provincial Growth Fund;
- Development contributions and financial contributions;
- Proceeds from the sale of assets; and
- Lump sum contributions.

3.3 DEFINITION OF FUNDING SOURCES

This section provides some simple definitions of the different sources that are available to fund Council's activities. Activities may be funded from one or more source.

General rates

General rates are used to raise revenue for activities that are of public good or where recovery from users (private good) is not efficient or possible. They include two portions. Part is set based on capital value (value of land plus improvements), and part is by a fixed amount per rating unit (Uniform Annual General Charges – UAGC).

A stepped differential is applied for properties with a capital value over \$15m. For properties in this category, the portion of the property valued under \$15m will attract the full capital value general rates charges. For the portion of the property with capital value over \$15m, Council may define a percentage of the general rate charges to apply. This differential does not apply to the UAGC portion.

Targeted rates

Targeted rates are used to raise revenue for activities where an area of benefit can be recognised; for example, a rate may be charged to the commercial sector, or to a specific ward. They are set based on the capital value or as a fixed amount per rating unit (Fixed Targeted Rate). 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. Our policy is to not accept lump sum contributions for targeted rates.

Fees and charges:

Fees, charges and the recovery of fines are used to raise revenue for services or activities that have a high component of private good, and where the users of the service or the exacerbators are identifiable.

Interest and dividends from investments

The Council has very little external investment holdings and these do not make any return of note. Any income that is received from an investment are generally used to fund activities of public good.

Borrowing

Loans, both short-term and long-term. Our policy is that borrowing 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

Our policy for the proceeds from the sale of assets is that 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 proceeds to retire debt in 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. Council generally considers development contributions as its main funding tool for development-related costs.

Financial contributions

Council may also require a financial contribution to mitigate environmental effects of a development or subdivision. This may be in the form of money or land, or a combination of both. The Resource Management Act (RMA) restricts the charging of financial contributions to only those activities that avoid, remedy or mitigate environmental effects.

Grants and subsidies

Our policy is that income received from an external funding entity must be applied against the project for which the subsidy was acquired. These generally would be of a public good; however, this can depend on the purpose or source of the grant or subsidy. In some cases financial assistance relates to a specific project and the ongoing management of the infrastructure e.g. Waka Kotahi NZ Transport Agency subsidises capital costs, and contributes towards operational costs of the Transport team.

Council-created reserves

Council-created reserves are used to fund a number of activities, usually in instances where the activity meets the purpose for which the reserve was created. Operating reserves are used for a specific purpose or activity e.g. transport, while depreciation reserves are used for funding asset renewals. In some instances, where it is considered appropriate by the Council and where appropriate approval is granted, reserves are used to fund items outside of their original purpose.

Harbour fund

The Council owns a number of harbour properties in the Whakatāne Central Business District. The income from these properties and any sale of harbour endowment assets are held as the Harbour Endowment Fund. Rules associated with the Harbour Fund have been set through legislation, and restrict income derived from leases or the sale of assets. Our LTP 2021-31 operates within these required parameters.

Any other source

Other funding sources may be available from time to time to fund Council activities.

