



Revenue, financing and rating policies

Revenue and Financing Policy

Introduction

Council adopts its Revenue & Financing Policy under section 102 of the Local Government Act 2002.

The **purpose** of this Policy is to set out how each of Council's Activities is to be funded – that is, who pays for what, and why. The Policy outlines:

- Available funding mechanisms (e.g. rates, fees, borrowing, etc.),
- Council's funding considerations (i.e. the decision about how each Council Activity is to be funded and the process followed to reach that decision), including
 - funding of operating costs (i.e. the funding mix Council has chosen for each Activity's operating costs), and
 - funding of capital costs (i.e. the funding mix Council has chosen for each type of capital investment).

Note that the Revenue & Financing Policy simply sets out Council's decision about how each Activity is to be funded, and the thinking behind that decision. The application of this Policy is set out elsewhere:

- Rates charges and definitions are set out in the Funding Impact Statement,
- Fees and charges for all Activities are set out in the Fees & Charges Schedule,
- Development Contributions are set out in the Development Contributions Policy,
- Projected dollar revenues and costs for each Activity (and the Council as a whole) are set out in the Funding Impact Statement.

Available Funding Mechanisms

Council uses the following sources of funding.

General Rates

General rates are used to fund those services where the Council believes there is a public benefit even though it may not be to the whole community. They typically fund those activities where there is no practical method for charging individual users and the benefit is wider than just the specific user.

Council considers that fixed dollar charges are regressive, in that they represent a higher percentage tax on lower-value properties than on higher-value properties. However, it is considered appropriate for all property-owners to contribute at least a minimum amount towards the funding of Council Activities; Council has therefore determined to apply a relatively low-level Uniform Annual General Charge to each Separately Used or Inhabited Part of a Rating Unit (SUIP).

Council collects the bulk of its general rates in proportion to each Rating Unit's Capital Value. Capital Value represents the owner's full investment in the property, and is therefore considered to provide a more equitable basis for taxation than the Land Value or Annual Value alternatives permitted under section 13 of the Local Government (Rating) Act 2002.

Council considers that the benefits of its Activities are distributed unevenly between different sectors of the community – in particular, that business properties tend to benefit relatively more and remote rural, (farming & forestry) properties relatively less than residential properties. Council has therefore determined to apply Differentials to the value-based General Rate, based on the use to which the land is put:

- All properties will be charged a Standard rate, except those that meet the criteria for Business or Remote Rural (Farming & Forestry) set out in the Funding Impact Statement,
- Business properties will be charged at a differential rate which is higher than the Standard rate, and
- Remote Rural (Farming & Forestry) properties will be charged at a differential rate which is lower than the Standard rate.

Targeted Rates

Used to provide funding for specific Council activities, for example key water infrastructure (i.e. water supply, sewage, and land drainage) and for waste minimisation activities (i.e. yellow & green bins), Council applies these targeted rates to those ratepayers within the relevant serviced areas. The objective of these targeted rates is to fund the cash operating costs of each activity in each year. In addition:

- These targeted rates will collect a portion of the expected depreciation cost for each service over the planning period,
- The proportion of depreciation costs recovered through each targeted rate may differ from year to year, as this is considered desirable to help deliver predictable rates increases across all sectors.

Consequently, Council's current overall rating policy is to not recover all depreciation costs.

Council also uses a targeted rate to fund the operating cost of cycle-ways (part of Council's Transport Activity). The intention is for this targeted rate to provide only partial funding, with the balance of operating costs funded from other sources (particularly general rates and fees & charges).

Council may choose to fund capital investment through a targeted rate, if this is considered desirable in order to demonstrate that specific revenues are being applied to identified projects, or to ensure that at least some of the cost of investment is borne by the identified beneficiaries (e.g. to establish a new water or sewer network in a remote community).

Council may consider inviting Lump Sum Contributions from ratepayers affected by such capital-related targeted rates. However, the preference is to avoid such arrangements, as their potential equity benefits are considered to be usually outweighed by the long-term cost of administration.

The calculation of targeted rates shall be the same as for general rates – that is:

- Fixed dollar rates will be charged per Separately Used or Inhabited Part of a Rating Unit, and
- Value-based rates will be charged based on Capital Value.

Development Contributions

Where Council is required to make capital investment in response to growth in the District (i.e. new subdivision and/or more intensive development of existing developed land), then it will seek to recover a portion of the cost of this investment from those property owners undertaking such growth.

The intention of this recovery is to collect the bulk of Council's overall investment in growth-related infrastructure across the District over time; it is explicitly *not* intended that the amount charged in relation to an individual development will be used to fund Council infrastructure related to that development.

Grants & Subsidies

Some Council Activities qualify for a grant or subsidy from the Crown – most importantly from the New Zealand Transport Agency (NZTA) for qualifying roading expenditure, but also from the NZ Fire

Service, Creative NZ, and other entities. These are used as the initial source of funding where they're available.

