

Rangitīkei District Council

# Revenue and Financing Policy

**Date of adoption:** 25 June 2026

**Resolution number:** TBC

**Policy Review:** Considered for review in alignment with the Long Term  
Plan cycle (i.e. three yearly)

**Relevant legislation:** Local Government Act 2002  
s103

**Statutory/Policy:** Statutory

# Revenue and Finance Policy

## INTRODUCTION

The Local Government Act 2002 (“LGA2002”) requires Council to adopt a Revenue and Financing Policy (S102) that must:

- state Council’s policies in respect of funding both operating expenses and capital expenditure from the sources available to it (S103(1)); and
- show that Council has determined its overall funding needs by identifying the most appropriate source(s) of funds to be used for each activity (S101(3)).

In accordance with the Local Government Act 2002 S101(3) Council considers the following when determining which funding source is appropriate for each activity (see Appendix 1):

- The community outcomes to which the activity primarily contributes; and
- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- The period in or over which those benefits are expected to occur; and
- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
- The costs and benefits, including consequences for transparency.

Council has also considered the principles set out in the preamble to Te Ture Whenua Māori Act 1993 in the development and review of this policy. These principles include recognition that land is tuku iho of special significance to Māori people, the promotion of the retention of Māori land, protection of wahi tapu and facilitating the use and development of the land for the benefit of the owners. Council achieves this primarily through its Rates Remission for Māori Freehold Land Policy, Rates Postponement Policy and Rates Remission Policy.

Council also consider 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. This includes consideration of matters such as affordability and predictability of rates.

These considerations will sometimes have conflicting outcomes. When Council applies these principles to identify the appropriate funding for its activities it considers the overall impact on the Community.

## PART A

General Principles for revenue and funding management:

- Council will manage its finances in a way that promotes the current and future interests of the community.
- Consistent with S100(1) LGA2002, Council will aim to generate sufficient operating income each year to cover its operating expenses.
- Council will use a mix of revenue sources to cover its operating expenses.
- Council will apply the most appropriate mix of revenue sources for each of its different activities.
- When determining the level of income required to cover its operating expenses Council will seek to avoid including:
  - grants with no associated operating expenditure; and
  - proceeds from disposal of assets; and
  - reserves; and
  - increases in the fair value of fixed assets (that essentially result from applying Accounting Standards at the end of each financial year); and
  - borrowings.
- Council recognises that unforeseen operating expenses may arise.
- Council will seek to attract appropriate sources of external revenue to help reduce the burden on its ratepayers

and residents.

- Council will ensure its level of operating expenditure is managed appropriately to help constrain the levels of operating revenue required to achieve these general principles.
- Council may choose to not fully fund operating expenditure in a particular year if the deficit can be funded from operating surpluses in the preceding year or subsequent years. An operating deficit will only be budgeted when beneficial to avoid significant fluctuations in rates, fees and/or charges. Such operating deficits will typically be funded from cash reserves or borrowings.
- Council will adopt a long term view when applying these general principles.

## **FUNDING OF OPERATING EXPENDITURE**

Council will ordinarily use the following sources of income to finance its operating expenses:

### **General Rates (including the Uniform Annual General Charge)**

Considered appropriate where it is not practicable, equitable or cost effective to identify the individual or group of beneficiaries (or causers of costs) of the service. May be used to apply to a particular service to reduce the level of fees and charges that are required to be raised for that service.

### **Targeted Rates**

Considered appropriate in a range of circumstances including where the service is of benefit to a specific group of ratepayers and where it is practicable and considered equitable.

### **Levies, fees and charges**

Considered appropriate where the users of a service can be identified and charged according to their use of the service and where it is practicable and considered equitable. The level of fees and charges is set to recover the costs (either partially or fully) of providing that service.

### **Subsidies and Grants**

Such funding is often received for a specific purpose and Council has no discretion regarding the use of such income. Generally, these funds reduce the need for Council to raise income through General rates, targeted rates or Levies, fees and charges or debt.

### **Development Contributions**

Considered appropriate to fund costs associated with development.

### **Borrowing**

Considered appropriate to fund new capital projects that deliver benefits over a number of years. Sometimes required to fund operating expenses/activities where the benefit spans multiple years but is not deemed a capital item (for example the removal of sludge or the renewal of a district/regional plan). This helps mitigate swings in rate increases across the years.

### **Petrol Tax**

Considered appropriate to help fund costs associated with Roading and Footpaths Group.

### **Other (Finance income, sundry)**

Considered appropriate to fund costs associated with the provision of the service to which it relates, replacement of assets and/or to decrease levels of required debt.

