

POLICY

**REVENUE AND
FINANCING**

JUNE / 2018

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PART 1 - INTRODUCTION

The Revenue and Financing Policy (“the policy”) outlines Council’s policies on the 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 Sections 102 and 103 of the Local Government Act 2002 (the Act). The policy must be included in the 10-Year Plan as required by Schedule 10, clause 10. Section 103(4) requires that where a change to the policy is made outside of the 10-Year Plan 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:

- (a) General rates, including
 - (i) Choice of valuation system; and
 - (ii) Differential rating; and
 - (iii) Uniform annual general charges
- (b) Targeted rates
- (ba) Lump sum contributions
- (c) Fees and charges
- (d) Interest and dividends from investments
- (e) Borrowing
- (f) Proceeds from asset sales
- (g) Development contributions
- (h) Financial contributions under the Resource Management Act 1991
- (i) Grants and subsidies
- (j) Any other source.

In addition to identifying the sources of funding under Section 103(2) of the Act, the policy must set out why Council has determined they should be used. A two-step process is required under section 101(3) of the Act. Firstly, for each activity, Council must consider the following matters:

- (a) The community outcomes to which the activity primarily contributes;
- (b) The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals;
- (c) The period of time over which benefits occur (intergenerational equity);

- (d) The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity (also called the 'exacerbator pays' principle, which suggests that the exacerbators should meet at least part of the cost of an activity); and
- (e) The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

Secondly, following consideration of these matters, Council must consider the overall impact of this allocation of liability on the current and future wellbeing of the community (section 101(3)(b) of the Act).

In deciding how activities will be funded Council first looks to sources other than rates. These sources include fees and charges, grants and subsidies. Rates are Council's major source of income although grants, fees and charges, subsidies, levies and loans also provide substantial funding.

The Local Government Act requires Council to produce a Funding Impact Statement that provides details on the funding mechanisms to be used for each year covered by the 10-Year Plan (Schedule 10, clause 15). 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.

PART 2 - CHANGES SINCE THE 2015 POLICY WAS ADOPTED

The following changes have been incorporated into the 2018 policy:

2.1 AMENDMENTS TO THE FUNDING OF RURAL HALLS AND TOWN HALLS

- (a) The District Halls activity was split into two activities being Rural Halls and Town Halls. A new targeted rate per rating unit was introduced to fund the Kihikihi Town Hall, the Pirongia Memorial Hall and a portion of the Cambridge Town Hall costs. The new targeted rate reflects the area of benefit for the urban Halls. The rural halls also known as community halls still have individual hall rates with no change to their rating boundaries.

2.2 AMENDMENTS TO THE FUNDING OF WATER SUPPLY

- (a) A portion of the public benefit was reduced as the asset management costs related to pipe network and treatment plant assets benefit more the individuals who are connected to the network.
- (b) Universal Meters will be in operation from 1 July 2018, therefore if a property is connected with a meter the property will receive a water invoice instead of a targeted water rate within their rates instalment.

2.3 AMENDMENTS TO THE FUNDING OF WASTEWATER

- (a) A portion of the public benefit was reduced as the asset management costs related to pipe network and treatment plant assets benefit more the individuals who are connected to the network.

2.4 FUNDING OF INTEREST ON LOANS


- (a) Revenue from Development Contributions can be used to fund the interest expense on growth loans.

PART 3 - APPLICATION OF SECTION 101(3) OF THE ACT

This section sets out how Council has applied its analysis of section 101(3) to the funding sources in sections 3 and 4 of this policy.

3.1 COMMUNITY OUTCOMES

Council is required to identify the community outcome to which each activity primarily contributes. Each activity is assigned to one or more community outcomes. Council's community outcomes are:

Outcomes	Description
	<p>Economically progressive:</p> <ul style="list-style-type: none"> ▪ We are financially sustainable; ▪ Our services are acknowledged as excellent value for money; and ▪ Waipa's growth is built on its strengths.
	<p>Connected with our community:</p> <ul style="list-style-type: none"> ▪ Our stakeholders are advocates/ambassadors for Waipa and Council; ▪ We engage with all parts of our community; and ▪ We have collaborative and enduring partnerships.
	<p>Socially responsible:</p> <ul style="list-style-type: none"> ▪ We give back to the community; ▪ We are a workplace of choice; ▪ Waipa offers an excellent quality of life; and
	<p>Environmental and cultural champions:</p> <ul style="list-style-type: none"> ▪ We are recognised as environmental and cultural leaders; and ▪ Waipa's environmental and cultural heritage is a showcase for excellence.

