

Revenue and Financing Policy

Purpose

The Revenue and Financing Policy sets out how the Council's activities are funded. The requirements for this Policy are set out in the Local Government Act 2002 (sections 101–103).

Overview

Council must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interest of the community. To achieve this Council makes certain there is sufficient revenue in its Long-term Plan and in its Annual Plans to meet expenditure needs. The Policy outlines the Council's funding sources, including rates, grants, fees and borrowing funding considerations and decision-making processes, for example for operating expenses and capital expenditure.

Available Funding Sources/Mechanisms

General Rates

This rating method is used to fund those services where the Council believes there is a public benefit 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 as the benefit is wider than just specific users. General rates fund a range of services which are used by individual ratepayers to varying extents. The Council uses the general rate rather than several targeted rates to achieve a simpler rating structure. That simpler structure makes it easier for ratepayers to understand how they are being rated and it is also more straight-forward and cheaper to administer. Differentials are used to ensure that other rates mechanisms do not alter the incidence in rates between the major ratepayer groups. All general rates are set and assessed across the region (which includes the Buller, Grey and Westland District areas), but that might be on a uniform or a differential basis.

Uniform Annual General Charge

Council will use a Uniform Annual General Charge of \$192.59 (GST incl) as well as a general rate in the \$ of Capital Value. Council sees including the setting and assessing of a Uniform Annual General Charge as being a fairer way of spreading the imposition of the general rate over the region's ratepayers. This recognises that all ratepayers receive a base level of service regardless of the Capital Value of their

property. The Uniform Annual General Charge will be set and assessed on all rating units.

Council sets its rate on a differential basis and it has decided for the 2024-25 year that the differential relationship for the categories are:

- Buller District Area 32% (34% last year)
- Grey District Area 39% (38% last year)
- Westland District Area 29% (28% last year)

Council checks the validity of these differentials from time to time using a comparison involving district Capital Values, district population and the number of rating units. These comparisons continue to support the above differentials as shown in the following table:

	Buller	Grey	Westland
% based on number of rating units	33%	38%	29%
% based on Capital Value	35%	36%	29%
% based on population	29%	43%	28%
Average	32%	39%	29%

Targeted Rates

Council may set and assess targeted rates for the purpose of undertaking specific services or work for the benefit of all or part of the region. Council will be setting and assessing targeted rates to fund the following types of expenditure:

- Various river, drainage, and coastal protection schemes. These rates are only set and assessed over properties that have a direct beneficiary or cause/effect relationship with the service being provided.
- A Regional Emergency Management rate will be set and assessed across the region to fund Emergency Management responsibilities.
- Te Tai o Poutini Plan (the combined district plan for the West Coast) rate is set and assessed across the region to fund the work required in preparing this Plan mandated by the Local Government Commission Order in Council.
- The Warm West Coast targeted rate scheme requires homeowners who borrowed money from Council to improve their home heating and insulation, pay this amount back via regional rates. This scheme has been discontinued.

The Funding Impact Statement provides detailed definitions, description, and rating sectors for each of the targeted rates.

Grants and subsidies

Used where they are available to fund both capital and operational expenditure to minimise the use of borrowing or to lower the impact on rates.

Fees and Charges

These are used for those services where there is a benefit to an individual. If it is possible to efficiently impose a charge the Council does so, based on either recovering the full cost of the service or a rate that the market will pay. The market rate can limit the potential for charging in circumstances where the Council believes that a charge set too high will adversely reduce use.

Investment Income

Council at present has funds under management with its Fund Manager. Council is currently using 100% of this income to offset rates.

Council also has a Catastrophe Fund of \$1M invested with its Fund Manager. Interest earned on this fund is retained 100% within the Catastrophe Fund. The Council has in place insurance cover on its infrastructure (Rating District assets) with a grouping of South Island Councils. The Catastrophe Fund of \$1M will provide easily accessible funding in the event of a catastrophe.

Environment Court appeals for RMA planning, enforcement and resource consents are unpredictable. If significant legal expenses are likely to be incurred, Council may consider using debt to cover legal fees to smooth the impact to rates and to avoid rating for expenses whose timing is uncertain.

Rating District Balances

Various river, drainage and coastal protection rating districts have credit balances carried forward from year to year. At various times these credit balances will be utilised to fund works required in those rating districts.

Borrowing

Council views debt as a smoothing mechanism and a means of achieving equity between time periods, however Council does not have an unlimited capacity to borrow, and the community does not have unlimited capacity to service those loans into the future. Therefore, Council adopts a prudent approach to debt and its capital programme to ensure that the burden of debt and the interest cost does not place an impossible burden on the community.

