

Draft Revenue and Financing Policy

The Revenue and Financing Policy sets out how the Council funds each of its activities and why. The policy provides ratepayers and customers with predictability and certainty about the sources for funding for our activities and in conjunction with the Long Term Plan provides certainty on the level of those funds. In determining how activities are funded. The 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, the Council considers the nature of the services provided and who benefits from those services.

The Policy is set out in three sections as follows:

1. Approach
2. Funding mechanisms
3. Funding of activities.

Review

The Revenue and Financing Policy is reviewed three-yearly as part of the ten year planning process.

Approach

In determining how activities are funded the 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, the Council considers the nature of the services provided and who benefits from those services.

It takes into account:

- the council outcomes¹ 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
- 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 District, local communities and communities of interest.

Guiding principles

The Council has identified some overarching principles that it considers important in taking a fair and equitable approach to funding its activities.

Essential services

The Council considers that some of its services are considered essential and fundamental to the functioning communities in the Thames-Coromandel District. These include water, wastewater, stormwater, roads and footpaths (district) and rubbish and recycling.

All our communities should have (over time) equitable access to the level of essential services that a community requires to meet their needs, regardless of whether there are differences in cost (while noting that need may be specific to different communities).

Differences in the cost of delivering these services locally are often due to factors outside of the communities control such as the sensitivity of the surrounding environment on the availability of

¹ For the purposes of this policy, the term 'council outcomes' in this policy means 'community outcomes' as defined in the Local Government Act 2002.

water at source. Hence, the Council does not see it as appropriate to recognise exacerbators (those that cause costs) based on the catchments or areas in which users may choose to access services. Rather, the Council considers that communities throughout the district benefit from those services and has therefore chosen to have a consistent approach to the way it views the beneficiaries and exacerbators of these services.

Ability to pay

Concerned about the public's ability to pay rates, the Council seeks to maintain an affordable and predictable level of rates in the future.

District diversity

The Council also acknowledges the diversity of our communities, and wishes to recognise the different users and needs in its rating structure where considered appropriate. This includes targeting funding (whether it be through rates or user charges) to those who generate demand or benefit from Council services, but only to an extent that is considered affordable.

In addition, a priority of the Council is to empower local communities to have greater decision-making on services that it considers are local in nature. This includes activities which are considered to be non-essential (but still important) activities and therefore may vary across local communities.

Because this approach enables Community Boards to set these services at a level specific to their Community Board area, the Council is of the view that these local communities are the primary beneficiaries and exacerbators of these services rather than the district as a whole. It follows that in these cases, Community Board area-based funding is considered appropriate.

Funding through rates

The Council has reviewed its approach to allocating funding requirements across ratepayers. Currently the Council funds a number of activities through rates based on value i.e. the higher the rateable value of a rating unit, the higher the proportion of rates assessed. This approach is taken where it is considered that the value of a rating unit is a better indicator of ability to pay.

The Council has identified services where it believes that the ratepayers all benefit equally. In these cases the Council believes that it is fairer in many cases to distribute the costs uniformly. That means the value of the rating unit is not considered when setting and assessing these rates.

There is a limit to how much the Council can fund through uniform charges so not all of the Council's business can be funded this way.

Funding mechanisms

Types of expenditure

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

Operating expenditure is used to fund the on-going day-to-day activities and services of the Council.

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

- *Renewals* – Defined as capital expenditure that increases the life of an existing asset with no increase in service level
- *Increased Level of Service (ILOS)* – Defined as capital expenditure that increases the service level delivered by the asset.
- *Additional Capacity (AC)* – Defined as capital expenditure that is required to provide additional capacity, in whole or part under Council's Development Contributions Policy,

necessary to accommodate growth.

Funding mechanisms

Different funding sources are used for different types of expenditure. This document outlines how the Council will fund its expenditure using the following funding mechanisms:

- General rates, including:
 - valuation system
 - differential rating
 - uniform annual general charges
- targeted rates
- lump sum contributions
- fees and charges
- interests and dividends from investments
- borrowing
- proceeds from asset sales
- development contributions
- financial contributions under the Resource Management Act 1991
- grants and subsidies
- other sources.