3.2 DISTRIBUTION OF BENEFITS

Section 101(3)(ii) of the Act requires Council to assess the *'distribution of benefits between the community as a whole, any identifiable part of the community, and individuals'*. For the purpose of this assessment, Council has identified three types of benefits:

3.2.1 *Public benefit - whole district:*

- (a) This is considered to be any service or product:

- (i) That is available to all;
- (ii) From which it is not practicable to exclude and/or identify particular user(s);
- (iii) Where use by one particular individual or group does not consume the service or product, and it remains available for the benefit of others;
- (iv) That typically does not incur significant additional costs for additional users;
- (v) That may benefit the community generally through option value (availability), existence value (quality of life), bequest value (a legacy for later generations) or prestige value (civic pride).

3.2.2 **Public benefit - community**

- (a) This is considered to be any service or product (as above for the whole district) which can be identified to a specific part of the community usually by location, i.e. by Ward.

3.2.3 **Private benefit**

- (a) This is considered to be any service or product:
 - (i) That is used only by a particular individual or groups;
 - (ii) That once purchased or used, the service or product is not available for use by another individual or group;
 - (iii) That has a quantifiable incremental cost according to the number of users.
- (b) For a number of activities, Council has established a range of values for the percentage split of public and private benefits, as these can vary from year to year depending on the demand for services and the level of debt servicing within the activities.

3.3 **PERIOD OF BENEFITS**

Council is required to assess the period in or over which those benefits are expected to occur which will in turn indicate the period in which the operating and capital expenditure should be funded. For all activities, operating costs are directly related to providing benefits in the year of expenditure and are funded on an annual basis.

Assets provide benefits for the duration of their useful lives ranging from a few years to many decades for infrastructural assets. The concept behind intergenerational equity is to match the period over which an asset is funded to the period where benefits are derived from the use of the asset.

3.4 EXACERBATOR PAYS

Council is required to consider the extent to which the action or inaction of particular individuals or a group contribute to the need to undertake the activity. The 'exacerbator pays' principle basically holds that those whose actions or inactions give rise to a need to undertake a particular activity should meet part of the cost of that particular activity.

3.5 COSTS AND BENEFITS

Council is required to consider the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities using a different rate or combination of rates.

3.6 OVERALL IMPACT OF REVENUE NEEDS ON WELLBEING

When Council has completed its activity-by-activity analysis and allocation of funding mechanisms, it examines the overall effect of the allocation to ensure that it does not adversely impact on the current or future wellbeing of the district. In order to achieve this, Council's revenue policies have regard to the following principles:

- (a) Fairness/equity
- (b) Uniformity
- (c) Efficiency
- (d) Stability
- (e) Simplicity
- (f) Justifiability

Council assesses the effect of proposed funding mixes on a range of properties, including low and high value residential properties in urban areas and townships, rural properties and commercial/industrial properties. As part of this assessment Council has the ability to adjust the proportion of the general rate, uniform annual general charge and targeted ward rate which make up district wide funding if the annual effects of relative changes in the level of rates between various types of properties in the district require moderation.

PART 4 - FUNDING SOURCES – OPERATIONAL EXPENDITURE

Operating expenditure is expenditure on the day to day operations of Council.

Council's policies in relation to the funding of operating expenses are set out to ensure prudent financial management and compliance with legislative requirements and generally accepted accounting practice.

Council may choose not to fully fund operating expenditure in any particular year, if the deficit can be funded from operating surpluses in the immediate, preceding or subsequent years. An operating deficit will only be budgeted when it would be beneficial to avoid significant fluctuations in rates, fees or charges.

In addition, Council may choose to fund more than is necessary to meet the operating expenditure in any particular year. It will only budget for such an operating surplus if necessary to fund an operating deficit in the immediate, preceding or subsequent years, or to repay debt having regard to forecast future debt levels or to avoid significant fluctuations in rates, fees or charges in future years.

From time to time loans may also be used to cover the costs of operating projects. These are likely to be projects which span more than one year, and/or the outcome of which is expected to last for some time (e.g. the District Plan review). Any projects to be funded from loans will be identified in the annual Funding Impact Statement.

The proportion of district wide funding provided by general rates, uniform annual general charge and targeted ward rates are determined and disclosed each year in the Funding Impact Statement.

