



Revenue and Financing Policy



TE KAUNIHERA Ā ROHE O
WHAKAAHURANGI
STRATFORD
DISTRICT COUNCIL

Long Term Plan 2024-34

Policy:	Revenue and Financing Policy
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1. Overview

This Policy provides a summary of Council's funding policies in respect of operating and capital expenditure for each Council Activity. The Policy is reviewed at least every three years. The last review was completed in 2022, after the adoption of the Long Term Plan 2021-31. This updated policy comes into effect from 1 July 2024.

The Council must undertake services in a financially prudent and sustainable way for the Council and the community as a whole. Funding decisions made by elected members and the rationale underpinning the decisions are set out in this Policy.

In accordance with section 101(3) of the Local Government Act 2002, in funding each activity the Council has considered:

- The community outcomes to which each activity contributes;
- An analysis of who benefits from the activity;
- The period of time the benefits are expected to occur;
- The extent to which the actions or inaction of a particular person or group contributes to the need to undertake the activity, and
- The costs and benefits of funding the activity distinctly from other activities, and
- The overall impact of any allocation of liability for revenue needs on the four wellbeing outcomes of the community.

Council has also taken into account legislative requirements in setting rates and determining sources of funding. For example the Local Government (Rating) Act 2002 provides that all rates set on a uniform fixed amount basis (including the UAGC, but excluding water and wastewater uniform targeted rates) must not exceed 30% of the total rates revenue. Other legislation set out statutory fees for various types of regulatory services, and these fees may be either fixed or not exceeded. The Resource Management Act 1991 specifies the circumstances in which local authorities may require financial contributions from developers to meet the costs of their impact on the environment, including their impact on the demand for infrastructure.

2. Initial Funding Options Considered

Prior to determining the amount of expenditure to be funded by rates, Council will identify and exhaust all other funding sources available. These include:

Fees and Charges

Fees and charges are usually either full or part charges to recover the costs of delivering the services. Fees and charges are usually only set for services that a user has discretion to use or not, and where it is efficient for the Council to collect the fee or charge.

Grants and Subsidies

These are provided by external agencies and are usually for an agreed, specified purpose. The major source of grants and subsidies is the New Zealand Transport Agency (NZTA) which provides subsidies for road maintenance, renewals and improvements. For all other grants and subsidies, applications will be made wherever they are available.

Borrowing

Debt will be used to fund new or significantly improved capital assets.

Debt may also be used to fund operational expenditure or capital renewals where that expenditure provides benefits over many years, and it is financially prudent to do so.

Proceeds from Asset Sales

Sale proceeds may be used to fund new or replacement assets. The Council has established an Asset Sales Proceeds Reserve to ring-fence sale proceeds that have not been specifically tagged for any other purpose, for the purpose of funding new or replacement assets – with any decision on the funding of asset purchases from this reserve to be made by elected members on a case-by-case basis.

Council Reserves

For activities with specified purpose reserve funds, these funds may be used for rates smoothing purposes if Council is able to use the fund in this way and deems this a prudent approach.

Financial Contributions

Financial Contributions may be required as part of Council's Development and Financial Contributions Policy, and used to fund operating or capital expenditure as per the requirements of the District Plan. As there is some uncertainty whether Council will charge Financial Contributions in the years ahead or to what extent, no amount has been budgeted for Financial Contributions in the Long Term Plan. Any actual Financial Contributions collected will be transferred to the Financial Contributions Reserve, with any funding decisions from the reserve to be made by elected members on a case by case basis.

Interest and Dividends from Investments

If the investment income relates to a specific activity that has a reserve established for a targeted rate, then investment income will go towards funding that activity. Otherwise, it will be part of a corporate treasury fund that nets off the overall general rates requirement. It is expected that the council owned Farm will contribute at least \$75,000 a year to offset the general rates requirement.

Operating Surpluses

The Council may choose to not fully fund operating expenditure in any year if the deficit can be funded from operating surpluses in the year before or in subsequent years. An operating deficit will only be budgeted when beneficial to avoid significant fluctuation in rates, fees and charges and financial impact on residents and ratepayers.

3. Rating Options

When considering how rates are to be applied to ratepayers, Council has considered the following principles:

- Who benefits from providing the activity,
- Who causes the need to provide the specific service to the community,
- The ability of ratepayers, users, and exacerbators to pay for the costs of the activity,
- Intergenerational equity – where the cost aligns with the time period over which the benefits are received,
- Operating an efficient rating system, that is cost effective to administer, and transparent to ratepayers.

