



Revenue and Financing Policy
Te Kaupapa Here Whiwhi Moni

Background

Section 102(4) (a) of the Local Government Act 2002 requires each Council to adopt a Revenue and Financing Policy, which must be adopted through the special consultation process.

Section 103 outlines that this policy must state the Council's policies in respect of the funding of both operating expenses and capital expenditure from listed sources, with the sources as outlined in section 103(2) being:

- A General rates, including:
 - i choice of valuation system;
 - ii differential rating; and
 - iii uniform annual general charges
- B Targeted rates
- C Fees and charges
- D Interests and dividends from investments
- E Borrowing
- F Proceeds from asset sales
- G Development contributions under the Local Government Act 2002
- H Financial contributions under the Resource Management Act 1991
- I Grants and subsidies
- J Any other source.

Section 101(3) states that in identifying the appropriate sources, the Council must consider the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community. The Council must also consider with regards to each activity to be funded:

- A The community outcomes to which the activity primarily contributes
- B The distribution of benefits between the community as a whole, any identifiable part of the community and individuals
- C The period in or over which those benefits are expected to occur
- D The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity
- E The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

The Council has undertaken several comprehensive reviews of its funding principles in the past through the development, adoption and review of its Revenue and Financing Policy.

[A] Funding sources - operational expenditure

The 'revenue' part of the title 'Revenue and Financing Policy' relates to funding of operating expenditure. The following sources of income are recognised in the operating statement:

RATES

A number of Council activities are funded by a combination of revenue types. The Council's practice is to initially account for income from fees and charges, and grants and subsidies, or other income sources. If the activity still requires additional funding, the remainder is funded by way of a rate which is applied to relevant properties within the district.

The Council will use a capital value rating system across the district. Capital value is preferred to land value because the Council believes that it generally provides a better surrogate for the allocation of cost for Council services. Rates are generally used where it is economically impractical to use fees and charges.

There are two classification types for rates:

- > **General rates**, which include the uniform annual general charge (UAGC) and capital valued based rate
- > **Targeted rates**, which include the capital value based roading rate, tourism promotion rate, governance rate, recreation and events rate, regulatory rate, water supply rate and stormwater rate, as well as fixed annual charges for sewerage, water supply, waste management, recreation and events, governance and regulatory, Queenstown Aquatic Centre, Wānaka Aquatic Centre, and sports, halls and libraries.

In the next section of the policy, 'Funding Operational Expenditure by Activity', the tables illustrate the outcome of the analysis undertaken by the Council in relation to Section 101 (3). The last table for each activity details how the activity is proposed to be funded. Generally, these tables show that where a private benefit exists, the cost of this is recovered by user fees or a targeted rate. The cost of public

benefits is usually rate funded, with the general rate and a range of targeted capital value rates used to fund 'property'-related activities and the UAGC, fixed targeted annual charges and a range of targeted capital value rates used to fund 'people'-related activities.

FEES AND CHARGES

There is a wide range of revenue under this general title. Generally, the Council will look to use fees and charges to recover the 'private benefit' costs of a particular activity if it is economically viable to do so.

GRANTS AND SUBSIDIES

Some activities of the Council qualify for a grant or subsidy from the Crown. In particular, the Council receives a subsidy from New Zealand Transport Agency Waka Kotahi (NZTA Waka Kotahi) for qualifying roading expenditure. Other smaller grants are also received from the Crown, for example the New Zealand Fire Service and Creative New Zealand.

INTEREST AND DIVIDENDS FROM INVESTMENTS

Interest income is recognised from all investment sources but is very minor. The majority of investment income is used to offset rates.

The Council receives a regular dividend from Queenstown Airport Corporation (QAC) via its 75.01% ownership stake. It is proposed to continue to utilise forecast dividends from QAC to repay generally-funded debt.

OTHER SOURCES OF INCOME

Other sources of income include parking infringement fines, petrol tax, rates penalties and concession income. Council is open to considering all alternative funding options/tools that may become available. This is a catch-all classification and the income is treated in the same way as fees and charges.

Council will also complete an annual user fees pricing review for consumer price index (CPI) adjustments and any other appropriate benchmarks.

FUNDING OPERATIONAL EXPENDITURE BY ACTIVITY

The tables in the following section illustrate the outcome of the analysis undertaken by the Council in relation to Section 101 (3). The first table in each activity analysis labelled 'Community outcome' shows the community outcomes to which each activity primarily contributes, and thereby satisfies the requirement of Section 101(3) (a) referred to in the background section. This table shows only the primary contributions, and it is acknowledged that some activities contribute to more outcomes than those shown.

The second table in each activity analysis labelled 'Funding principles' shows how the funding principles in Section 101(3) b) to e) above relate to the activity. This analysis assists the Council in determining which funding mechanisms are appropriate for each activity. Generally, those activities which score lower for user pays or for cost/benefit of separate funding are best funded by general rates, while those which score higher in those areas are best funded by user charges or targeted rates. The low/medium/high rating relates to the degree by which each activity conforms to the following economic principles:




- 1 Distribution of benefit – the degree to which benefits can be attributed to individuals/ groups rather than community as a whole
- 2 Period of benefit – the degree to which benefits can be attributed to future period
- 3 Extent of action/inaction – the degree to which action or inaction of group or individuals give rise to need for expenditure
- 4 Cost/benefit of separate funding – the degree to which cost and benefits justify separate funding of this activity.

The third table in each activity details how each activity is proposed to be funded. Generally, this table shows that where a private benefit exists, the cost of this is recovered by user fees or a targeted rate. The cost of public benefits is usually general rate funded, with the capital value rate used to fund 'property' related activities and the UAGC used to fund 'people' related activities.

