
REVENUE AND FINANCING POLICY



Revenue and Financing Policy

Purpose

This policy sets out the District Council's policies in respect of funding operating and capital expenditure. This policy has been reviewed in line with the Council's Long Term Plan to ensure it is aligned with the LTP and has considered the principles of our Financial Strategy.

Council has reviewed each individual activity with a view to determining an equitable funding policy. In doing so Council considered the nature of the service and the benefits and beneficiaries for each service. Items taken into account during that deliberation were:

- Community outcomes to which an activity contributes
- The distribution of benefits between the community as a whole, 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
- Costs and benefits of funding the activity distinctly from other activities

The revenue and financing policy is not just an aggregation of policies for the individual activities Council carries out, but is also a means for Council to consider 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.

Council's overall approach is that, where practicable, areas that directly benefit fund the service/activity or bundle of services in that area. It implements this philosophy through the use of distinct ward rating areas.

Financial Management

The Local Government Act 2002 places specific responsibility on Council to manage its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the Central Otago District community. In doing so, Council is required to make adequate and effective provision for the expenditure needs of the Council.

Funding of Operating Expenditure

Council is required to have a balanced budget. It must set each year's projected operating revenues at a level sufficient to meet that year's projected operating expenses. Council may only vary this when it is financially prudent to do so.

Council must also give consideration to the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life.

Operational expenditure is the cost of providing the level of service in a given year and includes depreciation on assets. Depreciation is defined as the measure of consumption of the economic benefits of an asset arising from its use overtime. Those who benefit from the use of an asset should contribute towards its cost/consumption.

Because of the size of Council's depreciation expenses within a balanced budget, rate funding of depreciation provides resources to pay for the renewal of the asset at the end of its useful life or for related debt repayment.

There are circumstances whereby fully rate funding depreciation may result in some ratepayers bearing a funding burden that is not entirely fair and equitable. This is where funds for capital project replacement are provided from sources outside Council, for example where a community has raised funds for a hall. Council would not rate fund the depreciation on the hall, as any replacement of that facility would be the responsibility of that community.

Council reviews the effects on ratepayers of fully rate funding increased depreciation from the revaluation of assets. Council considers each revaluation and may in fact chose to not fully rate fund an increase or to introduce the increase in funding required over time.

Overview of Funding Mechanisms used by Council

Council will make use of a mix of revenue sources to meet operating expenses.

The extent to which the provision of a service by the Council is a public or private good will largely determine the extent to which rates, fees and charges become the funding source. The income from fees and charges and subsidies may vary based on economic circumstances. The mechanisms are outlined below:

General Rate

General rates are used to fund activities where it is not possible to clearly identify customers or users. The general rate is also used to fund activities where, for reasons of fairness and equity, consideration of the wider community good indicates that this is the most appropriate way to fund an activity.

Differentials detailed in the Schedule of Rates are applied to this rate. Differentials are applied to hydro-electric dams to ensure that their overall rate changes are kept in line with the overall change in total rates for Council. This differential recognizes the disproportionately large capital value of hydro-electric dams in relation to their actual benefit from or burden on Council activity.

Targeted Rates

Targeted rates are rates that are aimed a specific activity, group of activities, group of ratepayers or combination of the three. Differentials may be set on these rates to reflect a different extent of benefit to each group of ratepayers of the targeted activity. Targeted rates may also be set as an alternative to lump sum contributions for capital projects.

Lump sum contributions

Lump sum contributions are used to fund capital projects and will be charged to rate payers at the time of connection.

Fees and Charges

These are direct charges to individuals or organisations who use certain activities such as pools and building consents. These are published each year in Council's Schedule of Fees and Charges.

Other Sources of Funding

Other sources of funding received by Council include dividends, interest, proceeds from asset sales and income from external agencies. These are used to support an activity for example, government assistance such as the New Zealand Transport Agency for the roading activity.