General Rates

These are generally used to fund activities that benefit a wide portion of the community, and where it is considered fair and efficient to use this rating tool.

General rates are applied by a specific rate in the dollar per Capital Value of a rating unit. The general rates requirement is determined after all other funding (including other rates funding) options have been netted off total operating expenditure. No differentials are used in the application of general rates.

Targeted Rates

These will be used where Council requires transparency in funding for a particular activity and where the funds collected will be ring-fenced for funding that Activity only.

Targeted rates may be applied on the basis of ratepayers who use or are able to use a service, to properties in a specified area, or over the district as a whole. They may be applied by rating unit or by a separately used or inhabited part of a rating unit (or "SUIP", defined later on in this policy). A targeted rate may be set differentially under Section 16 of the Local Government (Rating) Act 2002 for different categories of rateable land.

Targeted rates are used to fund the Rooding, Rubbish and Recycling, Wastewater, Water Supply, and Civic Amenities activities.

Council charges 50% of the water and wastewater rate to properties that are not connected to either supply but are within proximity to be able to connect to either supply, as a contribution towards the related fixed infrastructure costs.

For the Rooding Activity, the rates collected from land that is used primarily for forestry purposes (excluding indigenous or protected forests) are based on a differential that is calculated at a level expected to collect a specific amount, determined annually, and guided by the cost of previous years' remediation work on roads damaged by forestry operations. Where parts of a rating unit are used for forestry purposes, the Council may apportion the rateable value of that rating unit among those parts in order to calculate the overall liability for the rating unit. This is to ensure fairness in that all forestry owners, that have exotic forestry of more than a certain minimum size (10 hectares) are contributing specifically towards rooding costs impacted by forestry operations.

UAGC (Uniform Annual General Charge)

The UAGC is applied as a fixed rate per SUIP.

This rate will be used for activities where it is considered that each SUIP benefits from the activity by a similar amount. Council allows for remissions on the UAGC where the property is bare land, used for the same purpose as another property, and has the same ownership but is not contiguous. Council also allows for a remission on the UAGC for low value properties.

Definition of SUIP

A SUIP is a Separately Used or Inhabited Part of a rating unit and includes any part of a rating unit that is used or inhabited by any person. This definition applies to the application of the UAGC, the Rubbish and Recycling targeted rate, Wastewater targeted rate, and the Community Centre targeted rate.

This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental or other form of occupation on an occasional or long term. For the purpose of this definition, vacant land and vacant premises are separately used by the owner as a property available for separate sale, or provided by the owner for rental (or other form of occupation).

For a commercial rating unit (other than motels/hotels), this includes a building or part of a building that is, or is capable of being, separately tenanted, leased or subleased, and is not integral to the commercial operation. Motels/hotels are treated as one SUIP even if each accommodation unit may be capable of separate habitation.

For a residential rating unit, this includes a building or part of a building which is used, or is capable of being used, as an independent unit. An independent unit is any unit containing either

separate cooking and living facilities, or a separate entrance; and that has its own toilet or bathroom facilities.

Separate parts of buildings, after the first, that are uninhabitable and declared unsanitary under the Health Act 1956 or the Building Act 2004 are not SUIPs.

4. IMPACT ON FOUR WELL-BEINGS

Council has considered the economic impact on our community of the funding and rating system, and considers that the use of capital value rating system for the general rate and roading targeted rate is a fair way of funding the rates requirement. However, the council recognises that maximising the use of the UAGC provides a fair approach for higher value properties, which are generally rural and unlikely to receive more benefit from services than urban ratepayers. The remission policy allows recognition of the value of new economic investment in the district.

Council has considered the impact of the funding model on the cultural wellbeing of the district and that the activities that contribute to Council's cultural wellbeing should receive investment from all ratepayers as this benefits the wider community and the ongoing vibrancy and prosperity of the district. Council has a remission policy for Māori freehold land to recognise that certain Māori owned lands have particular conditions, features, ownership structures, or other circumstances which make it appropriate to provide relief from rates and recognise the cultural benefits of Māori freehold land.

Council has considered the environmental impact of its funding model, and where appropriate a user pays or exacerbator pays system is to be used to fairly allocate the cost of ensuring environmental wellbeing. The Regulatory activities are generally funded by a mixture of UAGC and fees and charges.

Council has considered the social impact of its funding model and that there is significant value to the wider district and community in ensuring that activities that contribute to the social wellbeing of the district are mostly funded by all ratepayers, with support from fees and charges where able to do so. Council uses its remission policy to minimise the rates impact on organisations that exist purely to benefit the social wellbeing of the district.

