

Revenue and Financing Policy

October 2021



Mackenzie
DISTRICT COUNCIL

Revenue and Financing Policy

REVISION HISTORY

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REVENUE AND FINANCING POLICY

Purpose	The Local Government Act 2002 (LGA) requires the Council to adopt a range of policies in order to provide predictability and certainty about sources and levels of funding. These policies include a revenue and financing policy, which includes consideration of the principles in this policy. When making funding policy the Council must work through the process and matters set out in section 101(3) of the LGA and have regard to the section 101(1) obligation to act prudently and in the interests of the community.
Key Points	The Policy outlines the revenue and funding sources available to Council and details how and when the Council will use these sources. This gives the community some certainty as to how Council activities will be funded.
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1. Introduction and Purpose

The Revenue and Financing Policy (RFP) outlines the Council’s policies on funding sources to be used to fund the operational and capital expenditure of Council’s activities and the rationale for their use. The policy is required by Section 102 and 103 of the Local Government Act 2002 (the Act). The full policy must be included in the Long-Term Plan (LTP). Where a change to the policy is made outside of the LTP process, only a significant amendment is required to be audited.

Section 103(2) of the Act allows the following mechanisms to be used for funding the operating or capital expenditure of Council’s activities:

1. general rates, including
 - a) choice of valuation system; and
 - b) ii) differential rating; and
 - c) iii) uniform annual general charges
2. targeted rates:
3. lump sum contributions
4. fees and charges:

5. interest and dividends from investments:
6. borrowing
7. proceeds from asset sales:
8. development contributions:
9. financial contributions under the Resource Management Act 1991:
10. grants and subsidies:

In addition to identifying the sources of funding, the policy must outline why the Council has determined they should be used.

A two-step process is required under Section 101 (3) of the Act. Firstly, for each activity, the Council must consider the following matters:

- The community outcomes to which the activity primarily contributes
- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals
- The period of time over which benefits occur (intergenerational equity). For example, the benefits of some activities will occur over the entire life of the asset. This will benefit not only existing generations but future generations who should also contribute towards paying for the cost.
- The extent to which actions or inactions of particular individuals or groups contribute to a need to undertake the activity. Also called the 'exacerbator pays' principle, this suggests that exacerbators should meet at least part of the cost of an activity.
- The costs and benefits from funding the activity distinctly from other activities. This particularly relates to transparency and accountability, but may also relate to factors like the financial scale of the activity (e.g. a small activity may not warrant separate funding due to the cost of establishing systems to support cost recovery).

Secondly, following consideration of these elements, the Council must consider the overall impact of this allocation of liability for revenue needs on the community. This may lead to some changes to the policy where there are particularly negative effects. These are noted under each individual activity.

Major changes to previous Revenue and Financing Policy

The following changes are proposed to the previous policy the Council – a rewrite of the policy has been undertaken since the last LTP. Significant changes are:

- Funding of District promotion and Tourism from a capital value targeted rate to a flat rate with a 10% contribution from General rates.
- Allowing borrowing for operating expenditure to smooth lumpy costs for the ratepayers e.g., District Plan review

- Introducing percentage ranges for various funding sources for the various activities

The Council reviews the RFP every three years, in line with its preparation of the LTP. Changes to the RFP can be made between reviews but must go through the appropriate consultation processes. The Act requires the Council to produce a Funding Impact Statement (FIS) annually that illustrates how the RFP is being implemented, provides details on the funding mechanisms to be used and how these rates will be applied. The policy covers all of the Council's activities.

2. Funding Principles

The Council provides a wide range of activities to district residents, ratepayers and visitors. Council aims to provide a fair and equitable rating system for all ratepayers. A mixture of rating and other funding mechanisms are used to achieve this.

Some constraints exist, such as the ability of Council to only receive 30% of Council revenue from rates set on a uniform basis. This requires Council to use other mechanisms, such as rates set on the capital value of properties. Rates provide the budgeted net funding requirements of the Council work programmes through the LTP.

Rates are set on each rating unit under the provisions of the Local Government (Rating) Act 2002. The following principles will help guide the assessment and design of the Council's funding approach:

- **Benefits** – those who benefit from a Council service or facility should pay for the service, where equitable and administratively efficient. This involves selecting funding sources that are appropriate to the distribution of benefits;
- **Exacerbators** – those who contribute to the need for a Council facility or service should contribute to the cost of that facility or service;
- **Equity and fairness** – Council will seek to ensure the most equitable and fair funding approach;
- **Affordability** – Council will consider the impact of funding mechanisms on people's ability to pay and seek to ensure that Council facilities, services and rates remain affordable;
- **Intergenerational equity** - each generation of ratepayers should contribute towards the services they receive;
- **Minimise effects of change** - where reviews result in significant funding changes, transitional approaches will be used where possible to ease the financial impact;
- **Legal compliance** – the policy will comply with legal requirements under the Local Government Act 2002 and Local Government (Rating) Act 2002 User charges are preferred when a private benefit can be identified, and it is efficient to collect the revenue;
- **Other funding sources** : Subsidies, grants and other income options are fully explored prior to rates being used as a funding mechanism;

The application of these principles requires Council to apply judgement and to balance often competing principles. The most equitable solution will be sought for funding each activity using these and the Section 101 analysis required for each activity under the Local Government Act.