Fees & Charges

Council typically collects fees and charges where an Activity is perceived to provide benefit primarily to identifiable individuals or groups (i.e. user-pays), or where the need for the Activity is driven by the actions or inactions of identifiable individuals or groups (i.e. exacerbator-pays).

However, consideration is also given to whether each fee or charge is economically viable (including whether full cost recovery may result in an unacceptable decrease in the use of Council services), and whether such charging may undermine one of Council's identified core Community Outcomes (see "Council's Funding Considerations" below).

Borrowing

Other than for the routine renewal of infrastructure (which is expected to occur more or less consistently each year and is funded from rates), borrowing is undertaken to fund spending where the benefit is perceived to endure for multiple years –for example, capital investment undertaken for service improvements, growth (prior to the collection of Development Contributions), and earthquake repairs..

Short term, Council is borrowing to fund an operating deficit in 2015/16 (final year under the previous financial strategy), and is borrowing to fund earthquake response costs for the next 2 years.

Borrowing is undertaken at a corporate level (i.e. as a single debt portfolio), for reasons of efficient debt management. However, interest costs are allocated to individual Council Activities for budgeting and funding purposes, in proportion to the amount of depreciation generated by that Activity.

Proceeds from Asset Sales

Proceeds from asset sales will be used to reduce debt or fund capital investment relating to new assets or earthquake recovery.

Interest, Dividends, & Other Revenues

Council's principal investment revenues are the dividends received from its commercial subsidiaries (most importantly Christchurch City Holdings Ltd). Cash investments are generally only held for liquidity purposes, as Council is a net borrower.

Income from dividends, interest, and other sources not described above (e.g. petrol taxes) are collectively treated as corporate revenues and are assumed to accrue to general ratepayers – i.e. they are not allocated against specific Activities, but reduce the amount of general rates that Council needs to collect to fund those Activities.

Council's Funding Considerations

Council's decision about which funding mechanism(s) to use to fund each Activity is guided by the following considerations:

- **Community Outcomes** (i.e. what the Activity is trying to achieve) – the source of funding for each Activity is decided after considering the Community Outcome(s) to which it contributes. Council has identified five core Community Outcomes, details of which are provided elsewhere in the Long Term Plan:
 - Liveable City (including housing, transport, and urban design),
 - Strong Communities (including public safety, recreation, heritage, and community participation),
 - Healthy Environment (including water quality, sustainable use of resources, and biodiversity protection),
 - Prosperous Economy (developing a strong business and economic base), and
 - Good Governance (including public confidence in Council's decision-making and effective stewardship of Council resources).

- **User-pays** (i.e. how the benefits of an Activity are distributed) – where the primary benefit from a Council Activity is provided to an identifiable group, then it is preferable for that group to bear the principal cost of the Activity.
- **Exacerbator-pays** (i.e. where the Activity is required due to the activities or inactions of identifiable groups) – it is preferable for such costs to be paid for by those groups contributing to the need for the Activity.
- **Inter-generational equity** (i.e. the period over which the benefits of an Activity occur) – most operational expenditure provides a benefit only during the year that it is spent, so is best funded from current revenues; however, capital investments usually provide benefits over many years, so may be more appropriately funded through borrowing (which is repaid over multiple years).
- **Potential for distinct funding sources** – it may improve the transparency and accountability of Council spending on any particular Activity if its funding is sourced independently of other Activities (e.g. through specific user-charges or a targeted rate), particularly where the cost is significant (such as water infrastructure) or where it is considered desirable to demonstrate that funding is being spent on a specific project or set of projects (such as cycle-ways). The potential benefit of such improved transparency and accountability are weighed against the cost of having to administer the separate funding stream.

Council's choice of funding for each Activity is also guided by the overall impact that any allocation of charges and costs may have on the Community. In particular, although some Activities should arguably be funded by user fees and charges due to the level of private benefit they provide, Council may consider such user-charging inappropriate – for example, full user-funding of libraries and swimming pools may

result in these services no longer being provided, and also conflicts with Council's identified "Strong Community" Community Outcome.

Council has therefore determined that the following Activities will receive a material amount of funding from General Rates:

- Roads & Footpaths
- Refuse Minimisation
- Arts & Culture
- Sports & Recreation

Funding of Operating Costs

Where an Activity is paid for through a number of funding mechanisms, Council's practice is to meet its operating costs in the first instance from fees & charges and grants & subsidies (subject to the considerations outlined above). If the Activity requires further operational funding, this remainder is funded through rates.