Council's Long-term Plan envisages borrowing to fund:

- Scheme works where Council has sought the views of the contributing community prior to carrying out the river, drainage or sea protection works.
- Work programmes that have future benefits and where the expenditure is uneven, and borrowing is an effective strategy for smoothing the rating impact.
- To raise the local share of key projects that are otherwise substantially paid for through Central Government grant funding to achieve intergenerational equity outcomes.

Council borrows the funds required to carry out the works and normally rates the properties identified as benefiting from the works to service and repay the loan. Council seeks to match the term of borrowings to average life of assets where practicable. New loans drawn down for the key forecast capital works in this Long-term Plan will be repaid in line with the new asset life expectancy which could be up to 80+ years.

Security of borrowing

The Investment Management and Investment Policy, included in this Long-Term Plan, sets out how borrowing will be managed. The Council provides security on its external borrowings through a Debenture Trust Deed. Under a Debenture Trust Deed, the Council borrowings are secured by a floating charge over all Council rates levied under the Local Government Rating Act. The security offered by the Council ranks equally with other lenders.

Proceeds from asset sales

These may be used to fund capital works or repay debt. The preferred option will be for debt repayment with any new works funded from new debt draw down. This method is favoured due to its transparency and the neutral effect it has on rating. There are no major planned asset sales programmed over the period of this plan, but assets which are no longer required for strategic or operational purposes may be sold.

Summary of funding tools and how they are applied.

Funding	Operating expenditure	Capital expenditure
General rates, including Uniform Annual General Charge (UAGC)	Used to fund expenditure	Used to fund expenditure and repay debt
Target rates including differential rates	Used to fund expenditure	Used to fund expenditure and repay debt
Fees and charges	Used to fund expenditure	Not used
Interest and dividends	Used to fund expenditure	Used to fund expenditure
Borrowing	Used to fund expenditure if required	Used to fund expenditure
Proceeds from asset sales	Used to fund expenditure	Used to fund expenditure and repay debt
Grants and subsidies	Used to fund projects	Used to fund projects
Surpluses from previous financial year or reserves	Used to fund expenditure	Used to fund projects

Funding principles

In considering which funding sources are appropriate for each activity, Council has considered Section 101(3) of the Local Government Act:

- a. The promotion of community outcomes.
- b. User/beneficiary pays – the distribution of benefits between the community as a whole, any identifiable part of the community and individuals.
- c. Intergenerational equity – the period in or over which those benefits are expected to come.
- d. Exacerbator pays – the extent to which the actions or inaction of particular individuals or groups contribute to the need to undertake the activity.
- e. The costs and benefits of funding an activity in a different manner to the way other activities are funded, including consequences for transparency and accountability.
- f. The overall impact on the current and future social, economic, environmental and cultural well-being of the community.

Changes to Funding Mechanisms

There have been several changes made in this Policy review due to the consolidation and restructure of Council's Activity Groups. These changes have resulted in the consolidation of seven Activity Groups into five which are considered to better reflect the role and responsibilities of Council. An additional activity, Navigation and Harbour Safety, has been included in the *Policy and Regulation*