Three main types of rates are used:

- General Rates, which are capital value based rates and can be adjusted through differentials. The Council is able to rate properties based on capital. Mackenzie District Council uses the capital value system.
- Uniform Annual General Charge (UAGC).
- Targeted Rates.

Complying with these principles can at times be challenging. The Council must apply judgment in assessing many options to determine appropriateness in its development of budgets or acquisition of assets and the choice of funding sources to implement these.

The Council has also been guided by the following:

- Costs for each activity are collected unless the Council believes to do so would not be fair or not be in the interest of residents and ratepayers or was in conflict with Council policy. As an elected representative body, the Council has the responsibility to make the final decision.
- Given there are four distinct communities of interest in the Mackenzie rates for township and rural activities are targeted geographically into four works and service rates.
- The Council has assessed long-term sustainable needs in relation to roading, and this activity is funded through a district wide targeted rate offset by the subsidies received from Waka Kotahi.
- The use of a uniform annual general charge for general rate and fixed amounts for targeted rates (including works and services rates) is based upon a judgment on how regressive or progressive the incidence of rates should be.
- Water, stormwater and wastewater are provided directly to rating units in defined areas of benefit and are funded through targeted rates for each activity. The charges are further differentiated into treatment and infrastructure costs to target those rating units receiving the service and those rating units capable of receiving the service. Apart from extraordinary usage the services are provided equally to each property (defined as a separately used and inhabited part of a rating unit) making a fixed amount charge most appropriate.
- The use of the general rate is reserved for activities of a district wide nature or for activities where the Council has judged that the service is better funded by way of a form of local taxation rather than a type of targeted rating.
- In some certain instances ratepayer sector groups may fund more of the costs of an activity that they may directly benefit from. Council has taken into account the overall impact of any allocation of liability for revenue needs on the community in its considerations.
- In general, operating expenditure is for the current year and will be funded over the current year. In some exceptional cases reserve funding may be used to ease and spread rate burden.

- All capital expenditure is funded from capital reserves. These capital reserves are built up from funded depreciation, capital subsidies and financial contributions with any shortfalls in funding capital expenditure being treated as internal loans. Where there are insufficient internal funds extremal borrowings will be used.

3. Funding Sources Available

Council has a range of funding sources available which are often suited to a particular type of funding requirement. While rates are often the most appropriate source of funding for a particular requirement, Council's preference is to use other sources of funding, if appropriate.

3.1 Non-rate revenue sources

Grants, sponsorship, and subsidies

Council expects to continue to receive substantial subsidies from Waka Kotahi for road maintenance and renewal and other expenditure related to transportation. Council can receive grants and sponsorship for projects which are eligible for particular grant or sponsorship schemes.

Investment income, dividends, and interest

Interest earned on special funds and separate reserves is used only for the purpose of the fund or reserve.

Development contributions

The Council does not have a policy of imposing development contributions under Section 198 of the Local Government Act 2002. However, over the next three years the Council aims to develop a policy. The community will be consulted as this policy is developed.

Financial contributions

Council collects financial contributions under the Resource Management Act 1991. The purpose of these contributions is outlined in the Mackenzie District Plan. Contributions are not used to fund operating costs. Council's approach is to deposit receipts into a relevant reserve fund and to draw funds from that account for specific projects that meet the purpose for which the funds were collected.

Proceeds from asset sales

Council may sell assets that are deemed to be surplus to requirements or that are not providing satisfactory returns. Proceeds may be invested, used to fund capital expenditure or operating expenditure associated with the activity which held the original asset. Proceeds can only be used to fund capital or operating expenditure of another activity with express approval of Council.

Reserve Funds

Council maintains various reserve funds for capital projects and will approve the use of them when a project meets the specific criteria of the reserve. These reserve funds may include bequests and depreciation or asset renewal reserves. Council usually funds capital expenditure from capital reserves.

These capital reserves are built up from funded depreciation and any shortfalls in funding capital expenditure are treated as internal loans.

User charges

Council charges for some services it provides and this revenue funds all or part of the costs of service delivery for these activities. Examples include consent fees, dog registration fees and some administrative services. Some activities show a range of fees and charges. Council will aim to maximise fees and charges where possible to ensure a fair system, however demand and market affordability will also be considered when determining the appropriate fee level.

