



Revenue and Financing Policy

The Revenue and Financing Policy sets out how Council funds each activity it is involved in and why. Council is required to have this policy to provide predictability and certainty to customers about the sources and levels of funding. The Revenue and Financing Policy describes how Council funds its operating and capital expenses from the funding sources available to Council and why it chooses the various mechanisms to fund the operating and capital expenditure of Council.

Relevant legislation is Local Government Rating Act 2002, Local Government Act 2002, Te Ture Whenua Māori Act 1993.

The Council must undertake services in a financially prudent and sustainable way for the Council and community as a whole. (Sec 101(1)).

The outcomes are a balance of judgement and consideration over each activity such as and not limited to, the following:

- Activities paying for benefits received or costs imposed
- Transparency, accountability detailing costs and benefits of funding activities separately
- Practicality of policy
- Strategic alignment
- Overall social, economic, environmental and cultural impacts
- Community outcomes
- Affordability
- Minimise the effect of change
- Efficiency and effectiveness
- Legal compliance

The policy outlines the choices the council has made in deciding the appropriate sources of funding for operating and capital expenditure.

Council decisions and rationale underpinning the funding of these services are set out in this Policy.

Our Funding Approach

In determining how activities are funded Council is obliged to equitably share the costs of delivering services across different users as well as ensuring equity between current and future generations. In deciding how to fund each activity, Council considers the nature of the services provided and who benefits from those services.

It considers Local Government Act Sec101 (3):

First step considerations

- The community outcomes to which an activity primarily contributes;
- The distribution of benefits between the community as a whole, identifiable parts of the community and individuals;
- The period during which the benefits are expected to occur;
- The extent to which actions, or inactions, of individuals or groups contribute to the need to undertake the activity; and
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and

Second step considerations

- The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.

Description of Funding Mechanisms

Types of Expenditure

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

Operating expenditure is used to fund the ongoing day to day activities and services of Council.

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

- Renewals – capital expenditure that increases the life or replaces an existing asset with no increase in service level;
- Increased Level of Service (LOS) – capital expenditure that increases the service level delivered by the asset; and
- Additional Capacity (AC) – capital expenditure that is required to provide additional capacity in whole or part necessary to accommodate growth.

Funding Mechanisms

Different funding sources are used for different types of expenditure. Council funds its expenditure using the following funding mechanisms.

User Fees and Charges are fees charged to individuals or groups who are directly using a Council service. In this case, there is a direct benefit to an individual or group. User fees and charges also include rental income. For a user charge to be charged, the beneficiaries must be able to be identified and charged directly for the service they receive. Council also considers issues like the affordability of user charges or how they compare to the market rate for services. The use of user charges may be balanced with other funding sources where the Council believes that a charge set too high will reduce use and therefore diminish the value of the service to the community and impose a greater cost on ratepayers.

Rates

There are two main types of rates:

- General Rates, which can be distinguished according to
 - Value base rates
 - Differentials
 - Uniform Annual General Charge (UAGC)
- Targeted Rates

General Rate is a rate assessed across all rateable properties in the district based on a property valuation system. It is used to fund those services where Council believes there is a public benefit to the whole of the community across the district and where a fixed charge per

Rating Unit is not considered appropriate. In so doing, Council acknowledges that a rate based on property value does not necessarily match ability to pay.

By law, the General Rate must be based on a property valuation system. Council currently uses a land valuation system.

Targeted Rates (Area of Service) are rates that are charged to particular communities or groups of ratepayers. They are used to fund services where a particular community or group benefits from the activity being funded. Targeted rates may be assessed on the land value (LV), applied on a uniform basis to each ratepayer (TR) or charged based on the ratepayer's consumption of the service (consumption). The following activities currently utilise targeted rates funding mechanisms:

- Flood protection and control works /land drainage (LV)
- Mangawhai Harbour Restoration

- Ruawai Tokatoka Hall
- Dargaville/Ruawai CCTV
- Mangawhai Museum
- Sportsville - Dargaville
- Forestry Roads (Hectares)
- Stormwater Drainage (LV)
- Wastewater treatment and reticulation
- Water Supply (consumption)
- Library / Parks & Open Spaces

Separately Used or Inhabited Parts of a Rating Unit (SUIP)

Separately Used or Inhabited Part of a Rating Unit includes any portion 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. For the purpose of this policy, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as 'used'. For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one SUIP.