Council has determined that the following sources may be used to fund operating expenditure:

4.1 RATES

In selecting funding mechanisms for each activity, Council seeks to fund private benefit from fees and charges, community benefit from targeted rates, and whole district benefit from a mixture of general rates, uniform annual general charges and targeted rates for district wide activities.

The mixture of general rates, uniform annual general charge and targeted rates for district wide activities is referred to in this policy as "district wide funding". District wide funding is also used to meet the shortfall where the fees and charges that are collected are less than the assessed private benefit of the activity.

4.1.1 General Rates

Council uses a capital value rating system across the district. Capital value is preferred to land value because Council believes this generally provides a better surrogate for ability to pay. Rates in a capital value rating system are collected as follows:

- (a) A General Rate is a rate in the dollar for the Capital value of the property and is used to meet a portion of district wide funding.

4.1.2 **Uniform Annual General Charge**

A uniform annual general charge, based on a fixed amount per separately used or inhabited part of a rating unit (SUIP), is used to meet a portion of district wide funding.
Definition of a Separately Used or Inhabited Part of a Rating Unit.

A separately used or inhabited part of a rating unit exists where there is use or ability to use a part or parts of the rating unit as an independent residence; or in the case of a rating unit used for commercial or industrial business, where there is use or ability to use a part or parts of the rating unit for independent trading operations. *This is on the basis that where a rating unit is configured for the purpose of separate habitation or use, even if it is not currently occupied, this constitutes a separate use of the rating unit by the owner. The following are guides to how this will be applied.*

In a residential situation an independent residence is defined as having a separate entrance and separate cooking, living and toilet/bathroom facilities. A separately used or inhabited part comes into effect in a business situation when the property has been set up to accommodate, or is accommodating, separate lessees, tenants, or the like, or the ability to operate separate businesses from the same rating unit.

The following examples are considered to be separately used or inhabited parts of a rating unit:

- (a) Individual flats, apartments or dwellings
- (b) A building or parts of a building that are able to be used as independent trading operations.
- (c) Vacant rating units
- (d) *A dwelling attached to a shop or other business premises.*
- (e) A residential building or part of a residential building that is used, or can be used as an independent residence.

The following are not considered to be separately used parts of a rating unit:

- (a) Residential sleep out or granny flat that does not meet the definition of an independent residence
- (b) A hotel room with or without kitchen facilities
- (c) A motel room with or without kitchen facilities.

4.1.3 **Targeted Rates**

The Targeted Ward Rate which is a fixed amount per rating unit is collected on a differential basis based on location.

The Targeted Ward Rate is used to meet:

- (a) The community/group benefit element of activities; which includes Community Boards, Community Grants, Libraries, Cambridge Pool, Te Awamutu Events Centre, Museums, Community Properties, Cambridge Town Hall, Recycling, Cycling Centre of Excellence and Passenger Transport.
- (b) A proportion of district wide funding.

Targeted Rates can either be on the basis of a rate in the dollar for the capital value of the property, or a fixed amount per property either by rating unit or by SUIP.

Targeted rates are used to fund activities such as rural halls and town halls, recycling, Cambridge Community Sports Hall, stormwater, water treatment and supply and wastewater treatment and disposal.

4.2 FEES AND CHARGES

Generally, Council will use fees and charges to recover the “private benefit” costs of a particular activity if it is economically viable to do so.

4.3 GRANTS AND SUBSIDIES

Some activities undertaken by Council qualify for grants or subsidies from the Crown. In particular, Council receives a subsidy from the New Zealand Transport Agency (NZTA) for qualifying roading expenditure.

4.4 DEVELOPMENT CONTRIBUTIONS

Revenue from Development Contributions can be used to cover the Interest expense from loans relating to growth funded projects, where there is a timing difference between capital expenditure and development contribution revenue.

4.5 OTHER SOURCES OF INCOME

This is a catch-all classification and the income is treated in the same way as fees and charges. It includes parking infringement fines, rates penalties, income from interest and lease income.

PART 5 - FUNDING OPERATIONAL EXPENDITURE BY ACTIVITY

The tables below illustrate the outcome of the analysis undertaken by Council in relation to Section 101(3). The tables 'community outcomes' and 'funding principles' are assessed for the entire group of activity, and the tables 'economic benefit assessment' are assessed for each activity within that group. Where appropriate, footnotes are provided for additional rationale of the funding of the targeted ward rate.

The 'community outcomes' tables below show the community outcomes to which each group of activity primarily contributes. These tables show only the primary considerations, and it is acknowledged that most activities contribute to more outcomes than those shown.