Bequests

Council occasionally receives bequests that can be used, normally for a specified purpose.

Borrowing

Council may borrow to fund capital expenditure as a way of promoting intergenerational equity and as a way to make the significant cost of some capital projects affordable. Borrowing may be internal (Council borrowing from itself) or external. Council has approved borrowing for operating expenditure projects in order to smooth lumpy operational expenditure for ratepayers.

Lump sum contribution

Council has the option when undertaking a major project to seek lump sum contributions to the capital cost of the project from those who benefit. Lump sum contributions are provided for in the Local Government (Rating) Act 2002 and have stringent requirements placed on how they are used. Where a lump sum payment option is proposed ratepayers can choose to participate or not. Council has previously used these provisions and may do so in the future. Except in respect of Eversley reserve sewerage rate Council does not accept lump sum contributions for any targeted rates.

3.2 Rating Framework

There are a variety of approaches which may be used to apply rates. Council applies the following:

Valuation system

When applying rates based on property value, councils can rate according to land value, capital value or annual value. Council uses the capital value rating system.

Council believes that capital value rating best reflects a property owner's stake in the district and is fairer for property owners whose property value is comprised mostly of the value of the land.

Unit of rating - separately used or inhabited parts of a rating unit

Under the Local Government (Rating) Act 2002 charging separately used or inhabited parts of a rating unit is an option for a uniform annual general charge and for targeted rates.

A separately used or inhabited part of a property or building includes any part of a rating unit inhabited or used by a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, license, or other agreement. Any part or parts of a rating unit that is/are used or occupied by the ratepayer for more than one single use.



Rates

Having been prudent and appropriately exhausting all other funding sources Council funds its remaining operating expenses from rates. For many activities this is the main funding source.

Council must determine whether the portion of activity to be funded from rates is to be funded from the general rate or a targeted rate.

In doing this while considering all the matters of section 101(3) Council places emphasis on the “area of benefit”. By this Council means that it reviewed each activity and determined where the benefits from the provision of the service is received and chooses a rating option that most closely charges that group.

General rates

A general rate is set based on a rate per dollar of rateable capital value and differentiated on the use to which the land is put. This is set on all rateable land in the Mackenzie District. It is used to fund those services where there is a community benefit across the whole district and where a fixed charge per Rating Unit is not considered appropriate. The objective of differential rating is to ensure a fair and equitable proportion of rates are paid by the various differential categories. District properties have been revalued with shifts in the overall value of property categories. As a result, this will affect how much each property category will pay overall towards the general rate. The Council believes that the existing proportions represent a fair split of the overall payment of the General Rate.

Differentials

Council's main differential is the one set for the three main hydro dams owned by Genesis Energy Limited and Meridian Energy Limited and is based on land use and location which is described in detail in the Funding Impact Statement in the LTP. The only other differentials relate to funding of the Council's tourism and economic development activities.

Uniform Annual General Charge

A Uniform Annual General Charge (UAGC) is a fixed charge set per rating unit in the District. The charge enables all ratepayers to make a minimum contribution to the Council's costs, and ensures that higher value properties do not carry a disproportionate amount. This rate also applies to fund those services where community benefits apply across the district. The Council has increased the UAGC compared to prior years for equitability purposes.

Targeted Rates

The Council applies Targeted Rates to a number of services where the benefits are clearly received by a particular community or group of ratepayers. These apply to properties who receive certain services or are located in specific areas.

4. Funding Operating Expenditure

Operating expenditure is the day-to-day costs Council incurs to provide services including the maintenance of existing assets.

In general, the funding hierarchy for operating costs is:

1. User charges;
2. Grants, sponsorship, subsidies and other income;
3. Reserve funds;
4. Targeted rates;
5. General Rates.
6. External borrowing. Council has approved borrowing for operating expenditure projects in order to smooth lumpy operational expenditure for ratepayers.

Council's ability to impose user charges is limited by the powers conferred to it by statutes and regulations. As a general rule, fees for statutory functions should be set at no more than the cost of providing the service or as per statute. In some cases, legislation sets the fees at a level that is below cost and in other cases, where provided by legislation (e.g. Waste Minimization Act 2008). Council may set fees at greater than the cost of providing the service. Council considers it appropriate to incorporate overhead charges in the determination of the cost of providing a service.

Council may choose to not fully fund operating expenditure in any activity in any particular year if the deficit can be funded from operating surpluses in the immediately preceding, or subsequent years. An operating deficit will only be budgeted when considered prudent to avoid significant fluctuations in rates, fees, or charges. Council will need to consider the requirements of s.100 (Balanced budget requirement) of the Local Government Act 2002.

