



**SOUTH WAIRARAPA  
DISTRICT COUNCIL**  
*Kia Reretahi Tātau*

# Revenue and Financing Policy

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# Revenue and Financing Policy

## 1. Relevant Legislation

- » [Local Government \(Rating\) Act 2002](#)
- » [Local Government Act 2002](#)
- » [Te Ture Whenua Māori Act 1993](#)

## 2. Purpose

This policy outlines the choices Council has made in deciding the appropriate sources of funding for operating and capital expenditure from those sources listed in the Local Government Act 2002 (LGA). The policy also shows how the Council complied with section 101(3) of the LGA which sets out a number of factors we must consider when making these decisions.

The outcome of balancing all these factors requires judgement over many facets of Council functions including but not limited to legal, transparency, accountability, affordability, efficiency social, and intergenerational equity, as well as providing for the financial sustainability of the activities undertaken.

## 3. Policy Principles

When making funding policy the Council must work through the process and matters set out in section 101(3) of the Local Government Act (LGA) including to have regard to the section 101(1) obligation to act prudently and in the interests of the community. The requirements of section 101(3) analysis is a two-step process, as discussed below.

## 4. First Step Considerations

The first step requires consideration at activity level of each of the following:

- » Community outcomes to which the activity primarily contributes.
- » The distribution of benefits between the community, and any identifiable parts of the community and individuals.
- » Period in or over which benefits occur.
- » The extent to which actions or inactions of particular individuals or a group contribute to the need to undertake the activity.
- » The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

No single criterion has greater weight in law than the others, and these are explained in more detail below.

#### 4.1. The community outcomes (wellbeing) to which the activity contributes.

Our community outcomes are:

**Social** - Residents are active, healthy, safe, resilient, optimistic and connected.

**Economic** - A place of destination, new business and diverse employment that gives people independence and opportunity.

**Environmental** - Sustainable living, safe and secure water and soils, waste minimised, biodiversity enhanced.

**Cultural** - Strong relationships with whānau, hapū and marae, celebrating diverse cultural identity, arts and heritage.

#### 4.2. Distribution of benefits

The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals (the beneficiary pays principle).

The community as a whole means all residents and ratepayers. For some of the Council's activities it is difficult to identify individual users, or people cannot be excluded from entry, or everyone benefits in some way from an activity (also known as "public good"). If the activity benefits the community as a whole, it is appropriate to fund that activity by the community as a whole, such as by general rate. If groups or individuals benefit, then costs can be recovered either by a targeted rate or user fees.

#### 4.3. The Period over which those benefits are likely to occur – 'intergenerational equity' principle.

Many of the activities provided by local government are either network or community infrastructure (for example, roads and stormwater channels), which last for a long time. Benefits from infrastructure can be expected to last for the life of the asset. This matter requires consideration of how the benefits and costs for the assets are distributed over time, so that current-day ratepayers are not meeting the entire burden by paying for them now.

The main tool for ensuring intergenerational equity is the use of debt, and then rating future ratepayers to service the debt. A decision not to borrow for new capital is effectively a decision that current ratepayers should meet the cost of services that future ratepayers will consume and should be made as a conscious policy choice.

#### 4.4. The extent to which the actions (or inaction) of any individual or group may contribute to the need to undertake the activity.

This is the exacerbator pays principle which is that those groups whose actions or inactions give rise to a need to undertake a certain activity should contribute to the costs of that activity.

#### 4.5. The costs and benefits of funding the activity distinctly from other activities.

Should the activity be funded from a general source (e.g., general rates or uniform charge) or from a targeted source such as user fees and charges, or a targeted rate. The choice between general and targeted rating requires consideration of the consequences for transparency and accountability. This might include:

- The smaller the activity the less likely that funding it separately will be economic or practical.
- Legal requirements may require an activity to be ring fenced.
- An activity that may be of benefit to a subset of the community may be a stronger candidate for distinct funding.
- Transparent rates may aid in the community seeing what they get for their money.