The 'funding principles' tables show how the funding principles in sections 101(3)(b) to (e) of the Act relate to each group of activity. The analysis assists Council in determining which funding mechanisms are appropriate for each activity. Generally those activities which score low for user pays or for cost/benefit of separate funding are best funded by general rates, whilst those scoring higher in those areas are best funded by user charges or targeted rates.




The low/medium/high rating relates to the degree by which each group of activity conforms to the following economic principles:

- (a) Distribution of benefit – the degree to which benefits can be attributed to individuals/groups, rather than the community as a whole.
- (b) Period of benefit - the degree to which benefits can be attributed to future period.
- (c) Extent of action/inaction – the degree to which action or inaction of groups or individuals gives rise to need for expenditure.
- (d) Cost/benefit of separate funding – the degree to which costs and benefits justify separate funding of this activity.

The 'economic benefit assessment and funding target' tables details how each activity within the group of activity is proposed to be funded, and what the funding targets are for each activity. Generally, these tables show that where a private benefit exists, the cost of this is to be recovered by user charges or a targeted rate. The cost of public benefits is usually funded via district wide funding or via the targeted ward rate for benefits restricted by location.

Costs for each group of activity include the allocation of Council's support service overheads.

5.1 GOVERNANCE AND SUPPORT SERVICES

Governance - community outcomes primarily contributed to		
	Economically progressive	<ul style="list-style-type: none"> We are financially sustainable. Our services are acknowledged as excellent value for money.
	Connected with our community	<ul style="list-style-type: none"> Our stakeholders are advocates/ambassadors for Waipa and Council. We engage with all parts of our community. We have collaborate and enduring partnerships.
	Socially responsible	<ul style="list-style-type: none"> We give back to the community. We are a workplace of choice.

Group of Activity	Funding principles			
	Distribution of benefit (user pays)	Period of benefit (intergenerational equity)	Extent of action/inaction (Exacerbator pays)	Cost/benefit of separate funding
Governance	Low	Low	Low	Low

Group of Activity	Economic benefit assessment			Funding Targets			
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Council and elections			100%				100%
Community boards		90%	10%			90% ¹	10%
Community grants	8% - 12%	45% - 55%	33% - 47%	8% - 12%		45% - 55% ²	33% - 47%
Strategic planning			100%				100%
Community relationships			100%				100%
Corporate			100%				100%
Development Contributions	100%			100% ³			

5.1.1 Governance funding conclusion

Council, elections, strategic planning and communications provide a public benefit to the whole district and should be funded by all ratepayers through district wide

¹ The Te Awamutu Community Board is allocated to Te Awamutu and Kakepuku wards, the Cambridge Community Board is allocated to the Cambridge and Maungatautari wards.



² These are allocated to the ward to which the grant relates / benefits.

³ Interest expense from growth loans to be paid by development contribution revenue.

funding. The Community Boards provide a public benefit both to the individual communities that they serve and to the wider district and are funded partially by the targeted ward rate and partially by district wide funding. Community grants provides a public benefit to the individual communities that the individual grants relate to, and for some grants this is a district wide benefit.

Capital projects relating to growth are funded from Development Contributions. Growth as the growth related capital expenditure is paid by those benefiting from growth to meet the principle of growth paying for growth. When there is a timing difference between the capital cost and the revenue from Development Contributions, a loan is required. The interest expenses relating to the development loans are funded from Development Contribution revenue.

5.2 PLANNING AND REGULATORY

Planning and Regulatory - community outcomes primarily contributed to		
	Environmental and cultural champions	<ul style="list-style-type: none"> We are recognised as environmental and cultural leaders. Waipa’s environmental and cultural heritage is a showcase for excellence.
	Socially responsible	<ul style="list-style-type: none"> Waipa offers an excellent quality of life.

Group of Activity	Funding principles			
	Distribution of benefit (user pays)	Period of benefit (intergenerational equity)	Extent of action/inaction (Exacerbator pays)	Cost/benefit of separate funding
Planning & Regulatory	High	Low	High	Low

Group of Activity	Economic benefit assessment				Funding Targets		
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Animal Control	60%		40%	60% - 70%			30% - 40%
Building Control	80%		20%	80% - 100%			0% - 20%
Environmental Health	62%		38%	35% - 45% ⁴			55% - 65%
Resource Management	40%		60%	45% - 70%			30% - 55%
Development Engineering	32%		68%	30% - 50%			50% - 70%

⁴ Refer to paragraph 4.7.1.3.