GOVERNANCE

COMMUNITY LEADERSHIP

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Living Te Ao Māori Whakatinana i te ao Māori
	Pride in sharing our places Kia noho tahi tātou katoa

This activity includes strategic planning and the setting of the overall direction by the Council, Community Board and various committees. This also includes all activities undertaken in relation to public involvement in the democratic process including elections, the holding of public meetings as well as the preparation of the statutory plans and reports, including the Council Community Plan, Annual Plan and Annual Report.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Community Leadership	Low	Med	Low	Low



This activity is completely public good with no scope for user charges and will therefore be funded 80% from the district-wide targeted capital value based governance rate and 20% from the governance and regulatory charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Community Leadership	0%	100%	0%	0%	100%	-	Gov Rate (80%)/Gov and Reg Chg (20%)

GOVERNANCE

COMMUNICATIONS

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hāpori
	Living Te Ao Māori Whakatinana i te ao Māori
	Disaster-defying resilience He Hāpori Aumangea
	Pride in sharing our places Kia noho tahi tātou katoa

The purpose of this activity is to provide for the distribution of information to residents and ratepayers. It is also designed to help keep residents informed via social media, the Council newsletter 'Scuttlebutt' and the website.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Community Development	Low	Low	Low	Low




This activity is largely public good and will therefore be funded 99% from the district-wide targeted capital value based governance rate and the governance and regulatory charge with the remainder provided by cost recoveries.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Community Development	0%	100%	0%	1%	99%	Fees and Charges	Gov Rate (80%)/Gov and Reg Chg (20%)

ECONOMIC DEVELOPMENT

TOURISM PROMOTION

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Opportunities for all He ōhaka taurikura
	Pride in sharing our places Kia noho tahi tātou katoa

The Council makes grants to ward-based promotion organisations which market the district as a visitor destination and therefore increase the economic benefits to the district from its major industry.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Tourism Marketing	Low	Low	Low	Low

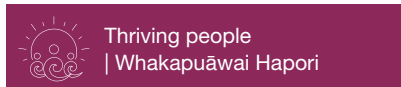
This activity exhibits a large degree of private benefit with a distinct group of beneficiaries and will be funded 95% from the targeted rate for tourism promotion based on capital value and applied on a ward basis, and 5% from the uniform annual general charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Tourism Marketing	95%	5%	0%	95%	5%	Targeted CV Rate (Tourism Promotion)	UAGC

ECONOMIC DEVELOPMENT

COMMUNITY ASSETS

The community outcomes that this activity primarily contributes to:



The Council is involved in these activities to provide the maximum possible return from the assets involved. This activity includes residential and commercial subdivisions, Queenstown Lakeview Holiday Park, leased camping grounds, Wānaka Airport, forests, rental housing, elderly person housing and road closing/legalisation. This activity also includes any undeveloped areas of land which will be maintained at a minimum level until decisions about their final use is made.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Community Assets	High	High	Low	High




This activity almost exclusively provides private goods to clearly distinct groups of beneficiaries and will be funded by user charges with any surplus derived used to reduce general rate requirement.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Community Assets	100%	0%	0%	100%	0%	Fees and Charges	-

COMMUNITY

LIBRARY SERVICES

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Living Te Ao Māori Whakatinana i te ao Māori
	Breathtaking creativity Whakaohooho Auahataka

The purpose of this activity is to help meet the information, cultural, educational and recreational needs of its users in a timely, convenient and cost-effective manner. This is achieved through the joint management of libraries with the Central Otago district. There are seven libraries within the district: at Queenstown, Frankton, Arrowtown, Wānaka, Hāwea, Kingston and Glenorchy. The services include book and magazine loans, a reference and information service, compact disc and video rentals, and research. Other specialist services include a local history collection and special needs services, including large print and talking books and foreign language text. The libraries also hold community information and contact names and addresses.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Library Services	Med	Low	Low	Low

This activity provides a relatively high degree of private good but there is also a significant element of public good. The Council wishes to encourage the use of library facilities and will therefore limit the user charge element to the minimum. The activity will therefore be funded 98% from the district-wide targeted fixed sports, halls and libraries charge and 2% from user charges for some specialised or high-demand services. The sports, halls and libraries charge will be targeted at properties with a residential component and not at businesses.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Library Services	65%	35%	0%	2%	98%	Fees, Charges and Fines	Fixed Sports, Halls and Libraries Charge

COMMUNITY

COMMUNITY DEVELOPMENT

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Opportunities for all He ōhaka taurikura
	Breathtaking creativity Whakaohoho Auahataka
	Pride in sharing our places Kia noho tahi tātou katoa

The purpose of this activity is to promote economic development in the district by supporting a diverse and sustainable economy. This activity also helps keep residents informed of the recreational, social and cultural opportunities in the area and to assist groups in maximising the benefits they provide to the community. Assistance will also be provided to those seeking financial support from organisations other than the Council. This activity promotes a balanced portfolio of sporting, arts and cultural events that meet community objectives for the district. The Council is also directly involved in events, including programmes at New Year and the annual Christmas Show.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Community Development	Low	Low	Low	Low

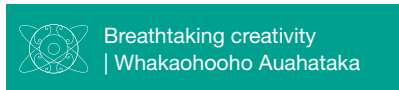
This activity is largely public good with for the recreational and cultural activities, and will therefore be funded 94% from the district-wide targeted capital value based recreation and recreation and events charge with the remainder provided by cost recoveries.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Community Development	0%	100%	0%	6%	94%	Fees and Charges	Rec and Events Rate (80%)/ Rec and Events Chg (20%)

COMMUNITY

COMMUNITY GRANTS

The community outcomes that this activity primarily contributes to:



The purpose of this activity is the provision of grants to assist community groups to provide a range of activities and services in the district. These include the Lakes District Museum, Aspiring Arts Trust, Sports Central, the Whakatipu Trails Trust and various community associations.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Community Grants	Low	Low	Low	Low



This activity is largely public good with no scope for user charges and will therefore be 74% funded from the uniform annual general charge and 14% funded from the district-wide targeted capital value based recreation and events rate and recreation and events charge for the grants made to organisations for recreational purposes. This analysis relates to the cost of the activity after allowing for the receipt of grants by the Council in its role as agent.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Community Grants	0%	100%	0%	12%	88%	Crown Grants	Rec and Events Rate (11.2%)/ Rec and Events Chg (2.8%)/ UAGC (74%)