The table on following pages outlines the funding mechanisms used for the individual activities. These mechanisms fall under three headings: General rates, Targeted Rates, and fees and subsidies.

Funding of Capital Expenditure

Council categorises capital expenditure into three main areas being:

- Renewal of existing assets at the end of their useful lives
- Growth related assets
- Expenditure on assets that are an improvement or addition to the asset including expenditure on assets driven by statutory requirement. This expenditure is seen as an increase in the level of service provided and intergenerational by nature.

Council's use of funding mechanisms to fund capital expenditure is as follows:








Council will first apply any relevant subsidies, for example relevant NZ Transport Agency subsidies, and Development Contributions for any growth related assets.








Special Funds are also used for funding new capital and/or renewals. These funds are contributed from a number of sources, for example, historical funds, proceeds from the sale of assets and proceeds from the sale of endowment land.









It is the intention the Council will get to the point where asset renewals are being met from operating rates revenue through depreciation, except for assets where the Council's policy is not to fund depreciation. To ensure the Council achieves value for money, there will be times where we group works in one year, but equalize the rate take over a period of years.











Borrowing will be applied to new capital works subject to the preceding statement on the use of rates. The Council views debt as a smoothing mechanism and a means of achieving equity between time periods. However the Council does not have an unlimited capacity to borrow and the community does not have unlimited capacity to service those loans into the future. Therefore, the Council adopts a prudent approach to debt and its capital programme to ensure that the burden of debt and the interest cost does not place an impossible burden on the community. In doing so the Council is conscious of its use of internal funds as a source of borrowing.





Proceeds from asset sales may be used to fund capital works or repay debt. This method is favoured due to its transparency and the neutral effect it has on rating. Land available for sale in Cromwell is projected to be sold and the monies used to fund the Cromwell Town Centre Upgrade within this plan.



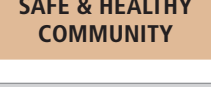






ACTIVITY GROUP AND COMMUNITY OUTCOME	RATIONALE FOR ALLOCATION	FUNDING SOURCE						
		GENERAL RATE		TARGETED RATE				FEES AND CHARGES
		LAND VALUE	UAGC	FIXED CHARGE	CAPITAL VALUE	LAND VALUE	OTHER	
Water								
Water   	<p>We supply households and the community with treated water at a suitable pressure and quantity. Water is treated to a required health standard and then pressurised for distribution and public firefighting. All water usage is measured through meters. From July 2012, we introduced volumetric charging across the district (except Roxburgh). Income from volumetric charging reflects the private benefit of water at the connection, but is priced to achieve an overall objective of reducing per connection usage.</p>			Majority fixed charge per connection or serviceable rating unit			Residually funded by volumetric charge per unit from metered water supply	Residual grants and water fees
<p>Connected – any rating unit (including vacant sections) that is connected to (lateral/s provided) a Council operated water supply charged at 100%.</p> <p>Serviceable – any rating unit (including vacant sections) that is not connected to (no lateral provided) a council operated water supply but is within 100 metres of a Council operated water supply reticulation system, charged at 50%.</p>								
Wastewater								
Wastewater  	<p>Wastewater generated by private and public premises is conveyed and treated to minimise public health risks and impacts on the environment. Where wastes from industrial processes are known to dramatically increase demand for the activity, we capture costs through our Trade Waste Bylaw.</p>			Majority fixed charge per connection or serviceable rating unit			Lump sum contribution to fund new wastewater scheme and connection	Minority funded by trade waste fees
<p>Connected – any rating unit (including vacant sections) that is connected to (lateral/s provided) a Council operated wastewater system charged at 100%.</p> <p>Serviceable – any rating unit (including vacant sections) that is not connected to (no lateral provided) a Council operated wastewater system but is within 30 metres of a wastewater drain, charged at 50%. An additional 25% charge for subsequent urinal or water closet for commercial accommodation uses land rest homes for the elderly will apply.</p> <p>Clyde – a targeted rate set as a fixed charge per rating unit will fund the costs arising from wastewater activities in Clyde.</p>								
Stormwater								
Stormwater  	<p>The stormwater activity provides for the safe removal of excess rainfall that does not naturally permeate into the ground. We have a responsibility to ensure individuals, households and businesses are not adversely impacted by localised flooding. Localised flooding risk is greater in urban areas where development reduces the permeability of the ground. Flood risks from large catchments, like the Clutha and Taieri rivers, are managed separately by the Otago Regional Council (ORC).</p>				Full funding from district-wide rate on capital value			
<p>This is funded by a rate on capital value to reflect the fact that all ratepayers derive a benefit from this activity but that the extent of benefit is more urban than rural.</p>								




