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# KAIKOURA DISTRICT COUNCIL

## REVENUE & FINANCING POLICY

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### Objective

**TO PROVIDE THE FUNDING MECHANISMS TO ENSURE THE EQUITABLE DISTRIBUTION OF COSTS TO THOSE WHO BENEFIT, AND TO PROVIDE FOR THE FINANCIAL SUSTAINABILITY OF THE ACTIVITIES UNDERTAKEN.**

### Financial Management

The Kaikoura District Council will ensure that each year's projected revenues are set at a level sufficient to meet that year's projected operating expenses.

The Kaikoura District Council will manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

The Kaikoura District Council will make adequate and effective provision to meet the expenditure needs of the district, which have been identified in its Long-Term Council Community Plan, and in its Annual Plan where applicable.

In determining the sources of funding which will be used, in relation to each activity to be funded, Council has considered;

- (a) The community outcomes to which the activity contributes; and
- (b) The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- (c) The period over which those benefits are likely to occur; and
- (d) The extent to which the actions (or inaction) of any individual or group may contribute to the need to undertake the activity; and
- (e) The costs and benefits of funding the activity from other activities

Appendix A is a summary of Council's considerations on these matters.

Having considered the most appropriate sources of funding in relation to each activity, Council has then considered 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.

### Funding of Operating Expenses

Council's policies and practices as regards the funding of its operating expenses are set to ensure that it complies with applicable legislation and generally accepted accounting practice.

In general terms it will use a mix of revenue sources to meet operating expenses, with major sources being general rates, targeted rates, subsidies, and fees and charges. Council recognises that there are certain circumstances that may allow it to seek alternative sources of funding, and these alternatives will be explored wherever possible.

The following sources of revenue are applied to the council's operational activities, in order of preference from left to right:

<b>Significant Activities</b>	<b>Fees &amp; Charges</b>	<b>Grants &amp; Subsidies</b>	<b>Interest &amp; Other</b>	<b>Targeted Rates</b>	<b>General Rates</b>
Governance				✓	✓
Civil Defence		✓			✓
Building Control	✓				✓
Environmental Health	✓				✓
District Planning	✓			✓	✓
Statutory Planning	✓				✓
Environmental Planning		✓			✓
Dog & Stock Control	✓				✓
Recreational Reserves & Playgrounds			✓	✓	✓
Sports Fields	✓		✓	✓	✓
Cemetery	✓			✓	✓
Property	✓		✓		✓
Traffic Control	✓				✓
Coastal Management		✓			✓
Stormwater				✓	
Sewerage	✓			✓	
Water Supply – Urban	✓			✓	
Water Supply – Rural	✓			✓	
Roading		✓			✓
Footpaths		✓			✓
Refuse & Recycling				✓	✓
Harbour Activities	✓		✓	✓	✓
Library	✓	✓	✓	✓	✓
Town Centre & Public Toilets	✓				✓

Significant Activities	Fees & Charges	Grants & Subsidies	Interest & Other	Targeted Rates	General Rates
Airport	✓				✓
Swimming Pool			✓		✓

## Basis for selection of mechanisms to fund operating expenses

**Fees and Charges** are used for services where there is a benefit to an individual. If it is possible to efficiently impose a charge, the Council does so on the basis of either recovering the full cost of the service, the marginal cost added by users, or a rate that the market will pay. The market rate becomes an issue to limit the potential for charging. It applies to circumstances where the Council believes that a charge set too high will reduce use and therefore diminish the value of the facility to the community, such as library fees.

**Grants and Subsidies** are used where they are available.

**Income from Interest, Logging Sales** and net rental income is used to offset the cost of provision of other services.

**Targeted Rates** are used to fund services where Council believes there is a public benefit, and that benefit or service is limited to a geographical area, such as properties within the urban water scheme area, or to avoid the differential applied to general rates, if the benefit is seen to be equal.

**General Rates** are also used to fund public benefit services, even though it may not be to the whole community. It typically funds “public goods” for which there is no practical method for charging individual users. It is applied on a differential basis, depending on type of use (Residential, Rural, Commercial, etc).

*Note that development contributions, although intended to be applied for capital expenditure, can also be applied to loan principal and interest expense, where the loan has been raised to undertake capital works for which a development contribution has been calculated. Council will use development contributions to fund interest expense, where this is the case.*

## Funding of Capital Expenses

Council's policies and practices as regards the funding of its capital expenditure are set to ensure that it complies with applicable legislation and generally accepted accounting practice.

In general terms it will use a mix of funding sources to meet capital expenditure, with major sources being targeted rates, financial/development contributions, borrowings, reserves (particularly depreciation reserves) and funding assistance such as grants and subsidies. However funding from general rates is applied to specific activities, such as roading.