COMMUNITY

PUBLIC TOILETS

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Disaster-defying resilience He Hapori Aumangea

The purpose of this activity is to provide a range of public toilets throughout the district to meet the needs of locals and visitors. The principal objective is to protect the public environment through the provision of clean, accessible and conveniently-located public toilets.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Public Toilets	Med	Med	Low	Low

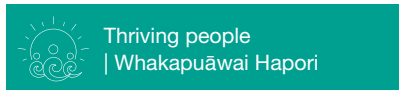
This activity provides a relatively high degree of private good but there is also a significant element of public good. Council recognises that these facilities are used to a large degree by visitors to the district, and has considered the option of user charges but rejected this on the basis of efficiency. The activity will therefore be funded 100% from the district-wide targeted capital value based recreation and events rate and the recreation and events charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Public Toilets	80%	20%	0%	0%	100%	-	Rec and Events Rate (80%)/ Rec and Events Chg (20%)

COMMUNITY

CEMETERIES

The community outcomes that this activity primarily contributes to:



The purpose of this activity is to provide for cemeteries throughout the district. Services provided by the Council include areas for the burial of human remains, interment of human ashes, the maintenance of burial records and the maintenance of grounds.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Cemeteries	High	Med	Low	Med



This activity provides a relatively high degree of private good but there is also a significant element of public good. This activity will therefore be funded 60% from user charges in the form of plot sales and burial fees, with the balance of 40% coming from the uniform annual general charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Cemeteries	60%	40%	0%	60%	40%	Fees and Charges	UAGC

COMMUNITY

COMMUNITY FACILITIES

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Breathtaking creativity Whakaohooho Auahataka

The purpose of this activity is to help provide community halls, community swimming pools and other multi-use indoor facilities for the district. This includes the facilities at the Queenstown Events Centre, Wānaka Recreation Centre, Lake Wānaka Centre, Memorial Hall, Lake Hayes Pavilion, Arrowtown Hall, Arrowtown Pool and Wānaka Community Pool. The Queenstown and Wānaka Aquatic Centres are included in a separate activity – Aquatics (see below).

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Community Facilities	High	Med	Low	Med

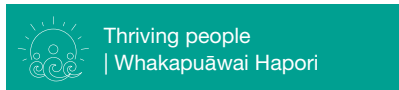
This activity provides a relatively high degree of private good but there is also a significant element of public good. Council wishes to encourage the use of community facilities and will therefore limit the user charge element to 40%. The Council has also determined that it will not seek to fund the depreciation expense associated with these assets. The activity will therefore be funded 60% from the district-wide targeted fixed sports, halls and libraries charge and 40% from user charges. The sports, halls and libraries charge will be targeted at properties with a residential component and not at businesses.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Community Facilities	70%	30%	0%	40%	60%	Fees and Charges	Fixed Sports, Halls and Libraries Charge

COMMUNITY

AQUATICS

The community outcomes that this activity primarily contributes to:



The purpose of this activity is to help provide indoor aquatic facilities for the district. This includes the Queenstown Aquatic Centre (Alpine Aqualand) and the new Wānaka Aquatic Centre.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Aquatics	High	High	Low	Med

This activity provides a relatively high degree of private good but there is also a significant element of public good. The Council wishes to encourage the use of aquatic facilities and will therefore limit the user charge element to 45%. This is lower than the original feasibility report which indicated that 60% of operational costs should be recovered from users directly. The Council has also determined that it will not seek to fund the depreciation expense associated with these assets.

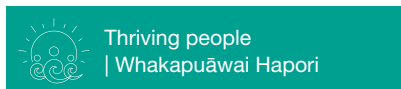
This activity will therefore be funded 55% from the ward-based aquatic centre charges only and 45% from user charges. The aquatic centre charge will be targeted at properties with a residential component and not at businesses.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Aquatics	70%	30%	0%	45%	55%	Fees and Charges	Fixed Aquatics Charge (100%)

COMMUNITY

WATERWAYS FACILITIES

The community outcomes that this activity primarily contributes to:



The purpose of this activity is to help provide affordable and accessible water-based recreation facilities throughout the district that may also be used by commercial operators. This activity includes the maintenance and development of Council-owned waterways facilities including ramps, jetties and marinas. This does not include facilities which are attached to Council land but owned by other organisations, i.e. yacht clubs, individuals or companies, nor does it include facilities that are leased out, such as the Queenstown Main Town Pier.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Waterways Facilities	High	Med	Low	Med


It is recognised that there are real difficulties in terms of designing an effective and efficient regime for the collection of boating user fees and that we must rely on our local bylaw for fees. Accordingly, this activity will be funded 10% from user charges with the balance of 90% coming from the revenue generated from waterways-based concessions.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Waterways Facilities	90%	10%	0%	10%	90%	Fees and Charges	Waterways Concession

COMMUNITY

PARKS AND RECREATION FACILITIES

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Breathtaking creativity Whakaohooho Auahataka
	Deafening dawn chorus Waraki

The purpose of the activity is to help provide affordable and accessible recreation facilities throughout the district. This includes the maintenance and development of primarily outdoor recreation facilities that are owned by the Council. This activity includes most items that are traditionally called parks and reserves and covers the maintenance and development of outdoor passive recreation areas, as well as sports fields, playgrounds and the trail network.