ACTIVITY GROUP AND COMMUNITY OUTCOME	RATIONALE FOR ALLOCATION	FUNDING SOURCE						FEES AND CHARGES
		GENERAL RATE		TARGETED RATE				
		LAND VALUE	UAGC	FIXED CHARGE	CAPITAL VALUE	LAND VALUE	OTHER	
Roading								
Roading   	Subsidised Rooding – A core service for the public providing roads, bridges, roadmarking, signage, lighting, road safety and transport planning. The public benefits from our roading network by enabling economic activity throughout the district. The NZTA subsidises 51% of expenditure. This subsidy is funded through fuel taxes, road user charges, etc. and reflects the private benefit received.	Minority general rate, assessed differentially	Minority uniform annual general charge					Majority subsidy and fuel tax
		This is funded by a rate on land value and a uniform annual general charge to reflect the fact that all ratepayers derive a benefit from this activity but that the extent of benefit is more urban than rural.						
	Non-Subsidised Transportation – The provision of infrastructure and service such as footpaths, car parks, vehicle crossings, street lighting, access ways and corridor gardens benefits all ratepayers.				Majority district-wide rate set on capital value			Minority funded by inspection fees
This is funded by a rate on capital value to reflect the fact that all ratepayers derive a benefit from this activity but that the extent of benefit is more urban than rural.								
Environmental Service								
Environmental Services  	Waste Minimisation involves the education of the public and the provision, to the public, of services to minimise the impact of solid waste on our environment. The targeted rate has a fixed element per rating unit to fund core activities such as education and monitoring. We use a "polluter pays" approach to fund the kerbside collection service and waste transfer. This is reflected in a targeted rate assessed on the level of service and transfer station fees.			Majority targeted rate set by District, assessed differentially				Minority transfer station charges and residual grants and subsidies
		The targeted rate will be assessed on the basis of where the rateable land is situated. The targeted rate will be assessed on rating units. The targeted rate will be assessed based on the level of service provided, that is with a Council provided collection service or not.						
Property and Community Halls								
Elderly Persons' Housing  	We provide housing predominately for the elderly. Council owns flats in Alexandra, Clyde, Cromwell, Ranfurly and Roxburgh. This activity provides direct social and economic benefits to residents within housing. It also provides comfort to the wider community that our elderly residents are being assisted.	Residual general rate set by District						Majority market rents








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		GENERAL RATE		TARGETED RATE				FEES AND CHARGES
		LAND VALUE	UAGC	FIXED CHARGE	CAPITAL VALUE	LAND VALUE	OTHER	
Property and Community Halls								
Public Toilets  	Public toilets are provided by Council across the district. They provide social well-being to the public by maintaining health and hygiene. They also provide economic well-being by supporting tourism activity. We feel it is uneconomic and impractical to charge a fee for using public toilets.					Full funding obtained from a targeted rate set by District		
Forestry  	We own and manage a number of forestry blocks across the district. These forests are regarded as a financial investment while providing land stabilisation and amenity value for the community for walking and biking. Council seeks to obtain maximum value for timber sold with the aim of recovering costs plus some return on capital invested. Income will be raised on and by sale only.							Sale via tender or quote
Property  	We own and lease a variety of commercial and farm properties. We also develop land for sale that is not contributing to community outcomes and where it is considered unlikely to do so in the future.					Residual targeted rate set by ward		Majority market rents
Airports  	We manage the assets at the aerodromes at Alexandra, Cromwell and Roxburgh. Council believes the aerodromes are assets of importance to all residents of the district due to the potential role they play in emergencies and alternate transport options for tourists and business. The users are generally recreational private pilots and some commercial users for such things as top dressing of farms.	Minority general rate set by District, assessed differentially on hydro-electric dams						Majority landing fees and rental