Rates

The Council distinguishes between two different rates types:

1. General Rate
 - a. General Rate set at a different rate in the dollar of rateable value for different categories of land
The land value rating system will be used as the basis for setting and assessing general rates.
 - b. General Rate - Uniform Annual General Charge - set on a per separately used or inhabited part of a rating unit.
The Uniform Annual General Charge and targeted rates set on a uniform basis are to be maximised at 30% of total rates revenue as allowed in the Local Government Rating Act 2002.
2. Targeted Rates
Targeted rates 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.

Lump sum contributions. The Council does not offer this payment option under Part 4A of the Local Government Rating Act 2002. It does however continue to provide for payments in advance via its internal 'lump sum payments policy' based on section 56 of the Local Government Rating Act 2002 referred to as 'payments in advance' which are a targeted rate. It continues to do this because section 56 provides more flexibility to Council than offering lump sums under the more prescriptive Part 4A of the Local Government Rating Act 2002.

Investment interest and dividends has been used to reduce the amount of the Uniform Annual General Charge. This rating subsidy will be gradually reduced to enable the use of interest and dividends to inflation-proof the capital sum of the Council's investments. Interest on the depreciation reserves will be utilised by the related activity of the depreciation reserve.

Borrowing 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. Council only uses borrowing to fund operational expenditure for smoothing the rating impact when it is appropriate to do so.

Proceeds from asset sales are the monies received from selling physical assets, such as plant and equipment. They are initially used to repay debt any other liabilities associated with that asset,

and then fund a replacement asset if necessary. . Any remaining proceeds will be added to the Council's investment fund.

Development contributions are the funds received from developers when they develop property. They are used to fund capital works that are driven by the need to provide services to our growing communities. As the cost of growth is driven by development, the Council considers that it is equitable that a development should meet its share of the resulting costs. The Council's Development Contributions Policy details the method by which development contributions are obtained to fund the infrastructure required due to property growth.

Financial contributions are contributions required under the Resource Management Act 1991. This funding mechanism is being phased out over the next five years due to a legislation change. The Council is still receiving financial contributions for some older resource consents.

Grants and subsidies are funding received from other agencies for a specific purpose. .

Other sources including 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.

Depreciation reserves are funds in which the probable replacement cost of equipment is accumulated each year over the life of the asset, so that it can be replaced readily when it becomes obsolete. These reserves are used to fund the renewal of assets.

User fees and charges are fees charged to individuals or groups who are directly using a Council service. User fees and charges also include rental income, and trade waste fees and charges. For a user charge to be charged, the beneficiaries must be able to be identified and charged directly. The 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.

Funding of activities

The Council has considered how to apply the available funding mechanisms to its activities. The following table provides a summary of how activities are proposed to be funded. The Council has also completed a detailed assessment which informed this policy and it is available on our website. For operational expenditure, funding portions contributing to each activity are expressed as ranges, from low to high. These ranges equate to the following percentages:

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

Application of funding mechanisms to expenditure

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

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

** As set out in Part 4 of the Local Government Rating Act 2002

Funding mechanism	Operating expenditure	Capital expenditure		
		Additional capacity	Increased level of service	Renewals
General rates	✓		✓*	✓*
Targeted rates	✓		✓*	✓*
Lump sum contributions**				
Fees and charges	✓		✓*	✓*
Borrowing	✓	✓	✓	✓
Asset sales			✓	✓
Development contributions		✓		
Financial contributions		✓		
Grants and subsidies	✓		✓	✓
Depreciation				✓

Activity group	Activity	Funding component	Funding of operating expenditure			Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate	Targeted Rates			
Representation	Representation	District		High		<ul style="list-style-type: none"> • Development contributions • Borrowing • Asset Sales • General rate • Depreciation 	District	<ul style="list-style-type: none"> • All of the district benefit from the democratic process. This component is considered to be important in contributing to council outcomes and therefore has a public good. • The benefits are ongoing in both the immediate and long term. • Need is created by the whole of community for knowledge of and involvement in Council decisions as well as legislation.
		Local		High			District	<ul style="list-style-type: none"> • While the particular local communities represented by community boards benefit, the district benefits from having equal access to representation. • The benefits are ongoing in both the immediate and long term.