This activity does not include facilities which are on Council land, but are owned by other organisations, i.e. some bowling, tennis and golf clubs. Multi-use indoor facilities are covered in the Community Facilities activity.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Parks and Recreation Facilities	Low	Med	Low	Low



The analysis delivers a funding target of 2% for user fees with the balance of 18% (for the private funding target) being met from commercial lease income derived from reserves. This leaves 80% recovered from the district-wide targeted fixed sports, halls and libraries charge: 30% for sports fields and 50% from the district-wide targeted capital value based recreation and events rate and the recreation and events charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Parks and Recreation Facilities	35%	65%	0%	20%	80%	Lease Income (18%) / Fees and Charges (2%)	Fixed Sports, Halls and Libraries Charge (30%) / Rec and Events Rate (40%) / Rec and Events Chg (10%)

ENVIRONMENTAL MANAGEMENT

DISTRICT PLAN

The community outcomes that this activity primarily contributes to:

	Living Te Ao Māori Whakatinana i te ao Māori
	Deafening dawn chorus Waraki

This activity includes work on the development, adoption and refinement of the District Plan. (Note that processing of resource consents is covered under Regulatory Services.) The objectives of the District Plan are set out in the Resource Management Act: “The establishment, implementation and review of the objectives, policies and methods of achieving integrated management of the effects of the use, development or management of land and associated natural and physical resources of the district.”

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
District Plan	Low	High	Med	Low



This activity is largely public good with some scope for user charges (private plan changes and District Plan sales). The balance of the cost of this activity will be funded from the proposed district-wide targeted capital value based regulatory rate and the governance and regulatory charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
District Plan	5%	95%	0%	5%	95%	Fees and Charges	Regulatory CV Rate / Reg Chg

ENVIRONMENTAL MANAGEMENT

RESOURCE CONSENT ADMINISTRATION

The community outcomes that this activity primarily contributes to:

	Deafening dawn chorus Waraki
	Zero carbon communities Parakore hapori

This activity includes all aspects of the resource consent process, including receiving and processing the applications, managing files, monitoring consents and responding to public enquiries.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Resource Consent Administration	Low	High	Med	Low



The private benefit element of resource consent processing activities (assessed at 80%) will be funded from user charges, with the public element funded from the proposed district-wide targeted capital value based regulatory rate and the governance and regulatory charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Resource Consent Administration	80%	20%	0%	80%	20%	Fees and Charges	Regulatory CV Rate / Reg Chg

ENVIRONMENTAL MANAGEMENT

BUILDING CONSENT ADMINISTRATION

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Zero carbon communities Parakore hapori

This activity includes all aspects of the building consent process, including receiving and processing applications, managing files, inspecting building work, issuing PIMS and LIMs, and responding to public enquiries.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Building Consent Administration	High	Med	Med	High



The private benefit element of building consent processing activities (assessed at 80%) will be funded from user charges, with the public element funded from the proposed district-wide targeted capital value based regulatory rate and the governance and regulatory charge. The exacerbator factor reflects the time and cost incurred in managing weather-tightness claims.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Building Consent Administration	80%	5%	15%	80%	20%	Application Fees and Hourly Charges	Regulatory CV Rate / Reg Chg

ENVIRONMENTAL MANAGEMENT

BYLAW AND GENERAL ENFORCEMENT

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Deafening dawn chorus Waraki

This activity includes the management and enforcement of the Council bylaws, managing files, issuing permits and responding to public enquiries.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Bylaw and General Enforcement	High	Low	High	Med

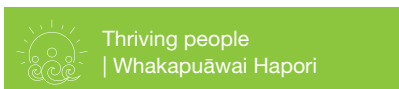
This activity provides some degree of private good but there is also a significant element of public good and exacerbator factor. The private benefit element of bylaw and enforcement activities (assessed at 40%) will be funded from user charges, with the public element funded from the proposed district-wide targeted capital value based regulatory rate and the governance and regulatory charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Bylaw and General Enforcement	25%	50%	25%	40%	60%	Permit Fees and Hourly Charges	Reg Rate (80%)/Reg Chg (20%)

ENVIRONMENTAL MANAGEMENT

PARKING ADMINISTRATION

The community outcomes that this activity primarily contributes to:



This activity includes the patrolling of all designated, time-restricted and metered areas in Queenstown, Wānaka and Arrowtown and other general patrolling, managing files, issuing and processing of parking infringement notices, and responding to public enquiries.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Parking Administration	Med	Low	High	Med

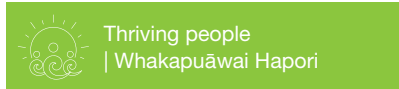
The private benefit element of parking administration activities (assessed at 100%) will be funded from infringement fees and user charges.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Parking Administration	15%	15%	70%	100%	0%	Infringement Fines and Rental Charges	N/A

ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL HEALTH

The community outcomes that this activity primarily contributes to:



This activity includes the inspection and licensing of premises involved in the manufacture, preparation and sale of food, as well as hairdressers, mortuaries, camping grounds, winemakers etc. It also involves managing files, the investigation and enforcement of public health issues, and responding to public enquiries.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Environmental Health	High	Low	Med	High

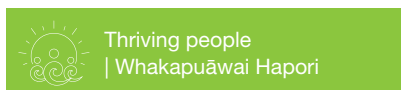
This activity provides some degree of private good but there is also a significant element of public good. Environmental Health will therefore be funded 70% from user charges and 30% from the district-wide targeted capital value based regulatory rate and the governance and regulatory charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Environmental Health	60%	30%	10%	70%	30%	Certification Fees and Hourly Charges	Reg Rate (80%) / Reg Chg (20%)

ENVIRONMENTAL MANAGEMENT

LIQUOR LICENSING

The community outcomes that this activity primarily contributes to:



This activity includes the inspection, monitoring and licensing of premises involved in the sale of liquor, managing files, the issuing and renewal of licences and certificates, and responding to public enquiries.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Liquor Licensing	High	Low	Med	High



This activity provides some degree of private good but there is also an element of public good and exacerbator factor. Liquor licensing will therefore be funded 70% from user charges and 30% from the district-wide targeted capital value based regulatory rate and the governance and regulatory charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Liquor Licensing	60%	30%	10%	70%	30%	Licensing and Certification Fees and Hourly Charges	Reg Rate (80%) / Reg Chg (20%)