Under the Local Government (Rating) Act 2002 charging Separately Used or Inhabited Parts of a Rating Unit is a factor that may be used to determine liability for both a Uniform Annual General Charge and for targeted rates. The following are examples of where there may be application of multiple charges for Separately Used or Inhabited Parts of a Rating Unit:

- Single dwelling with flat attached
- Two or more houses, flats or apartments on one Certificate of Title (Rating Unit)
- Business premise with flat above
- Commercial building leased to multiple tenants
- Farm property with more than one dwelling
- Council property with more than one lessee
- Where part of a rating unit is subject to a right of exclusive occupation

Proceeds from Asset Sales are the funding received from selling physical assets, such as plant and equipment. They are initially used to repay debt associated with that asset.

Development contributions These are levies paid in accordance with the Council's Development Contributions Policy and the LGA 2002 to recover Council expenditure on reserves, community infrastructure and network infrastructure to meet increased demand resulting from new development. These levies can be used for capital expenditure for the purpose they were charged for and may not be used to cover operational costs.

Financial contributions under the Resource Management Act Financial contributions apply to holders of resource consents in the form of sums payable, or land transferred to the Council. These contributions are used to mitigate, avoid or remedy any adverse effects arising from subdivision or development. Council's Policies on Financial Contributions set out the methods by which contributions are calculated and required.

Grants and Subsidies are funding received from other agencies, usually for a specific purpose. As such, they are used to fund those purposes.

Depreciation Reserves are funds in which the probable replacement cost of assets is accumulated each year over the life of the assets, so that they can be replaced readily when they become obsolete. Depreciation in turn is funded from rates.

Other Reserves are funds for specific purposes. Retained earnings are used to fund operating or capital expenses at the Council's discretion. Special reserves will be used to fund either operating or capital expenses according to the policy applying to those reserves.

Investment Interest and Proceeds, Rents and Dividends are used to reduce the amount of General Rate required.

Borrowing is defined as taking on debt. The Council usually only borrows to fund long-lived capital assets. The Council will not borrow to fund operating costs for a service, unless there are reasons to justify borrowing as a short-term or interim solution. It is used to ensure fairness or intergenerational equity so that current ratepayers pay for the services they use now, and future ratepayers pay their share too. It is generally used where other available funding sources are exhausted. Council only uses borrowing to fund operational expenditure when it is financially prudent to do so and where there are clearly benefits that are delivered beyond the immediate financial year in which the expenditure is incurred. An example is where there is a significant single year spike in operational costs in delivering a particular activity (such as desludging the wastewater ponds), where the ongoing benefits of the work outweigh the financial costs of borrowing.

Lump Sum contributions are where ratepayers are asked to pay a capital (or lump sum) payment towards meeting the cost of providing a particular asset in their community rather than pay for these capital costs via an annual targeted rate. These contributions will be used to fund the retirement of debt for specific capital activity from time to time.

Application of Funding Mechanisms to Expenditure

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

Funding Mechanism	Operating Expenditure	Capital Expenditure		
		Additional Capacity	Increased Level of Service	Renewals
General Rates, including the Uniform Annual General Charge	•		•	•
Targeted Rates	•		•	•
Lump Sum Contributions		•*	•	•
Fees and Charges	•		•	•
Borrowing	•**	•	•	•
Asset Sales		•	•	•
Development Contributions		•		
Financial Contributions		•		
Grants and Subsidies	•		•	•
Depreciation			•	•

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

** Used in exceptional circumstances.

Funding of Activities

The analysis undertaken for 2024- 2027 has been placed into a table for each of the services performed. Below the LTP % split is more defined for clarity in budgeting. Actuals may vary, plus or minus 10%.

Activity Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating Capital
Open Spaces and Facilities Reserves/ open spaces (parks, gardens beaches) **	Vibrant Communities	Gardens and parks open to all benefits health and wellbeing Beach esplanade accessible Urban community could benefit more Events hire minimal	Short & long term benefits	Anyone who damages reserves	Can't define who uses parks Distinct funding low benefit as predominantly community but urban usage more. Targeted rate to be utilised	Targeted rates Residential 60%, other 40% Fees and charges minimal Capital Financial contributions Borrowing Grants and subsidies
Open Spaces and Facilities Cemeteries (network)	Vibrant Communities	Reserve for all Burial of family member	Short & long term benefits		Distinct funding medium benefit Costs unaffordable by individuals if paid for all costs	Fees & charges 70% General rates 30% Capital Financial contributions Borrowing
Open Spaces and Facilities	Vibrant Communities	Organised sport	Short & long term benefits		Sports clubs don't have funds to contribute to costs and not many	Targeted rates Residential 60%, other 40%