The following sources of revenue are applied to the council's capital programmes, in order of preference from left to right:

Significant Activities	Grants & Subsidies	Development Contributions	Reserves & Property Sales	Term Loans	Rates
District Planning			✓	✓	✓
Dog & Stock Control	✓		✓		✓
Recreational Reserves & Playgrounds	✓	✓	✓	✓	✓
Sports Fields	✓	✓	✓	✓	✓
Cemetery	✓	✓	✓		✓
Property	✓	✓	✓	✓	✓
Traffic Control	✓	✓	✓	✓	✓
Coastal Management	✓	✓	✓	✓	✓
Stormwater	✓	✓	✓	✓	✓
Sewerage	✓	✓	✓	✓	✓
Water Supply – Urban	✓	✓	✓	✓	✓
Water Supply – Rural	✓	✓	✓	✓	✓
Roading	✓	✓	✓	✓	✓
Footpaths	✓	✓	✓	✓	✓
Refuse & Recycling	✓	✓	✓	✓	✓
Harbour Activities	✓	✓	✓	✓	✓
Library	✓	✓	✓	✓	✓
Town Centre & Public Toilets	✓	✓	✓	✓	✓
Airport	✓	✓	✓	✓	✓
Swimming Pool	✓	✓	✓	✓	✓

### Basis for selection of mechanisms to fund capital expenses

**Grants and Subsidies** are used where they are available.

**Development Contributions** are allowed for within this Plan, the proceeds from these contributions will be applied to capital projects contained within the Development Contribution Policy, and to the cost of servicing debt that has been raised to undertake those projects.

**Reserves and Property Sales** may be used to fund capital works or to repay debt. Council is planning to sell some properties in 2009.

**Borrowing** may be applied to capital works where the only alternative is rates funding. However, Council is aware that it does not have unlimited capacity to borrow, and the community does not have unlimited capacity to service debt. Therefore Council adopts a prudent approach to debt and its capital programme.

**Rates** will be used in an ongoing replacement programme and may be used to fund a portion of the capital work. This will be balanced against the affordability of the current ratepayer, and the extent to which the capital or renewal work is even over the period of the plan.

The following pages demonstrate, in relation to each activity to be funded, an analysis of who most benefits from the provision of each activity, the extent to which these groups or individuals benefit, and the community outcomes to which each activity relates. This explains why Council has chosen the funding mechanisms it has, and why it is appropriate for each activity.

Activity to be Funded	Community Outcomes	Distribution of Benefits	Period Over Which Benefits Accrue	Extent of Individual or Groups Contribution to Costs or Activity	Costs & Benefits of Funding from Other Activities
Governance	Community leadership, local representation and democratic process.	100% Community as a whole, on an equal basis.	Annually	None	N/A
Civil Defence	To be able to mitigate, prepare, respond to and recover from a Civil Defence emergency.	100% Community as a whole, on an equal basis.	Annually	None	N/A
Building Control	New buildings are safe and sanitary.	75% Individuals on a user pays basis. 25% Community as a whole, on a property basis.	Over the life of the building to individuals, annually to the community.	75% of costs are attributable to individuals or identifiable groups. The intention is that eventually this activity will be self funding.	N/A
Environmental Health	The environment we work, eat, drink and live in is safe.	60% Community as a whole, on an equal basis. 40% Individuals on a user pays basis.	Annually	60% of costs are attributable to individuals or identifiable groups.	N/A
District Planning	To provide for growth while ensuring the physical environment of the district is sustainably managed.	100% Community as a whole, on a property basis.	Indefinitely	None	N/A
Recreational Reserves and Playgrounds	The community is able to enjoy the open spaces for its health, fitness and well-being.	100% Community as a whole, on an equal basis	Indefinitely	Individuals pay for any wilful damage, where they can be identified.	Reserves, contributions and loans are used to fund upgrading and extending parks and reserves.

Activity to be Funded	Community Outcomes	Distribution of Benefits	Period Over Which Benefits Accrue	Extent of Individual or Groups Contribution to Costs or Activity	Costs & Benefits of Funding from Other Activities
Statutory Planning	To assist the community to achieve its aims while promoting the sustainability of the district environment.	80% Individuals on a user pays basis. 20% Community as a whole, on a property basis.	Over the life of the development to the individual, annually to the community.	80% of costs are attributable to individuals or identifiable groups.	N/A
Sports Fields	The community is able to enjoy sporting activities.	75% Community as a whole, on an equal basis 25% Sports Clubs on a user pays basis.	Indefinitely	Sports clubs make a large contribution to the need to undertake this activity, but have limited funds to pay for it.	N/A
Cemetery	Family and descendants are provided with a culturally acceptable resting place for the deceased.	50% Community as a whole, on an equal basis 50% Individuals on a user pays basis	Indefinitely	50% of costs are attributable to individuals.	N/A
Property	All Council properties are maintained to safe and aesthetic standards.	55% Individuals and identified groups on a user pays basis 45% Community as a whole.	Annually	This varies according to the nature of the property.	N/A
Coastal Management	The roading network and infrastructure is protected from coastal erosion. The community has recreation areas available for enjoyment.	100% Community as a whole, on a property basis.	Maintenance annually, capital works over the life of the asset	None	Grants can be used for specific projects listed in the Coastal Management Strategy.