A comprehensive analysis of this is included in the **Funding Needs Analysis (FNA)- (Appendix 1)**.

After the activity-by-activity analysis, the Council undertakes an analysis of 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. The results of this analysis may vary the outcome of the activity-by-activity analysis.

A summary of tools to be used is set out in Table 1 below:

Table 1

Activity / Tools	General Rates	Basis for Targeted Rates			Fees & Charges	Grants & Subsidies
		Differential	Value	Uniform		
<b>Democracy &amp; Engagement</b>						
Communications	√					
Democracy	√					
<b>Planning &amp; Regulatory Services</b>						
Emergency management & civil defence	√					
District Plan (reviews & development)		Location	√		√	
Resource consent appeals		Location	√			
Resource consent applications		Location	√		√	
RMA monitoring & compliance		Location	√		√	
Building consents	√				√	
Public nuisance, health, & noise		Location	√		√	
Safe & sanitary buildings	√					
Alcohol	√				√	
Safe food	√				√	
Dog control		Location	√		√	
Stock control		Location	√		√	
<b>Community Facilities &amp; Services</b>						
Council facilities <sup>1</sup>		Location	√		√	
Cemeteries	√				√	
Senior housing	√				√	
Libraries		Location	√			
Campgrounds	√				√	
Camping areas	√				√	
Investment properties	√				√	
Community development	√					
Economic development	√					

Table 1 continued

Activity / Tools	General Rates	Basis for Targeted Rates			Fees & Charges	Grants & Subsidies
		Differential	Value	Uniform		
<b>Refuse and Recycling</b>						
Waste collection				√	√	
Closed landfill	√					
Transfer stations	√				√	
Recycling				√		
<b>Land Transport</b>						
Roading	√		√	√		(Waka Kotahi/NZTA)
Footpaths	√		√			(Waka Kotahi/NZTA)
Cycle trails & cycleways	√					(Waka Kotahi/NZTA)
<b>Stormwater</b>						
Stormwater	√		√			
<b>Water Supply</b>						
Treatment & supply				√ plus volumetric		
Water races (Longwood & Moroa)			√			
<b>Wastewater</b>						
Treatment & disposal				√		
Reticulation				√		
<b>Infrastructure Resilience</b>						
Infrastructure Resilience			√			

<sup>1</sup> Community buildings, parks & reserves, swimming pools, and public toilets

Table 1 above shows the degree to which each funding source is used to fund operating costs in relation to each activity to be funded, as required by section 101(3)(a) of the LGA. The ranges in Table 1 are expressed as a percentage of the revenue budgeted to fund each activity and are indicative only. They may change over time because of changes in expenditure requirements. Actual funding sources may differ from the budgeted funding sources.

During stage two of the review of the policies the ranges in Table 1 were adjusted to reflect a more realistic reflection of what Council believed were affordable to the community.

Capital expenditure for the following activities will be funded from the tools set out in **Table 2** below. The allocation between the various tools will be based on the type or expenditure and the available funds.

*Table 2*

Activity	Tools to be used
Dog control	Loans, reserves, and targeted rates
Council facilities	Loans, reserves, financial contributions, grants and subsidies, and targeted rates
Cemeteries	General rates, fees & charges, grants & subsidies, loans & reserves
Senior Housing	General rates, fees & charges, grants & subsidies, loans & reserves
Libraries	Targeted rates, fees & charges, grants & subsidies, reserves
Campgrounds	Fees & charges, reserves
Camping areas	General rates, fees & charges, grants & subsidies, reserves
Transfer station	General rates, fees & charges, loans, and reserves
Land Transport	General rate, targeted differential rate, fees & charges, grants & subsidies, financial contributions, loans & reserves
Stormwater	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Water supply	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Sewerage	Targeted differential rate, fees & charges, financial contributions, loans & reserves

The Council does not currently intend to use lump sum contributions nor development contributions under the Local Government Act 2002

## 5. Second Step Considerations

This step requires the Council to consider the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community. This second step requires consideration once the first step is completed and this is at the whole of Council level rather than at the activity level.

