

# Revenue and financing policy

The proposed amendments to the Revenue and financing policy are highlighted in yellow.

## 1. Policy purpose and overview

The purpose of the Revenue and financing policy is to provide predictability and certainty about sources and levels of funding available to the council. It explains the rationale for, and the process of selecting various tools to fund the operating and capital expenditures of the council.

## 2. Policy background

### Funding principles

To assist with the identification of the appropriate funding methods, the council has used a set of guiding principles that incorporate the matters set out in the Local Government Act 2002. These are summarised in table 3.1.1 below.

**Table 3.1.1**

Principle	Rationale for its application
Paying for benefits received or costs imposed	The council will apply this principle to select appropriate funding methods when considering benefit distribution and cost causation and the period in or over which benefits and costs are expected to occur. The allocation of costs to those who benefit from a council service or those who impose costs to the council (whether the community as a whole, any identifiable part of community, or individuals) is considered economically efficient and equitable and the extent to which the actions or inaction of individuals or a group contribute to the need to do the activity
Transparency, accountability and costs and benefits of funding activities separately	This principle is applied when considering the costs and benefits of separate funding. Transparency of funding enables the users of services to assess whether they get value for money. Accountability makes the council more efficient in providing these services. From the perspective of the service users, transparency and accountability also enables them to make more informed decisions in using council services
Market neutrality	This principle is relevant when the council is competing with the private sector in producing or delivering services. The council can be placed in an advantageous position vis a vis the private sector because of its ability to fund such services from rates, either fully or partially. This can lead to market distortions and economic inefficiencies. It can also discourage private enterprise. To avoid this, in tandem with other principles such as affordability, the council will apply commercial best practice when providing such services
Financial prudence and sustainability	This principle is relevant in determining appropriate funding mixes. It is recognised that additional revenue may be required to support debt repayment and manage treasury ratios
Optimal capital usage	This principle relates to the effectiveness of funding tools in achieving efficiencies. The council's limited financial resources should be used in such a way to maximise the benefits provided to the community, while minimising the burden on ratepayers. Among other things, this principle influences the council's decisions on the best mix of funding (between rates income, other revenue sources, borrowings and asset sales) to pay for its assets and activities
<b>Strategic alignment</b>	<p>The Auckland Plan sets out a vision for the city over the next 30 years. The Revenue and financing policy should have regard to its impact on the broader strategies and priorities as set out in the council's vision and the Auckland Plan</p> <p>The infrastructure strategy outlines how the council intends to manage its infrastructure assets. The Revenue and Financing policy will show how investment in infrastructure is funded</p>

Principle	Rationale for its application
<b>Overall social, economic, environmental and cultural impacts</b>	Decisions on how the council's revenue requirements will be met (by ratepayers and other groups) should take into account the impact of such decisions on the current and future social, economic, environmental and cultural well-being of the community and the community outcomes to which the activity relates
<b>Community outcomes in the Auckland Plan</b>	Decisions on how the councils revenue requirements will be met (by ratepayers and other groups) should take into account the impact of such decisions on the community outcomes in the Auckland Plan
<b>Affordability</b>	The council needs to consider the impact of funding methods on people's ability to pay as this can have implications for community well-being
<b>Minimise the effects of change</b>	The integration and harmonisation of the policies of the former councils may lead to major changes in the incidence or rates and user charges for services. Funding and financial policies should seek to minimise or manage the impact of these changes
<b>Efficiency and effectiveness</b>	The councils financial policies should have regard to the costs of carrying them out, and how effective they will be in achieving their objectives
<b>Practicality of policy</b>	The councils funding policies must be achievable and unconstrained by practical issues that will prevent compliance
<b>Legal compliance</b>	The LGA 2002 and related legislation include a number of legal requirements for the development of the Revenue and financing policy. All aspects of the policy will comply with legislation

There are some inherent conflicts between these guiding principles. In practice, establishing the council's specific revenue and financing policies involves balancing competing guiding principles. For example, the principle of paying for benefits received may call for a high degree of user pays for an activity, but this must be balanced against the principle of affordability. In practice, when the council applies these principles to assess how to fund the separate activities, the council then considers the overall impact of any allocation of liability on the community.