3.4. SUMMARY OF SOURCES OF FUNDING FOR OPERATIONAL COST BY ACTIVITY

| ACTIVITY | USER CHARGES | GRANTS SUBSIDIES AND OTHER | INVESTMENT INCOME | FINANCIAL CONTRIBUTIONS | DEVELOPMENT CONTRIBUTION | RESERVE FUNDS | BORROWING | GENERAL RATES | TARGETED RATES |
|---------------------------------------|--------------|----------------------------|-------------------|-------------------------|--------------------------|---------------|-----------|---------------|----------------|
| Local Governance | - | - | - | - | - | - | - | 80-100% | 0-20% |
| Whānau, Hapū and Iwi Partnerships | - | - | - | - | - | - | - | 80-100% | - |
| Community Engagement | - | - | - | - | - | - | - | 80-100% | - |
| Community Development | - | - | - | - | - | - | - | 80-100% | - |
| Economic Development and Regeneration | 20-40% | 0-20% | - | - | - | 20-40% | - | 20-40% | 20-40% |
| Resource Management - Policy | - | - | - | - | - | - | 0-20% | 80-100% | - |
| Strategy and Policy | - | - | - | - | - | - | - | 80-100% | - |
| Transport Connections | 0-20% | 20-40% | - | - | - | - | - | - | 40-60% |
| Water Supply | 0-20% | - | - | - | - | - | - | - | 80-100% |
| Sewage Treatment and Disposal | 0-20% | - | - | - | - | - | - | 0-20% | 80-100% |
| Stormwater Drainage | - | 0-20% | - | - | - | - | - | 0-20% | 80-100% |
| Waste Management and Minimisation | 20-40% | 0-20% | - | - | - | - | - | 20-40% | 40-60% |

| ACTIVITY | USER CHARGES | GRANTS SUBSIDIES AND OTHER | INVESTMENT INCOME | FINANCIAL CONTRIBUTIONS | DEVELOPMENT CONTRIBUTION | RESERVE FUNDS | BORROWING | GENERAL RATES | TARGETED RATES |
|-----------------------------------|--------------|----------------------------|-------------------|-------------------------|--------------------------|---------------|-----------|---------------|----------------|
| Health and Safety | 40-60% | - | - | - | - | - | - | 40-60% | - |
| Resource Management- Consents | 40-60% | - | - | - | - | - | - | 40-60% | - |
| Building Control | 40-60% | 0-20% | - | - | - | - | - | 40-60% | - |
| Road Safety | - | 80-100% | - | - | - | - | - | 0-20% | - |
| Emergency Management | - | - | - | - | - | - | - | 80-100% | - |
| Recreation | 0-20% | 0-20% | - | - | - | 0-20% | - | 60-80% | - |
| Arts and Culture | 0-20% | 0-20% | - | - | - | 0-20% | - | 80-100% | - |
| Community Facilities | 0-20% | - | - | - | - | 0-20% | - | 80-100% | - |
| Ports and Harbour | 0-20% | - | - | - | - | 80-100% | - | - | - |
| Whakatāne Holiday Park | 60-80% | - | - | - | - | 20-40% | - | - | - |
| Corporate and District Activities | - | - | - | - | - | - | - | 80-100% | - |
| Whakatāne Airport | - | 40-60% | - | - | - | 40-60% | - | - | - |

3.5 ACTIVITY FUNDING TABLES

| NATURE OF ACTIVITY | WHO BENEFITS NIL, LOW, MEDIUM, HIGH RATING | | WHO CONTRIBUTES TO THE NEED NIL, LOW, MEDIUM, HIGH RATING | | RATIONALE FOR FUNDING |
|---------------------------------------|--|-----------------|--|-------------|---|
| | Public benefit | Private benefit | User | Exacerbator | |
| Local Governance | High | Low | Nil | Nil | The whole community benefits from this activity that contributes to an open, transparent and accountable democratic process for local government. This activity also provides opportunities to participate in decision-making. Most of the operational cost is allocated to the whole district as part of the general rate. Targeted rates are used to fund each of the four Community Boards of the district. |
| Whānau, Hapū and Iwi Partnerships | High | Low | Nil | Nil | This activity supports and strengthens the relationships between the Council and whānau, hapū and iwi, and therefore, the wider community benefits from this activity. This activity recognises our obligations as a treaty partner. Operational costs are funded through the general rate. |
| Community Engagement | High | Low | Nil | Nil | This activity supports and strengthens the relationships between the Council and the communities. Keeping communities informed and engaged on Council matters and responding to enquiries benefits the wider community. Operational costs are funded through the general rate. |
| Community Development | High | Low | Nil | Nil | This activity contributes to the current and future needs of the district and benefits the wider community. Organisations and groups responding to community needs will be eligible for grants or subsidised rentals. Operational costs are funded through the general rate reflecting the public good component of this activity. |
| Economic Development and Regeneration | High | Medium | Low | Nil | The wider community benefits from the promotion and support of activities and projects that contribute to a vibrant economy with strong employment pathways. The high public good component recognises the significant operational costs funded primarily through the general rate. Fees and charges, targeted rates and subsidies are used to reflect the private good component of this activity. |
| Resource Management - Policy | High | Low | Low | Low | The wider community benefits from the development and use of land in our district that balances the need for growth and protecting our special places and community values and environment. Operational costs of this activity are funded entirely through general rates. |