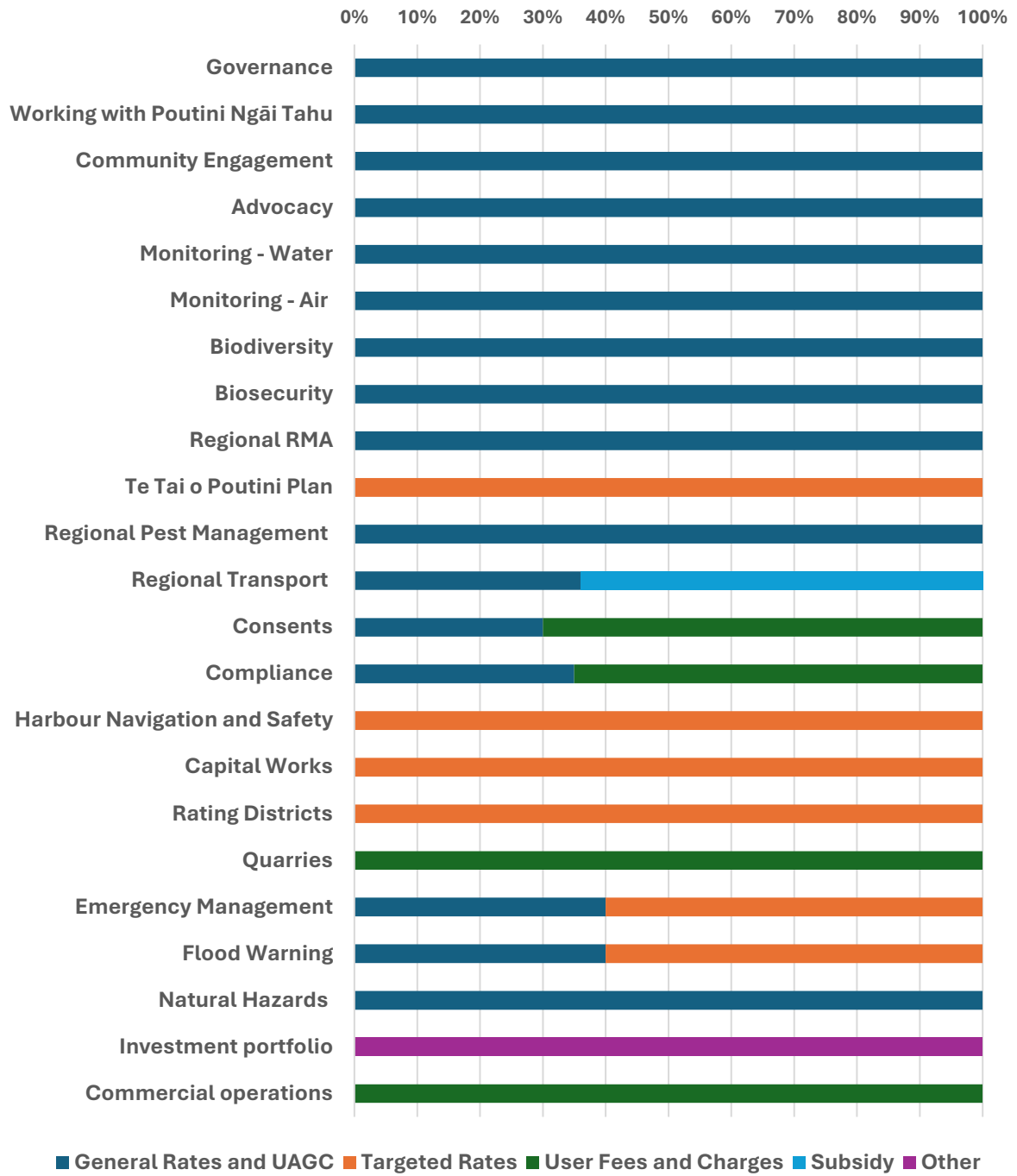
Group of Activities, Vector Control Services (VCS) is no longer a separate Activity Group but included in a wider, new, *Commercial Activities Activity Group* along with Quarries. Hydrology and Flood Warning Services is now included within the *Infrastructure and Resilience Group of Activities*.

The below table and graphs summarise the funding policy of Council.

Summary of funding policies

Activity Group	Activity	General Rates and UAGC	Targeted Rates	User Fees and Charges	Subsidy	Other
Regional Leadership	Governance	100%				
	Working with Poutini Ngāi Tahu	100%				
	Community Engagement	100%				
	Advocacy	100%				
Infrastructure and Resilience	Capital Works		100%			
	Rating Districts		100%			
	Emergency Management	40%	60%			
	Flood Warning	40%	60%			
	Natural Hazards	100%				
Natural Environment	Monitoring - Water	100%				
	Monitoring - Air	100%				
	Biodiversity	100%				
	Biosecurity	100%				
Policy and Regulation	RMA Policy and Planning	100%				
	Te Tai o Poutini Plan		100%			
	Regional Transport	36%			64%	
	Consents	30%		70%		
	Compliance	35%		65%		
	Navigation and Harbour Safety		100%			
Commercial Activities	Investment portfolio					100%
	Commercial operations			100%		

