

Revenue and Financing Policy 2018

This policy sets out who pays for the activities that Council undertakes on behalf of the community and how these activities will be funded. When deciding how to fund an activity Council must consider the requirements as set out in the LGA s101(3) and s103.

Council has prepared a s101(3) document which sets out the rationale for how and why each activity will be funded in a particular way and should be read in conjunction with this Revenue and Financing Policy. A copy of this document can be found at www.taupo.govt.nz

Council's funding policy

Council's funding policies are determined having consideration of the requirements of s101 (3) including consideration of who benefits, intergenerational equity, who contributes to the need for the activity, distinct funding and the overall impact of the method of funding.

Where we have been able to clearly identify a direct relationship between users and the service provided by Council and it is efficient and effective to do so, Council has applied either a targeted rate or fees and charges. Where the level of service provides a benefit to the community as a whole; is of a uniform nature; or where we are not able to identify the direct relationship between users and the service we use general rates. In a number of instances we use a mix of the general rate and fees and charges whilst also recognising the overall impact on the community and ability to pay. This philosophy also extends to the use of capital value as the basis for the general rate. The combination of capital value and a low uniform annual charge supports our long term strategic direction of balancing wants and needs with affordable and sustainable rates.

We also believe that individuals, groups and communities should pay for the services they receive at the time that they are using them (intergenerational equity). This is particularly important when we build significant infrastructure with an expected long life. Council seeks to match the term of borrowings with the average life of assets when practical, with a maximum loan term of 25 years. This enables Council to best match charges placed on the community against the period of benefits from capital expenditure.

Where possible other sources of revenue are collected including subsidies and grants. Good examples of this include the grants that we have successfully obtained from central government for water treatment in Turangi, Mangakino and Waitahanui. Development contributions are collected where possible for developments which create the need for additional infrastructure or place an additional demand on our existing infrastructure.

Operating expenditure

Council funds operating expenditure from the general rate, targeted rates, fees & charges, interest and dividends from investments, grants and subsidies and other operating revenue. Council may choose to fund operating expenditure by other sources than those listed if it becomes available over the life of the Long-term Plan.

The LGA 2002 requires Council to produce a Funding Impact Statement that provides details on the funding mechanisms to be used for each year covered by the Long-term Plan. The Funding Impact Statement shows how Council intends to implement the Revenue and Financing Policy each year. It also shows the amounts to be collected from each available source, including how various rates are to be applied.

General Rate

General rates are used to fund activities where Council believes there is a public benefit to the community as a whole or to a portion of the community. Some individuals may or may not use or access the service however there is no practical or cost effective method for charging individual users. Having a strong general rate funded system creates a simpler structure making it easier for ratepayers to understand how they are being rated and it is a more efficient and effective rating system to administer. Council uses a capital valuation system for the general rate.

Differentials

Council applies differentials to some categories of rateable land to recognise that there are differences in the level of service and therefore the benefits each differential rating category derives from the various services provided by Council. In some cases costs to provide some services are higher for some rating categories and this is considered when setting differentials and applying them to rating categories.

Uniform Annual General Charge (UAGC)

A Uniform Annual General Charge set under section 15 of the Local Government (Rating) Act 2002 is assessed on every separately used or inhabited part of a rating unit in the district. For the avoidance of doubt, where a rating unit is divided into separate parts for rating purposes, each separate part is treated as if it were a separate rating unit for the application of this Uniform Annual General Charge. The Uniform Annual General Charge will be used to fund leadership, governance, advocacy, emergency management, animal control and cemeteries.

Targeted rates

A targeted rate means a rate to be used exclusively to pay for that operating expense where it can be targeted based on service provision or location. Targeted rates are used to target ratepayers who benefit exclusively from a service, or when Council believes that the benefits from the service are such that the principles of general rating (noted above) are not sufficient.

The activities or services where a targeted rate is applied are:

- Sewage disposal – assessed on every rating unit connected or available to be connected to an accessible Council scheme on the basis of one charge per pan or urinal (with the exception of the residence of a single household, which shall be assessed only one charge).
- Sewer loan servicing rate - assessed on every rating unit within a sewer loan servicing scheme where no election was made to pay by way of lump sum contribution.
- Water supply – fixed targeted rate specific to residential schemes, a targeted rate based on land value for some rural or fully commercial schemes and metered water supplies for other commercial and rural users
- District Refuse Disposal Charge - assessed on each separately used or inhabited part with the application of a differential to certain categories of rateable land.
- Whakamaru fire protection - assessed on specified rating units within the Whakamaru Village as a fixed amount per rating unit.
- Whareroa Refuse rate - assessed on all rating units in the Whareroa rating area as a fixed amount per rating unit.
- Town Centre Taupō Management rate – assessed on each separately used or inhabited part of industrial/commercial rating units within the defined central business district of Taupō town.
- Turangi Tongariro Community Board - assessed on each separately used or inhabited part of all rating units within the Turangi-Tongariro ward.

Council's Funding Impact Statement contains more details on these rates.