Sports Parks **					sports fields owned by Council Distinct funding low benefit but urban usage more	Fees & Charges Capital Financial contributions Borrowing
Open Spaces and Facilities Campgrounds (network)	Vibrant Communities Prosperous Economy	General access to some facilities Kai Iwi lakes tourists/ holiday makers 100%	Short & long term benefits	Day users Kai Iwi lakes	Some campgrounds can't recover from campers Distinct funding high benefit	Fees & charges /lease 100% General rates Capital Financial contributions Borrowing
Open Spaces and Facilities Community assistance (supporting community organisations & volunteers)	Vibrant Communities	Benefits groups & individuals e.g. community partnerships, pool grant	Short & long term benefits		Distinct funding low benefit	General rates 100% Grants and Subsidies
Open Spaces and Facilities Libraries **	Vibrant Communities	Information and education of public for community benefit Social benefits for all and impacts wellbeing Individuals borrowing books Urban community could benefit more wellbeing	Short & long term benefits	Books not returned	Individuals can't be fully charged Distinct funding low benefit but urban usage more	Targeted rates Residential 60%, other 40% Capital Grants & subsidies Borrowing Financial & development contributions Reserves

Open Spaces and Facilities Pensioner Housing	Vibrant Communities Affordable Living	Pensioners living in housing	Short & long term benefits		Distinct funding high benefit	Fees and Charges 100%
Regulatory Functions Animal control (dog licensing, impounding facilities for dogs & stock)	Vibrant Communities	Community benefit keeping stock & animals under control Animal control so individuals can keep dogs & dog walking areas signposted	Short & long term benefits	Exacerbator-wandering, menacing or dangerous animals. Those dogs impounded	Distinct funding medium benefit	Fees & charges 80% General rates 20% Capital Borrowing
Regulatory Functions Building Control (Consenting, inspecting & certifying building work, enforcement) Building compliance	Vibrant Communities Prosperous Communities Affordable Living	Building enforcement provides community benefits Individual benefit to those that get consent	Short & long term benefits	Exacerbator-noncompliance with consents	Administration, enquiries and answering of calls can't be charged Distinct funding high benefit	Fees & charges 75% General rates 25%
Regulatory	Prosperous	Community has	Short &	Exacerbator-	Phone enquires &	Fees & charges 70%

<p>Functions</p> <p>Resource consents (process land use, subdivision)</p>	<p>Economy</p> <p>Affordable Living</p>	<p>protection from adverse events</p> <p>Consent to individual has direct benefits</p>	<p>long term benefits</p>	<p>noncompliance with consents or district plan</p>	<p>administration can't be charged</p> <p>Distinct funding high benefit</p>	<p>General rates 30%</p>
<p>Regulatory Functions</p> <p>Environmental health (controlling food safety, sale of liquor)</p>	<p>Prosperous Economy</p>	<p>Enforcement of bylaws benefits community health and safety Education</p> <p>Benefit holding License or certifications for activities</p>	<p>Short term benefits</p>	<p>Exacerbator-noncompliance with Acts</p>	<p>Distinct funding high benefit</p>	<p>Fees & charges EH 30%</p> <p>General rates EH 70%</p> <p>Fees and Charges liquor 100%</p>
<p>Regulatory Functions</p> <p>Regulatory Monitoring</p>	<p>Prosperous Economy</p> <p>Affordable Living</p>	<p>Monitoring of complaints benefits community</p>	<p>Short and long term benefits</p>	<p>Residents making noise and not complying with their resource consents</p> <p>Freedom Campers</p>	<p>Distinct funding low benefit as high education component is involved, some infringements</p>	<p>General rates 80%</p> <p>Fees and Charges 20%</p>
<p>Regulatory Functions</p> <p>Parking</p>	<p>Prosperous Economy</p>	<p>Parking spaces attributable to individuals Education/Policing</p>	<p>Short term benefits</p>	<p>Exacerbator those that breach parking restrictions</p>	<p>Distinct funding medium benefit</p>	<p>General rates 80%</p> <p>Fees & charges 20%</p>
<p>Stormwater Drainage</p>	<p>Prosperous Economy</p>	<p>Private properties primarily benefit</p>	<p>Short and long term</p>		<p>Distinct funding high benefit</p>	<p>Primarily Targeted rates on LV 90%</p>