This section sets out Council's operational funding decision for each Activity, using three tables:

- *Table 1, Community Outcome* – this table identifies the Community Outcomes to which the Activity **primarily** contributes, on a simple yes / no scale (it is acknowledged that some Activities contribute to more outcomes than those shown).
- *Table 2, Funding Principles* – this table shows how the Council has considered other funding considerations in relation to the Activity, using a simple high / medium / low scale:
 - User-pays – the degree to which the Activity can be attributed to individuals or identifiable groups rather than the community as a whole;
 - Exacerbator-pays – the degree to which the Activity is required as a result of the action (or inaction) of individuals or identifiable groups;

- Inter-generational equity – the degree to which benefits can be attributed to future periods; and
- Separate funding – the degree to which the costs and benefits justify separate funding for the Activity.
- *Table 3, Funding Decision* – this table shows Council’s broad funding target for the Activity (i.e. how much is paid for by individuals / groups, and how much by the community as a whole), and the associated funding mechanism used (i.e. general rates, targeted rates, user charges, etc.). As the precise balance between individual / group and community funding may vary in practice (particularly for volumetric fees and charges), the funding target is expressed in broad terms rather than specific percentages:
 - Low = this source provides 0%-25% of the funding for this Activity;
 - Medium = this source provides 25%-75% of the funding for this Activity; and
 - High = this source provides 75%-100% of the funding for this Activity.

The specific revenue and cost projections for the current planning period are shown in the individual Funding Impact Statements by group of activity.

Water Supply

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	-	Y	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
High	Low	Low	High

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
High	Low	<ul style="list-style-type: none"> Targeted Rate (High) Fees & Charges (Low) 	<ul style="list-style-type: none"> Grants & Other (Low)

Comment: The benefits of this Activity are relatively easy to associate with those properties which are connectable to Council infrastructure, making a Targeted Rate funding mechanism both desirable and practicable.

Sewage Collection & Treatment

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	-	Y	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
High	Low	Low	High

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
High	Low	<ul style="list-style-type: none"> Targeted Rate (High) Fees & Charges (Low) 	<ul style="list-style-type: none"> Grants & Other (Low)

Comment: The benefits of this Activity are relatively easy to associate with those properties which are connectable to Council infrastructure, making a Targeted Rate funding mechanism both desirable and practicable.

Stormwater Drainage

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	Y	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
High	Low	Low	High

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
High	Low	<ul style="list-style-type: none"> Targeted Rate (High) Fees & Charges (Low) 	<ul style="list-style-type: none"> Grants & Other (Low)

Comment: The benefits of this Activity are relatively easy to associate with those properties which are protected by Council's infrastructure, making a Targeted Rate funding mechanism both desirable and practicable.

Flood Protection & Natural Waterways

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	Y	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
High	Low	Low	High

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
High	Low	<ul style="list-style-type: none"> Targeted Rate (High) 	<ul style="list-style-type: none"> n/a

Comment: The benefits of this Activity are relatively easy to associate with those properties which are protected by Council's infrastructure, making a Targeted Rate funding mechanism both desirable and practicable.

Roads & Footpaths

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
Y	-	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Medium	Low	Low	Low

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Low	High	<ul style="list-style-type: none"> • Fee & Charges (Low) 	<ul style="list-style-type: none"> • General Rates (High) • Grants & Other (Low)

Comment: This Activity is considered to be of primary benefit to road users. However, it is not considered practicable or desirable to fund the Activity separately, because Council's roading network is considered to be qualitatively different from those of its infrastructure or service Activities where separate funding is used – in particular:

Significant benefit arguably also accrues to non-users, to a greater extent than for other infrastructure networks (reflected in the "Medium" user-pays consideration in Table 2), and

The extent of "use" (and therefore the extent of liability to be paid) is more difficult to determine than for other Activities.

This Activity is therefore primarily funded by the community as a whole (note, for the purpose of this Financial Impact Statement, NZTA grants are treated as "Community-sourced", as they are paid by central government rather than individuals or groups within the District).

Transport

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
Y	-	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Medium	Low	Low	Medium

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Medium	Medium	<ul style="list-style-type: none"> • Fees & Charges (Medium) • Targeted Rates (Low) 	<ul style="list-style-type: none"> • General Rates (Low) • Grants & Other (Low)

Comment: Funding considerations for this Activity are similar to those for Roads & Footpaths above. However, Council considers that it is more practicable to fund some of the cost of the Activity separately, resulting in a lower reliance on General Rates funding than for Roading. Note that Targeted Rate funding is from the Active Travel rate, which is a universal fixed rate and so is regarded as funding from the community as a whole.

Parks & Open Spaces

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	Y	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Low	Low	Low	Low

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Low	High	<ul style="list-style-type: none"> Fees & Charges (Low) 	<ul style="list-style-type: none"> General Rates (High) Grants & Other (Low)

Comment: This Activity includes Cemeteries, the cost of which is approximately half-funded through user charges. However, the Activity as a whole is considered to provide benefit to the community as a whole, and therefore most appropriately funded through general rates.