Where Council is charging for the sale of goods or services not required by statute Council's preference is to charge a market price having regard to the powers conferred by section 12. This includes leases rents and licenses for land and buildings.

Actual fees and charges may be set by council at any time and are reviewed by Council annually. A list of regular fees and charges is maintained on Council's website.

User charges revenue is allocated to the activity which generates the revenue.

5. Funding Capital Expenditure

Capital expenditure is the costs Council incurs to provide new assets or the portion of replacement assets that increases the level of service or provides additional capacity to cater for growth in demand for that asset.

In general, the funding hierarchy for capital costs is:

1. User charges;
2. Grants, sponsorship, subsidies and other income;
3. Investment income;
4. Financial contributions;
5. Reserve funds;
6. Proceeds from the sale of assets and lump sum contributions;
7. Internal and External Borrowing;
8. Rates

Council uses the following guidelines when considering funding of capital projects:

- All projects are first funded from grants subsidy or other income.
- Renewal projects that maintain service levels are then funded from reserves set aside for this purpose.
- Lump sum rating options are considered
- Capital projects that have exhausted previous funding sources or are, for new increased service levels, or, for growth in non-network infrastructure, are then funded from borrowing

A single project may have a mix of each of these funding options.

It is not practical to create separate funding policies for each and every capital project. Council will only do this when a project is particularly large, affects a particular group or does not fit with an existing funding policy or activity. Whenever Council resolves to consider a separate funding policy it will consider the sources of funds above, the Revenue and Financing Policy and complete a section 101(3) assessment to determine appropriate funding policy of the project. Generally, Council will resolve the funding policy at the time the project is proposed in an Annual Plan or Long-Term Plan.

6. Funding Depreciation

Depreciation is the process of recognising that an asset is progressively used up over its useful life. By funding the cost of depreciation Council is able to provide funding to replace assets at the end of their useful life, or reduce the amount borrowed against the assets. Depreciation is funded within each activity from part of the operating revenue each year.

In general, Council will fully fund depreciation unless this is not considered to be in the best interests of the community, in which case it will decide on the appropriate level of depreciation to be funded (which may include not funding any depreciation). If Council decides to not fully fund depreciation of an asset it will provide the community with information on why it has decided not to fully fund depreciation and the likely impact of this decision.

7. Overall Funding Consideration

Council is required by section 101(3)(b) to consider the overall impact of the allocation of liability for revenue needs on the community. It allows Council, as a final measure, to modify the overall mix of funding and response to these considerations.

Council is required to adjust the total amount collected from the 'uniform annual general charge' portion of the general rate to be within the 30% rule. If the sum of the activities to be funded from the uniform annual general charge is more than the 30% cap Council will adjust the rate down to the cap and the balance will be funded from the general rate.

Council may use accounting provisions and reserve funds to spread the costs of activities over multiple years for the purpose of smoothing the cost to users and ratepayers.

Council may waive or discount fees and charges where it considers it appropriate to do so as allowed for in the Delegation Manual. Some matters Council may consider when deciding whether it is appropriate to waive fees are:

- a) for social reasons
- b) for the promotion of events and facilities
- c) for commercial reasons
- d) due to poor or interrupted service provision

8. Activity Summary

A summary of all Council activities under this Revenue and Financing Policy is shown in the table below.

OPERATING	User Charges	Grants Subsidies & Others	Investment Income	Financial Contributions/ Development Contributions	Reserve Funds	Borrowing	Targeted Rates	General Rates
Governance								
3 waters								
Transportation								
Regulatory Services								
Parks and Open Spaces								
Tourism & Economic Development								
Commercial Activities								
Emergency Management		Event - based						
Waste Management and Minimisation								
CAPITAL	User Charges	Grants Subsidies & Others	Investment Income	Financial Contributions / Development Contributions	Reserve Funds	Borrowing	Targeted Rates	General Rates
Governance								
3 waters								
Transportation								
Regulatory Services								
Parks and Open spaces								
Tourism & Economic Development and Commercial activities								
Emergency Management								
Waste Management and Minimisation								

9. Activity Analysis Tables

The following tables summarise each activity area and outline the relevant funding sources.