		based on location General rates used for 10% as general population benefits	benefits		Operational costs equalised	General rates 10% Capital Development Contributions Borrowing
Water Treatment and Supply	Prosperous Economy	Access to safe drinking water Assured supply of fire fighting Water for public toilets Equalisation avoids sudden changes in funding for small communities Bare sections benefit in value in being able to connect	Short and long term benefits		Distinct funding high benefit	Fees and charges Targeted rates and water by meter equalised Connectable 75% of full charge Capital Financial contributions Development contributions Borrowing Grants and Subsidies
Wastewater Treatment and Reticulation	Prosperous Economy	Harbours are kept clean Private households benefit Public toilets provided Equalisation avoids sudden changes in funding for small communities Bare sections benefit in value in being able to connect	Short and long term benefits	High waste users	Distinct funding high benefit Note 50% interest on outstanding Mangawhai DC balance is charged to general rates	Fees and charges General rates 5% Targeted rates equalised 95% Connectable 75% of full charge Capital Financial contributions Development contributions Borrowing Grants & subsidies
Transportation	Prosperous	Have access to a	Short &	Heavy	Distinct funding medium	Forestry Targeted rate

<p>Roading and Footpaths & Bridges</p>	<p>Economy Vibrant communities Dependable Roding</p>	<p>roading network Individual properties gain varying benefits Urban communities' benefit from streetlighting</p>	<p>long term benefits</p>	<p>maintenance of forestry roads Rural properties use roads more</p>	<p>benefit</p>	<p>based on hectares (Considered separate paper) General rates Grants and Subsidies 62% Fees & charges Capital Grants & subsidies 62% Development & Financial contributions Borrowing</p>
<p>Solid Waste Waste Minimisation Refuse & Recycling</p>	<p>Healthy Environment</p>	<p>Public litter bins as promote community health Landfill rehabilitation benefits community Recycling helps sustainability Transfer stations benefit users and community Education Waste collection for every household benefits individuals Urban community benefits from graffiti removal</p>	<p>Short & long term benefits</p>	<p>Exacerbators-fly-tippers. Those who abuse the kerbside collection</p>	<p>Distinct funding medium benefit Currently user charges for bags from distributor.</p>	<p>2024 Fees & charges 5% General rates 95% Capital Grants & subsidies Borrowing Reserves</p>

Flood Protection and Land Drainage	Prosperous Economy	Protects roads & private property. Particular communities benefit	Short & long term benefits		Distinct funding high benefit Particular communities' benefit	Targeted rates (on LV) Ruawai General rates Capital Grants & Subsidies Borrowings
District Leadership, Finance and Internal Services District Plan (consultation, district plan)	Prosperous Economy	Whole community benefits by a well thought out district plan & from policies & bylaws developed	Short & long term benefits		Distinct funding low benefit	General rates 100%
District Leadership, Finance and Internal Services Emergency management/ Civil defence enhance capability to recover from emergencies	Prosperous Economy	Benefits attributable to the whole community Some added value services to individuals	Short & long term benefits		District funding low benefit	General rates 100% Capital Grants & subsidies General rates Borrowing
District Leadership,	Vibrant Communities	Allows public to be part of democratic	Short & long term		Distinct funding low benefit	General rates 100%

Finance and Internal Services Governance (informed decisions)		process Council takes leadership on behalf of all residents	benefits			
District Leadership, Finance and Internal Services Corporate services (annual plan, annual reports, long term plans, finance & computing)	Vibrant Communities	Long term plans, annual plans annual reports All activities benefit	Short & long term benefits		Distinct funding low benefit Charge as overhead to all activities	Fees & charges General rates Capital Borrowing
District Leadership, Finance and Internal Services Economic Development	Prosperous Economy Vibrant Communities	Benefits attributable to whole community	Short & long term benefits		Distinct funding low benefit	General Rates Borrowing
District Leadership, Finance and Internal Services	Vibrant Communities	Users of Ruawai Hall Funds collected for its renewal	Short term benefits		Distinct funding high benefit Funds collected for its renewal Requested by Community	Targeted rates 100% (minimal overheads charged)