Refuse Minimisation

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	-	Y	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Low	High	Medium	Medium

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Medium	Medium	<ul style="list-style-type: none"> Targeted Rate (Medium) Fees & Charges (Low) 	<ul style="list-style-type: none"> General Rates (Medium) Grants & Other (Low)

Comment: Council wishes to take an environmentally responsible approach to the management of recyclable and compostable waste, for the benefit of current and future communities. It is therefore considered appropriate to partially subsidise this Activity through general rates.

Natural Environment

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	-	Y	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Low	Low	High	Low

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Low	High	<ul style="list-style-type: none"> Fees & Charges (Low) 	<ul style="list-style-type: none"> General Rates (High)

Comment: Council wishes to contribute to a sustainable environment for the benefit of the current and future communities. Funding this activity through general rates is therefore considered appropriate.

Heritage Protection

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	Y	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Low	Low	High	Low

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Low	High	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> General Rates (High)

Comment: Council wishes to contribute to the preservation of the District's heritage for the benefit of the current and future communities. Funding this activity through general rates is therefore considered appropriate.

Arts & Culture

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	Y	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
High	Low	Medium	Low

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Low	High	<ul style="list-style-type: none"> Fees & Charges (Low) 	<ul style="list-style-type: none"> General Rates (High) Grants & Other (Low)

Comment: Although this Activity arguably only benefits the individuals and groups participating, the Council wishes to maximise the potential for broad community participation (within financially prudent limits) for the benefit of the current and future communities. It is therefore considered appropriate to subsidise this Activity through general rates.

Sports & Recreation

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	Y	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
High	Low	Low	Medium

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Medium	Medium	<ul style="list-style-type: none"> Fees & Charges (Medium) 	<ul style="list-style-type: none"> General Rates (Medium) Grants & Other (Low)

Comment: Although this Activity arguably only benefits the individuals and groups participating, the Council wishes to maximise the potential for broad community participation (within financially prudent limits). It is therefore considered appropriate to partially subsidise this Activity through general rates.

Economic Development

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	-	-	Y	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Low	Low	Medium	Low

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Low	High	<ul style="list-style-type: none"> Fees & Charges (Low) 	<ul style="list-style-type: none"> General Rates (High) Grants & Other (Low)

Comment: The Council considers it has a role in the promotion and economic development of the city, within financially prudent limits. This Activity is considered to benefit the current (and future) community as a whole, so is appropriate to fund largely from general rates.

Resilient Communities

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	Y	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Low	Low	Low	Low

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Low	High	<ul style="list-style-type: none"> Fees & Charges (Low) 	<ul style="list-style-type: none"> General Rates (High) Grants & Other (Low)

Comment: This Activity includes Civil Defence and rural fire management, as well as community grants and support for community events. Apart from Community Facilities (around two-thirds of which is funded through user-charges), these activities are considered to benefit the community as a whole, making general rates funding appropriate.

Housing

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
Y	-	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
High	Low	Medium	High

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
High	Low	<ul style="list-style-type: none"> • Fees & Charges (High) 	<ul style="list-style-type: none"> • Grants & Other (Low)

Comment: Council considers that this Activity provides some community-wide benefit by providing affordable housing to those in need. Housing rentals are intended to be sufficient to cover operating costs without subsidy from other sources.

Regulation & Enforcement

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
Y	-	-	-	-

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Medium	Medium	Medium	Medium

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Medium	Medium	<ul style="list-style-type: none"> • Fees & Charges (Medium) 	<ul style="list-style-type: none"> • General Rates (Low) • Grants & Other (Low)

Comment: Council considers it appropriate to recover the bulk of its costs relating to licensing, enforcement, and consenting from the individuals or groups benefitting from the service (i.e. user or exacerbator pays). The overall funding mix in Tables 2 & 3 is only “Medium”, however, because this Activity group also includes the on-going development and management of Council’s building policy and district planning, which are more generic activities appropriately funded largely from general rates.

Strategic Governance, and Strategic Policy & Planning

Table 1: Community Outcome

Liveable City	Strong Community	Healthy Environment	Prosperous Economy	Good Governance
-	-	-	-	Y

Table 2: Funding Principles

User-Pays	Exacerbator-Pays	Inter-Generational Equity	Separate Funding?
Low	Low	Medium	Low

Table 3: Funding Decision

Funding Target		Funding mechanism	
Individual / Group	Community	Individual / Group	Community
Low	High	<ul style="list-style-type: none"> • Fees & Charges (Low) 	<ul style="list-style-type: none"> • General Rates (High) • Grants & Other (Low)

Comment: The cost of Council's governance and planning is inherently a cost borne by the community as a whole, and so is funded largely from general rates.

Funding of Capital Costs

The term “Capital Cost” includes a range of relatively long-term investment spending:

- Equity investment in Council-controlled organisations (most importantly, Christchurch City Holdings Ltd., which owns the city’s shares in the airport, port company, electricity lines company, and others);
- Network and community assets (the broadest category, including water and sewage networks, libraries, community halls, and social housing, and including strategic assets purchased in advance of need – for example, a drainage basin purchased to support anticipated future development); and
- Other assets (such as general plant and equipment).