ENVIRONMENTAL MANAGEMENT

ANIMAL CONTROL

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Pride in sharing our places Kia noho tahi tātou katoa

This activity includes provision of animal ranger services including impounding, managing files, the disposal of animals and responding to public enquiries.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Animal Control	Med	Low	High	High

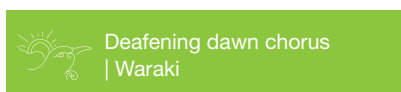
This activity provides some degree of private good but there is also a significant element of public good and a significant exacerbator factor. Animal Control will therefore be funded 70% from registration fees and impounding charges and 30% from the district-wide targeted capital value based regulatory rate and the governance and regulatory charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Animal Control	10%	30%	60%	70%	30%	Registration and Impound Fees	Reg Rate (80%) / Reg Chg (20%)

ENVIRONMENTAL MANAGEMENT

WATERWAYS CONTROL

The community outcomes that this activity primarily contributes to:



The purpose of this activity is to control waterway-based activities in the district. This is achieved under the Waterways Bylaw through the activities of the Harbourmaster in the inspection, enforcement and promotion of the safe use of local waterways.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Waterways Control	Med	Low	Med	Med

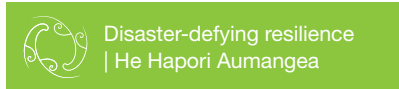
This activity provides some degree of private good but there is also a significant element of public good. Waterways Control will therefore be funded from user charges under the bylaw as far as practicable (estimated at 6%), and thereafter from the revenue generated from waterways-based concessions.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Waterways Control	35%	65%	0%	6%	94%	Fees and Charges	Waterways Concession

ENVIRONMENTAL MANAGEMENT

EMERGENCY MANAGEMENT

The community outcomes that this activity primarily contributes to:



The purpose of this activity is to ensure the district is prepared to respond appropriately to civil defence emergencies by having appropriate plans and procedures in place. This is primarily achieved by the development of a Civil Defence Plan and the establishment and maintenance of required communications and other infrastructure. There are also arrangements in place to ensure additional trained resources are available when required.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Emergency Management	Low	Low	Med	Low



This activity is largely public good with no scope for user charges and will therefore be funded by the capital value based general rate. This analysis relates to the cost of the activity after allowing for any central government subsidies in this area (estimated at 30%).

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Emergency Management	0%	100%	0%	0%	100%	-	General CV Rate (70%) / Grants (30%)

ENVIRONMENTAL MANAGEMENT

LANDFILL PROVISION AND MANAGEMENT

The community outcomes that this activity primarily contributes to:

	Deafening dawn chorus Waraki
	Zero carbon communities Parakore hapori

The purpose of this activity is to provide facilities for recycling and disposing of solid waste and the provision of hazardous waste facilities for the district in accordance with Otago Regional Council and environmental requirements. This activity includes the operation of one sanitary landfill, and transfer stations in Queenstown and Wānaka. In addition, the Council is required to monitor and rehabilitate its disused landfill sites at Hāwea, Tuckers Beach, Wānaka, Kingston, Glenorchy and Makarora.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Landfill Provision and Management	Med	High	High	Med



This activity provides some degree of private good but there is also a significant element of public good and exacerbator factor. This activity will therefore be funded 75% from user charges in the form of transfer station fees and disposal fees (excluding landfill levy), with 25% coming from the targeted fixed waste management charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Landfill Provision and Management	70%	20%	10%	75%	25%	Fees and Charges	Waste Management Charge (25%)

ENVIRONMENTAL MANAGEMENT

REFUSE COLLECTION

The community outcomes that this activity primarily contributes to:

	Deafening dawn chorus Waraki
	Zero carbon communities Parakore hapori

The purpose of this activity is to provide a kerbside recycling and residual waste collection service for residential properties in Queenstown, Arrowtown, Glenorchy, Kingston, Wānaka, Hāwea, Albert Town, Luggate and Makarora.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Refuse Collection	High	Low	Med	High



This activity is largely private good but is provided through a rate-funded universal contract and will therefore be funded 100% from the waste management charge.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Refuse Collection	90%	10%	0%	100%	0%	Waste Management Charge	-

UTILITIES

WATER SUPPLY

The community outcomes that this activity primarily contributes to:

	Deafening dawn chorus Waraki
	Disaster-defying resilience He Hapori Aumangea

The purpose of this activity is to provide reliable, high quality water supplies for domestic and commercial consumers and for firefighting purposes. The Council has provided water schemes in Queenstown, Arrowtown, Glenorchy, Lake Hayes, Arthurs Point, Wānaka, Hāwea, Albert Town, Cardrona, Luggate and Kingston.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Water Supply	High	High	Med	High



This activity is largely private good in nature and the Council recognises that the best way of recovering cost would be via volumetric charges and water meters. However, the costs of introducing such a system are seen as prohibitive at present. This activity will therefore be funded 40% from the targeted uniform rate (water) which will be charged to all serviceable properties in the nature of a supply charge, and 60% from a targeted water rate based on capital value and applied on a scheme basis to all properties connected to the public water supply.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Water Supply	90%	10%	0%	100%	0%	Targeted Uniform Rate (water) / Targeted CV Rate (water)	-

UTILITIES

STORMWATER

The community outcomes that this activity primarily contributes to:

	Deafening dawn chorus Waraki
	Disaster-defying resilience He Hapori Aumangea

The primary purpose is to provide reliable and efficient stormwater collection and disposal systems from buildings and land in Queenstown, Arrowtown, Glenorchy, Wānaka, Hāwea, Albert Town and Kingston.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Stormwater	Low	Med	Med	Med



This activity is largely public good in nature and will therefore be funded 100% from a targeted stormwater rate based on capital value and applied on a ward basis to all urban properties.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Stormwater	0%	100%	0%	0%	100%	-	Stormwater CV Rate/ Waterways concession

UTILITIES

WASTEWATER

The community outcomes that this activity primarily contributes to:

	Deafening dawn chorus Waraki
	Disaster-defying resilience He Hapori Aumangea

The primary purpose is to provide reliable and efficient sewage collection, treatment and disposal systems that meet all discharge consent conditions. Sewerage schemes are provided in Queenstown, Arrowtown, Arthurs Point, Wānaka, Hāwea, Albert Town, Cardrona, Luggate Lake Hayes and Kingston, with feasibility studies underway for Glenorchy.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Wastewater	High	High	Med	High



This activity is largely private good and the operational costs will therefore be funded by a targeted uniform sewerage charge, which is charged out on the basis of the number of connected pans/urinals within the property. A rating unit used primarily as a residence for one household shall be deemed to have not more than one pan/urinal in accordance with the Local Government (Rating) Act 2002. Remission policies have been developed in relation to the application of this rate to businesses with multiple connections and to various non-profit organisations.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Wastewater	90%	10%	0%	100%	0%	Sewerage Charge	-

ROADING AND FOOTPATHS

TOWN CENTRES

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Zero carbon communities Parakore hapori

The purpose of this activity is to provide attractive and safe town centres that are well maintained and developed to meet the changing needs of the district. This includes the maintenance and development of street furniture, specialised lighting, signage and other facilities that contribute to the atmosphere of the town centres. It also includes street cleaning in these areas. This is considered a separate activity as the requirements of these areas are significantly different to those of an urban street.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Town Centres	Med	Med	High	Med

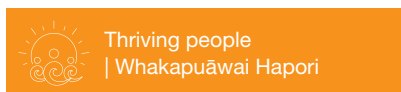
This activity provides some degree of private good but there is also a significant element of public good. After allowing for any New Zealand Transport Agency Waka Kotahi subsidy, this activity will be funded 100% from a targeted roading rate based on capital value and applied on a ward basis to all properties.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Town Centres	50%	50%	0%	50%	50%	Roading CV Rate	Roading CV Rate

ROADING AND FOOTPATHS

PARKING FACILITIES

The community outcomes that this activity primarily contributes to:



The objective of this activity is to provide a range of on- and off-street parking in the town centres of the district. The enforcement of parking and other restrictions is covered as a separate activity within Regulatory Services.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Parking Facilities	High	Med	Med	High



This activity provides a large degree of private good but there is also a minor element of public good. This activity will therefore be funded 100% from user charges.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Parking Facilities	80%	20%	0%	100%	0%	Fees and Charges	-

ROADING AND FOOTPATHS

ROADING

The community outcomes that this activity primarily contributes to:

	Thriving people Whakapuāwai Hapori
	Zero carbon communities Parakore hapori

The purpose of this activity is to provide a reliable, efficient and safe roading network that is well maintained and developed to meet the changing needs of the district. This covers all the requirements of a ‘boundary to boundary’ corridor and includes pavement, footpath and bridge maintenance and development. It also includes traffic safety services such as road marking, sign posting, street lighting and accident response. It does not include the items covered under the town centre activity.

FUNDING PRINCIPLES				
Activity	Distribution of Benefit (User Pays)	Period of Benefit (Intergenerational Equity)	Extent of Action/Inaction (Exacerbator Pays)	Cost/Benefit of Separate Funding
Roading	Low	Med	High	Med

This activity provides some degree of private good but there is also a significant element of public good and exacerbator factor. After allowing for any New Zealand Transport Agency Waka Kotahi subsidy and petrol tax (estimated at 45%), this activity will be funded from a targeted roading rate based on capital value and applied on a ward basis to all properties.

Activity	Economic Benefit Assessment			Funding Targets		Funding Mechanism	
	Private	Public	Exacerbator	Private	Public	Private	Public
Roading	50%	20%	30%	45%	55%	NZTA Subsidy / Petrol Tax	Roading CV Rate

[B] Funding sources - capital expenditure

Funding to pay for new assets will come from a mix of borrowing, development or financial contributions, grants and subsidies, capital revenue, and reserves and asset sales. Generally, the costs of new assets will not be met from rates, however a portion of the costs of servicing loans will be funded from rates.

Funding for new capital works will depend on the nature of the work, in particular the reasons (cost drivers) which have made the work necessary. There are three main cost drivers recognised by Council:

- > Growth
- > Level of service shift
- > Renewal.

[A] CAPITAL EXPENDITURE DUE TO GROWTH

The Queenstown Lakes district has experienced significant growth in its resident population, visitors, housing and commercial development, and local economy. This growth generates high levels of subdivision and development activity which place increasing pressure on the assets and services provided by Council. Significant investment in additional assets and services is therefore required to meet the demands of growth. The Council intends to fund the portion of capital expenditure that is attributable to growth from development contributions wherever it is reasonable to do so. In cases where Council is unable to fund the construction of new infrastructure to support growth within optimal timeframes, Council will look to accelerate the delivery through the use of third-party financing, as provided for under new legislation Infrastructure Funding and Financing Act (IFFA).

The Council considers that development contributions are the best mechanism available to ensure the cost of growth (net of any external funding) is funded by those who have created the need for that cost. The Council considers it inappropriate to burden the community as a whole, by way of rating or other payment means, to meet the cost of growth. The Council has adopted a Policy on Development Contributions (DC Policy) as part of the Ten Year Plan since 2004. This is updated on a three-yearly basis.

The types of assets included in the DC Policy are:

- > network infrastructure for water supplies, wastewater, stormwater and roading
- > community infrastructure, including the development and acquisition of reserve land to use as reserve and the facilities needed on that reserve; and other public amenities such as halls, libraries, public toilets, parking facilities and the like.

Section 101(3) of the LGA 2002 requires that the following be considered:

The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of:

- (i) the community outcomes to which the activity primarily contributes
- (ii) the distribution of benefits between the community as a whole, any identifiable part of the community and individuals
- (iii) the period in or over which those benefits are expected to occur
- (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity
- (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities
- (vi) the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community.