5.2.1 *Planning and Regulatory funding conclusion*

Benefits are generated for the whole district within the activities for health inspections, maintaining animal control facilities, some aspects of planning (appeals to Environmental Court, protecting heritage, landscape features) and responding to non-chargeable information requests.

Fees and charges are levied for these activities to recover the private benefit portion of services provided (“user pays”). The quantity of services delivered will vary according to market conditions, and accordingly Council sets a range for the funding for these activities from fees and charges. The balance is funded from district wide funding.

For the activity Environmental Health, Council is prevented by statutory limits from fully recovering the costs related to implementing liquor licenses and hazardous substances. This results in the balance of these costs being funded from district wide funding.

5.3 COMMUNITY SERVICES AND FACILITIES

Community services and facilities - community outcomes primarily contributed to		
	Economically progressive	<ul style="list-style-type: none"> Our services are acknowledged as excellent value for money. Waipa’s growth is built on its strengths.
	Environmental and cultural champions	<ul style="list-style-type: none"> We are recognised as environmental and cultural leaders. Waipa’s environmental and cultural heritage is a showcase for excellence.
	Connected with our community	<ul style="list-style-type: none"> We engage with all parts of our community. We have collaborate and enduring partnerships.
	Socially responsible	<ul style="list-style-type: none"> Waipa offers an excellent quality of life.

Group of Activity	Funding principles			
	Distribution of benefit (user pays)	Period of benefit (intergenerational equity)	Extent of action/inaction (Exacerbator pays)	Cost/benefit of separate funding
Community services and facilities	Medium	Medium	Medium	Medium

Group of Activity	Economic benefit assessment			Funding Targets			
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Parks & Reserves			100%				100%

Group of Activity	Economic benefit assessment			Funding Targets			
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Mighty River Domain	45% - 55%		45% - 55%	40% - 55%			45% - 60%
District Libraries	21%	21%	58%	10% - 25%		20% - 25% ⁵	50% - 70%
Cambridge Pool		55% - 70%	30% - 45%			55% - 65% ⁶	35% - 45%
Te Awamutu Events Centre		50% - 55%	45% - 50%			50% - 55% ⁷	45% - 50%
Museums	10% - 15%	20% - 25%	60% - 70%	10% - 20%		20% - 26% ⁸	54% - 70%
Heritage			100%				100%
Cemeteries	64%		36%	45% - 65%			35% - 55%
Public Toilets	41%		59%				100% ⁹
Commercial / Strategic Properties	40% - 50%		50% - 60%	45% - 65%			35% - 55%
Community Properties	20% - 25%	20% - 25%	50% - 60%	10% - 20% ¹⁰		20% - 25% ¹¹	55% - 70%
Pensioner Housing	100%			100% ¹²			
Rural Halls		64%	36%		60% - 70%		30% - 40%
Town Halls	14% ¹³	73%	13%	10% - 15%	15% - 20% ¹⁴	50% - 60% ¹⁵	15% - 20%
Forestry	100%			100% ¹⁶			
Civil Defence	60%		40%	50% - 60%			40% - 50%
Litter Bins			100%				100%
Waste	95%	3%	2%	10% - 15%	80% - 85%	3% ¹⁷	2%

⁵ The Te Awamutu Library is allocated to the Te Awamutu, Kakepuku and Pirongia wards; Cambridge Library is allocated to the Cambridge and Maungatautari wards.

⁶ The Cambridge pool is allocated to the Cambridge and Maungatautari wards.

⁷ The Te Awamutu Events Centre is allocated to the Te Awamutu, Kakepuku and Pirongia wards.

⁸ The Te Awamutu museum is allocated to the Te Awamutu ward, and the Cambridge museum is allocated to the Cambridge ward.

⁹ There are practical difficulties in applying the 'user pays' principle to this activity. There is no revenue received for the use of the toilets.

¹⁰ Council subsidises the rental costs for this activity as rent received from these organisations is generally below market value.

¹¹ Allocated to the Cambridge and Te Awamutu wards.

¹² Council has a long standing policy of funding all costs from rents.

¹³ Private benefit relates to the fees and charges received from hall hireage

¹⁴ Urban Hall Rate which is allocated to Cambridge and Te Awamutu wards and the Pirongia village

¹⁵ Allocated to the Cambridge ward to fund the Cambridge Town Hall.

¹⁶ Fees and charges are received in the form of forestry harvesting revenue, which is accounted for in a separate reserve to fund this activity.