Having considered the factors in section 101(3) of the Local Government Act 2002, the Council considers that capital investment in any particular Council Activity contributes to the same Community Outcomes as the operating costs of that Activity (per tables above), and will tend to have the same distribution of benefits across the community. However, most capital investments are long-term in nature, so inter-generational equity is a far more important driver of Council’s capital funding decision than it is for operational funding.

Council has therefore determined that capital costs will be funded in accordance with the following **principles**:

- Investment in assets of a commercial or revenue-generating nature should be funded by borrowing, and be either self-funding or expected to deliver a net benefit to ratepayers in the long-term – any difference between investment income and funding costs in individual years will be allocated to or supported by general rates.
- Non-commercial capital investments will be funded in the first instance from borrowing, offset where appropriate by NZTA grants and asset sales. Where the spending is to provide new assets to service growth (ie. new subdivisions and/or more intensive development of developed land), the growth component is funded from Development Contributions
- Capital renewals – where capital spending is expected to be relatively consistent from year to year (in particular, the renewal or replacement of existing infrastructure assets as they approach the end of their economic lives), the required funding is from rates.
- Earthquake repairs are funded from insurance proceeds, Crown contributions, asset sales, rates, and borrowing.

- The Governor’s Bay water and sewerage schemes, both of which were assumed when the City merged with the Banks Peninsula District Council are funded by targeted rates.

Table: Council’s Capital Funding Policy, by Investment Type

Investment type	Initial funding	Serviced and/or repaid by:
Equity investment in CCOs / CCTOs	<ul style="list-style-type: none"> • Debt (interest only) 	<ul style="list-style-type: none"> • Dividends and Rates,
Network & Community assets: <ul style="list-style-type: none"> • Renewal / replacement • Service Improvement • Earthquake repairs • Growth 	<ul style="list-style-type: none"> • Rates • Debt • Insurance proceeds, Crown contributions, asset sales, rates, debt • Debt and Development Contributions 	<ul style="list-style-type: none"> • n/a • Rates • Debt and Rates • Debt and Development Contributions
Other assets	<ul style="list-style-type: none"> • Debt 	<ul style="list-style-type: none"> • Rates

The application of these principles to individual Activities is tabulated below. The High / Medium / Low scale is the same as applied to the operational tables above. The specific capital spending and funding projections for the current planning period are shown in the individual Funding Impact Statements by group of activity.

Table: Council's Capital Funding Policy, by Activity

	Rates	Earthquake Recoveries	Borrowing	Reserves	Development Contributions	Grants & Other
Water Supply	Medium	Low	Low	-	Low	Low
Sewage Collection & Treatment	Medium	Low	Medium	-	Low	-
Stormwater Drainage	Medium	Low	Medium	-	-	-
Flood Protection & Natural Waterways	Low	-	High	-	Low	-
Roads & Footpaths	Low	Low	Medium	-	Low	-
Transport	Low	Low	Medium	-	Low	Medium
Parks & Open Spaces	Medium	-	Medium	-	Low	-
Refuse Minimisation	Medium	Low	Medium	-	-	-
Natural Environment	-	-	-	-	-	-
Heritage Protection	-	-	High	-	-	-
Arts & Culture	Medium	Low	Medium	-	-	-
Sports & Recreation	Medium	Low	Medium	-	Low	-
Economic Development	-	-	-	-	-	-
Resilient Communities	Medium	Low	Medium	-	-	-
Housing	-	Medium	-	Medium	-	-
Regulation & Enforcement	Medium	-	-	Medium	-	-
Strategic Governance, Policy & Planning	-	-	High	-	-	-

Rates Remission Policy

Objective of the policy

To provide rates relief in ten situations, to support either the fairness and equity of the rating system or the overall wellbeing of the community.

Remission 1: Not-for-profit community-based organisations

Objective

Certain types of land use are classified as “non-rateable” under Section 8 of the Local Government (Rating) Act 2002, including schools, churches, and land used for some conservation or recreational purposes. Such land may be either fully or 50% “non-rateable”, although any rates specifically for the purpose of water supply, sewage, and refuse collection must still be charged.

The objective of this remission is to provide rates relief to community-based organisations (including some that may be classified as non-rateable under section 8), to support the benefit they provide to the wellbeing of the Christchurch district.

Conditions and criteria

For not-for-profit community-based organisations which the Council considers deliver a predominant community benefit:

- Where the organisation occupies Council land under lease, up to 100% remission of all rates (except targeted rates for excess water and waste minimisation).
- Where the organisation occupies other land:

- Up to 100% remission on general rates (including the uniform annual general charge),
- Up to 50% remission (of the rates that would be payable if they were fully rateable) on targeted rates for standard water supply, sewerage, and land drainage,

Applications for this remission must be in writing. The extent of remission (if any) shall be determined at the absolute discretion of the Council, and may be phased in over several years.