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
Governance and Decision Making – Democracy (Council - General)	Council meetings, decision-making, research, monitoring, and community engagement provides the community with the opportunity to participate in Council’s decision-making processes.	Council contributes to all the community outcomes: A democracy which upholds the rights of the individual.	Benefits from the activity are for the community generally as the leadership, strategic direction and decision making for all residents of the district. Vehicle for making decisions affecting the whole district.	Ongoing benefits to the community	Living in a democratic society contributes to the need for this activity.	Benefits from this activity occur districtwide and there is no benefit perceived from separate funding.	Operating 85-95% General rates 5-15 % User charges, subsidies and grants Nil Capital
Governance - Community Boards	Council has 3 community boards being Fairlie, Tekapo and Twizel. Community Boards provide a co-ordinated voice that represents the community’s interests in Council decision-making.	Council contributes to all the community outcomes: A democracy which upholds the rights of the individual environment	Governance benefits from the activity are for the specific community. Vehicle for making decisions affecting the whole district.	The activity provides ongoing benefits to the community.	Living in a democratic society contributes to the need for this activity.	Areas that have a community board benefit so separate funding through a targeted rate is considered appropriate.	Operating 100% targeted rates Nil Capital
Potable Water supplies	Council provides community water supplies in the townships of Twizel, Tekapo, Fairlie, and Burkes Pass, a small stand-alone water supply at Pukaki Airport, and rural schemes at Allandale, Kimbell and Albury. The Council manages the four urban schemes, the	All community outcomes supported.	There are significant direct benefits to consumers connected to a Council piped water scheme including access to potable drinking water for domestic, business, industrial and stockwater uses. Provision of water supplies provides	Immediate and ongoing benefits to users. Intergenerational benefits to the community.	High users can place extra burden on the supply necessitating greater storage capacity etc. Such users should pay for their supply on a volumetric basis. Vacant sections and unconnected rating units benefit from the provision of	The benefits of this activity are primarily private therefore separate funding through a targeted rate is considered appropriate. Non-residential and extra-ordinary residential connections are considered ‘high users’ therefore are	Operating Targeted rates 90-95% 5-10% Water meter charges Compliance is not achieved in the first year due to subsidies and grants (28%) Capital

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Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	Pukaki Airport supply, and the rural scheme at Allandale. There are two public stock water race systems in the District called Ashwick Opuha and School Road.		public benefits including community access to potable water, maintenance of public health and availability of water for key public services and amenities (e.g. firefighting, swimming pools).		firefighting capacity and should be charged an availability charge.	charged for any excess of their allocation.	Subsidies and grants Reserves Financial Contributions Borrowings
Wastewater	Council provides wastewater schemes in the townships of Fairlie, Burkes Pass, Tekapo and Twizel. In each case, effluent is collected and treated by way of an oxidation pond system and then discharged to ground.	All community outcomes supported.	A Wastewater system is essential infrastructure and provides public benefits, such as the maintenance of public health standards, economic development and environmental protection. All properties, both domestic and industrial can be readily identified and directly benefit	Immediate and ongoing benefits to users. Intergenerational benefits to the community through maintaining and developing sewer infrastructure.	The community benefits widely from having a wastewater system available. Additional costs may be caused through overloading of systems, disposal of hazardous material and illegal connections.	Benefits of this activity are predominantly private, so appropriate to fund the activity through a targeted rate and fees and charges.	Operating 95-99% Targeted rates 1-5% User Fees Compliance is not achieved in year 1 due to Subsidies and grants from central government Capital Subsidies and grants Financial Contributions Reserves Borrowings

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Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
Stormwater	Council manages stormwater networks in Fairlie, Tekapo and Twizel. Each of these schemes are subject to resource consent conditions imposed by Environment Canterbury Regional Council. Our networks discharge to ground or to water after flowing through some form of treatment facility such as a swale or larger vegetated treatment area.	All community outcomes supported.	Private benefits accrue to property owners connected to a scheme via safe and efficient management of stormwater away from their properties. The wider community benefits from protection from flooding and environmental protection from contaminants entering the waterways, including rivers and beaches.	Immediate and ongoing benefits to users.	The community benefits widely from having a stormwater treatment and management system available.	The major benefits of Stormwater are experienced specific to location therefore separate funding through a targeted rate is considered appropriate. As some of the benefits of this activity occur districtwide, a portion of funding through general rates may be considered appropriate.	Operating 100% Targeted rates Subsidies and grants in the first year due to central government funding for 3 waters projects Capital Subsidies and grants Financial Contributions Reserves Borrowings
Roading	Council provides and maintains the district's road network and associated infrastructure (excluding the state highways).	<ul style="list-style-type: none"> • A thriving economy • A fit and healthy community • Safe, efficient and sustainable infrastructure 	Private benefits accrue to individuals, groups and businesses using the roading and footpaths network to carry out their day-to-day business and activities. All benefit from a roading network that connects them to the wider district and enables goods and services to be delivered	Immediate and ongoing benefits to users.	Residents and those travelling through the district, create a need for a reliable roading network.	Benefits are primarily district-wide therefore applying separate funding to different ratepayer groups, or charging visitors to the district, is not appropriate.	Operating 20- 50% User charges, Subsidies, and grants 50%-- 80 % Targeted Rates Capital Financial Contributions Reserves Subsidies and grants Borrowings
Regulatory – Health and Liquor Guidelines	Council manages the sale and supply of alcohol and gambling licensing by way of processing applications, monitoring	<ul style="list-style-type: none"> • A thriving economy • A fit and healthy community 	Specific benefits to the users of this activity, who apply for a license to sell alcohol. Public good	Ongoing	Driven by statutory obligations and applicants who generate the need for licenses to be	Council attempts to recover the private good aspect of this activity through fees and charges.	Operating 75%-80% User charges, subsidies, and grants