Group of Activity	Economic benefit assessment				Funding Targets		
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Management (recycling)							
Landfills			100%				100%
Cambridge Community Sports Hall		100%			100%		
Cycling Centre of Excellence		100%				100% ¹⁸	

5.3.1 Community services and facilities funding conclusion:

Some activities are identified as generating benefits for the whole district such as Civil Defence, and in other instances activities will benefit a specific identifiable community within the district, e.g. Cambridge Community Sports Hall.


Council will recover reasonable costs from individuals or groups who are identified as benefiting from the service or facility (“user pays”).

Council subsidises some activities via district wide funding to promote Council policies and achieve strategic outcomes through:

- (a) Subsidising the costs to individuals of borrowing library books, to encourage recreational and educational development of district residents and;
- (b) Subsidising the costs to individuals of entry to community facilities to encourage the development of a healthy community.

Capital projects relating to growth are funded from Development Contributions. Growth as the growth related capital expenditure is paid by those benefiting from growth to meet the principle of growth paying for growth. When there is a timing difference between the capital cost and the revenue from Development Contributions, a loan is required. The interest expenses relating to the development loans are funded from Development Contribution revenue.


5.4 ROADS AND FOOTPATHS

Roads and footpaths - community outcomes primarily contributed to:		
	Economically progressive	<ul style="list-style-type: none"> ▪ We are financially sustainable.
		<ul style="list-style-type: none"> ▪ Our services are acknowledged as excellent value for money.

¹⁷ Allocated to the Cambridge and Maungatautari wards.

¹⁸ This is allocated to all wards in the Waipa District.

Roads and footpaths - community outcomes primarily contributed to:

		<ul style="list-style-type: none"> Waipa’s growth is built on its strengths.
	Socially responsible	<ul style="list-style-type: none"> Waipa offers an excellent quality of life.

Group of Activity	Funding principles			
	Distribution of benefit (user pays)	Period of benefit (intergenerational equity)	Extent of action/inaction (Exacerbator pays)	Cost/benefit of separate funding
Roads and footpaths	Medium	High	Low	Medium

Group of Activity	Economic benefit assessment				Funding Targets		
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Roads and footpaths	33%- 38%	2%	60% - 65%	30% - 50%	1%	1%	48% - 68%

5.4.1 **Roads and footpaths funding conclusion**

This activity includes roads, road safety, passenger transport, footpaths, street lights, cycling and walking and car parks.



This activity is considered to generate benefits for the whole district, although in some circumstances (e.g. road seal extensions) there is a higher proportion of benefit identified for a particular community. Additionally, in some instances the provision of a paved surface is considered to benefit a particular community (e.g. the construction of new footpaths) but the maintenance of it generates a benefit to the district as a whole.

Access to the road system is regarded as a public good due to non-excludability, and the funding method is through district wide funding. External subsidies and contributions are available and Council seeks to maximise the level of subsidy available from external agencies and minimise district wide funding. The funding percentages are expressed as ranges, because the actual funding mix from year to year will vary in accordance with the percentage of work undertaken which is eligible for subsidy.

Capital projects relating to growth are funded from Development Contributions. Growth as the growth related capital expenditure is paid by those benefiting from growth to meet the principle of growth paying for growth. When there is a timing difference between the capital cost and the revenue from Development Contributions, a loan is required. The interest expenses relating to the development loans are funded from Development Contribution revenue.

5.5 STORMWATER

Stormwater - community outcomes primarily contributed to:

	Economically progressive	<ul style="list-style-type: none"> Our services are acknowledged as excellent value for money.
	Environmental and cultural champions	<ul style="list-style-type: none"> We are recognised as environmental and cultural leaders.

Group of Activity	Funding principles			
	Distribution of benefit (user pays)	Period of benefit (intergenerational equity)	Extent of action/inaction (Exacerbator pays)	Cost/benefit of separate funding
Stormwater	Low	High	Low	High

Group of Activity	Economic benefit assessment			Funding Targets			
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Stormwater	-	93%	7%	-	93%	-	7%

5.5.1 Stormwater funding conclusion


Stormwater is one of the group of activities required within the 10-Year Plan, and it is considered appropriate to rate this as a separate activity. Council considers that this service is a public benefit that should primarily be recovered through a targeted rate differentiated for rural and urban service.

Reticulated stormwater is considered to generate benefits for urban communities; whereas rural drainage is considered to benefit rural communities.


Capital projects relating to growth are funded from Development Contributions. Growth as the growth related capital expenditure is paid by those benefiting from growth to meet the principle of growth paying for growth. When there is a timing difference between the capital cost and the revenue from Development Contributions, a loan is required. The interest expenses relating to the development loans are funded from Development Contribution revenue.