The Council reserves the right to require annual applications to renew the remission, or to require certification from the applicant that the property is still eligible for the remission. Any residual rates payable must be paid in full for the remission to continue.

Remission applies to

Any community-based not-for-profit organisation whose activities, in the opinion of the Council, provide significant public good as a result of its occupation of the property.

The remission may (at Council’s absolute discretion) include property over which a liquor licence is held, provided this is incidental to the primary purpose of occupancy. This inclusion may also apply to those organisations classified as “non-rateable” under Section 8 of the Local Government (Rating) Act 2002.

The remission is not available to property owned or used by chartered clubs, political parties, trade unions (and associated entities), dog or horse racing clubs, or any other entity where the benefits are restricted to a class or group of persons and not to the public generally.

Any remission will only apply to the portion of the property used for the purpose for which the remission is granted.

Remission 2: Land occupied and used by the Council for community benefit

Objective

To support facilities providing benefit to the community, by remitting rates.

Conditions and criteria

The Council may remit all rates (other than targeted rates for excess water supply and water supply fire connection) on land owned by or used by the Council and which is used for:

- Those activities listed in section 4 of the Local Government (Rating) Act 2002 Schedule 1,
- Rental housing provided within the Council’s Social Housing activity, and
- Any other community benefit use (excluding infrastructural asset rating units).

Remission 3: Rates - Late payment penalties

Objective

Council charges penalties for late payment of rates, in accordance with sections 57 & 58 of the Local Government (Rating) Act 2002.

The objective of this remission is to enable such penalties to be waived where it is fair and equitable to do so, and to encourage ratepayers to clear arrears and keep their payments up to date.

Conditions and criteria

Council will consider remitting late payment penalties in the following three circumstances:

- *One-off ratepayer error* (including timing differences arising from payments via regular bank transactions).
 - This may only be applied once in any five-year period for business ratepayers, and in any two-year period for other ratepayers.
 - Only current-year penalties may be remitted.
 - Applications must state the reason for late payment, and deliberate non-payment will not qualify for remission.
 - Applications must generally be in writing, although staff may waive this requirement if they are satisfied that the full details of the application are recorded.
 - Payment of all outstanding rates (other than the penalties to be remitted) is required prior to the remission being granted.
- *Inability to pay* (including sickness, death, financial hardship, or other circumstances

where it is considered fair and equitable for the remission to be applied):

- Penalties imposed in the last two-year period may be remitted, where this would facilitate immediate payment of all outstanding rates (remission of penalties over a longer time period may be considered, if the amount of arrears is large).
- Where an acceptable arrangement to pay arrears and future rates over an agreed time period is to be implemented, then any penalties that would otherwise have been imposed over this time period may be remitted.
- Applications must generally be in writing, although staff may waive this requirement if they are satisfied that the full details of the application are recorded.
- *Full year payment* (i.e. where the ratepayer pays the financial year's rates in full, rather than in instalments):
 - Late penalties on the current year's Instalment 1 rates invoice will be remitted if current-year rates are paid in full by the due date for Instalment 2.

Remission applies to

Remission of late rates payments may be applied as follows:

- One-off error – to all rating units (although with different criteria for business units)
- Inability to pay – only to properties which are the primary private residence owned and occupied by the applicant
- Full-year payment – to all rating units

Remission 4: Contiguous parcels of land

Objective

Council charges a Uniform Annual General Charge (UAGC) as part of its general rates.

The objective of this remission is to waive the UAGC where doing so supports the purpose of the UAGC as set out in Council's Rating Policy.

Conditions and criteria

Council will consider remitting the UAGC rate where:

- Parcels of land under different ownership are contiguous (ie. sharing a boundary and in common usage, such that they should reasonably be treated as a single unit); OR
- It has been determined that a building consent will not be issued for the primary use of the land under the City Plan.

Remission applies to

All rating units.

Remission 5: Residential pressure wastewater system electricity costs

Objective

Following the 2010 and 2011 earthquakes, some gravity-fed wastewater disposal systems are being replaced by low pressure pump systems. This generally requires the pump to be connected to the electricity supply of the particular house that it serves.

The objective of this remission is to compensate affected homeowners for the additional electricity cost an average household has to pay to operate the new system.

Conditions and criteria

Affected ratepayers will receive a general rates remission equal to an amount determined by Council each year. The Council will make an effort to match this amount to the estimated annual electricity supply charges likely to be paid that year to operate the system.

The remission reflects the estimated annual cost for an average household and therefore only provides general compensation, not compensation reflecting the exact amount of the electricity charge actually paid by the homeowner.

Council's expectation is that where tenants pay for electricity, landlords will pass on the benefit of the remission to their tenants.

