

HURUNUI DISTRICT COUNCIL

POLICY

REVENUE AND FINANCING



Approved: 15 April 2021

- Introduction** This policy explains who pays for Council services and why¹. The policy also sets out:
- the community outcomes to which the service primarily contributes
 - The funding principles relevant to each service including:
 - the distribution of benefits between Hurunui District as a whole, or smaller areas (such as townships or rating areas) and individuals
 - the extent to which the actions of individuals or groups contribute to the need for the service
 - the costs and benefits for funding the service distinctly from other services
 - the overall impact of funding a service on the current and future social, economic, environmental and cultural wellbeing of the community
 - The way operational costs are financed
 - The way capital costs are financed.

Funds for each service are collected unless the Council believes that to do so would not be fair, or not be in the interest of the community, or is in conflict with Council policy. The Council has the responsibility to make the final decision on how to fund its services having considered public feedback.

Explanation of terms used

Capital Value: The value a property is expected to receive at the time of valuation if offered for sale on reasonable terms and conditions.

Community Outcomes: The community outcomes used in the development of the revenue and financing policy are as follows:

- A desirable and safe place to live
- A place where our traditional rural values and heritage make Hurunui unique
- A place with a thriving local economy
- A place with essential infrastructure
- A place that demonstrates environmental responsibility

Development Contributions: Charges on future lots or units of demand to fund the growth portion of capital expenditure (such as upgraded infrastructure, new reserves, etc).

District Rate: District wide collection of revenue based on a set number of cents per dollar of the capital value of every property, or a uniform annual general charge (UAGC).

Drainage Rate: Targeted Rate on a defined area benefiting from a classified stormwater or drainage scheme.

¹ Local Government Act sections 101,102 and 103.

Land Area: This is a set dollar amount for each rateable property based on the area of the land that property consists of.

Lot: A rateable property (lots can be combined). A lot is a legal entity.

Targeted Rate: Is a rate within a rating area or other defined area and may be based on cents per dollar of capital value of every property or a fixed amount per rating unit (known for the purposes of this policy as a “Uniform Annual Charge”, UAC). Money is spent in that area only.

UAC: Uniform Annual Charge. Within the context of this policy, this is a Targeted Rate for a set dollar amount collected for each rateable property (or each separately used or inhabited part of a property) in the District as a whole or within part of the District for a specific Council service (e.g. water supply, sewerage, amenities etc).

UAGC: Uniform Annual General Charge. This is a set dollar amount which is collected for each rateable property or each separately used or inhabited part of a property in the District, irrespective of the value of the property, to cover the combined costs of various Council services.

Units of demand: Units of demand are defined as a rating unit or a separately used or inhabited part of a rating unit.

User Charges: Charges collected from individuals at the time service is used.

Utilities: Combination of water, wastewater and refuse services.

Service Reviews

The council activities and associated service reviews are detailed below.

Water Supplies

| Service | Water Supplies |
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| Community outcomes | <ul style="list-style-type: none">A place with essential and appropriate infrastructure. |
| Relevant funding principles | <p>The increased requirements to meet New Zealand drinking water standards place an exceptional burden on the rate payers of small water schemes. To fund the increased costs associated with meeting standards, the Council funds all drinking water requirements from a general rate, rather than a targeted rate (as was done in the past).</p> <p>Only those properties which are connected to a Council water scheme are rated for this service.</p> <p>Water rates are based on the principal that all ratepayers own an equal share in the water supply system and therefore, all users should meet an equal component of the fixed costs of water supply. They should then pay the economic marginal cost of any additional usage.</p> |

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| Funding - operational | <p>For all on-demand supplies, a standard connection charge is applied regardless of the location. In addition, those connected to an on-demand supply are charged a standard charge for each cubic metre of water as recorded by individual water meters.</p> <p>Properties that have the ability to connect to an on-demand supply but are not connected (e.g. vacant sections) will be charged ½ the standard connection charge.</p> <p>For restricted supplies, except Balmoral, a staged increase is proposed to align all supplies to a common rate for each unit of water.</p> <p>The Balmoral Rural Water Supply is charged as a local uniform annual rate per water unit entitlement.</p> |
| Funding - capital | <ul style="list-style-type: none"> • Capital expenditure is initially funded by a loan as per the Council’s Internal Financing Policy. • The depreciation costs for all water supplies are included as part of the operational costs and charged as part of the targeted rate with the depreciation funds used for repayment of internal debt. • If the capital expenditure caters for future growth of the scheme, then that portion of the cost that relates to growth may be funded through development contributions. • Land owners will pay the cost of connection to the nearest main; plus if a new subdivision, the cost of a new sub-main and development contributions if they apply. • Property owners individually pay for new connections. |