5.6 WATER TREATMENT AND SUPPLY

Water treatment and supply - community outcomes primarily contributed to:

	Economically progressive	<ul style="list-style-type: none"> We are financially sustainable.
		<ul style="list-style-type: none"> Our services are acknowledged as excellent value for money.
		<ul style="list-style-type: none"> Waipa’s growth is built on its strengths.

Water treatment and supply - community outcomes primarily contributed to:

	Socially responsible	<ul style="list-style-type: none"> Waipa offers an excellent quality of life.
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Group of Activity	Funding principles			
	Distribution of benefit (user pays)	Period of benefit (intergenerational equity)	Extent of action/inaction (Exacerbator pays)	Cost/benefit of separate funding
Water treatment and supply	High	High	Low	High

Group of Activity	Economic benefit assessment				Funding Targets		
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Water treatment and supply	88% - 90%	3% - 5%	7%	1% - 6%	85% - 95%	-	4% - 9%

5.6.1 Water treatment and supply funding conclusion

Water treatment and supply is one of the group of activities required within the 10-Year Plan, and it is considered appropriate to rate this as a separate activity.



Direct users of the water supply clearly receive a benefit. The service also provides a public benefit in relation to the promotion of public health.

Council considers this service should be recovered through a targeted rate for connectable properties and through water invoicing for metered properties. The rate will be differentiated for the service received, being connectable or connected via a water meter. The public benefit component will be funded through district wide funding.

It is noted that the introduction of planned water meters in the first year of the 10-Year Plan, the funding target has shifted from fees and charges to targeted rates, within the rates assessment or within the water invoices as most properties will be connected via water meters.

Capital projects relating to growth are funded from Development Contributions. Growth as the growth related capital expenditure is paid by those benefiting from growth to meet the principle of growth paying for growth. When there is a timing difference between the capital cost and the revenue from Development Contributions, a loan is required. The interest expenses relating to the development loans are funded from Development Contribution revenue.

5.7 WASTEWATER TREATMENT AND DISPOSAL

Wastewater treatment and disposal - community outcomes primarily contributed to:		
	Economically progressive	<ul style="list-style-type: none"> Our services are acknowledged as excellent value for money.
	Environmental and cultural champions	<ul style="list-style-type: none"> We are recognised as environmental and cultural leaders.

Group of Activity	Funding principles			
	Distribution of benefit (user pays)	Period of benefit (intergenerational equity)	Extent of action/inaction (Exacerbator pays)	Cost/benefit of separate funding
Wastewater treatment and disposal	Low	High	Low	High

Group of Activity	Economic benefit assessment			Funding Targets			
	Private	Community	Whole District	Fees & Charges	Targeted Rate	Targeted Ward Rate	District Wide Funding
Wastewater treatment and disposal	84% - 88%	3% - 5%	9% - 11%	5% - 10%	81% - 86%	-	9%

5.7.1 *Wastewater treatment and disposal funding conclusion*

Wastewater treatment and disposal is one of the group of activities required within the 10-Year Plan, and it is considered appropriate to rate this as a separate activity.

The provision of wastewater service is primarily a private benefit to the communities that can access the reticulation. The service also provides a public benefit via improved public health and environmental quality.

Council considers that this service should be recovered through a targeted rate and through fees and charges for trade waste recoveries. The rate will be differentiated for the service received, connected or connectable. The public benefit component will be funded through district wide funding.

Capital projects relating to growth are funded from Development Contributions. Growth as the growth related capital expenditure is paid by those benefiting from growth to meet the principle of growth paying for growth. When there is a timing difference between the capital cost and the revenue from Development Contributions, a loan is required. The interest expenses relating to the development loans are funded from Development Contribution revenue.

PART 6 - OVERALL CONSIDERATION OF RATES IMPACT

The activity by activity analysis outlined above allocates some funding directly to sources such as fees and charges, subsidises, grants and targeted rates (including targeted ward rate). The remaining funding balance comes from district wide funding, a mix of general rates (by CV), UAGC and targeted ward rates.

When considering rating impacts for the community for the 2018 review, Council was comfortable with the policy and the transition process still in place from 2015, therefore felt little need to make changes, with the exception of individual rates for the Halls and water supply re the introduction of meters.