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Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	and enforcement requirements.		by having rules and policies in place that protect the public.		processed. Need to recover bulk of costs from exacerbators.		20-25% General Rates
Regulatory – Animal Control	Council provides dog and stock control services to ensure the community is not endangered by uncontrolled dogs or stock.	<ul style="list-style-type: none"> An attractive and highly valued natural environment A thriving economy A fit and healthy community 	Benefits from the animal control service accrue mainly to animal owners for lost or stray animals. The community generally benefits through the enforcement of regulations against aggressive and straying animals.	Ongoing.	Actions or inactions of the owners of animals	Council attempts to recover the private good aspect of this activity through fees and charges. A small amount is funded through the general rate to reflect those costs that are a public good.	Operating 80-99% User charges, subsidies and grants 1-20% General Rates Capital Reserves Borrowing Subsidies
Regulatory – Building Control	Council is an accredited building control authority, responsible for enforcing the requirements of the Building Act 2004 and NZ Building Code to ensure all buildings are structurally sound and safe for occupancy.	All community outcomes supported.	Benefits users through compliance with legislation. Maintaining safe and sanitary buildings. Enforcement of regulations that ensure safe, sanitary and accessible buildings.	Ongoing	The community create a need through requiring safety and health protection of buildings over time. There is a strong private benefit evident in individuals or organisations requiring building consents.	As much as possible, Council attempts to recover the private good aspect of this activity through fees and charges therefore separate funding is appropriate. Costs associated with accreditation and general advice that have a public good aspect are funded from general rates.	Operating 70-90% User charges, subsidies and grants 10-30% General Rates In year 1 of the LTP Council is internally borrowing to fund significant compliance costs to ensure increases are not lumpy. Council has approved this change.
District Planning	Council plans for the future growth of the district and aims to control the actual and potential adverse effects of land use. Council maintains records of all	All community outcomes supported.	Benefits accrue to users as there are direct economic benefit received by the applicants (e.g. developers). Community	Ongoing	There is a strong private good aspect in that individuals create a direct need for District Planning and Land Information services. There is also	As much as possible, Council attempts to recover the private good aspect of this activity through fees and charges therefore separate	Operating 100% general rate Borrowings are being used to fund the District Plan review and spread

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Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	properties in the district. Information on any property is available to the public through a Land Information Memorandum (LIM).		benefits through protection from adverse environmental, social and cultural impacts, control over inappropriate development that is not in compliance with the District Plan.		a public good aspect in that the monitoring and review of the District Plan is required.	funding is appropriate	the costs to the ratepayers.
Resource Consent Planning	Council plans for the future growth of the district and aims to control the actual and potential adverse effects of land use. These activities are carried out primarily through the District Plan. The policy and development activity includes the District Plan and advocacy.	All community outcomes supported.	Wider community benefit provided through the environmental protection provided by the District Planning activity. Applicants are required to comply with District Plan regulations so there is general community benefit that developments are appropriately consented under the RMA	Ongoing	All ratepayers create the need for this activity	This activity is funded separately to the District Planning activity as there is a strong public good aspect to policy and development function. It is appropriate to charge users of the service and ratepayers given this community-wide benefit	Operating 30-35% User charges, subsidies and grants 65-70% General Rates
Responsible camping	Managing the impacts of responsible camping such as refuse collection, environmental clean-ups and enforcement.	All community outcomes supported	Wider community will benefit from environmental clean-ups and economic development from tourism	Ongoing	Tourists who visit the district create the refuse and environmental pollutants.	Fines are collected from enforcement as a separate funding mechanism	Operating External grant 90-100% General Rates 0-10%
Civil Defence	Council undertakes contingency planning and readiness for natural disasters and provides	All community outcomes supported.	The entire community benefits from having appropriate planning	A natural disaster could occur at any time in the future, and the Council has a	This activity is required under the Civil Defence and Emergency	As the benefits are entirely for the public good, it is not	Operating 100% General Rates Capital