Sewerage

| Service | Sewerage |
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| Community outcomes | <ul style="list-style-type: none"> • A desirable and safe place to live. • A place with essential and appropriate infrastructure. • A place that demonstrates environmental responsibility. |

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| <p>Relevant funding principles</p> | <p>The increased requirements to meet environmental standards for sewerage systems place an exceptional burden on small communities to fund their own scheme. To fund the increased costs associated with meeting standards, the Council funds all sewerage requirements from a general rate, rather than a targeted rate (as was done in the past).</p> <p>Only those properties which are connected to a Council sewerage scheme are rated for this service.</p> <p>Not all areas of the district are connected to a sewerage system due to the geographical spread of the largely rural district. Most ratepayers have their own self-funded sewerage disposal system, such as septic tanks.</p> |
| <p>Funding - operational</p> | <p>A wastewater uniform annual charge applies:</p> <ul style="list-style-type: none"> • to each connection • for commercial properties a charge of: <ul style="list-style-type: none"> ○ full charge for the first toilet pan ○ ½ charge on the second toilet pan ○ ¼ charge on the third and subsequent toilet pans <p>Vacant properties within the urban sewerage scheme area will be charged ½ the uniform annual charge.</p> |
| <p>Funding - capital</p> | <ul style="list-style-type: none"> • Capital expenditure is initially funded by a loan as per the Council's Internal Financing Policy. • The depreciation costs for all sewerage schemes are included as part of the operational costs and charged as part of the targeted rate with the depreciation funds used for repayment of internal debt. • If the capital expenditure caters for future growth of the scheme, then that portion of the cost that relates to growth may be funded through development contributions. • Land owners will pay the cost of connection to the nearest main; plus if a new subdivision, the cost of a new sub-main and development contributions if they apply. • Property owners individually pay for new connections. |

| Service | Stormwater and Drainage | |
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| Supported community outcomes | <ul style="list-style-type: none"> • A desirable and safe place to live. • A place with essential and appropriate infrastructure. | |
| Relevant funding principles | <p>Further investigation is needed to fully understand the stormwater and drainage needs for the district. There is a mix of private and Council owned systems but limited understanding of how these inter-relate and interact with each other. The work to assess future needs will benefit those across the district in urban areas and will be charged to those in urban areas.</p> <p>The capital costs for the stormwater and drainage systems in the following areas will be charged to those who benefit from the individual drains:</p> | |
| | <ul style="list-style-type: none"> • Ashworths drains • Leithfield Outfall drain • Newcombes Road drains • Jed River drains | <ul style="list-style-type: none"> • Culverden • Cheviot • Motunau Beach • Hawarden • Waikari |
| Funding - operational | <p>District wide rate will be charged on each urban property to develop district-wide stormwater management and catchment plans.</p> <p>For individual townships (except in the Amberley Rating Area), a targeted rate will be charged on each property in the defined township area.</p> <p>For the Amberley Rating Area, a targeted rate will be charged to each property in the Rating Area.</p> | |
| Funding - capital | <ul style="list-style-type: none"> • Capital expenditure is initially funded by a loan as per the Council's Internal Financing Policy. • The depreciation costs relating to the capital renewal or replacement of stormwater assets is charged as a targeted rate to those properties which benefit from a particular stormwater outlet or drain. The depreciation funds are used for repayment of internal debt. • If the capital expenditure caters for future growth of the scheme, then that portion of the cost that relates to growth may be funded through development contributions. | |

Roads and Footpaths

| Service | Roads and Footpaths |
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| Supported community outcomes | <ul style="list-style-type: none"> • A desirable and safe place to live. • A place with essential and appropriate infrastructure. |
| Relevant funding principles | <p>The Council considers that all residents and ratepayers benefit from its roads and footpaths. Having a good road network that enables people to easily access their destination whether that be for work, recreation, shopping etc, is an expectation of most people. Rather than try to establish who may benefit more from certain roads, the Council charges a roading rate to all properties.</p> <p>Urban areas have footpaths and are charged a local rate. Some of the townships have more footpaths than others. The Council has delegated local committees to make decisions about where footpaths are needed. To ensure that all footpaths are well maintained, a maintenance plan is in place and funded from those who live in urban areas.</p> |
| Funding - operational | <ul style="list-style-type: none"> • District Rate for operations, roads and bridges known as the 'Roading Rate'. • Footpath maintenance is funded through a district rate for urban areas on an 80% basis, and rural areas for the remaining 20% of costs. |
| Funding - capital | <ul style="list-style-type: none"> • Subsidised capital expenditure (through Waka Kotahi NZ Transport Agency) is funded as operational. • If the capital expenditure caters for future growth, then the portion of the expenditure that relates to growth may be funded from financial contributions. • For resealing work that does not qualify for a government subsidy (from Waka Kotahi NZ Transport Agency), ratepayers on that particular road are to meet the full cost (as per the Road Seal Extension Policy). • Footpath renewals are funded district wide in the same manner as footpath maintenance. • New Footpaths constructed in specific areas shall be funded through a local rate on community rating areas. |