### 3. Policy details

#### Expenditure to be funded

Legislation requires the council to make adequate provision in its long-term plan to meet expenditure needs identified. Generally, this will mean that all expenditure is funded. Exceptions include funding of depreciation expenditure where it is financially prudent not to do so. In determining the level of non-funded depreciation, the council will have regard to:

- whether at the end of its useful life, the replacement of an asset will be funded by way of a grant or subsidy from a third party
- whether the council has elected not to replace an asset at the end of its useful life
- whether a third party has a contractual obligation to maintain the service potential of an asset throughout all or part of its useful life or to replace the asset at the end of its useful life
- whether fully funding depreciation in the short-term will result in an unreasonable burden on ratepayers, presenting conflict between funding principles, for example between affordability and financial prudence and sustainability. In such circumstances, the council will remain prudent and ensure it promotes both the current and future interests of the community by forecasting to reach a position over time where it fully funds depreciation (apart from the exceptions above).

Table 3.1.2 below sets out the minimum level of depreciation funding the council will incorporate when calculating its rates requirement.

**Table 3.1.2 Proportion of depreciation expenditure to be funded**

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Funded</b>	67%	70%	74%	78%	82%	85%	89%	93%	96%	100%
<b>Not funded</b>	33%	30%	26%	22%	18%	15%	11%	7%	4%	0%

As a result of this policy of moving towards funding 100 per cent of depreciation by 2025 the council has resolved that for three of the next 10 years, the councils operating revenue (adjusted for items such as vested assets and development contributions) will be less than the councils total operating expenditure (including depreciation). This implies that in the early years of the plan, the council is more reliant on borrowings, rather than rates and other current revenue, to fund its capital expenditure. However, the council considers that the level of council debt is manageable and prudent in every year of the plan. In particular, the projected level of council debt will not result in the council's interest expense exceeding our prudential target of 12 per cent of revenue. Further information about our prudent approach to managing debt is included in our Financial Strategy in section 1.3.

The council considers that this policy on funding depreciation and the consequential impacts on councils operating budgets and debt levels is financially prudent, reasonable and appropriate having had regard to our funding principles, the factors in section 100(2) of the Local Government Act 2002 and all other relevant matters.

## Sources of funding

The sources of funding applied under this policy are limited to those set out under section 103 (2) of the LGA 2002.

### Sources of funding: Operating expenditure

The council has determined the funding sources for operating expenditure after considering the funding principles set in Table 3.1.1.

**Table 3.1.3 Funding sources for operating expenditure**

Funding source	Rationale
<b>Fees and charges</b>	Fees and charges can be applied where the users of a service can be identified and charged according to their use of the service (and those that do not pay are denied access to the service). This is based on the paying for benefits received principle. Fees are also appropriate where an individual's action or inaction creates the need for an activity (cost causation). For example, the cost of obtaining a building consent is met by the building owner
<b>Grants and subsidies</b>	Grants and subsidies are generally only appropriate for funding the operating costs of the particular activity that the grant or subsidy is intended to pay for. For example, NZTA (government) transport subsidies can only be used to fund transport projects.
<b>Development or financial contributions</b>	Development contributions or financial contributions can only be used to fund capital expenditures related to growth and financing costs incurred due to timing differences between growth-related capital expenditure being incurred and the related development contribution being received
<b>Targeted rates</b>	Targeted rates are appropriate for funding operating activities where the activity mainly benefits a specific group of ratepayers or where the action or inaction of that group contributes to the need for the activity. These include, for example where: <ul style="list-style-type: none"> <li>an individual or a group of ratepayers voluntarily chooses to adopt the rate, such as for business improvement districts or the Retrofit Your Home scheme</li> </ul>