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Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	emergency response and recovery services in the event of a natural disaster.		and resources in place to deal with natural disasters and civil emergencies.	statutory obligation to provide Emergency Management services	Management Act 2002. The whole community could be affected by a natural disaster, and there is a need to ensure the effects are managed.	appropriate to apply separate charges.	Reserves Borrowings
Community and Township Services – Waste Management	Council has a contract for delivery of the solid waste services, including kerbside collections and the operation of the Resource Recovery Parks.	All community outcomes supported.	Users of the transfer station and the Council’s kerbside waste and recycling service directly benefit. The whole community benefits from the safe and efficient disposal of solid waste.	Immediate and ongoing benefits to users, intergenerational benefits to the community through protection of the environment from adverse impacts.	Individuals using this service create a need through the requirement to manage solid waste. The entire community create a need through requiring protection of the environment from adverse impacts.	It is appropriate to recover the private benefit through applying separate user charges and targeted rates and the public benefit from general rates.	Operating 10-20% User charges, subsidies and grants 20-25% General Rates 60-65% Targeted Rates Capital Reserves Borrowings
Community and Township Services – Pensioner Housing	Council has ten pensioner units: seven in Fairlie and three in Twizel and maintains the buildings and grounds, selects tenants, reviews tenancy agreements and rentals, and monitors long term demand for housing and maintenance.	All community outcomes supported.	Community housing benefits occupants of the housing units, usually older adults, who are often the most vulnerable and in need within our community.	Immediate to ongoing.	Not applicable	User charges for the cost of pensioner housing, however, Council has agreed not to charge more than one third of the amount tenants received from national superannuation so a general rate component is also included.	Operating 90 – 95% user charges, subsidies, and grants 5-10% General Rates Capital Reserves Borrowings
Community and Township Services – Public Toilets	Council operates public convenience facilities to allow for the health and safety of the community	All community outcomes supported.	The whole community benefits from the availability of hygienic and well-	The benefits are ongoing.	All ratepayers create a need through having access to public conveniences. Businesses within	District wide funding is appropriate as both businesses and the community as a	Operating 5-10% User charges, subsidies, and grants 90-95% General Rates

Revenue and Financing Policy

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	and to protect the environment.		maintained public conveniences.		proximity of conveniences receive an additional benefit.	whole experience benefits.	Capital Reserves Borrowings Subsidies and Grants
Community and Township Services Community Centres, Swimming Pools	Council provides 2 swimming pools, the Twizel Events Centre, Mackenzie Community Centre and the Tekapo Community Hall. All of these facilities are available for public hire. The rural community halls at Sherwood and Albury are managed by local committees with rates, insurance and electricity paid by the Council and funded through local rates.	All community outcomes supported.	Direct benefits for individuals and groups who choose to use the facilities for functions and events. Wider community benefits from use of the facilities for public events or gatherings.	Immediate and ongoing benefits to users. Intergenerational benefits to the community through maintaining and developing these facilities.	The Council undertakes the activity to allow Mackenzie District residents to enjoy access to a wide range of cultural and social activities.	It is appropriate to apply a number of targeted rates based on the proximity to public halls and community centres as it is these ratepayers who benefit above others.	Operating 10% to 30% User charges, subsidies, and grants 70-90% Targeted Rates Capital Reserves Borrowings
Community and Township Services – Reserves	The Council maintains and owns a host of reserves (urban and rural), domains, parks and walkways throughout the district. Some reserves are leased for grazing purposes while others provide open spaces for recreation, beautification, the enjoyment of visitors and residents and civic pride.	All community outcomes supported.	Users of the parks and reserves directly benefit from the service while the entire community benefits from the availability of parks and reserves to create a pleasant environment in which to live and work. Parks and reserves create opportunities for recreational activities.	Immediate and ongoing benefits to users.	This activity is required under the Reserves Act 1977. A number of user groups and individuals can be seen as having a particular interest in the activity.	A user pays system is not feasible for general users. However, some costs are recovered by lease income and financial contributions with the balance coming from targeted and general rates	Operating 80-90% User charges, subsidies and grants 10—20% Targeted Rates Capital Reserves Borrowings