### 5.1. Capital Value

Having considered the overall rating impacts across both groups of ratepayers and individual properties, the Council will apply capital value (over land value) to general rates because in its opinion capital value represents a greater degree of use of Council's services. It also reflects a better correlation to ability to pay than land value. No system is ideal, however on balance Council believes that capital value has more benefits than land value. The General rate will have no differential.

With the impacts of climate change and the need to ensure to infrastructure resilience, an infrastructure resilience rate will be applied to all properties on a capital value to fund a reserve that will be used to repair infrastructure damaged by weather events.

### 5.2. Use of the Uniform Annual Charges lever

The Council considered the impacts of rates on all groups of properties and including high value properties (those properties with a significantly greater than the average value) which generally pay significant rates and the use of a fixed (uniform) rate reduces the higher value properties but increase rates lower value properties. The greater the property value from the average the greater the impact. Therefore, the Council considers that the proportion of total rates set on a uniform basis should be between 21% and 28% based on the Local Government (Rating) Act 2002. The rationale for this approach includes that the benefit of almost all Council services and activities accrues to all properties equally, therefore Council considers all properties should contribute a relatively similar level regardless of the value of their property.

Uniform charges for water supply, and wastewater disposal do not fall within this threshold. The uniform charges that fall within this threshold are:

- Uniform Annual General Charge (UAGC)
- Refuse & Recycling Charge
- Roading Charge



### 5.3. Separately Used or Inhabitable Parts of a Rating Unit

The definition of a Separately Used or Inhabitable Part of a Rating Unit (SUIP) can be found in Councils Funding Impact Statement for Rates in each year's Annual Plan or Long Term Plan.

### 5.4. Cultural Wellbeing and Te Ture Whenua Māori Act (1993)

The Council will promote the retention of Māori land in the hands of its owners, their whanau, and their hapu; and to protect wahi tapu; and to facilitate the occupation, development, and utilization of that land for the benefit of its owners, their whanau, and their hapu. It will do this by way of rates remission on Māori Freehold Land that is not used, and it will also offer rates remission to general land that is owned by Māori, where that land and its ownership is the same in nature as Māori Freehold Land but has not been registered with the Māori Land Court. By the same in nature, the Council considers that multiple owners/trustees and the owners/trustees cannot be easily held liable for payment of rates (in the same manner as Māori Freehold Land).

## 6. Policy Statement

Operating costs are the everyday spending on Council activities. This includes contributions to the wear and tear on assets used (depreciation), interest charged on borrowing for capital projects and overheads.

### 6.1. Targeted Rates

Targeted rates are used to fund specific activities or services that directly benefit groups or properties within the district, to ensure that the costs associated with essential services, infrastructure upgrades, or amenities are borne by those who benefit most from them. For example, targeted rates may be applied to properties that gain direct advantages from improved drainage systems, water supply, and wastewater infrastructure.

### 6.2. User Charges

User charges are applied to services where it is identified there is a benefit to an individual or group, or directly attributable cost. User charges are a broad group of fees charged directly to an individual or entity including but not limited to: hire, rent, lease, licences for land and buildings, permits, regulatory charges, fines and penalties, connection fees, disposal fees, planning and consent fees, statutory charges, harbour, and landing fees.

The price of the service is based on a number of factors, including but not limited to:

- » The cost of providing the service.
- » The estimate of the users' private benefit from using the service.
- » The impact of cost to encourage/discourage behaviours.
- » The impact of cost on demand for the service.
- » Market pricing, including comparability with other councils.
- » The impact of rates subsidies if competing with local businesses.
- » Cost and efficiency of collection mechanisms.
- » The impact of affordability on users.
- » Statutory limits.
- » Other matters as determined by the Council.