Funding source	Rationale
	<ul style="list-style-type: none"> <li>• the benefit of the activity falls on an identifiable subset of ratepayers</li> <li>• to incentivise land owners to develop land in response to a commitment to the provision of infrastructure (including projects to support growth)</li> <li>• to provide certainty of the council recovering its costs</li> <li>• where greater transparency in funding the cost of the activity is desirable</li> <li>• the rate is for a specific service such as for refuse collection.</li> </ul>
<b>General rates</b>	General rates are appropriate for funding activities where it is not practicable or cost-effective to identify the individual or group of beneficiaries (or causers of costs) of the service and charge them for the benefits received or costs imposed (e.g. regional parks and open spaces). It is also appropriate for general rates to partially fund activities where the provision of a private good also generates wider social benefits or where the application of fees and charges either causes affordability issues or compromises the wider objectives of the activity. This is consistent with the guiding principle of affordability
<b>CCO profits, and net rental and interest from investments</b>	CCO profits and net returns from investments will be used to offset the general rates funding requirement of other council activities, reducing the burden on all ratepayers
<b>Borrowing</b>	Borrowing will not generally be used to fund operating expenses. The council may choose to borrow for an operating expense where it is providing a grant to an external community organisation that is building an asset such as a community facility or in other cases where operating expenditure provides enduring economic benefits. Borrowing may also be used to fund the interest expense accrued on borrowing during the period of construction of an asset; and to fund the cost of discovered liabilities such as the council's share of weathertightness claims. In these cases borrowing and repaying the debt over time promotes intergenerational equity by spreading the responsibility for funding across the generations who will benefit
<b>Trusts, bequests and other reserve funds</b>	Certain operating expenditure may be funded from restricted or special funds that are subject to special conditions of use, whether under statute or accepted as binding by the council. Transfers from reserves may only be made when the specified conditions for use of the funds are met
<b>Other funding sources</b>	The use of any other funding sources should be assessed with regard to the guiding principles. Any miscellaneous revenue not linked to a specific activity should be used to fund activities that would otherwise be funded through the general rate
<b>Surpluses from previous financial years</b>	A surplus may be available to be carried forward if the actual surplus/(deficit) is improved compared to the forecast surplus/(deficit). Generally, only those factors that are cash in nature will be available for use in determining the level of surplus to be carried forward. The amount of any surplus carried forward will be accounted for as an operating deficit in the year the benefit is passed to ratepayers

**Note:** Auckland Council does not intend to use lump sum contributions or proceeds from asset sales to fund operating expenditure.

The funding mix for activities shown in Table 3.1.6 below reflects the application of the above principles and rationale to the operating expenditure of individual activities.

## Sources of funding: Capital expenditure

The council has determined the funding sources for capital expenditure after considering the funding principles set out in Table 3.1.1.

**Table 3.1.4 Funding sources for capital expenditure**

Funding source	Rationale
<b>General rate</b>	Appropriate funding source where it is not practicable or cost-effective to identify the individual or group of beneficiaries (or causers of costs) of the capital expenditure
<b>Targeted rates</b>	Appropriate to fund capital expenditure projects (including projects to support growth): <ul style="list-style-type: none"> <li>that benefit a specific group of ratepayers</li> <li>to incentivise land owners to develop land in response to a commitment to the provision of infrastructure</li> <li>to provide certainty of the council recovering its costs</li> <li>where greater transparency in funding the cost of the activity is desirable</li> </ul>
<b>Fees and charges</b>	Appropriate funding source where users of a service can be identified and charged according to their service. Examples include water charges and Infrastructure Growth Charges from Watercare Services Limited
<b>Interest and dividends from investments</b>	Interest and dividends from investments may be used where appropriate and consistent with the councils funding principles to fund capital expenditure projects and to reduce the reliance on ratepayer funding.
<b>Borrowing</b>	Borrowing is used to spread the funding requirement for capital expenditure across multiple years. Given assets deliver benefits throughout their useful lives it is appropriate that the funding is spread across the useful life
<b>Proceeds from asset sales</b>	Funds received from the sale of surplus assets will generally be used to repay borrowings. On a case-by-case basis these surpluses may be used to fund investment in another asset of higher strategic priority than the asset sold
<b>Development or financial contributions</b>	Appropriate to fund capital expenditure in anticipation of or in response to development (growth) that will generate a demand for additional reserves, network or community infrastructure (such as stormwater systems). Contributions are set through the council's Contributions policy
<b>Grants, subsidies, and donations</b>	Appropriate to fund specific capital expenditure projects as per terms of the grant, subsidy or donation. An example of this is NZTA subsidies to partially fund transport projects
<b>Trusts, bequests and other reserve funds</b>	Certain capital expenditure may be funded from restricted or special funds that are subject to special conditions of use, whether under statute or accepted as binding by the council. Transfers from reserves may only be made when the specified conditions for use of the funds are met
<b>Other sources</b>	Other revenue sources may be used where appropriate and consistent with the council's funding principles to fund capital expenditure projects and to reduce the reliance on ratepayer funding. An example of this is the use of commercial returns from property holdings to fund capital spend on those property assets

**Note:** Auckland Council does not intend to use lump sum contributions to fund capital expenditure.

The funding mix for activities shown in Table 3.1.6 below reflects the application of the above principles and rationale to the operating and capital expenditure of individual activities.