Any change to this remission policy must be the subject of consultation with affected residents prior to any decision being made.

For 2015/16, the remission is set at \$26.00 + GST per annum.

Remission applies to

All affected residential properties where the new low pressure pumps are connected to the household electricity supply, but excluding any property:

- With a pump owned and installed by a property owner prior to 1 July 2013,
- That requires a pressure sewer system as part of a subdivision of land that occurred after 1 July 2013, and
- That was vacant land prior to 4 September 2010.

Remission 6: Earthquake-affected properties

Objective

The objective of this remission is to provide rates relief to those ratepayers most affected by the earthquakes, whilst acknowledging that any such support is effectively paid for by those ratepayers less affected.

Conditions and criteria

Rates may be remitted in the following circumstances:

- For residential and "non-rateable" units unable to be occupied due to earthquake damage, all rates levied on the value of improvements will be remitted (i.e. rates will be charged on land value only, as if the property had been demolished). This remission will cease once the property becomes inhabited or inhabitable.
- For business properties which are only unable to be occupied due to a dangerously earthquake-damaged

adjacent building, 30% of total rates will be remitted for the period that this circumstance persists.

- For residential and "non-rateable" properties that are considered by the Council to be at risk of rock-fall, cliff collapse, unsafe access or retaining wall issues, and where the occupant has been instructed by the Council to vacate the property and issued with a notice under section 124 of the Building Act 2004, all rates will be 100% remitted. This remission will cease once the section 124 notice is lifted or, if the property is to be sold to the Crown, the date of settlement.
- For green-zoned properties in the Port Hills identified by the Council as being Mass Land Movement Class I risk, 100% of all rates will be remitted. This remission will cease at the earlier of;
 - The date at which a Council and /or Crown offer to purchase is either settled or rejected,
 - The date at which Council remediation work intended to protect the property is completed, or
 - 30 June 2016
- For residential Red Zone land that was vacant or under construction at 22 February 2011, 100% of rates will be remitted until the earlier of 30 June 2016, or the Crown makes a decision on the future of the land (including a purchase offer).

Any new applications must be in writing, and any new remissions granted will not be back-dated prior to 1 July 2015. The Council may seek assurance or evidence from time to time that properties receiving these remissions remain eligible.

Remission applies to

All rating units.

Remission 7: Excess Water Rates

Objective

The Council considers that it is the ratepayer's responsibility to ensure the integrity of water reticulation systems within their boundary. Therefore the Council expects that, in general, excess water rates must be paid in full by the ratepayer. However, the Council recognises that in some limited instances it is unreasonable to collect the full amount of excess water charges payable by a ratepayer.

The objective of this remission is to waive the payment of excess water supply rates where it is fair and equitable to do so.

Conditions and criteria

Council may consider remitting up to 100% of excess water rates when the ratepayer could not reasonably have been expected to know that a leak within their boundary has resulted in unusually high water consumption.

Remission applies to:

All ratepayers liable for excess water rates.

Remission 8: Central City Development Unit (CCDU) land intended for public realm

Objective

To recognise that land or portions of land acquired by CCDU which are currently rateable, will eventually become non-rateable as they are intended to be used for public realm (roads / footpaths / public space).

Conditions and criteria

Where the Council has agreed with CCDU to receive specifically defined parcels of currently rateable land for the purposes of public realm (roads, footpaths, public spaces), these parcels will be subject to a 100% remission of rates from 1 July 2014.

Remission applies to

Qualifying land owned by CCDU.

Remission 9: Flood damage arising from the 4 March 2014 and immediately subsequent flooding events

Objective

The objective of this remission is to provide rates relief to those ratepayers most affected by the early 2014 flooding events, to a broadly similar extent as the rates relief provided to those affected by earthquakes.

Conditions and criteria

A remission of 100% of rates may be applied to all affected residential and non-rateable properties, subject to the following conditions and criteria:

- The property must be unoccupied due to flood damage,
- Repairs to enable the property to be re-occupied must be suspended, pending completion of Council remediation activities, and
- The property must be acknowledged by relevant Council staff (Land Drainage Operations Manager or other manager within the Mayoral Flooding Taskforce) as

being vulnerable to flood risk, and benefitting from planned Council remedial works.

- This remission will cease at the earlier of:
 - The date at which Council remediation work intended to protect the property is completed, or
 - 30 June 2016

Remission applies to

All identified residential rating units.

Remission 10: Other remissions deemed fair and equitable

Objective

To recognise that Council's policies for rates remission cannot contemplate all possible situations where it may be appropriate to remit rates.

Conditions and criteria

The Council may, by specific resolution, remit any rate or rates penalty when it considers it fair and equitable to do so.

Rates Postponement Policy

Objective

To assist owner-occupiers of property to continue living in their home when they do not have the financial capacity to pay their rates or where the payment of rates would create financial hardship.