Summary of Activity Funding Sources

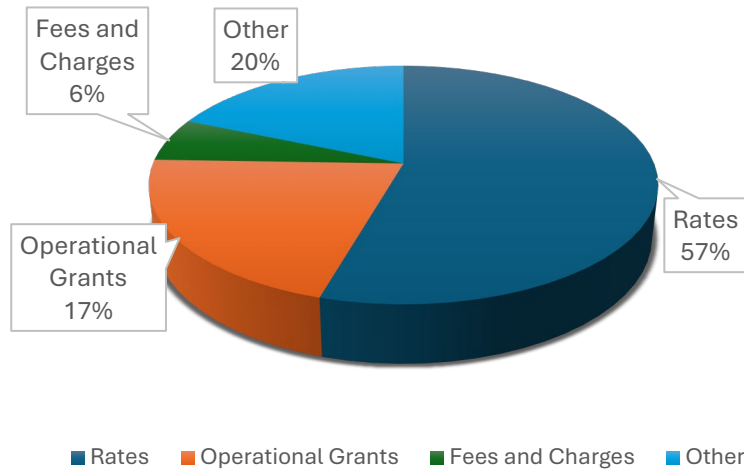


Funding of Operating and Capital Expenditure

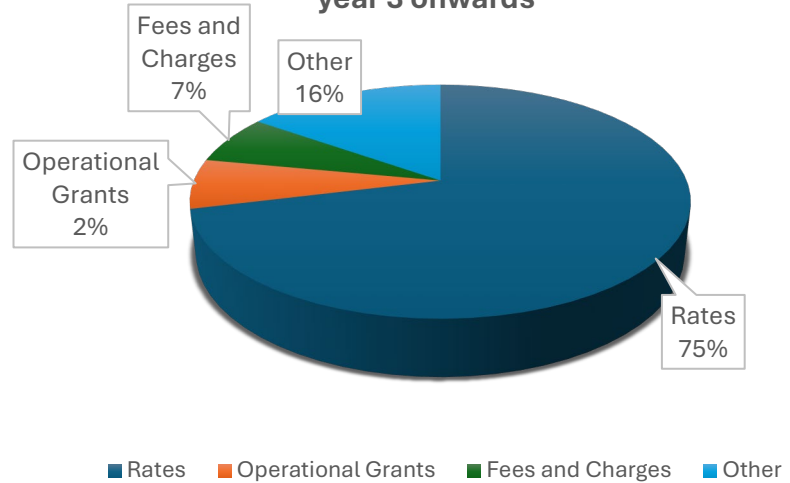
Operating Costs

Council policy is to fund Operating Expenditure from rating revenue, user fees and charges, operational grant funding where available, and retained credit balances (e.g. rating district targeted rate credit balances). Council has elected to also fund Te Tai Poutini Plan costs through debt for intergenerational and affordability reasons. The following two graphs illustrate the change in the funding mix across the Long-term Plan of a decrease in available grants and subsidies which will result in a higher rate requirement.

Summary of operational revenue sources
year 1 + 2



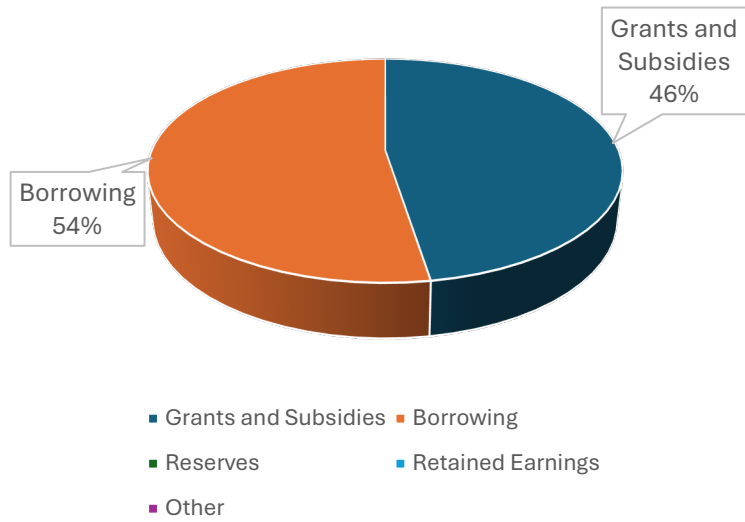
Summary of operational revenue sources from
year 3 onwards



Capital Expenditure

Capital Expenditure can be funded by retained earnings, rating district credit balances (for flooding and erosion protection works), Central Government grants and subsidies, occasional sale of assets, or Council borrowing. In this Plan Council has elected to fund all capital works and local share contributions for the Westport Flood Protection projects through debt. It is worth noting, in the representative graphs below, that year 1 and 2 of the Long-term Plan has more capital work forecast (\$24.2M) than the rest of the other 8 years combined (\$9.1M). This is driven primarily through the delivery of the Westport Flood Protection project.

Summary of Capital Funding Sources Year 1 + 2



Summary of Capital Funding Sources Year 3 onwards