Responses to these requirements in relation to the Development Contributions and Financial Contributions Policy are:

(i) Community outcomes

This policy contributes to:

- > sustainable growth management
- > the protection of world class landscapes
- > appropriate public access
- > effective and efficient infrastructure
- > effective and efficient community facilities
- > quality built environments that meet local needs and respect the local character.

(ii) Distribution of benefits

The Council apportions all capital expenditure into the classifications of growth, renewal, level of service and statutory obligations by the geographic areas of benefit. This apportionment represents the distribution of benefit to the community as a whole, to identifiable parts of the community and to individuals.

(iii) Period over which the benefits are expected to occur

Once a development or financial contribution has been paid in relation to a subdivision or development, the benefits of the asset, service or environmental enhancement shall occur indefinitely (at a set level of service for that asset, service or environmental enhancement as defined at any one time).

(iv) Action or inaction that contributes to the need for this activity

The provision of assets, services or environmental standards that promote the community outcomes may not be willingly provided by the development community. In addition, the Council is often the only viable supplier (often legally required to provide services) of these services, and therefore Council has a moral and legal obligation to supply additional assets and services to meet new community needs.

(v) Costs and benefits of funding this activity (development and financial contributions)

The benefits to the existing community are significantly greater than the cost of policy making, calculations, collection, accounting and distribution of funding for development and financial contributions.

(iv) Allocation of liability for revenue needs

The liability for revenue falls directly with the development community. At the effective date of this Policy, the Council does not perceive any impact on the social, economic, environmental and cultural wellbeing of this particular sector of the community. At any stage in the future where there may be impacts of this nature, the Council may revisit this policy.

The types of assets included in the Development Contribution Policy are:

- > network infrastructure for water supplies, wastewater, stormwater and roading
- > reserve land
- > community infrastructure, including the development and acquisition of reserve land to use as reserve and the facilities needed on that reserve; and other public amenities such as halls, libraries, public toilets, parking facilities and the like.

Funding sources for growth capital expenditure in order of priority:

- i. Development contributions or, where appropriate, IFFA
- ii. Capital grants and subsidies attributable to growth portion
- iii. Borrowing.

[B] CAPITAL EXPENDITURE DUE TO SHIFTS IN LEVELS OF SERVICE, STATUTORY REQUIREMENTS OR OTHER REASONS BUT NOT INCLUDING GROWTH OR RENEWALS

The cost driver for a significant portion of capital works within the Queenstown Lakes district relates to increasing levels of service for the community. Sometimes these improvements to levels of service are required because of changes to legislation or resource consent conditions, which means that there is often little discretion with regard to the decision. An example of this would be the requirement to provide additional water treatment facilities as a result of the introduction of new water treatment standards.

In other cases, the increase in level of service is a community-driven decision. An example of this would be the construction of aquatic centres. The Council's approach to funding for this type of capital expenditure is to initially apply for grants from national and local funding organisations, and to apply the proceeds of land sales from the Commonage in Queenstown or Scurr Heights in Wānaka.

Funding from the Commonage in Queenstown is restricted by statute to be applied for the benefit of the Old Queenstown Borough for the purposes of water and sewerage upgrades. Proceeds from Scurr Heights land in Wānaka are restricted for use to the Wānaka ward and can be applied to variety of infrastructure purposes including water, wastewater, roading or community (recreational) purposes.

Funding sources for other capital expenditure in order of priority:

- i. Capital grants and subsidies or where appropriate IFFA
- ii. Capital revenues and asset sale proceeds
- iii. Capital reserves
- iv. Borrowing
- v. Rates.

[C] CAPITAL EXPENDITURE DUE TO RENEWALS

Renewal capital works are those capital expenditure costs that are incurred in restoring an asset to previous service levels, usually reflected in the amount that an asset has depreciated. Therefore, by using those depreciation funds, the Council is attempting to maintain infrastructural networks to at least their existing service level.

The funding of depreciation is an implied requirement of the 'balanced budget' provision of the Local Government Act. It requires that the Council fully fund all operating costs, including reductions in the useful life or quality of assets. The requirement arises from Government concern that some local authorities were not adequately maintaining infrastructural assets. In instances where this occurred, current ratepayers were paying too little and leaving a major financial burden for future generations.

The Council has provided adequately for asset renewal in recent years. A major effort has been made over the past decade or so to address deferred maintenance and the budgets have provided appropriately for the renewal of infrastructure. The Council now has far more reliable asset information and a much better understanding of the life cycle of its assets. The Act provides a more flexible approach in the requirement to fully fund depreciation. This has allowed some flexibility which the Council has taken advantage of in four key areas in preparing the Long Term Plan.

The new Act provides a more flexible approach in the requirement to fully fund depreciation. The revised interpretation has allowed Council flexibility in four key areas which we have taken advantage of in preparing these budgets:

- i. The Council needs to fund depreciation only on its share of roading expenditure. The component attributable to NZTA should not be funded as the NZTA subsidy funds this. Allowing for all subsidisable costs, 33% of roading depreciation will be funded in 2024/25 (2021/22 - 32%). This increases to around 49% by year 10. There is no impact on current levels of service from this approach, as the cash collected over the 10 years will fully fund the local share of renewal programmes.
- ii. Depreciation on community facilities may not need to be funded as they are often funded by non-Council sources and will never be replaced in the same form at the end of their useful life. Depreciation on halls, libraries, and other facilities (including the Queenstown Events Centre and Wānaka Recreation Centre) will therefore not be funded.
- iii. The Council has accepted that it is not reasonable to fund depreciation where a community has funded a water or sewerage scheme, by lump sum contributions or loan charges. That community ends up paying twice, for loan charges and depreciation.
- iv. Because we have generally maintained the value of our infrastructure the Council will use funded depreciation to finance renewal projects and repay loans. It cannot be used to fund new assets or asset improvements.

Funding sources renewal capital expenditure in order of priority:

- i. Depreciation reserves or where appropriate IFFA
- ii. Borrowing
- iii. Rates.