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
	Grants and Remissions	District		High			District	<ul style="list-style-type: none"> The Council provides district grants to community organisations to achieve a greater spread of benefits across the District. Local grants are intended to primarily benefit community board areas. While funding recipients receive short term funding, the intent of this activity is to achieve long-term results. 	
		Local				High			Community Board Area
	Property	District	Low	High			<ul style="list-style-type: none"> Borrowing Asset sales General rate Depreciation 	District	<ul style="list-style-type: none"> The contribution from the direct beneficiaries of the commercial property portfolio is maximised through market rentals. Council's non-commercial property supports Council operations and community organisations that benefit the whole district.

Activity group	Activity	Funding component	Funding of operating expenditure			Targeted Rates	Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate					
	Economic Development	District		High			<ul style="list-style-type: none"> • General rate • Grants and subsidies 	District, Community Board Area	<ul style="list-style-type: none"> • This activity is intended to benefit the public in the medium to long term through increasing the overall economic health of the district. • Visitors to the district overtime will benefit immediately. • The need for increased economic activity and employment opportunities is a significant driver.
Planning and Regulation	Resource Consents	Land Use Consents	Medium	Medium			-	District	<ul style="list-style-type: none"> • The aim of this activity is to ensure that land use activities in the District are consistent with the District Plan, thereby achieving the environmental outcomes sought. • The general public benefit from this. • The individuals or organisations which apply for a resource consent benefit from the consent being considered. They also create demand for the
		Monitoring and Enforcement	Low	High				District	

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
								<p>activity.</p> <ul style="list-style-type: none"> • Individuals or groups who undertake non-permitted land uses oblige the Council to monitor and resolve them, however in many cases the cost of doing so is not fully recoverable. • Benefits should occur in the short- to long-term as future land-use outcomes are realised. • The RMA 1991 provides for the Council to recover funding through user charges. 	
	Building Control	Building Consenting	High	Low			-	District	<ul style="list-style-type: none"> • The general public benefit from the assurance that buildings are safe, as do the individuals/groups developing their properties. • The individuals or organisations undertaking building work create demand for the activity as legislation requires that consent
		Building Enforcement	Med	Low				District	

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
								<ul style="list-style-type: none"> must be obtained. Individuals or groups who undertake non-permitted land uses oblige the Council to monitor and resolve them, however in many cases the cost of doing so is not fully recoverable. Benefits should occur in the short- to long-term as buildings remain safe. The Building Act 2004 provides for the Council to recover funding through user charges. 	
		Land Information Memoranda	High				n/a	<ul style="list-style-type: none"> The issuing of LIMs primarily benefits individual applicants immediately. 	
Protection of People and the Environment	Community Health and Safety	Community Regulations	Medium	Medium			<ul style="list-style-type: none"> Borrowing Asset sales General rate Depreciation 	District	<ul style="list-style-type: none"> This activity benefits the general public of the District and/or local communities through promoting clean, safe and healthy places. Consumers of services such as food outlets benefit from assurance
		Health Licensing	Medium	Medium				District	
		Health License Monitoring and Enforcement		High					

Activity group	Activity	Funding component	Funding of operating expenditure			Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate	Targeted Rates			
		Liquor Control	Low	Medium			District	<p>that the food is safe to consume.</p> <ul style="list-style-type: none"> The use of behavioural controls such as liquor bans may have short-term benefits for the time in which a ban is in place, but also have potential long-term benefits such as changing drinking behaviours. The demand for the activity is created by those who seek community safety and nuisance issues to be addressed, legislation requirements for regulation, those who seek to operate a business requiring such regulation, owners of dogs and those who directly cause the nuisances. Regulations are set and implemented on an ongoing basis with current and future outcomes in mind.
		Animal Control	Medium	Medium			District	