Coastal Hazards

| Service | Coastal Hazards |
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| Supported community outcomes | <ul style="list-style-type: none"> • A desirable and safe place to live. • A place that demonstrates environmental responsibility • A place with essential and appropriate infrastructure. |
| Relevant funding principles | <p>The Council commissioned Jacobs to complete a District Coastal Hazard and Risk Assessment which has been presented to the communities. The assessment also looks at potential impacts of on Council infrastructure. The Council is following MFE's adaptive pathway guidance to work with communities on the adaptive pathways available to each community. A new activity is being added to the Long Term Plan to recognise the growing significance of coastal hazards in its long term planning.</p> <p>The only item in this budget is the Foreshore protection fund (bund) for Amberley Beach.</p> |
| Funding - operational | A targeted rate will be charged to each property in the Amberley Beach Township. |
| Funding - capital | <ul style="list-style-type: none"> • Capital expenditure is initially funded by a loan as per the Council's Internal Financing Policy. • The targeted rate will include a portion of funding to repay any debt or to build up the fund to carry out capital work in the future. |

Public Services

| Service | Public Services |
|------------------------------|--|
| Supported community outcomes | <ul style="list-style-type: none"> • A desirable and safe place to live. • A place where our traditional rural values and heritage make Hurunui unique. • A place that demonstrates environmental responsibility. |
| Relevant funding principles | The Council provides a number of public services to meet a range of needs and services that would otherwise be unprofitable to run privately but considered necessary in |

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| | <p>today's society. A variety of funding mechanisms is used to pay for these services to spread the cost as fairly as possible without over burdening any individuals or communities.</p> <p>Where possible, 'user pay' principles are applied but this is not always practical or able to fully fund each service. For example, to fund the library, a number of mechanisms are used including a district rate, user pays (fees), Hanmer Springs Thermal Pools and Spa profits, and occasionally small grants are provided. If the library was to be fully user pays, the cost of using the library would be prohibitive to many individuals and go against the principles of libraries being equally accessible to all.</p> <p>Another example is reserves and playgrounds. It would be extremely difficult to have a user pay system for these items and charge individuals for using playgrounds and for a walk through a reserve. Again, this goes against community principles and desires that these facilities are easily and equally available for all to use. Some user charges exist for some reserves for organised events.</p> |
| Funding - operational | See table on next page. |
| Funding - capital | See table on next page. |

Public Services Funding Mechanisms

| Public Services Activity | District Rate | Local Amenity Rate | Targeted Rate | User Charges | Development Contributions | External Grants | HSTPS |
|---------------------------------|---------------|--------------------|---------------|--------------|---------------------------|-----------------|-------|
| Community halls | | • | | • | • | | |
| Reserves, parks and playgrounds | • | • | | • | • | | • |
| Township maintenance | | • | | | | | |
| Youth programme | • | | | | | • | • |

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| Medical centres | | • | | • | • | | |
| Social housing (pensioner units) | | | | • | | • | |
| Residential housing | • | | | • | | | |
| Cemeteries | • | | | • | | | • |
| Public toilets | • | • | | | | • | • |
| Libraries | • | | | • | | • | • |
| Civil defence | • | | | | | • | |
| Waste management | • | | | • | | • | |
| District promotion | • | | | | | | |
| Tourism | | | • | | | • | • |
| Swimming pools | | • | • | • | | | |

Regulatory Services

| Service | Regulatory Services |
|------------------------------|--|
| Supported community outcomes | <ul style="list-style-type: none"> • A desirable and safe place to live. • A place that demonstrates environmental responsibility. |
| Relevant funding principles | <p>User charge principles apply as much as possible.</p> <p>Regulatory services are often required to protect people, animals and the environment. To do this, rules are created to ensure the sustainable management of the districts natural and physical resources, and to minimise any factors that most people would deem a nuisance.</p> |

