

**Kaipara District Council**

June 2025

# **Revenue and Financing Policy**



Revenue and Financing Policy			
<b>Primary Audience</b>	External	<b>Business owner</b>	Finance
<b>Policy type</b>	Statutory Compulsory	<b>Act</b>	Local Government Act 2002
<b>Author</b>	NA	<b>Date adopted/last reviewed</b>	June 2025
<b>Authorised/adopted by</b>	Council	<b>Next review date</b>	As required

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## **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(3)).

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
- Efficiency and effectiveness
- Legal compliance

### ***Our Funding Approach***

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

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.

These considerations are detailed at the end of this policy.

## ***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. These fees and charges fund operating costs.

### **Rates**

There are two main types of rates:

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

The **General Rate** is a rate assessed across all rateable properties in the district based on a property valuation system. General rates are appropriate for funding activities or providing services where there is a significant public good element or where a private good generates positive externalities or benefits for the wider community. General rates can also be appropriate in situations where funding a capital project, where imposing the costs on those who would benefit from the project, would otherwise place too great a burden on them.

By law, the General Rate must be based on a property valuation system. Council currently uses a land valuation system. Differentials and the UAGC are detailed in the second step considerations.

**Targeted Rates (TR)** 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 or charged based on the ratepayer's consumption of the service (consumption), or area of land (hectares).

Rates can fund both operating and capital expenditure.

**Proceeds from Asset Sales** are the funding received from selling physical assets, such as plant and equipment. They are initially used to repay debt but can fund other capital expenditure.

**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 are 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 Policy on Financial Contributions sets out the methods by which contributions are calculated and required. These fund capital projects for growth.

**Grants and Subsidies** are funding received from other agencies, usually for a specific purpose. As such, they are used to fund those purposes which can be both operating and capital costs.

**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 Reserves fund renewals and can be used for other capital projects.

**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%.

\*\*Treated as one combined targeted rate. (Note this text will be a footer.)

Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
<b>Open Spaces and Facilities</b>						
Reserves/ open spaces (parks, gardens beaches) **	Vibrant Communities	Gardens and parks open to all benefits health and well-being Beach esplanade accessible Urban community could benefit more Events hire minimal	Short and long-term benefits	Anyone who damages reserves	Can't define who uses parks Distinct funding low benefit as open to all community. Targeted rate to be utilised for all properties	<u>Operations funding:</u> Targeted rates Fees and charges minimal <u>Capital funding:</u> Financial contributions Borrowing Grants and subsidies Depreciation Reserves
Cemeteries (network)	Vibrant Communities	Reserve for all Burial of family member	Short and long-term benefits		Distinct funding medium benefit Costs unaffordable by individuals if paid for all costs	<u>Operations funding:</u> Fees and charges 70% General rates 30% <u>Capital funding:</u> Financial contributions Borrowing Depreciation Reserves
Sports Parks **	Vibrant Communities	Organised sport	Short and long-term benefits		Sports clubs don't have funds to contribute to costs and not many sports fields owned by Council Distinct funding low benefit	<u>Operations funding:</u> Targeted rates 100% Fees and charges Minimal <u>Capital funding:</u> Financial contributions Borrowing Depreciation Reserves

Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
<b>Open Spaces and Facilities</b>						
Campgrounds (network)	Vibrant Communities Prosperous Economy	General access to some facilities Kai Iwi lakes tourists/ holiday makers 100%	Short and long-term benefits	Day users Kai Iwi lakes	Some campgrounds can't recover from campers Distinct funding high benefit	<u>Operations funding:</u> Fees and charges /lease 100% General rates <u>Capital funding:</u> Financial contributions Borrowing
Community assistance (supporting community organisations and volunteers)	Vibrant Communities	Benefits groups & individuals e.g. community partnerships, pool grant	Short and long-term benefits		Distinct funding low benefit	<u>Operations funding:</u> General rates 100% <u>Capital funding:</u> Grants and subsidies
Libraries **	Vibrant Communities	Information and education of public for community benefit Social benefits for all and impacts well-being Individuals borrowing books Urban community could benefit more	Short and long term benefits	Books not returned	Individuals can't be fully charged Distinct funding low benefit	<u>Operations funding:</u> Targeted rates <u>Capital funding:</u> Grants and subsidies Borrowing Financial and Development Contributions Reserves
Pensioner Housing	Vibrant Communities Affordable Living	Pensioners living in housing	Short and long-term benefits		Distinct funding high benefit	<u>Operations funding:</u> Fees and Charges 100% <u>Capital funding:</u> Borrowing Depreciation Reserves



Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
<b>Regulatory Functions</b>						
Animal control (dog licensing, impounding facilities for dogs and stock)	Vibrant Communities	Community benefit keeping stock and animals under control Animal control so individuals can keep dogs and dog walking areas signposted	Short and long-term benefits	Exacerbator-wandering, menacing or dangerous animals. Those dogs impounded	Distinct funding medium benefit	<u>Operations funding:</u> Fees and charges 80% General rates 20% <u>Capital funding:</u> Borrowing
Building Control (Consenting, inspecting and 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 and long-term benefits	Exacerbator-non-compliance with consents	Administration, enquiries and answering of calls can't be charged Distinct funding high benefit	<u>Operations funding:</u> Fees and charges 75% General rates 25% <u>Capital funding:</u> Borrowing
Resource consents (process land use, subdivision)	Prosperous Economy Affordable Living	Community has protection from adverse events Consent to individual has direct benefits	Short and long-term benefits	Exacerbator-non-compliance with consents or district plan	Phone enquires and administration can't be charged Distinct funding high benefit	<u>Operations funding:</u> Fees and charges 70% General rates 30%
Environmental health (controlling food safety, sale of liquor)	Prosperous Economy	Enforcement of bylaws benefits community health and safety Education Benefit holding License or certifications for activities	Short term benefits	Exacerbator-non-compliance with Acts	Distinct funding high benefit	<u>Operations funding:</u> Fees and charges Environmental Health (EH) 30% General rates EH 70% Fees and charges liquor 100%

Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
<b>Regulatory Functions</b>						
Regulatory Monitoring	Prosperous Economy Affordable Living	Monitoring of complaints benefits community	Short and long-term benefits	Residents making noise and not complying with their resource consents Freedom Campers	Distinct funding low benefit as high education component is involved, some infringements	<u>Operations funding:</u> General rates 80% Fees and charges 20%
Parking	Prosperous Economy	Parking spaces attributable to individuals Education/Policing	Short term benefits	Exacerbator those that breach parking restrictions	Distinct funding medium benefit	<u>Operations funding:</u> General rates 80% Fees and charges 20%
<b>Stormwater Drainage</b>						
Stormwater Drainage	Prosperous Economy	Private properties primarily benefit based on location General rates used for 10% as general population benefits	Short and long-term benefits		Distinct funding high benefit Operational costs equalised	<u>Operations funding:</u> Primarily Targeted rates on LV 90% General rates 10% <u>Capital funding:</u> Development Contributions Borrowing Depreciation Reserves

Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
<b>Water Treatment and Supply</b>						
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	<u>Operations funding:</u> Fees and charges Targeted rates and water by meter equalised Connectable 75% of full charge <u>Capital funding:</u> Financial contributions Development contributions Borrowing Grants and subsidies Depreciation Reserves
<b>Wastewater Treatment and Reticulation</b>						
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 <b>Note</b> 50% interest on outstanding Mangawhai DC balance is charged to general rates	<u>Operations funding:</u> Fees and charges General rates 5% Targeted rates equalised 95% Connectable 75% of full charge <u>Capital funding:</u> Financial contributions Development contributions Borrowing Grants and subsidies Depreciation Reserves

Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
<b>Transportation</b>						
Roading and Footpaths and Bridges	Prosperous Economy Vibrant communities Dependable Rooding	Have access to a roading network Individual properties gain varying benefits Urban communities' benefit from streetlighting	Short and long-term benefits	Heavy maintenance of forestry roads Rural properties use roads more	Distinct funding medium benefit	<u>Operations and Capital funding:</u> Forestry Targeted rate based on land area (hectares) (Details considered separate paper) General rates Grants and subsidies 62% Fees and charges <u>Capital funding:</u> Development and Financial contributions Borrowing
<b>Solid Waste</b>						
Solid Waste Waste Minimisation Refuse and Recycling	Healthy Environment	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	Short and long-term benefits	Exacerbators- fly-tippers Those who abuse the kerbside collection	Distinct funding medium benefit Currently user charges for bags from distributor.	<u>Operations funding:</u> Fees and charges 5% General rates 95% <u>Capital funding:</u> Grants and subsidies Borrowing Reserves

Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
<b>Flood Protection and Land Drainage</b>						
Flood Protection and Land Drainage	Prosperous Economy	Protects roads and private property. Particular communities benefit	Short and long-term benefits		Distinct funding high benefit Particular communities' benefit	<u>Operations funding:</u> Targeted rates (on LV) Ruawai and others General rates <u>Capital funding:</u> Grants and subsidies Borrowings Depreciation Reserves
<b>District Leadership, Finance and Internal Services</b>						
District Plan (consultation, district plan)	Prosperous Economy	Whole community benefits by a well thought out district plan and from policies and bylaws developed	Short and long-term benefits		Distinct funding low benefit	<u>Operations funding:</u> General rates 100%
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 and long-term benefits		District funding low benefit	<u>Operations funding:</u> General rates 100% <u>Capital funding:</u> Grants and subsidies General rates Borrowing Depreciation Reserves
Governance (informed decisions)	Vibrant Communities	Allows public to be part of democratic process Council takes leadership on behalf of all residents	Short and long-term benefits		Distinct funding low benefit	<u>Operations funding:</u> General rates 100% <u>Capital funding:</u> Borrowing

Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
<b>District Leadership, Finance and Internal Services</b>						
Corporate services (annual plan, annual reports, long term plans, finance and computing)	Vibrant Communities	Long term plans, annual plans annual reports All activities benefit	Short and long-term benefits		Distinct funding low benefit Charge as overhead to all activities	<u>Operations funding:</u> Fees and charges General rates <u>Capital funding:</u> Borrowing Depreciation Reserves
Economic Development	Prosperous Economy Vibrant Communities	Benefits attributable to whole community	Short and long-term benefits		Distinct funding low benefit	<u>Operations funding:</u> General rates <u>Capital funding:</u> Borrowing
Ruawai Tokatoka Hall	Vibrant Communities	Users of Ruawai Tokatoka Hall Funds collected for its renewal Requested by Community	Short term benefits		Distinct funding high benefit Funds collected for its renewal Requested by Community	<u>Operations funding:</u> Targeted rates 100% (minimal overheads charged)
Mangawhai Harbour restoration	Prosperous Economy Healthy Environment	Benefits Mangawhai community using harbour	Short and long-term benefits		Distinct funding high benefit Funds collected on behalf of society Requested by Community \$80 per rating unit	<u>Operations funding:</u> Targeted rates 100% (minimal overheads charged)
CCTV Dargaville	Prosperous Economy	Benefits business in Dargaville Improves safety of Community Requested by Community	Short and long-term benefits		Distinct funding high benefit Requested by Community organisation \$7.70 per rating unit	<u>Operations funding:</u> Targeted rates 100% (minimal overheads charged)

Activity and Council Service	Community Outcome	Who benefits?	Period of Benefit	Exacerbator	Cost/Benefit of Separate Funding	Funding Source Operating/Capital
CCTV Ruawai	Prosperous Economy	Benefits business in Ruawai Improves safety of community Requested by community	Short and long-term benefits		Distinct funding high benefit Requested by community organisation \$10.35 per rating unit	<u>Operations funding:</u> Targeted rates 100% (minimal overheads charged)
Museums	Vibrant Communities	Benefits attributed to the whole community	Short and long-term benefits	None identified	Distinct funding high benefit Funds collected on behalf of Museums	



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## **Second step considerations**

In developing budgets Council has looked at affordability and much of the discretionary spending in the budgets has been removed. Council recognised there was a delicate balance between rates affordability and delivering the level of service the community expects.

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.

Forestry roads and their costs have been identified and rated as a targeted rate over land area (hectares). Council had several discussions on the exacerbator on road costs and agreed forestry should continue to bear additional costs ([link to forestry report](#))

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. Council had considered affordability when looking to introduce this rate as rural and high value properties had been paying more than their fair share, when this was rated by general rates based on land value.

The Raupō A and B rate was amalgamated as one rate, so larger costs weren't borne by five ratepayers in previously defined Raupō District B.

### **Land Value**

Having considered the overall rating impacts across all groups of ratepayers and individual properties, 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. There was a lot of opposition from submitters who wanted to look at a capital value system. This will be reviewed in the next two years.

### **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 percent for residential and lifestyle land under 2 hectares;
- 155 percent 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

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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.

### **Cultural Well-being 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.