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		GENERAL RATE		TARGETED RATE			FEES AND CHARGES	
		LAND VALUE	UAGC	FIXED CHARGE	CAPITAL VALUE	LAND VALUE		OTHER
Property and Community Halls								
Community Facilities  	Our community facilities and buildings provide places for social, sporting and cultural interaction. They provide both private and public well-being to users within the respective ward, unless regarded as a district facility.			Majority targeted rate set by ward				Minority user charges
The targeted rate will be assessed on the basis of where the rateable land is situated and assessed by rating unit.								
Pools, Parks and Cemeteries								
Parks & Recreation   	Access to parks, reserves, rivers and recreational facilities are important for individual and public well-being. Maintaining high quality open spaces is what makes our district an attractive place to live, work and play. This includes Clutha River and Lake Dunstan recreation. Private users of sports fields and courts also benefit directly.			Majority targeted rate set by ward and District, assessed differentially				Minority user charges and residual grants and subsidies
The targeted rate will be assessed on the basis of where the rateable land is situated and by rating unit. Molyneux Park rate will be assessed across the entire district on the basis of where the rateable land is situated. Maintenance and enforcement costs for tracks and waterways will be assessed across the entire district.								
Cemeteries   	The provision of cemeteries assists with peace of mind for people, knowing their loved ones will rest in peaceful, well-kept environments. We have a responsibility to the public, and under the law, for the maintenance of burial records, maintenance of cemetery grounds, burial of human remains, interment of human ashes and protection of the district's heritage.			Residual targeted rate set by ward				Majority fees
The targeted rate will be assessed on the basis of where the rateable land is situated and assessed by rating unit.								
Swimming Pools  	Swimming pools contribute to the health and well-being of the community and add to the attractiveness of the area. They provide a place for people to be active and to learn to swim, particularly for our young people, which we have recognised as being increasingly important when so much of our district is surrounded by water. We also acknowledge that making charges too high would decrease usage.			Majority targeted rate set by ward				Minority user charges
The targeted rate will be assessed on the basis of where the rateable land is situated and assessed by rating unit.								

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Regional Identity, Tourism and Economic Development								
Business Development 	<p>We directly facilitate economic opportunity with the provision of a business development programme, a regional tourism organisation, community planning, visitor centres, managing the regional brand and a modest promotional grants fund. There is direct benefit in district promotion to all in the form of increased economic activity, but particularly to tourism operators.</p>				Full funding obtained from a targeted rate set by District			
<p>This is funded by a rate on capital value to reflect the fact that all ratepayers derive a benefit from this activity but that the extent of benefit is more urban than rural.</p>								
Tourism 	<p>We directly facilitate economic opportunity with the provision of a business development programme, a regional tourism organisation, community planning, visitor centres, managing the regional brand and a modest promotional grants fund. There is direct benefit in district promotion to all in the form of increased economic activity, but particularly to tourism operators.</p>				Majority targeted rate set by District assessed differentially			Minority user charges
<p>Differentials assessed on land use: Residential 1.00, Rural 0.77, Commercial/Industrial 5.36, Dams and Utilities 0.69.</p>								
Visitors Information Centre 	<p>We directly facilitate economic opportunity with the provision of a business development programme, a regional tourism organisation, community planning, visitor centres, managing the regional brand and a modest promotional grants fund. There is direct benefit in district promotion to all in the form of increased economic activity, but particularly to tourism operators.</p>				Majority targeted rate set by District assessed differentially			Minority user charges
<p>Differentials assessed on land use: Residential 1.00, Rural 0.77, Commercial/Industrial 5.36, Dams and Utilities 0.69.</p>								
Central Otago Regional Identity 	<p>We directly facilitate economic opportunity with the provision of a business development programme, a regional tourism organisation, community planning, visitor centres, managing the regional brand and a modest promotional grants fund. There is direct benefit in district promotion to all in the form of increased economic activity, but particularly to tourism operators.</p>	Full funding by general rate, differential on hydro-electric dams						
<p>General rates differential assessed on hydro-electric dams to keep their change in rates in line with the total change in rates.</p>								