## Rating policy

The council will use general rates to fund activities which have a 'public good' element, e.g. civil defence, or where it wishes to subsidise the provision of services because of the wider social benefits they provide e.g. libraries.

## Valuation basis

The general rate will be set on the basis of capital value. Capital value better reflects the level of benefit a property is likely to receive from services rather than land value or annual value.

## Application of a uniform annual general charge

To ensure that the rates burden isn't disproportionately borne by higher value properties the council has decided to set a uniform annual general charge (UAGC). Every ratepayer will therefore make a minimum contribution to meeting the council's costs.

The charge will apply to every separately used or inhabited part of a rating unit e.g. shop in a mall or granny flat. This ensures equal treatment between these properties and main street shops or apartments on individual titles.

## Rates differentials

It is the council's view that some land uses receive more benefit from, or place more demand on, council services and/or may have a differing ability to pay rates. The differentials will be determined based on land use and location.

The council will apply general rates differentially (the base level for rating is the residential sector) and may also apply targeted rates differentially to:

- businesses in the urban area
- business and residential properties in rural areas
- farm/lifestyle properties
- properties with no direct or indirect road access and properties on uninhabited islands.

The council has decided that the appropriate basis for differential for business is to raise 25.8 per cent of the general rates take, which is substantially lower than the current level. Business rates will move to that level in equal steps by 2037/2038 to manage the affordability impact of the shift in the rates burden to the residential sector, with a pause in the 2017/2018 year

## Targeted rates

The council mainly uses targeted rates where there is a clearly identifiable group benefiting from a specific council activity. Targeted rates will apply to properties that receive certain services, or which are located in specified areas. Targeted rates may be used where the council wishes to incentivise development in areas where infrastructure investments have been made and/or to provide more certainty over the timing of payment for those investments. Targeted rates may also apply universally to fund a specific activity where a greater degree of transparency is desired. The council does not have a lump sum contribution policy and will not invite lump sum contributions for any targeted rate.

The council intends to set targeted rates to fund activities as set out in Table 3.1.5 below.

**Table 3.1.5: Services to be funded by targeted rates**

Targeted rate	Services to be funded
<b>Solid waste targeted rates set in each former council area</b>	Refuse, inorganic and recycling services as appropriate in that former council area
<b>City centre targeted rate</b>	Investment in projects to enhance the central city environs
<b>Local targeted rates as proposed by local boards</b>	Local activities in the local board's area
<b>Business improvement district targeted rates</b>	Investments to enhance the environs in the area of the business association as agreed with the business association
<b>Loan repayment targeted rates</b>	To repay financial assistance provided by the council to ratepayers for specific purposes
<b>Waitakere rural sewerage targeted rate</b>	To pay for the provision of inspection and pump out services for on-site waste management systems
<b>Transport targeted rate</b>	Accelerated capital programme for transport
<b>Infrastructure targeted rates</b>	Activities requiring infrastructure investment
<b>Accommodation provider targeted rate</b>	ATEEDs visitor attraction and major events expenditure

### Annual adjustments to regulatory fees and charges

The council will amend its regulatory fees and charges annually to:

- reflect increases in costs as measured by the council rate of inflation and/or
- maintain the cost recovery levels underlying the basis for setting the fee levels.

The change to fee levels will be made on a practical basis recognising that the percentage change applied to individual fees may not precisely equal the council rate of inflation. This also means smaller fees may increase by more material amounts in one year and remain constant for a period before being adjusted again.

### Application of funding principles to the funding of operating and capital expenditure for each activity

The council has determined the sources of funding for capital and operating expenditure for each of its activities after considering the principles set out in Table 3.1.1 and the rationale for the use of funding sources in Tables 3.1.3 and 3.1.4 above. A brief summary of the decisions and consideration of funding principles for each activity is set out in table 3.1.6 below.