| NATURE OF ACTIVITY | WHO BENEFITS <i>NIL, LOW, MEDIUM, HIGH RATING</i> | | WHO CONTRIBUTES TO THE NEED <i>NIL, LOW, MEDIUM, HIGH RATING</i> | | RATIONALE FOR FUNDING |
|-----------------------|--|-----------------|---|-------------|--|
| | Public benefit | Private benefit | User | Exacerbator | |
| Strategy and Policy | High | Low | Nil | Nil | <p>The wider community benefits from strategies, policies, plans and bylaws to address the challenges and opportunities facing our district.</p> <p>Operational costs are funded through the general rate reflecting the public good component of this activity.</p> |
| Transport Connections | Medium | Medium | Medium | Low | <p>The wider community benefits from safe, quality infrastructure to enable various modes of transport. It contributes to improve economic and social wellbeing outcomes for the district as a whole.</p> <p>Operational costs relating to the transport network are funded through a targeted rate across the district. This activity is also funded through subsidies from Waka Kotahi NZ Transport Agency.</p> <p>Operational costs relating to parking enforcement services primarily benefit the community and businesses of the CBD. This activity is entirely self-funding. Costs are recovered entirely by way of fees and charges (also includes fines).</p> |
| Water Supply | Nil | High | High | Low | <p>The activity benefits properties that are able to connect to water schemes within the district by providing them with potable water.</p> <p>Operational costs are funded through targeted rates (targeted to properties where connection to a scheme is possible) and through fees and charges.</p> <p>Fees and charges are used to recover costs of water use where meters exist. Where there are no meters in place, the targeted rate include a charge equal to the national average level of water use.</p> <p>Most water schemes have been equalised for funding purposes, rather than each scheme paying for its own costs. This means that everyone receiving a similar service of having access to a scheme, pays the same regardless of the costs related to each individual scheme. Ruatāhuna, Murupara and the Plains water schemes have not been equalised, generally due to the higher cost for affected ratepayers.</p> <p>People who are not connected to a water scheme do not contribute to the funding of the scheme. Households that have access to the schemes, but don't use the service, are charged half the fixed charge.</p> |