### **General Rates and Targeted Rates: Further Information**

When setting the General Rates, Targeted Rates and Levies, fees and charges, Council balances a range of considerations including:

- The impact on the current and future social, economic, environmental and cultural well-being of the Community; and
- The most appropriate mix of funding for each of its activities (refer to Part B below)

The General Rate is used to fund activities that are predominantly provided for the benefit for the community

as a whole and individual charging for these services is viewed as being impracticable, inequitable and/or not cost effective.

Council uses the Capital Value of properties to set the General Rate. Council may introduce rating differentials where it considers it reasonable and equitable: for example to alleviate the impact of large increases in the Capital Value of any rating category/categories relative to other rating categories. Such increases can arise where a particular rating category incurs a high increase in its capital values relative to other categories.

Council applies a Uniform Annual General Charge (UAGC) as part of the General Rate. The level of UAGC is determined by Council based on what it considers fair, equitable and necessary to provide a fair distribution of rates. Council may adjust the UAGC to alleviate the impact of large increases in any rating category/categories. Such increases can arise where a particular rating category incurs a high increase in its capital values relative to other categories.

Targeted Rates are used to fund operations, maintenance and renewal costs related to the provision of specific activities. Council may also use a Targeted Rate for a service to show clearly the costs of a service, even if the service and rate are district wide.

Targeted Rates that are set in circumstances where the service is available to only parts of the community will be charged on a basis of service provision and will not be based on the value of the property. These rates are in the nature of a proxy for a user charge.

Generally, Council will seek to avoid:

- Large increases in any rating category. Such increases can often arise where a particular rating category incurs a high increase in its capital values relative to other categories; and
- Large 'across the board' annual rate increases. Council will aim to apply a pattern of steady, constant rate increase as opposed to a series of alternating high increases and minor increases.

Council may identify instances where some land uses receive more benefit from, or place more demands on, council services and/or may have a differing ability to pay rates. In such situations, where considered equitable, practicable and/or where this contributes to the predictability of rates, Council may elect to use rating differentials.

## **FUNDING OF CAPITAL EXPENDITURE**

### **General**

Revenue that is collected to cover Council's depreciation charge (which forms part of Council's operating expenditure) is used to finance the replacement of capital assets.

In addition to the sources of income for operating expenditure listed above Council may use the following to fund capital expenses:

- Borrowings
- Reserves
- Proceeds from the disposal of assets
- Subsidies, grants or donations specifically identified for a capital item.

### **Borrowings**

Council borrowings are managed as per Council's Liability Management Policy that forms part of Council's Treasury Management Policy.

Borrowings are generally used to fund capital projects that include an element of service enhancement.

Borrowing for capital expenditure enables the Council to ensure there is intergenerational equity in terms of who funds capital expenditure – the repayments are spread over the reasonably expected average life of the asset where practicable. This means today's ratepayers are not asked to fund tomorrow's assets.

## **PART B.**

### **Summary of Funding Used in Activities**

Council has determined the most appropriate source(s) of funds from each of the sources listed in Part A to be used for each activity and the method of apportioning rates and other charges. The following table shows which mechanisms may be used to fund expenditure for Council's activities by group.

Where the overall level of fees and charges falls below budget alternative income sources may be required to fund that service. Conversely, where the overall level of fees and charges falls exceeds budget Council may have additional revenue to ease the financial pressure in other areas.

Council will seek to mitigate the costs to ratepayers for each of these activities by obtaining income from external sources (e.g. grants) where suitable opportunities arise.

Typically, the capital cost of expanding the range of these services may be met from grants, subsidies, donations and/or borrowings.

The timing and quantum of these grants (especially for Roothing) is variable and could result in differences in the following analysis.

Several opportunities for future funding are expected to arise during the period covered by this policy. As the nature and quantum of such opportunities is unknown they have not been included on the following analysis.

| Activity   | General Rate | Targeted Rate | User fees/ charges | Subsidies and grants | Petrol Tax | Other |
|--|--------------|---------------|--------------------|----------------------|------------|-------|
| <b>Community Leadership</b>                              |              |               |                    |                      |            |       |
| Council and Community Boards                             | >40%         | <5%           |                    |                      |            |       |
| <b>Roading</b>   |              |               |                    |                      |            |       |
| Roading  | <5%          | >40%          | <5%                | >40%                 | <5%        |       |
| <b>Water Supply</b>                                      |              |               |                    |                      |            |       |
| Urban water  |              | >40%          | <5%                |                      |            |       |
| Rural Water Schemes                                      |              | >40%          | <5%                |                      |            |       |
| <b>Sewerage and the treatment and disposal of sewage</b> |              |               |                    |                      |            |       |
| Wastewater   |              | >40%          | <5%                |                      |            |       |
| <b>Stormwater</b>  |              |               |                    |                      |            |       |
| Stormwater   |              | >40%          | <5%                |                      |            |       |
| <b>Community and leisure</b>                             |              |               |                    |                      |            |       |
| Libraries  | >40%         |               | <5%                | <5%                  |            |       |
| Halls  | >40%         |               | <5%                | <5%                  |            |       |
| Swim Centres   | >40%         |               | <5%                |                      |            |       |
| Community Housing  | >5%/<40%     |               | >40%               |                      |            |       |
| Domains  | >40%         |               | >5%/<40%           |                      |            |       |
| Real Estate  | >40%         |               | >5%/<40%           |                      |            |       |
| Public Toilets   | >40%         |               |                    |                      |            |       |
| Cemeteries   | >5%/<40%     |               | >40%               | <5%                  |            |       |
| Forestry   | >40%         |               |                    |                      |            |       |
| <b>Rubbish and recycling</b>                             |              |               |                    |                      |            |       |
| Solid waste  | <5%          | >5%/<40%      | >40%               | <10%                 |            |       |