Fees and charges

Fees and charges are used where there is a direct benefit to an individual. The fee or charge is determined by considering the efficiency of imposing the fee or charge, considering the value that the service provides to the community (particularly in regards to community facilities) and the overall cost of providing the service. The activities where we have fees and charges and the proportion to be collected for a particular activity are illustrated in the table below. The actual fees can be found in the Fees and Charges Schedule in the Long-term Plan and on our website www.taupo.govt.nz

Interest and dividends from investments

The interest and dividends from the general and special fund investments are used as an offset against general rates. The management of these investments is governed by the Treasury Management Policy. A portion of interest and dividends from the TEL Fund is used as an offset against general rates in the 2018/19 and 2019/20 years with the balance being applied back to the capital of the fund. Council's Financial Strategy for the ten years is to finish offsetting against the general rate by the end of the 2019/20 financial year. From 2020/21 Council will first apply interest and dividends (to an amount equal to inflation proofing the capital of the fund) back to the capital of the fund, and then apply the balance to a TEL Fund distribution reserve to be available for Council to distribute or accumulate in accordance with the TEL Community fund guiding principles.

Grants and subsidies and other operating revenue

Where possible Council applies for grants for specific projects, which helps to reduce the cost to the community. NZTA subsidies are received for maintenance of the local road network including passenger transport and community programmes. Other operating revenue includes but is not limited to rental income from property and petrol tax.

Capital expenditure

Council funds capital expenditure from borrowing, development and financial contributions, operating surpluses, sale of assets, subsidies, depreciation reserves and other financial reserves. Council may choose to fund capital expenditure by other sources than those listed if it becomes available over the life of the Long-term Plan.

Borrowing

Council adopts a prudent approach to debt and its capital programme. Borrowing is managed within the framework specified in the Treasury Management Policy. While seeking to minimise interest costs and financial risks associated with borrowing, access to funding is of primary importance. Council seeks to match the term of borrowings with the average life of assets when practical, with a maximum loan term of 25 years. This enables Council to best match charges placed on the community against the period of benefits from capital expenditure.

Council's overall borrowing requirement is reduced to the extent that other funds are available to finance capital expenditure including the sources outlined below. The Forecast Financial Statements included in the Long-term Plan contain a Prospective Statement of Borrowings. This Statement provides a summary of forecast borrowing levels, identifying the impact of capital expenditure and the various other capital funding sources listed above.

Development and financial contributions

The charges under the Development Contributions Policy are used to fund the portion of capital expenditure which relates to growth. In reaching the requirement for contribution any increase in level of service or renewal of asset is identified and funded from other funding mechanisms. Where growth related infrastructure is funded by development contributions, debt servicing costs on that infrastructure may also be recovered through development contributions.

Sale of assets

We have an on-going land disposal process with the net proceeds to be used to reduce debt. Assets which are no longer required for strategic or operational purposes may be sold with the net proceeds to be used to reduce debt. We will harvest Council owned forests as they reach maturity with the net proceeds to be applied to debt reduction.

Depreciation reserves and other financial reserves

These reserves are used to fund the asset renewal program, capital expenditure and loan repayments.

Subsidies

Council receives NZTA subsidies for renewals and new capital expenditure for the District's transportation network. Where subsidies are available from central government for activities that Council undertakes we will

apply for these and if successful this will reduce the amount of loan funding required. An example of this type of subsidy is the Ministry of Health subsidy for compliance with the Drinking Water Standards.

Summary of funding for Council's activities

Note: these are target ranges and are subject to a number of variables that may occur over any given financial year.

Group of Activities	Activity	Uniform charge	General rate	Targeted rate	Fees & charges
Community services	Community engagement		100%		
	Building compliance and development		25%-40%		60%-75%
	District Plan compliance		40%-60%		40%-60%
	Liquor and Health licensing		35%-45%		55%-65%
	Animal control		50%-70%		30%-50%
	Parking		100%		
	Emergency management	100%			
Water	Water supply (by scheme)			100%	
	Whakamaru Fire Protection			100%	
Transport	Transport		100%		
Community facilities	Parks and reserves		90%-100%		0%-10%
	Sportsgrounds		90%-100%		0%-10%
	AC Baths		55%-65%		35%-45%
	Turangi Aquatic Centre and Mangakino Pool		85%-95%		5%-15%
	Taupo Events Centre		65%-75%		25%-35%
	Great Lake Centre		75%-85%		15%-25%
	Community Halls		90%-100%		0%-10%
	District Libraries		90%-100%		0%-10%
	Taupo Museum		85%-95%		5%-15%
	Housing for the Elderly		40%-60%		40%-60%
	Public toilets		100%		
	Superloo		50%-70%		30%-50%
Solid Waste	Cemeteries	0%-20%			80%-100%
	Litter control		100%		
	Refuse collection				100%
	Solid waste disposal and minimisation			51%	49%
Stormwater	Stormwater		100%		
Wastewater	Wastewater			100%	
Democracy and planning	Leadership, governance and advocacy	100%			
	Turangi-Tongariro Community board		20%	80%	
	Planning for the future		100%		
Investments	Investments		100%		
	Property		10%-30%		70%-90%
Economic development	Economic development		100%		