FUNDING IMPACT STATEMENT - WHOLE COUNCIL (\$'000)

ANNUAL PLAN		TEN YEAR PLAN									
2023/24		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Sources of operating funding											
	General rates, uniform annual general charge,										
7,692	rates penalties	8,706	11,625	12,583	15,856	22,441	24,169	20,416	19,344	19,765	23,429
118,104	Targeted rates	141,705	165,070	191,355	213,021	240,605	261,850	283,477	305,702	324,314	337,422
44,992	Fees & charges	48,504	50,222	52,132	54,303	56,096	57,807	59,450	61,227	62,885	64,712
7,757	Subsidies & grants for operating expenditure	7,169	7,482	7,411	7,800	8,119	8,424	8,720	9,015	9,317	9,612
8,123	Interest and dividends from investments	11,437	13,209	13,452	9,907	10,100	10,288	10,471	10,656	10,845	11,028
9,854	Fuel tax, fines, infringement fees & other receipts	10,580	11,195	12,170	12,949	13,451	14,103	14,584	17,005	17,490	17,974
196,523	Total sources of operating funding	228,101	258,804	289,102	313,836	350,812	376,642	397,117	422,949	444,617	464,177
Applications of operating funding											
151,601	Payments to staff and suppliers	165,470	175,102	181,623	190,332	195,864	202,500	208,401	216,880	224,768	229,303
23,126	Borrowing Costs	30,002	29,737	32,402	36,568	43,624	47,862	53,558	56,151	57,824	58,677
174,727	Total applications of operating funding	195,472	204,838	214,026	226,899	239,489	250,362	261,959	273,031	282,592	287,980
21,796	Surplus/(deficit) of operating funding	32,629	53,966	75,076	86,937	111,324	126,280	135,158	149,918	162,025	176,197
Sources of capital funding											
40,256	Subsidies & grants for capital expenditure	16,386	18,519	19,147	22,697	21,497	23,469	24,109	14,923	26,154	34,957
20,645	Development & financial contributions	39,314	33,026	33,910	33,753	34,639	37,409	36,477	36,940	36,924	37,555
3,142	Gross proceeds from sale of assets	-	1,481	-	(1,561)	7,388	8,660	4,047	3,517	-	21,054
112,636	Increase/(decrease) in debt	42,863	42,921	64,259	93,602	78,463	53,546	23,936	30,069	(16,586)	(9,337)
-	Lump sum contributions	-	-	-	-	-	-	-	-	-	-
-	Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-
176,680	Total sources of capital funding	98,563	95,948	117,316	148,491	141,987	123,085	88,570	85,449	46,492	84,229
Applications of capital funding											
Capital expenditure											
93,936	- to meet additional demand	51,132	66,867	69,652	90,153	103,715	118,393	103,215	127,562	94,472	153,691
36,654	- to replace existing assets	38,967	45,219	56,908	57,602	54,917	43,351	46,215	44,978	44,568	40,234
72,150	- to improve the level of service	56,637	56,239	88,000	113,284	124,931	121,435	110,228	100,023	110,394	111,059
(4,266)	Increase/(decrease) in reserves	(15,543)	(18,411)	(22,168)	(25,612)	(30,253)	(33,815)	(35,930)	(37,196)	(40,917)	(44,559)
-	Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-
198,474	Total applications of capital funding	131,193	149,913	192,392	235,428	253,310	249,364	223,728	235,367	208,517	260,425
(21,794)	Surplus/(deficit) of capital funding	(32,629)	(53,966)	(75,076)	(86,937)	(111,323)	(126,279)	(135,158)	(149,918)	(162,025)	(176,196)
-	Funding balance	-	-	-	-	-	-	-	-	-	-

Reconciliation of Funding Impact Statement to Statement of Financial Performance

PLAN 2023/24	TEN YEAR PLAN									
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
INCOME										
Statement of Financial Performance										
282,869	Total operating income									
	315,839	344,095	375,366	402,755	449,103	481,719	497,997	515,328	545,394	596,211
Funding Impact Statement:										
196,523	Total sources of operating funding									
	228,101	258,804	289,102	313,836	350,812	376,642	397,117	422,949	444,617	464,177
<i>Plus sources of capital funding:</i>										
40,256	Subsidies & grants for capital expenditure									
	16,386	18,519	19,147	22,697	21,497	23,469	24,109	14,923	26,154	34,957
20,645	Development & financial contributions									
	39,314	33,026	33,910	33,753	34,639	37,409	36,477	36,940	36,924	37,555
-	Other dedicated capital funding									
	-	-	-	-	-	-	-	-	-	-
-	Gross proceeds from sale of assets									
	-	1,481	-	(1,561)	7,388	8,660	4,047	3,517	-	21,054
-	Less cost of property sales									
	-	-	-	-	-	-	-	-	-	-
<i>Plus non-cash items:</i>										
20,673	Vested assets									
	30,235	30,942	31,723	32,513	33,287	34,028	34,777	35,500	36,247	36,989
1,630	Revaluation - non-current assets									
	1,801	1,323	1,484	1,517	1,480	1,511	1,469	1,498	1,452	1,479
279,727	Total income									
	315,839	344,095	375,366	402,755	449,103	481,719	497,997	515,328	545,394	596,211
EXPENDITURE										
Statement of Comprehensive Income:										
229,445	Total operating expenditure									
	261,484	273,642	288,892	308,315	318,069	334,287	351,846	368,285	385,969	398,259
Funding Impact Statement:										
174,727	Total applications of operating funding									
	195,472	204,838	214,026	226,899	239,489	250,362	261,959	273,031	282,592	287,980
<i>Plus non-cash items:</i>										
55,537	Depreciation									
	66,012	68,803	74,867	81,416	78,580	83,924	89,887	95,254	103,377	110,279
230,264	Total expenditure									
	261,484	273,642	288,892	308,315	318,069	334,287	351,846	368,285	385,969	398,259