The ability to charge user charges is limited by various statutes and regulations. As a general rule, fees for statutory functions should be set at no more than the cost of providing the service. In some cases, legislation sets the fees at a level that is below cost and in other cases, where provided by legislation (such as the Waste Minimisation Act 2008) fees may be set at greater than the cost of providing the service. It is appropriate to incorporate overhead costs when determining the cost of providing a service.

### 6.3. Fees and charges

Fees and charges may be set at any time and are reviewed annually. A list of current fees and charges is maintained on our website.

Revenue from user charges is generally allocated to the activity which generates the revenue.

### 6.4. Grants, Sponsorship, Subsidies and Other Income

Grants, sponsorship, and subsidies are used where they are available. Many of these types of income are regular and predictable and can be budgeted for (for example Waka Kotahi roading subsidy). Some other types are unexpected or unpredictable and may not be able to be prudently budgeted (such as Provincial Growth Fund funding, reparation payments, civil defence and other reimbursements, legal settlements, and insurance claims). These are applied as they arise to the corresponding activity or project.

### 6.5. Investment Income and Proceeds from the Sale of Assets

The Council's approach to investments is documented in the Investment and Liability Management Policies. These investments generate income such as dividends, interest, and rents.

### 6.6. Development Contributions, Financial Contributions and Lump Sum Contributions

Development, financial, and lump sum contributions, relating to resource consents are collected and placed in a reserve fund. The use of this fund could include some operating costs. The Council does not currently take development contributions or lump sum contributions under part 4A of the Local Government (Rating) Act 2002.

### 6.7. Reserve Funds

Reserve funds are used for the purposes that they were created. Reserve funds may be used to meet operating costs if the expenditure is consistent with the purpose of the fund.

### 6.8. Borrowing

The Council's approach to borrowing is documented in the Liability Management Policy. The Council generally plans to fund all cash operating costs from sources other than borrowing but may in specific circumstances, where it determines it is prudent to do so, fund some operating costs from borrowing.

## Appendix I - Funding Needs Analysis

Activity	Considerations required by Section 101 (3) (a)					Proposed allocation		Rationale	Proposed Funding Sources	
	Community Outcome	User/beneficiary pays principle	Intergenerational equity principle	Exacerbator pays	Costs and benefits	Whole district	Part or individuals		Operational	Capital
<b>Governance</b>										
Governance	Social	Very low	Nil	Low	Low	100%	0%	All rate payers and residents have the ability to benefit from this activity	General rate	Nil
<b>Finance and Corporate Support</b>										
Communications	Social	Low	Nil	Low	Nil	100%	0%	All rate payers and residents have the opportunity to be informed and understand council activities	General rates and fees & charges for LGOIMA	Nil
Emergency management and civil defence	Social	Nil	Nil	Nil	Low	100%	0%	All people benefit from having civil defence and emergency management plans	General rate	Nil
<b>Planning and Regulatory Services</b>										
District Plan (reviews and development)	Economic	Low	Medium	Medium	Nil	90% to 100%	0% to 10%	The District Plan provides certainty for the use of the land and therefore benefits the whole district. However, private plan changes usually benefit the individual.	Differential targeted rate, borrowings for District Plan changes and fees & charges for recovery of private plan changes	Nil
Resource consent applications	Social	High	Low	Low	Low	20% to 30%	70% to 80%	As the primary benefactor is the applicant, however, pre-application guidance and some advice is provided by Council.	Fees & charges& Differential targeted rates	Nil
Resource consent appeals	Social	High	Low	Low	Low	100%	0%	As the primary benefactor is the submitter and there is no legal ability to charge, recognising the court does have the ability to impose costs.	Differential targeted rate	Nil
RMA monitoring and compliance	Social	Medium	Low	High	Low	40% to 60%	40% to 60%	The monitoring benefits the whole district, non compliance is not meeting conditions by the consent holder	Differential targeted rate and fees & charges (enforcement penalties)	Nil
Building consents	Social	High	Low	Low	Low	5% to 25%	75% to 95%	The primary benefactor is the applicant and subsequent building owners.	General rate and fees & charges	Nil
Public nuisance, health and noise	Social	Low	Nil	High	Medium	90% to 100%	0% to 10%	There is significant public benefit in provision of services, however, penalties should be applied to those who do not comply.	Differential targeted rate and fees & charges (enforcement penalties)	Nil
Safe and sanitary buildings	Social	High	Nil	High	Medium	100%	0%	The owner/occupier has not taken the reasonable steps to keep the building safe and sanitary, however, there is no ability to recover those costs and therefore the general rate is the only funding source.	General rate	Nil
Animal Control Dog control	Social	Medium to high	Medium	High	Low	20% to 50%	50% to 80%	The activity is because individual dog owners are not controlled and therefore safe. By having this activity, enhances safety for whole community.	Differential targeted rates and fees & charges (enforceable penalties)	Loans, reserves and general rates
Animal Control Stock control	Social	Medium	Low	Very High	Low	20% to 50%	50% to 80%	There is assurance that the stock will be secured.	Differential targeted rates and fees & charges (enforceable penalties)	Nil
Alcohol	Social	Medium	Low	High	Low	25% to 45%	55% to 75%	Because enforcement and monitoring is required, those costs should be recovered from users where possible, however, there is a benefit to the whole district in having a safe and enforceable alcohol policy.	General rates and fees & charges (enforceable penalties)	Nil
Safe food	Social	Medium	Low	High	Low	75% to 95%	10% to 25%	Because enforcement and monitoring is required, those costs should be recovered from users where possible, however, there is a benefit to the whole district in having a safe and enforceable safe food policy.	General rates and fees & charges (enforceable penalties)	Nil