5. Groups of Activities

<i>Group</i>	<i>Activity</i>	<i>Description of Activity</i>	<i>Time Period of Benefits</i>	<i>Direct Beneficiaries of Activity</i>	<i>Community Outcomes (Rationale for Activity)</i>	<i>Funding Sources (excl capital for all except Roading)</i>
Recreation and Facilities	Aerodrome	Provides opportunities for local air transport, recreation and light commercial needs. Council owns the land, the apron pad, car parking, site drainage, landscaping. The Stratford Aero Club owns the clubrooms, hangars and the fuel pump.	Operational - annual	Aerodrome users / aeroclub members	Welcoming, Resilient, Connected, Enabling	General rates 50-70% User Charges 30-50%
	Civic Amenities	Range of community facilities including public toilets, bus shelters, rural halls, structures, War Memorial Centre, Clock Tower, Pensioner Housing.	Operational - annual	Community, tourists, users of the facilities. Some facilities are considered to be of low benefit and won't be replaced, therefore the depreciation is not funded i.e. Centennial Restrooms, Rural Halls, TET Stadium.	Welcoming, Resilient, Connected, Enabling	Pensioner Housing: General Rates 30-50% User Charges 50-70% Civic Amenities: General rates 60-80% Targeted rate (community halls) <5% User charges 5-15% Grants <10%
	Library	Provides physical access to books, and online access to digital books and articles. Provides free wi-fi, some learning opportunities, school holiday programmes.	Operational - annual	Library users, community	Welcoming, Connected, Enabling	General rates 90-100% User charges <10%

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	Parks, Reserves and Cemeteries	Provision of recreation opportunities, open spaces, sports fields, and cemeteries for use by all.	Operational - annual	Users, the community also benefits from having areas available for recreation. Cemeteries are an important part of a community.	Welcoming, Resilient, Connected	Cemeteries: General rates 30-50% User charges 50-70% Parks and Reserves: General rates 95-99% User charges 1-5%
	Wai O Rua Stratford Aquatic Centre	Provision of swimming pool facilities, swimming lessons, and fitness classes. Also provides spaces available for hire.	Operational - annual	Users. The business community also benefits from visitors to the pool.	Welcoming, Connected	General rates 75-90% User charges 10-25%
Community Development	Community Services	Support community groups in the Stratford district to achieve their goals i.e. Positive Ageing, Central Taranaki Safe Trust, Iwi groups, Youth Council, and providing events that benefit the community and recognise and enhance cultural wellbeing, including events that celebrate Māori culture.	Operational - annual	Community, groups and individuals receiving support from Council	Welcoming, Resilient, Connected, Enabling	General rates >70% Grants and/or user charges <30%
	Economic Development	Supports the growth of the district and promotes the district as a place to do business and a great place to live.	Operational - annual	Ratepayers (property owners), business owners.	Welcoming, Resilient, Connected, Enabling	UAGC 50% General rates 50%
	Investment Property	Council owns properties for strategic or investment purposes - includes Farm, and other commercial properties.	Varies, depending on the intended future use of the property.	Ratepayers expectation is that the investments should contribute towards rates however this is not always the case for some rental	Resilient, Connected, Enabling	Farm: User Charges >100% (subsidises general rate) Rental Properties: User Charges >90% General Rates <10%

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				properties in the short term.		
Democracy	Democracy	Includes all governance processes, meetings, elections, and community involvement in the democratic process.	Election costs - once every three years. Everything else annually.	Stratford district community – citizens and ratepayers	Welcoming, Resilient, Connected, Enabling	UAGC 100%
Environmental Services	Building Services	Receives and processes applications for building consents. Monitoring and compliance of building work in the district.	Operational - annual	Users, ratepayers	Welcoming, Resilient, Connected, Enabling	UAGC 50-60% User charges 40-50%
	Planning	Development and administration of the District Plan. Issuing of resource consents.	District Plan costs - spread over the life of the plan	Community, users, all ratepayers	Welcoming, Resilient, Connected, Enabling	UAGC 60-80% User charges 20-40%
	Community Health and Safety	Regulation and enforcement of legislation and bylaws relating to health, food, alcohol, animal control, and general nuisance.	Operational - annual	Users (affected business owners, dog owners), exacerbators, community.	Welcoming, Connected, Enabling	UAGC 55-70% User charges 30-45%
	Emergency Management	Regional shared service for civil defence emergency management and preparedness.	Benefits are primarily received at the time of a Civil Defence event only.	The district and community, all ratepayers	Welcoming, Resilient, Connected, Enabling	UAGC 100%