Table 3.1.6 Funding sources for operating and capital expenditure for each activity

**Theme: Auckland Development**

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Waterfront Development</b>	Waterfront Development	This involves both commercial operations that deliver private benefits and public initiatives that benefit the community as a whole	<p>Costs of commercial operations are funded from user charges and other non-rates revenue</p> <p>Costs of public initiatives are primarily funded from the general rate</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Property Development</b>	Property Development	Lessees, tenants and purchasers derive the full benefit	<p>Costs are fully funded from lease revenue, rents and the sale of development properties</p> <p>Borrowings are used to address cash-flow timing differences</p>
<b>Regional Planning</b>	Regional Planning	<p>The community as a whole benefit from this activity</p> <p>The city centre redevelopment programme directly benefits businesses in the city centre area through enhancing the quality of the environment in the city centre for workers and visitors</p>	<p>Costs are primarily funded from the general rate</p> <p>Costs associated with the city centre redevelopment programme are funded from a combination of the city centre targeted rate and general rates</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Development contributions are used to</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
			<p>fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Local Planning and development</b>	Local Planning and Development - Locally Driven Initiatives	The community as a whole benefit from this activity	<p>Costs are fully funded from the general rate</p> <p>Revenue from any other sources (including from any user charges, targeted rate, grants, donations and sponsorships) will be utilised should they become available</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Local Planning and development</b>	Local Planning and Development - Asset Based Services	<p>Business improvement districts (BIDs) directly benefit from council expenditure on local economic development made at their direction</p> <p>The rest of the councils service in local planning and development benefits the community as a whole</p>	<p>Grants provided to each BID for spending in the BID area are funded from the respective BID targeted rate</p> <p>Revenue from any other sources (including from any user charges, targeted rate, grants, donations and sponsorships) will be utilised should they become available</p> <p>The balance of the costs are funded from the general rate</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>

### Theme: Economic and Cultural Development

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Economic Growth and Visitor Economy</b>	Economic Growth and Visitor Economy	<p>The related industries benefit from increased visitor numbers</p> <p>The community as a whole benefit from growth in the economy and employment</p>	<p>Visitor attraction and major events expenditure is funded by a mix of general and targeted rates</p> <p>Economic development costs are primarily funded from the general rate</p> <p>Subsidies from government and other sources are utilised where available</p> <p>User charges are applied where benefits are private (event tickets)</p> <p>Borrowings are used to spread the</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
			costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences
<b>Regional Facilities</b>	Regional Facilities	<p>Users of the facilities derive a direct benefit</p> <p>The community as a whole benefit through a more diverse and vibrant lifestyle and an increased sense of pride and identity created by the events hosted in the facilities</p> <p>An enhancement to the overall economy and employment resulting from increased visitor numbers</p>	<p>The majority of the costs are funded from the general rate with the balance funded from user charges such as venue hire</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>

### Theme: Environmental Management and Regulation

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Regulation</b>	Regulation	<p>The need for the council involvement is mainly caused by licence or consent applicants or holders whose activities, if unregulated, could cause nuisance to the public or pose a threat to the safety or health of the community</p> <p>In some cases it is difficult to identify and charge the parties who cause the costs (e.g. owners of unregistered dogs)</p> <p>In some cases charging the full cost may discourage compliance</p> <p>Certain related services (e.g. provision of property information) deliver private benefit to users</p>	<p>Costs are primarily funded from user charges</p> <p>Certain charges are set at a level below cost to encourage compliance, with the balance funded from general rates</p> <p>Where costs cannot be easily attributed to individual parties, they are funded from the general rate</p> <p>Targeted rates are used where there is a clearly identifiable group benefiting from a specific council activity (e.g. on-site sewerage pump out)</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Solid Waste and Environmental Services</b>	Solid Waste and Environmental Services	<p>Service users derive a direct benefit</p> <p>The waste minimisation goals set by the council support recycling and resource recovery initiatives</p> <p>The community as a whole benefit from the public services such as public litter bin clearing, waste minimisation education and hazardous waste collection and disposal</p> <p>In some cases it is difficult to identify and charge the parties who cause the costs (e.g. illegal dumping)</p> <p>The provision of civil defence is a public good that benefits the</p>	<p>The funding policy outlined below will be implemented over time in conjunction with the implementation of the council's Waste Management and Minimisation Plan (WMMP)</p> <p>Costs for the collection and disposal of refuse will be funded from user charges. However, until full implementation of the WMMP a combination of targeted rates and charges will be used</p> <p>Costs for recycling and resource recovery initiatives are funded from targeted rates</p> <p>Subsidies from government and other sources are utilised where available</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
		community as a whole	<p>Where the benefit is public or it is difficult to identify the exacerbators, the costs will be funded from the general rate</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p> <p>Costs associated with civil defence are funded from the general rate</p>
<b>Local Environmental Management</b>	Local Environment - Locally Driven Initiatives	These are public goods that benefit the community as a whole	<p>Costs are fully funded from the general rate</p> <p>Revenue from any other sources (including from any user charges, targeted rate, grants, donations and sponsorships) will be utilised should they become available</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Local Environmental Management</b>	Local Environment - Asset Based Services	These are public goods that benefit the community as a whole	<p>Costs are fully funded from the general rate</p> <p>Revenue from any other sources (including from any user charges, targeted rate, grants, donations and sponsorships) will be utilised should they become available</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Stormwater Management</b>	Stormwater Management	These are public goods that benefit the community as a whole (except for a small number of local projects that benefit a specific group of ratepayers)	<p>Costs are primarily funded from the general rate</p> <p>Targeted rates are used where financial assistance is provided by the council for a specific group of ratepayers to fund local projects that solely benefit those ratepayers</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
			<p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Financial contributions are used to fund the costs of environmental mitigation through the resource consent process</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>