| NATURE OF ACTIVITY | WHO BENEFITS NIL, LOW, MEDIUM, HIGH RATING | | WHO CONTRIBUTES TO THE NEED NIL, LOW, MEDIUM, HIGH RATING | | RATIONALE FOR FUNDING |
|-----------------------------------|--|-----------------|--|-------------|--|
| | Public benefit | Private benefit | User | Exacerbator | |
| Sewage Treatment and Disposal | Nil | High | High | Low | <p>The activity benefits properties that are able to connect to a scheme within the district by providing them with a sewage disposal service.</p> <p>A user pays approach applies, given that the users of this activity can be easily identified. It is also administratively efficient to apply targeted rates.</p> <p>Operational costs are funded through targeted rates (targeted to properties where connection to a scheme is possible) and fees and charges (for the trade waste component).</p> <p>The costs of sewerage schemes have been equalised for funding purposes, rather than each scheme paying for its own costs. This means that everyone receiving a similar service of having access to a scheme, pays the same regardless of the costs related to each individual scheme. The exception is Murupara, which has its own scheme.</p> <p>People who are not connected to a sewerage scheme do not contribute to the funding of the sewage schemes. Households that have access to the schemes, but don't use the service, are charged half the fixed charge.</p> <p>The use of general rates to fund this component of the activity is not considered to be fair and reasonable.</p> |
| Stormwater Drainage | Nil | High | Low | Low | <p>This activity primarily benefits individual households and businesses by protecting them from inundation.</p> <p>Operational costs of this activity are funded through targeted rates and reflects a user pays approach (targeted according to each area benefiting from a stormwater scheme).</p> |
| Waste Management and Minimisation | Low | High | High | Medium | <p>Although there is some overall community benefit from the activity, the major benefit is for individual households and businesses that have access to these services.</p> <p>Operational costs are funded through a mix of targeted rates, general rates and fees and charges.</p> <p>Operational costs are predominantly paid for through targeted rates (targeted to communities where the wheelie bin, recycling bin and green waste wheelie bin collection services are available).</p> <p>The fees and charges are paid by the users of the transfer stations.</p> <p>General rates reflect that this activity contributes to the environmental wellbeing of the district. The Council also acknowledges that a stronger user pays approach would discourage use of the services and potentially impact on the intended outcomes of the activity.</p> |

| NATURE OF ACTIVITY | WHO BENEFITS <i>NIL, LOW, MEDIUM, HIGH RATING</i> | | WHO CONTRIBUTES TO THE NEED <i>NIL, LOW, MEDIUM, HIGH RATING</i> | | RATIONALE FOR FUNDING |
|------------------------------|--|-----------------|---|-------------|--|
| | Public benefit | Private benefit | User | Exacerbator | |
| Health and Safety | Medium | Medium | Medium | Medium | <p>This activity contributes to public health and benefits the wider community. It includes licensing and regulatory functions that contribute to public health and safety, like licensing (alcohol and gambling), environmental health, regulation monitoring and animal control.</p> <p>Operational costs funded through general rates acknowledges the wider community benefit.</p> <p>Exacerbators contribute to the costs when there is the ability to recover these costs from fees and charges. This is the case mainly for animal control and licensing (alcohol and gambling).</p> <p>Default fees and charges for alcohol are set through the Sale and Supply of Alcohol Act 2012 and will continue to apply unless the Council changes these through a bylaw.</p> |
| Resource Management Consents | Medium | Medium | High | Low | <p>This activity manages subdivision and development of the district through the consent process and benefits the wider community by enabling and controlling growth in the district.</p> <p>The private good component represents the benefit to those applying for subdivision and land-use consents.</p> <p>Operational costs are funded through general rates and through fees and charges, reflecting the public and private good components of the activity.</p> |
| Building Control | Low | High | High | Medium | <p>This activity manages the legal requirements for the construction and alteration of buildings under the Building Act 2004 and ultimately seeks to protect health and safety of the wider community.</p> <p>The private good component of this activity reflects the private benefit to those applying for building consents. Operational costs are, therefore, predominantly funded through fees and charges. They are also funded through general rates, as this activity contributes to the economic wellbeing of the district.</p> <p>The public good component of this activity is to protect the community from unsafe buildings and ensures buildings are designed and constructed in a manner that promotes sustainable development, and contributes to the health and wellbeing of the community.</p> <p>It is important for the economic wellbeing of the district not to deter development and growth through high consent costs and acknowledges the public good component of this activity.</p> |
| Road Safety | High | Nil | Nil | Nil | <p>This activity benefits the whole community by delivering programmes targeting road safety.</p> <p>Most of this work is completed in partnership with other agencies and subject to external funding.</p> |