Activity	Considerations required by Section 101 (3) (a)					Proposed allocation		Rationale	Proposed Funding Sources	
	Community Outcome	User/beneficiary pays principle	Intergenerational equity principle	Exacerbator pays	Costs and benefits	Whole district	Part or individuals		Operational	Capital
<b>Community Facilities and Services</b>										
Council facilities	Social	Low	High	Low to medium	Medium	85% to 95%	5% to 15%	The whole of the district have the ability to use the facilities, therefore the majority of the district receive the benefit. There are some facilities that allow individual or exclusive use. There is an obligation to maintain heritage assets.	Differential targeted rates and some fees & charges	Loans, reserves, financial contributions, grants and subsidies, and general rates
Cemeteries	Social	Medium	High	Low	Nil	70% to 85%	15% to 30%	The availability of a place of interment as does the heritage value. There is benefit to individuals in their ability to secure plots.	General rates, fees & charges, grants & subsidies	General rates, fees & charges, grants & subsidies, loans & reserves
Senior Housing	Social	High	High	Low to medium	Nil	50% to 70%	30% to 50%	The community have requested that we support this activity by the provision of affordable accommodation for people experiencing housing insecurity	General rates, fees & charges, grants & subsidies	General rates, fees & charges, grants & subsidies, loans & reserves
Libraries	Social	Medium	Low to medium	Low	Low	100%	0%	The library services provide holistic benefits across the whole of the district.	Differential targeted rates, fees & charges, grants & subsidies	General rates, fees & charges, grants & subsidies, reserves
Campgrounds	Social	High	High	Low	Low	50% to 75%	25% to 50%	These are leased for commercial return.	General rates & fees & charges	Fees & charges, reserves
Camping areas	Social	Medium	Medium to high	Low to medium	Low	90% to 100%	0% to 10%	The primary benefit is for the whole of the district however, there are flow on effects to the commercial sector as well as individuals using the facility.	General rates, fees & charges, grants & subsidies	General rates, fees & charges, grants & subsidies, reserves
Investment Properties	Economic	High	High	Nil	Nil	0% to 10%	90% to 100%	The purpose of the commercial investment is to provide a return for the ratepayer.	Fees & charges	Fees & charges, reserves and loans
Community development	Social	Low	Low	Low	Low	100%	0%	The whole community benefits from community development.	General rates, grants & subsidies	Nil
Economic development	Economic	Low	Low	Low	Low	20% to 100%	0% to 80%	There are three distinct groups that benefit from economic development: the whole district, all commercial enterprises, and targeted focus sectors.	General rates, differential targeted rates, grants & subsidies	Nil
<b>Solid waste and recycling</b>										
Waste collection	Environmental	High	Low	High	Low	0%	100%	The primary benefit is to the individual because of the convenience of waste collections, and contributes to a cleaner district.	Targeted rates, fees & charges	Nil
Closed Landfill	Environmental	Nil	High	Low	Low	100%	0%	As these relate to a previous activity, Council cannot identify any beneficiary, therefore the whole district must pay for any subsequent costs.	General rates	General rates
Transfer stations	Environmental	High	High	Low	Low	10%	90%	The primary benefit for the users of the transfer station, however, there is a benefit for the whole district of the availability of the transfer station.	General rates, fees & charges	General rates, fees & charges, loans and reserves
Recycling	Environmental	High	Low	Medium	Low	0%	100%	The collection of recycling benefits the individual and the reuse of the materials, and the waste stream benefits the contractor.	Targeted rates, fees & charges Possible Grants & subsidies	Nil