| Activity                                     | General Rate | Targeted Rate | User fees/<br>charges | Subsidies<br>and<br>grants | Petrol Tax | Other    |
|--|--------------|---------------|-----------------------|----------------------------|------------|----------|
| <b>Environmental and Regulatory Services</b> |              |               |                       |                            |            |          |
| District Planning                            | >40%         |               |                       |                            |            |          |
| Resource Consents                            | >40%         |               | >5%/<40%              |                            |            |          |
| Building Services                            | >5%/<40%     |               | >40%                  |                            |            |          |
| Dog Control                                  | >5%/<40%     |               | >5%/<40%              |                            |            | >5%/<40% |
| Public Health                                | <5%          |               | >40%                  |                            |            |          |
| <b>Community Well-being</b>                  |              |               |                       |                            |            |          |
| Civil Defence                                | >40%         | >40%          |                       |                            |            |          |
| District Promotions                          | >40%         |               |                       | <5%                        |            | <5%      |
| Information Centres                          | >40%         |               | <5%                   |                            |            | <5%      |
| Community Awards                             | <5%*         |               |                       | >40%                       |            |          |

\* Relative size depends upon quantum of Subsidies/Grants available

**Explanatory note:** The expected funding source for each activity is shown as a percentage or range in the above table.

## APPENDIX 1 – FUNDING SOURCE ANALYSIS

| Activity                   | Community Outcomes                        | Distribution of Benefit | Period of Benefit   | Activity Need Driven by Defined Group | Need for Distinct Funding | Comments  |
|----------------------------|---|-------------------------|---------------------|---------------------------------------|---------------------------|---|
| <b>Council</b>             | Social, Economic, Environmental, Cultural | General                 | Current and Ongoing | Low                                   | Low                       | All ratepayers receive the same level of benefit. General Rate as primary funding deemed appropriate  |
| <b>Community Boards</b>    | Social, Economic, Environmental, Cultural | Specific                | Current and Ongoing | High                                  | High                      | Benefit is only received by a section of the ratepayers. Targeted Rate as primary funding deemed appropriate  |
| <b>Roading</b>             | Social, Economic, Environmental           | General                 | Current and Ongoing | Partial                               | Medium                    | All ratepayers have access to the same roading/footpath network for a range of needs. Targeted Rates for Forestry sector and subsidised Roothing deemed appropriate.<br><br>Grant funding for subsidised Roothing is significant. |
| <b>Urban Water</b>         | Social                                    | General                 | Current and Ongoing | Low                                   | Medium                    | Water Connections: All ratepayers receive the same level of benefit - deemed appropriate to charge as a fixed rate.<br><br>Water Usage charged on a usage basis – both via a Targeted Rate  |
| <b>Rural Water Schemes</b> | Social                                    | Specific                | Current and Ongoing | High                                  | High                      | Benefit is only received by a section of the ratepayers. Targeted Rate as primary funding deemed appropriate  |
| <b>Wastewater</b>          | Social, Environmental                     | General                 | Current and Ongoing | Low                                   | Medium                    | Wastewater Connections: All ratepayers receive the same level of benefit - deemed appropriate to charge as a fixed rate.<br><br>Wastewater Usage charged on a usage basis – both via a Targeted Rate                              |