| NATURE OF ACTIVITY | WHO BENEFITS <i>NIL, LOW, MEDIUM, HIGH RATING</i> | | WHO CONTRIBUTES TO THE NEED <i>NIL, LOW, MEDIUM, HIGH RATING</i> | | RATIONALE FOR FUNDING |
|----------------------|--|-----------------|---|-------------|---|
| | Public benefit | Private benefit | User | Exacerbator | |
| Emergency Management | High | Nil | Nil | Nil | <p>This activity benefits the wider community, helping the community prepare for disasters and to be able to respond and recover from them.</p> <p>Operational costs are predominantly funded through the general rate, reflecting the public good component of this activity. Grants and subsidies can also be sourced to support this activity.</p> |
| Recreation | High | Low | Low | Nil | <p>Aquatic centres, parks, reserves, gardens, and sportsfields benefit the wider community by building communities that interact with each other, are healthy, happy and well-connected. They have a positive impact on the community's health and wellbeing.</p> <p>Users of these services also benefit from the services.</p> <p>Operational costs are predominantly funded through general rates in recognition of the public good component of this activity. Fees and charges are also used, but are kept at a reasonable level to encourage users of these services.</p> |
| Arts and Culture | High | Low | Low | Low | <p>Libraries, the Museum, and the Exhibition Centre contribute to improving the social and cultural wellbeing of the wider community by providing information, increasing literacy, offering exhibition space, and preserving our cultural heritage and providing research facilities.</p> <p>Operational costs are predominantly funded through general rates in recognition of the public good component of this activity. Fees and charges are also used, but are kept at a reasonable level to encourage users of these services.</p> |
| Community Facilities | Medium | Medium | Medium | Medium | <p>Public conveniences, cemeteries, the crematorium, and halls benefit both the whole community and specific users.</p> <p>Operational costs are predominantly funded through general rates and complemented by fees and charges.</p> |

| NATURE OF ACTIVITY | WHO BENEFITS <i>NIL, LOW, MEDIUM, HIGH RATING</i> | | WHO CONTRIBUTES TO THE NEED <i>NIL, LOW, MEDIUM, HIGH RATING</i> | | RATIONALE FOR FUNDING |
|-----------------------------------|--|-----------------|---|-------------|---|
| | Public benefit | Private benefit | User | Exacerbator | |
| Ports and Harbour | High | Low | Medium | Low | <p>This activity manages the port, launch facilities and associated assets.</p> <p>The wider community benefits from this activity as these facilities enhance the district through recreational and commercial opportunities.</p> <p>Operational costs are funded by the harbour fund reserves, sourced from harbour property leases.</p> <p>Any income received from the harbour endowment assets is restricted in use, generally to the maintenance and development of this activity. This has an impact of offsetting any funding requirement that might otherwise be sourced from general rates.</p> <p>Fees and charges are also used. However these are generally not able to fully offset costs. The Council will continue to assess options to recover costs from private users, where this would be administratively efficient.</p> |
| Whakatāne Holiday Park | Nil | High | High | Low | <p>This activity is undertaken to support economic development and tourism growth plans for the district.</p> <p>The activity is benefiting the users of the facilities at the Holiday Park and is, therefore, funded through user fees and charges.</p> <p>The Holiday Park activity is separately funded in acknowledgement that there is a commercial component to this activity.</p> |
| Corporate and District Activities | n/a | n/a | n/a | n/a | <p>This group comprises of seven individual ‘internal’ activities that support the efficient and effective delivery of all Council’s ‘external activities’.</p> <p>The activities include Customer Services, Communications and Engagement, Human Resources, Finance, Corporate Information, Corporate Property, and District Income and Expenditure.</p> <p>The costs of these activities are funded by way of allocation across Council’s other (external) activities.</p> |
| Whakatāne Airport | Low | High | High | Medium | <p>While the activity mainly benefits residents, businesses and visitors using the Whakatāne Airport, it also has an important flow-on commercial and recreational benefit to the wider community.</p> <p>Operational costs are predominantly funded through fees, leasing, and grazing income reflecting the high private good component of the activity.</p> |