Activity group	Activity	Funding component	Funding of operating expenditure			Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate	Targeted Rates			
	Coastal and Hazard Management	Coastal and Hazard Management		High		<ul style="list-style-type: none"> Borrowing Asset sales General rate General rate Targeted rates Payments in advance 	District	<ul style="list-style-type: none"> The general public benefit from the management of risk to people, property and the physical environment. It also benefits people and properties in specific risk areas for which projects are developed, such as flooding waterways, the Moanataiari special project. Benefits should be realised as projects are put into place and into the future. Some programmes may be implemented to address forecasted hazards such as sea-level rise. The need for the activity is sometimes created through natural causes, however this need can be exacerbated through individuals/groups choosing to own property in areas known to be susceptible to natural hazards.
		Moanataiari Special Project		Low	High		District, Community Board Area and Area of Service	

Activity group	Activity	Funding component	Funding of operating expenditure			Targeted Rates	Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate					
	Emergency Management	-		High			<ul style="list-style-type: none"> Borrowing Asset Sales General rate Depreciation 	District	<ul style="list-style-type: none"> This activity benefits the general public through promoting readiness for, and appropriate responses to civil defence emergencies. Such emergencies may occur across the District or in particular geographical areas, such as fires on a rural farm. The general public may include residents and visitors. The benefits of this activity will most likely be realised whenever a civil defence emergency occurs. Readiness for emergencies will have short- to long-term benefits while responses will usually have short-term benefits. The primary need for this activity is driven by weather events however the degree to which people seek a safe living environment, trigger an emergency or place themselves at risk also contributes to the need for this activity.

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
Community Spaces and Development (CSD)	Thames CSD	-	Low			High	<ul style="list-style-type: none"> • Development & financial contributions • Borrowing • Asset Sales • Depreciation • Targeted rates • Fees and charges • Other reserves 	Community Board Area	<ul style="list-style-type: none"> • These activities are intended to primarily benefit local communities as defined by community board areas within which the services are based. • Some services benefit visitors and tourists from outside the district and local area e.g. public conveniences, airfields, Wi-Fi in libraries. • A large number of specific communities of interest will benefit from and drive the need for some services e.g. businesses benefiting from air and marine transport, community groups using community centres as a venue, boat users. • Some benefits are immediate in nature (e.g. borrowing books from libraries for a short term period) while others are long-term
	Coromandel-Colville CSD	-	Low			High	<ul style="list-style-type: none"> • Development & financial contributions • Borrowing • Asset Sales • Depreciation • Targeted rates • Fees and charges • Other reserves 	Community Board Area	
	Mercury Bay CSD	-	Low			High	<ul style="list-style-type: none"> • Development and financial contributions • Borrowing • Asset Sales • Depreciation • Targeted rates • Fees and charges 	Community Board Area	

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
							<ul style="list-style-type: none"> • Other reserves 		<p>(e.g. ongoing ability to use library services into the future, access to cemeteries.</p> <ul style="list-style-type: none"> • Some services will have a limited period of direct benefits such as community halls also the limited lifespan of the current Thames swimming pool. • Some user charges can be collected where users are identifiable.
	Tairua – Pauanui CSD	-	Low			High	<ul style="list-style-type: none"> • Development and financial contributions • Borrowing • Asset Sales • Depreciation • Targeted rates • Fees and charges • Other reserves 	Community Board Area	
	Whangamata CSD	-	Low			High	<ul style="list-style-type: none"> • Development and financial contributions • Borrowing • Asset Sales • Depreciation • Targeted rates • Fees and charges • Other reserves 	Community Board Area	

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
Roads and Footpaths	Roads and Footpaths	District				High	<ul style="list-style-type: none"> • Development and financial contributions • Borrowing • Asset sales • Depreciation • Targeted rates • Grants and subsidies 	District	<ul style="list-style-type: none"> • The Council considers district transportation services as essential and the outcomes achieved through delivering it to benefit the district as a whole. Regardless of road usage all residents and visitors are likely to receive some benefit as roads provide a vital network for goods and services. • Providing roads are maintained, the benefits of the activity will be received now and into the future. • Drivers for this activity include road users, users of goods and services requiring road transport. However many of the local factors of district transportation are outside of the control of the public and the community within which services are provided.
		Local				High		Community Board Area	