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		GENERAL RATE		TARGETED RATE				FEES AND CHARGES
		LAND VALUE	UAGC	FIXED CHARGE	CAPITAL VALUE	LAND VALUE	OTHER	
Promotions & Grants   	<p>We directly facilitate economic opportunity with the provision of a business development programme, a regional tourism organisation, community planning, visitor centres, managing the regional brand and a modest promotional grants fund. There is direct benefit in district promotion to all in the form of increased economic activity, but particularly to tourism operators.</p>	<p>Full funding of district grants by general rate, differential on hydro-electric dams</p>			<p>Full funding of promotion grants differential targeted rates</p>	<p>Full funding of community board grants by differential targeted rates</p>		<p>Residual grants and subsidies</p>
<p>District grants are funded by General rates with differentials on hydro-electric dams to keep their change in rates in line with the total change in rates. Promotion differentials assessed on location of the rating unit and land use: Residential 1.00, Rural 0.77, Commercial/Industrial 5.36, Dams and Utilities 0.69. Community Board grant differentials based on the location of the rating unit.</p>								
Planning, Regulatory and Community Development								
Resource Management   	<p>We prepare and manage the District Plan under the Resource Management Act (RMA). The District Plan controls the way we use, develop and subdivide land by identifying what activities can take place, and what landscapes and features should be protected. The activity controls the development of the district and the protection of the natural environment for all. We implement the District Plan by processing resource consent and LIM applications for individuals, companies and groups.</p>				<p>Majority funded from a targeted rate set by District</p>			<p>Resource consent and enforcement fees</p>
<p>We waive resource consent fees for heritage items, or activities in a heritage precinct which require consent solely because of the rules relating to heritage values.</p>								
Building Control   	<p>The purpose of building control is to uphold public safety in generally privately owned buildings. We do this by issuing building consents, carrying out building inspections and responding to building related enquiries and complaints. Buildings and their owners directly benefit also through consent that the building is safe and complies with the law.</p>				<p>Residual targeted rate set by District</p>			<p>Majority building consent fees</p>

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Planning, Regulatory and Community Development								
Environmental Health 	<p>This activity provides confidence to the public and visitors that our water, food premises, hairdressers, camping grounds and funeral directors are free from harmful contaminants. Premises directly benefit also by receiving certification that they are safe and comply with the law.</p>				Residual targeted rate set by District			Majority enforcement fees
Dog Control & Registration 	<p>provide the public a healthy and safe environment, free from dangerous and aggressive dogs and to minimise nuisance. Dog owners benefit from legal registrations and impounded dogs being returned. Council feels, on the grounds of fairness and equity, the costs of controlling and registering dogs should be borne by those generating the demand, dog owners.</p>							Full funding from registrations and fines
Community Development 	<p>We facilitate community planning and a modest promotional grants fund. There is direct benefit in community planning which assists our communities to grow in a sustainable way</p>		Full funding from UAGC					