Activity to be Funded	Community Outcomes	Distribution of Benefits	Period Over Which Benefits Accrue	Extent of Individual or Groups Contribution to Costs or Activity	Costs & Benefits of Funding from Other Activities
Stormwater	Property is protected from Stormwater damage.	100% Community within the urban area, on a property basis.	Maintenance annually, capital works over the life of the asset	Development within the district places extra demands on the existing infrastructure.	Reserve funds, contributions and loans are appropriate to fund upgrading and extending infrastructure.
Traffic Control	There is sufficient parking provided to meet reasonable public expectations.	80% Community as a whole on a property basis, 20% Individuals on a user pays basis.	Annually to the community, Immediately to individuals.	The commercial sector benefit the most from the provision of parking.	N/A
Sewerage	Sewage is collected and discharged in an efficient and environmentally sound manner.	91% Community within the urban area, both on a property and a per pan basis, 9% Individuals on a user pays or contributions basis.	Maintenance annually, capital works over the life of the asset	Development places extra demands on the existing infrastructure. 60% of upgrade costs will be funded by contributions for new developments.	Reserve funds, contributions and loans are appropriate to fund upgrading and extending infrastructure.
Water Supply Urban	Water meets the supply and quality needs of the urban area.	65% Community within the urban area, on an equal basis, 35% Individuals or groups on a user pays or contributions basis.	Maintenance annually, capital works over the life of the asset	Development places extra demands on the existing infrastructure. 60% of upgrade costs will be funded by contributions for new developments.	Reserve funds, contributions and loans are appropriate to fund upgrading and extending infrastructure.
Water Supply Rural	Water meets the supply and quality needs of the rural area.	100% Community within the rural area, on an equal (per unit supplied) basis.	Maintenance annually, capital works over the life of the asset	None	N/A

Activity to be Funded	Community Outcomes	Distribution of Benefits	Period Over Which Benefits Accrue	Extent of Individual or Groups Contribution to Costs or Activity	Costs & Benefits of Funding from Other Activities
Roading	The community has a safe and effective land transport system within and between districts.	100% Community as a whole, on a property basis.	Maintenance annually, capital works over the life of the asset	Development within the district places extra demands on the existing infrastructure.	Reserve funds, contributions and loans are appropriate to fund upgrading and extending infrastructure.
Refuse & Recycling	The community has a safe and environmentally sustainable solid waste service.	100% Community as a whole, on an equal basis. All residents & visitors benefit from reduced environmental degradation.	Maintenance annually, capital works over the life of the asset	The creators of waste will pay the appropriate disposal cost.	N/A
Library	The community has access to educational, recreational, historical and cultural information, enhancing the overall well-being of the district.	85% Community as a whole, on an equal basis, 25% Individuals on a user pays basis.	The lifetime of the library collection.	Users of the library contribute 100% to the need for this activity, but it is not equitable to fund this activity on a user pays basis.	Grants, donations and special funds assist with the funding of this activity.
Harbour Activities	To have a facility which meets the commercial and recreational needs of the community and provides safe access to the sea.	60% Community as a whole, on a property basis, 40% Individuals, on a user pays basis.	Maintenance annually, capital works over the life of the asset	Commercial operators have the most need for this activity, and the greatest demand on the level of service.	Reserve funds, contributions and loans are appropriate to fund upgrading and extending infrastructure.
Footpaths	The community has a safe pedestrian access system throughout the urban area where practical.	100% Community as a whole, on a property basis.	Maintenance annually, capital works over the life of the asset	Development within the district places extra demands on the existing infrastructure.	Reserve funds, contributions and loans are appropriate to fund upgrading and extending infrastructure.

Activity to be Funded	Community Outcomes	Distribution of Benefits	Period Over Which Benefits Accrue	Extent of Individual or Groups Contribution to Costs or Activity	Costs & Benefits of Funding from Other Activities
Town Centre and Public Toilets	Visitors to the town centre and public toilets enjoy safe, clean and aesthetic standards.	80% Community as a whole, on a property basis, 20% Individuals on a user pays basis.	Annually to the community, Immediately to individuals.	The commercial sector benefits the most from the provision of town centre and toilet facilities.	Pay & Display revenue can be applied to the West End development.
Airfield	The community has access to a safe and aesthetic airfield for both recreational and commercial purposes.	85% Individuals or identifiable groups, on a user pays basis, 15% Community as a whole, on a property basis.	Annually	The commercial sector benefits the most from the provision of airfield facilities, along with the Aero Club and passing aviators.	N/A
Swimming Pool	The community can enjoy a safe, clean public swimming facility.	100% Community as a whole, on a property basis.	Annually	Individual users of the pool pay the user fees.	N/A
Dog & Stock Control	Dogs are registered in accordance with legislation, and the community enjoys a peaceful environment free from the nuisance of wandering dogs and stock	40% Community as a whole on a property basis, 60% Individuals on a user pays basis.	Annually	Dog owners pay a dog registration fee, and costs are recovered where animals have been impounded.	N/A

Note that, while the Distribution of Benefit split between community and individuals is an ideal split, actual results may vary from the percentages stated, due to the variance in actual estimated usage and demand for each activity. Where the benefits accrue to an individual, Council will endeavour to use a specific user charge. Where the benefits accrue to a specified group of users or properties, Council will endeavour to use a targeted rate. Where the benefits accrue to the community as a whole, Council will use a general rate.