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| | <p>Therefore, costs are recovered as much as practical from those who require a service that benefits them individually (building and resource consents), or provides a service that can cause potential harm (such as the sale of liquor and food), or directly cause nuisance (for example, loud music, barking dogs).</p> <p>Some statutory constraints apply that limit what the Council is able to recover under the Resource Management Act.</p> <p>Other Acts state actual fees that the Council must pass on to users of certain services (such as dog registration and liquor licencing fees).</p> | | | |
| Funding - operational | Activity | User charges | District rate | Fee set by statute |
| | Resource consents | • | • | |
| | Private plan change | • | | |
| | Planning | • | • | |
| | Swimming pool inspections | • | | |
| | Building consents | • | • | |
| | Health | • | • | |
| | Liquor | | • | • |
| | Dog registration | | | • |
| | Animal control | | • | |
| | Earthquake prone buildings | | • | |
| Funding - capital | <ul style="list-style-type: none"> • District rate. • Note: Capital costs are minimal in this function and mainly relate to vehicle purchases. | | | |

Hanmer Springs Thermal Pools and Spa

| Service | Hanmer Springs Thermal Pools and Spa (HSTP&S) |
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| Supported community outcomes | <ul style="list-style-type: none"> • A place where our traditional rural values and heritage make the Hurunui unique. • A place with a thriving local economy. • A place that demonstrates environmental responsibility. |
| Relevant funding principles | <p>The HSTP&S is run as a department of the Council on a reserve. Because of this, the use of the profits is restricted to that set out in the Reserves Act. HSTP&S is run as a business and the Council deliberately aims to increase the profit margins each year.</p> <p>A substantial amount of the annual profits is reinvested into the Pools complex to ensure they remain attractive and compelling to visitors in order to reasonably expect increased profits. Another portion of the profits is used to repay Council debt – much of this resulting from improvements to the complex.</p> <p>All Hurunui ratepayers benefit from the HSTP&S operation as the profits earned are used to offset the rates that would be charged if the profits were not available. For example, most of the funding for reserves, playgrounds, parks and libraries (on reserves) are funded from the profits rather than through direct rates.</p> <p>The Council strongly considers that HSTP&S belongs to the ratepayers of the Hurunui District and has granted special discounted rates to encourage them to use the pools.</p> |
| Funding - operational | <p>User charges.</p> <p>The HSTP&S sets its fee schedule for the use of the facilities annually.</p> |
| Funding - capital | <p>Internal borrowing from the Council in accordance with the Internal Financing Policy.</p> <p>The Council charges the HSTP&S an interest rate of 2% above the Council's external borrowing rate. The additional interest derived from the internal financing to the HSTPS (\$20,000 per \$1 million of borrowings) provides a good return for the Council that contributes toward lower rates.</p> |

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| | <p>Loans are serviced by HSTP&S from a portion of its profits.</p> <p>The amount of depreciation that is charged is also used to repay debt.</p> |
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Governance

| Service | Governance |
|------------------------------|---|
| Supported community outcomes | <ul style="list-style-type: none"> • A desirable and safe place to live • A place where our traditional rural values and heritage make Hurunui unique • A place with a thriving local economy • A place with essential infrastructure • A place that demonstrates environmental responsibility |
| Relevant funding principles | The Council’s financial strategy is to supports its strategic direction and the sustainable, affordable delivery of services and facilities. The Council’s intent is to manage and reduce debt, to maximise the HSTPS profits, and ensure that council activities are affordable and relevant. |
| Funding - operational | <p>District rate (known as the governance rate).</p> <p>Hanmer Springs Community Board members’ remuneration is funded by the Hanmer Springs Rating Area amenities rate.</p> |
| Funding - capital | No significant capital investment in this area. |

Earthquake Recovery

| Service | Earthquake Recovery |
|------------------------------|---|
| Supported community outcomes | <ul style="list-style-type: none"> • A desirable and safe place to live. • A place with essential and appropriate infrastructure. |
| Relevant funding principles | The Council was left with a shortfall in funding the response and recovery from the Earthquakes in November 2016. The resulting debt is still to be serviced. Recognising the Hurunui District as a whole is responsible for this debt, the Council has deemed that it is appropriate to service that debt from a district wide rate. |

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| Funding - operational | Ongoing operational costs relate to servicing of the debt. Charged as a district wide rate. |
| Funding - capital | No significant capital investment is anticipated in this area. |

END OF POLICY