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Service Centres and Libraries								
Libraries  	<p>Our libraries promote literacy, education and the exchange of information and ideas. We run libraries in Alexandra, Clyde, Cromwell and Roxburgh and share resources of those based in the Queenstown Lakes District. We also have a partnership with schools in Millers Flat, Omakau and Maniototo. We recognise the private benefits of literacy and education but feel there should be equal access to all users, especially children and low income households who could not afford this service if it was funded completely by user fees.</p>			Majority targeted rate set by District				Minority fees, fines and charges
The targeted rate will be assessed by rating unit.								
Service Centres  	<p>We operate Service Centres in Alexandra, Cromwell, Roxburgh and Ranfurly. These provide the community with access to Council services such as payment of rates, building control, consent applications, access to property files and lodging service requests.</p>							Majority funded by internal cost transfer. Residual fees and charges
Governance and Corporate Services								
Governance   	<p>While the Council and Community Boards provide many different services, it is the governance activity that supports elected members to be effective and responsible decision-makers. Each person has an equal right to partake in the democratic process of Council and so benefit equally. Community Boards represent residents of each ward and are funded as such.</p>		Full funding of Councillors from UAGC	Community boards targeted rate set by ward				
The targeted rate will be assessed on the basis of where the rateable land is situated.								

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		GENERAL RATE		TARGETED RATE				
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Governance and Corporate Services								
Corporate Services 	<p>The corporate services activities provide both direct and indirect support across the organisation that allows Council to function efficiently and effectively. Residents requesting information or staff time is a direct private benefit.</p>							Staff time charged and user charges
Emergency Management 	<p>We have the responsibility to plan and provide for civil defence emergency management within the district. This activity is for the safety of our community, as any part or all of the district may be affected by an emergency event. An emergency may be declared in response to threats to life or property. We fund this activity to reflect the property and residents we work to protect.</p>				Full targeted rate set by District			

Explanation of Notations Made in the Table

1. **FULL** means that all, or almost all, of the cost of the activity is funded from that particular source. If the comment is made in the rates column it does not preclude making minor charges for the service but indicates that the charges are a negligible part of the total funding.

2. **MAJORITY** means the majority of the service is funded from this source. When used in the fees and charges column it reflects the view that the services should be recovered from users but that legislation imposes some constraints which may mean that full recovery is not possible.

3. **MINORITY** means a minority of the service or activity is funded from this source. When used in the fees and charges column it reflects the view that the majority of income should be recovered from ratepayers.

4. **RESIDUAL** indicates that a portion of funds comes from this source. It reflects that in some circumstances there are constraints on Council charges, or that the alternative revenue source may include enforcement revenue which is imposed to achieve compliance and may not always cover the costs of enforcement.

5. **AVAILABILITY** means that the cost of having the service available is met from that funding source. For these services Council believes that charges can be a major barrier to access for some members of the community. Revenue in these services reflects revenue from programmes, hire of the facility and added value services.

6. **SUBSIDY** means that a portion of the activity is funded from a Government subsidy. In some instances the subsidy makes a relatively minor contribution, but in others, such as roading, the subsidy is a substantial contributor to the cost of the activity. Those subsidies are identified within the individual plan of the activity.

7. **MARGINAL** reflects that the service has a level of public benefit but also recognises that the level of the service required is influenced by the actions or inactions of others. The revenue reflects a contribution to the cost from those parties.

8. **MARKET** means that the Council attempts to set its charges at a level that is affordable for the users and competitive with similar services either within the city or outside the city. It is used where market rates are not sufficient to meet the full costs of the service. The balance is funded from rates.

9. **LICENCE AND ENFORCEMENT FEES** can be charged for some services. Licence fees may be set by the Council or by regulation, and may not always cover the full costs of the service. Enforcement fees are charged to achieve compliance and do not necessarily meet the full costs of the enforcement activity.

The Local Government rating Act defines matters that may be used to define categories of ratable land. These are outlined below as per Schedule 2 of the Rating Act. CODC Uses Schedule 2 to define the apportionment of land for ratable purposes, and for the setting of differentials.