Revenue and Financing Policy

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
Community and Township Services – Cemeteries	Cemeteries are important for Council to ensure a safe and healthy community, and to preserve the social history of the district. Council currently operates cemeteries in Albury, Fairlie, Burkes Pass, Tekapo and Twizel. All cemetery services are provided under contract through a single Township Maintenance Contract	All community outcomes supported.	The estate and family of deceased person's benefit. However, the entire community benefits from respect for, and provision for the historical significance of those who have passed away.	The benefits of the historical and public health value of cemeteries are ongoing,	All ratepayers create a need for cemeteries through requiring cemetery services and open spaces. There is a strong private benefit which Council attempts to recover through fees and charges.	To enable charges to be correctly apportioned separate funding is maintained.	<p>Operating 25-50% User charges, subsidies and grants 50-75% General Rates</p> <p>Capital Reserves Borrowings</p>
Community and Township Services – Medical Facilities	Council owns and maintains the medical centre in Fairlie. Council provided financial support to the recent development of the Twizel Medical Centre, which was built and is operated by the High-Country Medical Trust.	All community outcomes supported.	The wider community benefit through the provision of medical facilities.	Ongoing	Need created by the whole community	To enable charges to be correctly apportioned separate funding is maintained.	<p>Operating 25- 30 % User charges, subsidies and grants 70-75% General rates</p> <p>Capital Reserves Borrowings</p>
Property and Commercial – Property (Real Estate)	Council holds commercial property as part of its investment portfolio.	All community outcomes supported	The community, as a whole, benefits from the commercial returns received by Council	Immediate and ongoing	All ratepayers create a need for this activity through the offset provided to rates.	This activity is self-funding and for transparency and accountability purposes separate funding is appropriate.	<p>Operating 100% Investment Income</p> <p>Capital Reserves Borrowings</p>
Tourism and Economic Development	Council provides funding for business and economic development,	All community outcomes supported	Benefits from economic development and district promotions	Immediate and ongoing for users. Some benefits may	Individual businesses benefit from having this support available	To enable charges to be correctly apportioned separate	<p>Operating 0-10% General Rates 90-100 % Targeted Rates</p>

Revenue and Financing Policy

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	and visitor management in the district.		accrue to individual businesses, and the district as a whole,	be longer term to the community.	as well as the whole community.	funding is maintained.	Capital Reserves Borrowings Grant, subsidies and others in Year 1
Property and Commercial – Forestry	Council has forestry investments as part of its investment portfolio.	All community outcomes supported	Benefits from forestry accrue to the public through the generation of income to fund Council activities and storage of carbon to reduce the impact of climate change and meet obligations under climate change agreements.	Long term through generation of income for other Council activities	There are no specific contributors to the need for this activity	This activity is self-funding	Operating 100% investment income
Property and Commercial – Leases and Rentals	Council is the owner of commercial properties as a long-term investment	All community outcomes supported	The community as a whole benefit from the commercial returns received by Council	Immediate and ongoing	All ratepayers create a need for this activity through the offset provided to rates.	The activity is self funding	Operating 100% user charges Capital Reserves Borrowings
Property and Commercial – Pukaki Airport	Council provides the airport at Pukaki Airport	All community outcomes supported	Benefits from the airport accrue mainly to users and visitors who travel or who operate, store and maintain personal aircraft. Community benefits exist in that this	Ongoing benefits to users, visitors and the wider community. Intergenerational benefits to the community through maintaining and developing a facility for air travel.	The community benefits widely from having airport services available	To enable charges to be correctly apportioned separate funding is maintained.	Operating 55-60% income (user charges & rentals) 40 to 45% investment income Capital Reserves Borrowings

Revenue and Financing Policy

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
			facility helps enhance and facilitate economic development for the district				

10. Definitions

These definitions are intended to explain terms used in this policy in plain English. For legal definitions see the Local Government Act 2002, the Local Government (Rating) Act 2002 and the Local Government Act 1974.

Benefit: refers to the positive effect able to be gained as a result of a Council-provided activity or service, regardless of whether this is taken up or not.

Capital expenditure: means expenditure on new assets or on assets that increase the level of service provided or extend the level of service - for example replacement of assets (cyclic renewals).

Capital Value (CV): means the assessed value of a property comprising of land plus improvements (if any) at the time of valuation.

Community-wide benefit: means a benefit that applies to the whole community, irrespective of property location or value.

Council: means Mackenzie District Council.

Exacerbator: those who contribute to the need for a Council facility or service should contribute to the cost of the facility or service.

Existence benefit: means a benefit that arises through the mere existence of certain facilities, even if the person who values them may never contemplate using them personally.

General rate: is a rate levied on all rateables properties within the local authority jurisdiction, based on:

- capital value of a property
- how the property is used
- whether the property's location is urban or rural.

Intergenerational equity: is the principle that the cost of an asset or service should be spread over its life, so that both current and future residents who benefit contribute a fair share of the costs, and not just current residents.

Operating expenditure: means the costs incurred to provide normal day-to-day services and the maintenance of services and assets.

Private good: means goods or services that directly benefit an individual rather than the community as a whole. Private goods are an indicator that users should pay.

Property benefit: is a benefit that accrues to a property or to property owners. This may be a service to a property or an activity that benefits property values. Council looks to fund property benefits through CV rates.

Public good: means goods or services that one individual can consume without reducing the availability to another individual. Public goods are usually both non-rival and non-excludable. An example of a public good is a community park.

User charges: a Council charge of fees paid by those who use specific services provided by Council. An example is the fee payable for processing a resource consent application.

11. Clarification and Breaches

11.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

11.2 Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy and requesting Council approval for any major deviation from the policy. A Council resolution will need to be approved for each deviation from the policy.

11.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to request Council to authorise any deviations from this policy.



Mackenzie

DISTRICT COUNCIL