Activity	Considerations required by Section 101 (3) (a)					Proposed allocation		Rationale	Proposed Funding Sources	
	Community Outcome	User/beneficiary pays principle	Intergenerational equity principle	Exacerbator pays	Costs and benefits	Whole district	Part or individuals		Operational	Capital
<b>Land Transport</b>										
Roading	Economic	High	High	Medium to high	Low	20%	80%	People predominately use the roads for personal or economic purposes, and the wider community benefit from the roading corridor (essential services).	General rate, targeted differential rate, fees & charges, grants & subsidies	General rate, targeted differential rate, fees & charges, grants & subsidies, financial contributions, loans & reserves
Footpaths	Social	Medium	High	Low	Low	10%	90%	Everyone has the ability to use footpaths.	General rate, targeted differential rate, fees & charges, grants & subsidies	General rate, targeted differential rate, fees & charges, grants & subsidies, financial contributions, loans & reserves
Cycle trails and cycleways	Social	High	High	Low	Low	100%	0%	Everyone benefits from cycling and walking activities that makes our roads and footpaths safer. This also contributes to recreational values.	General rate, grants & subsidies	General rate, fees & charges, grants & subsidies, financial contributions, loans & reserves
<b>Stormwater</b>										
Stormwater Management	Environmental	Medium	High	Low to medium	Low	10%	90%	While reticulated stormwater properties receive benefit, the whole district receives benefit and accessibility.	General rates & differential targeted rate	Targeted differential rate, fees & charges, financial contributions, loans & reserves
<b>Water Supply</b>										
Treatment and supply	Social	High	High	Low to medium	Low	0%	100%	The user benefits from safe, clean and clear drinking water.	Differential targeted rate, fees & charges	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Water races	Economic	High	High	Low to medium	Low	0%	100%	Provides stock water, high urban amenity and for urban stormwater	Differential targeted rate, fees & charges	Targeted differential rate, fees & charges, loans & reserves
<b>Sewerage</b>										
Reticulation	Social	High	High	Medium	Low	0%	100%	Individual benefits from waste water removal	Differential targeted rate, fees & charges	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Treatment	Environmental	Medium to high	High	Low	Low	0%	100%	Everyone benefits from improving the whole environment	Differential targeted rate	Targeted differential rate, fees & charges, financial contributions, loans & reserves
<b>Infrastructure</b>										

Resilience (Mitigation of impacts of severe weather on infrastructure)	Environmental	Low	High	Low	Low	0%	0%	Everyone benefits from resilient infrastructure	Differential targeted rate	Targeted differential rate
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