**Theme: Governance and Support**

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Regional Governance</b>	Regional Governance	These are public goods that benefit the community as a whole	<p>Costs are primarily funded from the general rate (note 30)</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Local Governance</b>	Local Support Services	These are public goods that benefit the community as a whole	<p>Costs are primarily funded from the general rate 1</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Organisational Support</b>	Organisational Support	<p>Certain services within this activity (e.g. provision of financial assistance to certain ratepayers and supply of information for commercial or private use) deliver private benefits</p> <p>The remainder of the activity contributes to the council's provision of other external services</p>	<p>Targeted rates are used where financial assistance is provided by the council for a specific group of ratepayers to fund local projects that solely benefit those ratepayers</p> <p>There is a small amount of revenue from fees and charges</p> <p>The remainder of the costs are allocated to the council's external services</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Investment</b>	Investment	All ratepayers as a whole bear the risk of the investments	<p>Any profit realised is used to reduce the general rate requirement</p> <p>Any loss would be funded from the general rate or other revenue</p> <p>Borrowings are used to address cash-flow timing differences</p>

Note: Revenue from council owned cafeteria is currently grouped under this activity and is used to offset the general rate.

### Theme: Theme: Parks, Community and Lifestyle

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Regional Parks, Sport and Recreation</b>	Regional Parks, Sport and Recreation	<p>Service users derive a direct benefit</p> <p>The community as a whole benefit from access to high quality open space</p> <p>In most cases it is impractical to directly charge users</p> <p>In some cases the service is private and a charge can be implemented (e.g. use of park space or facilities for private functions)</p>	<p>Costs are primarily funded from the general rate</p> <p>User charges may apply where the service is private and a charge can be implemented</p> <p>Subsidies from government and other sources (including from any targeted rate, grants, donations and sponsorships) are utilised where available</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Local Parks, Sport and Recreation</b>	Local Parks, Sports and Recreation - Locally Driven Initiatives	<p>Service users derive a direct benefit</p> <p>The community as a whole benefit from access to high quality open space</p> <p>In most cases it is impractical to directly charge users</p> <p>In some cases the service is</p>	<p>Costs are primarily funded from the general rate</p> <p>User charges may apply where the service is private and a charge can be implemented</p> <p>Subsidies from government and other sources (including from any targeted rate, grants, donations and sponsorships) are utilised where available</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
		<p>private and a charge can be implemented (e.g. use of park space or facilities for private functions)</p>	<p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<p><b>Local Parks, Sports and Recreation - Asset Based Services</b></p>	<p>Local Parks, Sports and Recreation - Asset Based Services</p>	<p>Service users derive a direct benefit</p> <p>The community as a whole benefit from access to high quality open space</p> <p>In most cases it is impractical to directly charge users</p> <p>In some cases the service is private and a charge can be implemented (e.g. use of park space or facilities for private functions)</p>	<p>Costs are primarily funded from the general rate</p> <p>User charges may apply where the service is private and a charge can be implemented</p> <p>Subsidies from government and other sources (including from any targeted rate, grants, donations and sponsorships) are utilised where available</p> <p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<p><b>Regional Community Services</b></p>	<p>Regional Community Services</p>	<p>Service users derive a direct benefit</p> <p>The wider public benefit from a more vibrant and friendly community and a safer community environment</p>	<p>Costs are primarily funded from the general rate</p> <p>User charges may apply where the service is private and a charge will not compromise the council's social objectives</p> <p>Subsidies from government and other</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
		<p>The target recipients of the services may have affordability issues</p>	<p>sources, (including from any targeted rate, grants, donations and sponsorships) are utilised where available</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<p><b>Local Community Services</b></p>	<p>Local Community Services - Locally Driven Initiatives</p>	<p>Service users derive a direct benefit</p> <p>The wider public benefit from a more vibrant and friendly community and a safer community environment</p> <p>The target recipients of the services may have affordability issues</p>	<p>Costs are primarily funded from the general rate</p> <p>User charges may apply where the service is private and a charge will not compromise the council's social objectives</p> <p>Subsidies from government and other sources, (including from any targeted rate, grants, donations and sponsorships) are utilised where available</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<p><b>Local Community Services - Asset</b></p>	<p>Local Community Services - Asset</p>	<p>Service users derive a direct benefit</p>	<p>Costs are primarily funded from the general rate</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Based Services</b>	Based Services	<p>The wider public benefit from a more vibrant and friendly community and a safer community environment</p> <p>The target recipients of the services may have affordability issues</p>	<p>User charges may apply where the service is private and a charge will not compromise the council's social objectives</p> <p>Subsidies from government and other sources, (including from any targeted rate, grants, donations and sponsorships) are utilised where available</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>