Activity group	Activity	Funding component	Funding of operating expenditure			Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate	Targeted Rates			
								<ul style="list-style-type: none"> Local roading infrastructure including footpaths, street lighting and town centre projects are considered to primarily benefit local communities and the visitors to them. Some subsidies are available from external sources including the NZTA.
Solid Waste	Rubbish and Recycling	Litter/Landfills		High		<ul style="list-style-type: none"> Development contributions Borrowing Asset sales Depreciation General rate Targeted rates Fees and charges 	District	<ul style="list-style-type: none"> The broader public benefit from the safeguarding of public health and the cleaner environment that results from this activity. The Council considers this activity as essential to the District and the benefits received by the District as a whole. Direct beneficiaries include the people and organisations which dispose of waste in the District. The operation of transfer stations benefit the communities within
		Other - including refuse transfer stations, collection services	Medium		Medium		Area of Service	

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
									<p>which they are located and people passing through those communities.</p> <ul style="list-style-type: none"> The benefits should continue to be received now and into the future. The collection of waste from properties provides immediate benefits to waste generators on an ongoing basis. The appropriate disposal of waste is intended to have a long-term benefit of maintaining our natural environment. Those who create the need for the activity include those who wish to maintain the District's natural environment, consent requirements, those who generate waste and those who undertake littering and illegal dumping of waste.
Stormwater	Stormwater	Stormwater		Low		High	<ul style="list-style-type: none"> Development contributions Borrowing 	District and Area of Service	<ul style="list-style-type: none"> The provision of adequate stormwater collection systems

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
							<ul style="list-style-type: none"> • Asset sales • Depreciation • General rate • Targeted rates 		<p>benefits the whole District in preventing ponding of rainwater and landslips, maintaining accessibility and protecting property, but particularly those in urban areas within which stormwater collection infrastructure is provided.</p> <ul style="list-style-type: none"> • Infrastructure will continue to provide for stormwater collection and disposal from urban properties both now and into the future. • Local factors of geography and weather are outside of a community's control. • While urbanisation exacerbates the effects of these natural factors by altering the natural flow of water, it should be done in accordance with district land use policies which are set with broader district benefits in mind.

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
		Land Drainage				High	-	Community Board Area and Area of Service	<ul style="list-style-type: none"> Land drainage services are very localised and small in nature and primarily benefit the users of the land within which the services are provided through maintaining land productivity. These services result in the ongoing drainage of land making that land more productive both now and into the future.
Wastewater	Wastewater	-	Low			High	<ul style="list-style-type: none"> Development and financial contributions Borrowing Asset sales Depreciation Targeted rates Payments in advance 	Area of Service	<ul style="list-style-type: none"> The provision of adequate wastewater collection systems benefits the whole District in preventing environmental pollution, and the Council considers it to be an essential service. Those in urban areas within which wastewater collection infrastructure is provided benefit directly. Infrastructure will continue to provide for these wastewater

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
									<p>benefits to be received both now and into the future.</p> <ul style="list-style-type: none"> • Some factors such as treatment standards and rainfall are outside of a community's control. • While urbanisation exacerbates the need for the activity, it should be done in accordance with district land use policies which are set with broader district benefits in mind.
Water Supply	Water Supply	-				High	<ul style="list-style-type: none"> • Development and financial contributions • Borrowing • Asset sales • Depreciation • Targeted rates • Payments in advance 	Area of Service	<ul style="list-style-type: none"> • The provision of adequate water supplies is considered essential for maintaining life, public health and the protection of property from fire. • Those in urban areas within which water supply infrastructure is provided benefit directly. • Infrastructure will continue to provide for these wastewater

Activity group	Activity	Funding component	Funding of operating expenditure				Funding of capital expenditure	Funding catchment*	Commentary
			Fees and charges	General Rate		Targeted Rates			
								<p>benefits to be received both now and into the future.</p> <ul style="list-style-type: none"> • Some factors such as the sensitivity of the surrounding environment on the availability of water at source are outside of a community's control. • While urbanisation exacerbates the need for the activity, it should be done in accordance with district land use policies which are set with broader district benefits in mind. 	

* Unless otherwise stated, development contribution catchments are the same as the capital expenditure catchments indicated in the table.