Ruawai Hall		Requested by Community				
District Leadership, Finance and Internal Services Mangawhai Harbour restoration	Prosperous Economy Healthy Environment	Benefits Mangawhai community using harbour Requested by Community	Short & long term benefits		Distinct funding high benefit Funds collected on behalf of society Requested by Community \$80 per rating unit	Targeted rates 100% (minimal overheads charged)
District Leadership, Finance and Internal Services CCTV	Prosperous Community	Benefits business in Dargaville & Ruawai Improves safety of Community Requested by Community	Short & long term benefits		Distinct funding high benefit Requested by Community organisation	Targeted rates 100% (minimal overheads charged)
District Leadership, Finance , and Internal Services Sportsville Dargaville	Vibrant Communities	Benefits community as provides sporting facilities – Dargaville & Ruawai	Short & long term benefits		Distinct funding high benefit Requested by Community	Targeted rates 100% (minimal overheads charged)
District Leadership, Finance and Internal Services Mangawhai Museum	Prosperous Community	Benefits locals visiting museum - Mangawhai. Requested by Community	Short & long term benefits		Distinct funding high benefit Requested by Community organisation \$20 per rating unit	Targeted rates 100% (minimal overheads charged)

Second step considerations

In developing budgets Council has looked at affordability and much of the discretionary spending in the budgets has been removed.

Forestry roads and their costs have been identified and rated as a targeted rate over hectares. (separate document considered by Council).

Council also considered the use of facilities/amenities more readily available and used by urban residents rather than rural residents and opted to introduce targeted rates for libraries and parks at usage rates of 60% to those residents in urban areas and 40% to other. The targeted rate also ensures ratepayers appreciate the costs of these services. Rural properties were previously bearing the burden.

Land Value

Having considered the overall rating impacts across all groups of ratepayers and individual properties, the Council will apply the LV (land value) to general rates because in its opinion land value represents the use of Council's service. No system is ideal, however on balance Council believes that land value is the best system at this point in time.

Differentials

The general rate has a significant component of activities where the community benefits as a whole, and as the general rate is a general taxing mechanism the use of differentials is to recognise that in addition to the public good element of the services funded by general rates where everyone benefits and can use them there is a difference, which we have assessed by using land use categories, as to how much ratepayers characterised by each category benefit from services, having a differential factor for obvious sectors that benefit. This is one of the means that the Council has used to achieve the desired overall rates impact on the wider community. It cannot achieve precise equity or allocation of costs to each property.

Council has the following differentials to its General Rate:

- 100 per cent for residential and lifestyle land under 2 hectares;
- 155 per cent for all other land use categories; this primarily reflects the use of the roading network and the extent which they contribute to the costs of that service.

The use of these differentials is to recognise that in addition to the public good element of the services funded by General Rates where everyone benefits and can use them there is a difference, which we have assessed by using land use categories, as to how much ratepayers characterised by each category benefit from the service, primarily the roading network and the extent to which they contribute to the costs of that service.

The variable component of general rates is set as cents per dollar of land value, which is assessed according to the two differentials.

Differential Category	Definition
Residential and small sized lifestyle properties	All land that is used exclusively, or almost exclusively, for residential purposes including investment flats or used for lifestyle purposes and is less than two hectares.
Other	All land that is not included in the definition of “residential and small lifestyle properties”. It includes land used exclusively, or almost exclusively, for dairy, horticultural, forestry, pastoral and specialist purposes, commercial, industrial or mining purposes and as a utility asset. Commercial includes resthomes and short stay accommodation such as motels and hotels.

UAGC

The Uniform Annual General Charge (UAGC) is a proportion of the General Rate set at a fixed amount per Rating Unit in the district. It is used to ensure a fair distribution across ratepayers given the marked difference in land values across the district. This mitigates the impact of a value-based rate which would otherwise place an unfair burden on higher value properties.

The level of the UAGC represents a base level for the cost of benefits received from the services Council provides. Council’s policy is to set the UAGC at close to the maximum allowable by law.

This policy has been developed following consideration of the impacts of the overall allocation of rating liability required under section 101(3)(b) of the Local Government Act 2002.

Cultural Wellbeing and Te Ture Whenua Māori Act 1993

The Council will promote the retention of Māori land in the hands of its owners. It will do this through the suite of remission and postponement policies as a whole which support the principles. Council is actively engaging with those owning Māori Freehold land and remitting rates on unproductive land.