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Rooding	Rooding	Management, construction and maintenance of rural and urban roads, footpaths, street lighting and associated infrastructure, excluding state highways, repairing damage from roads impacted by forestry harvesting. Council will collect a fixed portion from the forestry properties, the amount to be determined annually with consideration to the cost of damage to ratepayers.	Operational – annual. Longer time period for forestry impacted roads.	Road users, forestry property owners, community and ratepayers	Welcoming, Resilient, Connected, Enabling	Targeted rate (incl reserves) 30-55% (rate per \$CV, forestry differential) NZTA Grant 40-65% User charges <5%
Stormwater	Stormwater	Provision of stormwater reticulation and collection services, and minimising excess water from a major rainfall event, and allowing for normal drainage of stormwater and groundwater.	Operational - annual	The CBD and residents, community and ratepayers	Resilient, Connected, Enabling	UAGC 100%
Wastewater	Wastewater	The operation, maintenance and management of the reticulation network and treatment plant, managing the disposal of sewerage.	Operational – annual Desludging of oxidation pond – capital cost occurs once every 15-20 years.	Properties connected to wastewater system, users of the discharge facility, commercial users.	Resilient, Connected, Enabling	Targeted rate 85-95% (by SUIP, commercial differential) User charges 5-15%
Rubbish and Recycling	Rubbish and Recycling	Waste and recycling collection service to households in urban areas and a transfer station in Stratford.	Landfill aftercare provision \$12k a year to 2022/23	Properties within rubbish collection area, transfer station users, the community (bins on Broadway collected - UAGC funded).	Welcoming, Resilient, Connected, Enabling	Targeted rate 75-85% (SUIP) User charges 15-25% UAGC <5%

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Water Supply	Water Supply	Council operates three water supplies, water treatment plant and manages the reticulation systems and associated infrastructure to supply the district with clean drinking water.	Operational - annual	Properties to which water is supplied, community.	Welcoming, Resilient, Connected, Enabling	Fixed targeted rate 60-80% (by SUIP) Variable targeted rate 20-40% (based on consumption)

6. Funding of Capital Expenditure

Schedule 10 of the Local Government Act requires Councils to, in relation to each group of activities, and for each financial year covered by the Long Term Plan, include a statement of the amount of capital expenditure budgeted to a) meet additional demand for an activity, b) improve the level of service, and c) replace existing assets. This is outlined in the Funding Impact Statements in the Long Term Plan 2024-34. The funding source for each type of capital expenditure is explained below.

Renewal projects

Renewal projects restore or replace components of an asset or the entire asset to maintain the current level of service (original size, condition or capacity). These projects will be funded from capital reserves built up from rates funded depreciation. Where the reserve is not sufficient to meet the programmed renewals and the work is deemed necessary, then an internal loan may be used to recognise the overdrawn reserve account, and repaid from a contribution from the reserve over a period that matches with useful life of the asset.

Level of Service projects

Increasing the levels of service expenditure is the creation of new assets or improvements to existing assets that result in a higher level of service delivered to the community. These projects will be funded by loans and repaid from operational funding sources. It is considered that debt funding is a fair funding mechanism for significant improvements to the community that will benefit future generations over several years, reflecting intergenerational equity.

Growth Related projects

These relate to the additional investment required to serve growth in existing services due to new areas being serviced, or growth in the district. These projects will be funded from financial contributions, with any additional funding requirement to be funded by loans as above (Level of Service projects).

Emergency Capital Expenditure

Where an entire asset is damaged by an extraordinary event, e.g. a natural disaster, all efforts will be made to claim under Council's insurance policies where possible, with any excess payable to be covered by Council's Contingency Reserve. If neither of these funding sources are sufficient or available, then Council may fund any emergency capital expenditure requirements through borrowing.

Reserves

The Asset Sales Proceeds Reserve, or any other reserve, not specifically tagged to an Activity, may be used to fund capital expenditure other than Renewal projects, where specific council approval is given.

7. Support for principles relating to Māori land

Section 102(3A) of the Local Government Act 2002 provides that this policy must support the principles set out in the Preamble to Te Ture Whenua Māori Act 1993 (that requirement is effective from 1 July 2024). These principles include recognition that land is a taonga tuku iho of special significance to Māori people, and to facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whanau, and their hapū. Council considers that this policy supports those principles when viewed in conjunction with Council's Policy on Remission and Postponement of Rates for Māori Freehold Land."