The transition process for district wide funding moving to a mix of general rate and UAGC is in the fourth year (2018/19 year) and Council saw no reason to speed up the transition. For the 10-year plan the proportions between general rate, targeted ward rate and UAGC are in line with the transition process.

PART 7 - FUNDING SOURCES – CAPITAL EXPENDITURE

As with operating expenditures, Council has set out to ensure that it takes a prudent approach to the funding of capital expenditure with an emphasis on legislative and accounting compliance.

Funding to pay for new assets will come from a mix of borrowing, development contributions, grants and subsidies, capital revenue, reserves and asset sales. Generally the costs of new assets will not be met from rates, however a portion of the costs of servicing loans will be.

Rates may be used to fund low value capital projects, these may be district wide funding or a targeted rates depending on the activity the capital project relates to.

Some of the groups of activities use separate reserves to fund upgrades/growth to achieve stated levels of service. Once reserves are fully used, any remaining balance is funded by borrowing. These activities include stormwater, water treatment and supply, wastewater treatment and disposal, and roads and footpaths.

Funding for capital works will depend on the nature of the work, in particular the reasons (cost drivers) which have made the work necessary. There are three main cost drivers recognised by Council:

- (a) Growth.
- (b) Level of service improvements.
- (c) Renewal.

As outlined in the introduction section of this policy, Section 101(3) of the Act requires Council to consider a range of matters (using a two-step process) to determine what funding sources are appropriate. Responses to these requirements in relation to all methods of funding capital expenditure are illustrated in the tables below:

	Community outcomes			
	Economically progressive	Environmental and cultural champions	Connected with our community	Socially responsible
Capital expenditure	Y	Y	Y	Y

	Funding principles			
	Distribution of benefit (user pays)	Period of benefit (intergenerational equity)	Extent of action/inaction (Exacerbator pays)	Cost/benefit of separate funding
Capital expenditure due to growth	High	High	High	High
Capital expenditure – levels of service improvement, statutory requirements or other reasons	Low	High	Low	High
Capital expenditure due to renewals	Low	High	Low	High

7.2 CAPITAL EXPENDITURE DUE TO GROWTH

The district's population and local economy is growing. The development generated from the growth places pressure on the assets and services provided by Council. Investment in additional assets is required to meet the demands of growth.

Council intends to entirely fund the portion of capital expenditure (CAPEX) that is attributable to growth by Development Contributions where it is legally, fairly, reasonably and practically possible to do so. It is considered that Development Contributions are the best mechanism available to ensure that the cost of growth sits with those who have created the need for that cost. Refer to the Development Contributions Policy, which is a separate policy that provides full details around the rationale for, and level of, contributions.

7.3 FUNDING SOURCES FOR GROWTH CAPITAL EXPENDITURE

The funding sources for growth capital expenditure in order of priority are:

- (a) Vested assets
- (b) Development Contributions
- (c) Capital grants and subsidies attributable to growth portion
- (d) Borrowing

7.4 CAPITAL EXPENDITURE DUE TO CHANGES IN LEVELS OF SERVICE

The cost driver for a significant portion of capital works within the Waipa District relates to increasing levels of service for the community. In some cases, these improvements are required because of changes to legislation or resource consent

conditions, which means there is often little discretion with regard to the decision¹⁹. In other cases, the increase in level of service is a community driven decision.

7.5 FUNDING SOURCES FOR LEVELS OF SERVICE IMPROVEMENT CAPITAL EXPENDITURE

The funding sources for levels of service improvement capital expenditure in order of priority are:

- (a) Capital grants and subsidies
- (b) Asset sales
- (c) Capital reserves
- (d) Borrowing
- (e) Rates for small value capital projects

7.6 CAPITAL EXPENDITURE DUE TO RENEWALS

Renewal capital works are those capital expenditure costs that are incurred in restoring an asset to previous service levels, usually reflected in the amount that an asset has depreciated. Therefore, by using depreciation funds Council is maintaining infrastructural networks to their existing service level.

The funding of depreciation is an implied requirement of the “balanced budget” provision of the LGA. It requires that the Council fully fund all operating costs, including reductions in the useful life or quality of assets.

7.7 FUNDING SOURCES FOR RENEWAL CAPITAL EXPENDITURE

The funding sources for renewal capital expenditure in order of priority are:

- (a) Depreciation reserves
- (b) Borrowing
- (c) Rates for small value capital projects.

Depreciation reserves are used to fund projects relating to renewals. Borrowing is used to fund projects where there insufficient depreciation reserves are available.

¹⁹ For example, upgrades to water treatment plants due to water treatment standards.



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