| Activity                 | Community Outcomes      | Distribution of Benefit | Period of Benefit   | Activity Need Driven by Defined Group | Need for Distinct Funding | Comments  |
|--------------------------|-------------------------|-------------------------|---------------------|---------------------------------------|---------------------------|---|
| <b>Stormwater</b>        | Social, Environmental   | Mixed                   | Current and Ongoing | Mixed                                 | Medium                    | Stormwater management (general): All ratepayers receive the same level of benefit - deemed appropriate to charge as a fixed rate<br><br>Stormwater management - Urban specific activity: charged on a location basis. Both via a Targeted Rate. |
| <b>Libraries</b>         | Social                  | General                 | Current             | Low                                   | Low                       | All ratepayers receive the same level of benefit. General Rate as primary funding deemed appropriate (with grant opportunities identified and pursued as applicable)  |
| <b>Halls</b>             | Social                  | General                 | Current             | Low                                   | Low                       | All ratepayers receive the same level of benefit. General Rate as primary funding deemed appropriate (with grant opportunities identified and pursued as applicable).   |
| <b>Swim Centres</b>      | Social                  | General                 | Current             | Medium                                | Low                       | Provision of activity is externally administered. User pays fees to Administrator; Administrator pays (small) rent to Council. Activity primarily funded by General Rate as all ratepayers have access to the facilities.                       |
| <b>Community Housing</b> | Social                  | Specific                | Current             | High                                  | High                      | Funded by user pays (rent) and General Rate where rental income does not cover all costs.   |
| <b>Domains</b>           | Social, Environmental   | General                 | Current             | Low                                   | Low                       | All ratepayers receive the same level of benefit. General Rate as primary funding deemed appropriate (with grant opportunities identified and pursued as applicable).   |
| <b>Real Estate</b>       | Environmental, Economic | Mixed                   | Current, Ongoing    | Mixed                                 | Medium                    | Mix of General Rate and User Fees (rents) as primary funding sources deemed appropriate.  |
| <b>Public Toilets</b>    | Social, Environmental   | General                 | Current and Ongoing | Low                                   | Low                       | All ratepayers receive the same level of benefit. General Rate as primary funding deemed appropriate (with grant opportunities identified and pursued as applicable)  |

| Activity                 | Community Outcomes              | Distribution of Benefit | Period of Benefit   | Activity Need Driven by Defined Group | Need for Distinct Funding | Comments  |
|--------------------------|---------------------------------|-------------------------|---------------------|---------------------------------------|---------------------------|---|
| <b>Cemeteries</b>        | Social, Environmental           | General                 | Current and Ongoing | High                                  | Low                       | Primarily funded by user pays (fees).   |
| <b>Forestry</b>          | Environmental, Economic         | General                 | Ongoing             | Low                                   | Low                       | General Rate as primary funding deemed appropriate as no 'ratepayer sector' benefits more than others.  |
| <b>Solid Waste</b>       | Environmental                   | Mixed                   | Current, Ongoing    | Mixed                                 | Mixed                     | To the extent a service is available to all ratepayers; each ratepayer is charged the same (via targeted rate).<br>To the extent a ratepayer elects to use a service (e.g. waste transfer station) – a fee is deemed appropriate.   |
| <b>District Planning</b> | Social, Economic, Environmental | General                 | Current and Ongoing | Low                                   | Low                       | All ratepayers receive the same level of benefit. General Rate as primary funding is deemed appropriate.  |
| <b>Resource Consents</b> | Social                          | Specific                | Current and Ongoing | High                                  | High                      | The primary beneficiary is the applicant. User pays as the primary source of funding is deemed appropriate.   |
| <b>Building Consents</b> | Social                          | Specific                | Current and Ongoing | High                                  | High                      | The primary beneficiary is the applicant. User pays as the primary source of funding is deemed appropriate.   |
| <b>Dog Control</b>       | Social, Economic                | Specific                | Current             | High                                  | Mixed                     | Service is provided to a neighboring Council for monthly charges.<br>Some functions are provided in response to ratepayer application (dog registration) – user fees deemed appropriate.<br>Other costs are met from the general rate as all ratepayers benefit the same. |
| <b>Public Health</b>     | Social, Economic                | Specific                | Current             | High                                  | High                      | The primary beneficiary is the applicant. User pays as the primary source of funding is deemed appropriate.   |

| Activity                   | Community Outcomes              | Distribution of Benefit | Period of Benefit   | Activity Need Driven by Defined Group | Need for Distinct Funding | Comments  |
|----------------------------|---------------------------------|-------------------------|---------------------|---------------------------------------|---------------------------|---|
| <b>Civil Defence</b>       | Social, Economic, Environmental | General                 | Current and Ongoing | Low                                   | Low                       | All ratepayers receive the same level of benefit. Targeted Rate as primary funding deemed appropriate   |
| <b>District Promotions</b> | Social, Economic                | General                 | Current             | Low                                   | Low                       | All ratepayers receive the same level of benefit. General Rate as primary funding deemed appropriate  |
| <b>Information Centres</b> | Social, Economic                | General                 | Current             | Low                                   | Low                       | All ratepayers receive the same level of benefit. General Rate as primary funding deemed appropriate  |
| <b>Community Awards</b>    | Social, Environmental, Cultural | General                 | Current             | Low                                   | Low                       | Grants are pursued wherever practical. The beneficiaries of the associated grant expenditure depend on the nature of each specific grant. Minor allocation of General Rate enables these grants to be pursued/actioned. |