**Theme: Transport**

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Roads and Footpaths</b>	Roads and Footpaths	<p>Road and footpath users derive a direct benefit</p> <p>There are legal and practical constraints in directly charging users</p> <p>The vast majority of the public are users</p>	<p>Costs are funded predominantly from the general rate</p> <p>Government grants are utilised where available</p> <p>Targeted rates applied universally on a differential basis (business and non-business) are used where a greater degree of transparency is desired. Targeted rates may also be used where financial assistance is provided by the council for a specific group of ratepayers to fund local projects that solely benefit those ratepayers</p> <p>Costs associated with the city centre redevelopment programme are funded from a combination of the city centre targeted rate and general rates</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
			<p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Public Transport and Travel Demand Management</b>	Public Transport and Travel Demand Management	<p>Service users derive a direct benefit</p> <p>Public transport provides benefit for the wider community by reducing demand from private transportation for roading infrastructure</p>	<p>Costs are funded from a combination of the general rate, user charges and government grants</p> <p>Targeted rates applied universally on a differential basis (business and non-business) are used where a greater degree of transparency is desired</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) not funded from development contributions where a project benefits a specific group of ratepayers</p> <p>Development contributions are used to fund the majority of the total cost of interest and capital expenditure on qualifying growth-related public infrastructure</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of ratepayers and to address cash-flow timing differences</p>
<b>Parking and Enforcement</b>	Parking and Enforcement	<p>Parking customers derive the full benefit</p> <p>Individuals failing to comply with restrictions create the need for the council involvement</p>	<p>Costs are fully funded from user charges and fines</p> <p>Borrowings are used to address cash-flow timing differences</p>

#### Theme: Water Supply and wastewater treatment and disposal

Group of Activities	Activities	Consideration of funding principles	Funding policy
<b>Water Supply</b>	Water Supply	Water and wastewater customers derive the full benefit	<p>Costs are mainly funded from user charges</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) and are not funded by other user charges and/or development contributions where a project benefits a specific group of ratepayers</p>

Group of Activities	Activities	Consideration of funding principles	Funding policy
			<p>Borrowings are used to spread the costs fairly and prudently across different generations of water users and to address cash-flow timing differences</p>
<b>Wastewater</b>	Wastewater Disposal	Water and wastewater customers derive the full benefit	<p>Costs are mainly funded from user charges</p> <p>Targeted rates are used to fund operations, maintenance and renewal costs where a project benefits a specific group of ratepayers</p> <p>Targeted rates are used to fund interest and capital expenditure cost for infrastructure (including projects to support growth) and are not funded by other user charges and/or development contributions where a project benefits a specific group of ratepayers</p> <p>Borrowings are used to spread the costs fairly and prudently across different generations of water users and to address cash-flow timing differences</p>