The Rates Postponement Policy is primarily, but not exclusively, designed for ratepayers over 65 years of age. Younger ratepayers may apply and will be considered on their merits.

Postponement statement

Up to 100% of rates may be postponed for a period determined by the Council where the ratepayer is experiencing financial hardship.

Conditions and criteria

The postponement applies to properties that are the primary private residence owned and occupied by the ratepayer, and the ratepayer can demonstrate:

- a) they do not have the financial capacity to pay their rates; or
- b) the payment of rates would create financial hardship.

Written applications and a declaration of eligibility will generally be required for all postponements. However, staff may waive the written application provided they are satisfied there is good reason and provided that full details of the application are recorded.

Applications for postponement will be considered on their individual merits.

Rates penalties will not be applied or will be remitted for any rates that have been postponed.

The postponement will continue to apply until:

- a) the ratepayer ceases to be the owner or occupier of the rating unit; or
- b) the ratepayer ceases to use the property as their primary private residence; or
- c) the ratepayer recovers the ability to pay, or
- d) until a date specified by the Council at the time of granting the postponement;

whichever is the sooner.

Postponement applies to:

Any land owned and occupied by the ratepayer as their primary private residence.

Earthquake-Related Postponements (prior to 1 July 2013)

Prior to 1 July 2013, Council postponed rates on certain residential vacant land in the earthquake red zone, pending the Crown making a decision on the fate of these titles. Rates on these properties are now payable as usual, as the Crown has made a decision and a purchase offer for all red-zoned properties.

All rates postponed under the prior policy shall become due and payable in full on the earliest of:

- the ratepayer declining the Crown purchase offer,
- settlement of sale to the Crown, or
- 30 June 2016.

Notwithstanding Council's general policy relating to postponement (below), no annual fee or interest amount will be charged on these postponed amounts.

Postponement – general issues

The postponed rates will remain a charge against the property and must be paid either when the property ceases to be the place of residence of the applicant or the criteria no longer apply. Postponed rates may include rate arrears owing from previous financial years.

A fee (effectively interest) will be charged annually where rates have been postponed. This fee will be calculated at the end of each rating year on the accrued rates postponed (including any fees outstanding) at the beginning of that financial year. The fee will be based on the Council's estimated cost of borrowing as published in the Annual Plan.

Remission and Postponement Policy of Rates on Maori Freehold Land

The City contains a number of Maori Land properties which are either unoccupied and unimproved or partially occupied. In some cases these are creating a significant rating burden on the Maori owners who often do not have the means nor, in some cases, the desire to make economic use of the land. Often this is because of the nature of the ownership, because the land has some special significance which would make it undesirable to develop or reside on, or is isolated and marginal in quality.

The Council has recognised that the nature of Maori Land is different to General Land and has formulated this policy to deal with those differences.

Objective

The Council has recognized that certain Maori Owned Lands have particular conditions, ownership structures or other circumstances which make it appropriate to remit or postpone rates for defined periods of time.

The Council and the community benefit through more efficient use of staff time and the removal of that rates debt which is considered non-collectable.

The Council is required to consider every application for remission and/or postponement of rates on Maori Owned Land pursuant to Section 108(4) of the Local Government Act 2002 and will then consider the most appropriate tool, if any, either remission or postponement to assist in making ownership and occupancy of the land feasible.

Conditions and criteria for postponement or remission

General:

- The rating units must be either Maori Customary Land or Maori Freehold Land as defined by S.129 of the Te Ture Whenua Act 1993.
- Council will have the sole discretion on whether or not to grant the remission or postponement and may seek such additional information as may be required before making its final decision.
- The policy does not provide for the permanent remission or postponement of rates on the property concerned.
- If the status of the land changes so that it no longer complies with the criteria the remission or postponement ceases unless further relief is granted in accordance with the policies below.
- Council expects that any rating relief will be temporary and each application will be limited to a term of three years. However the Council may consider renewing the rate relief upon the receipt of further applications from the owners. Council may also, at its sole discretion, renew the rating relief without application from the owners.
- In the event that subsequent applications for rating relief are made by only one or a minority of owners, Council may require that these are signed or supported by such greater

proportion of owners as may be required from time to time.

- The land must have, in the opinion of the Council, historical, ancestral or cultural significance.

Policy application where the rating unit is not in use

In general, the criteria for granting rates relief would include some or all of the following:

1. the land is not in use (as defined below);
2. the land is unimproved:
the land has no or minimal improvements;
3. the land is land locked:
the land does not have legal access to the Council or national roading network;
4. multiple ownership or fragmented ownership:
the land has multiple owners and ownership rights, and individual share proportions vary. Owners are scattered throughout the country and even worldwide. Attempts to contact a majority representation are often painstaking and difficult;
5. the land has particular value as ancestral land in relation to its owners' culture and traditions;
6. the presence of waahi tapu that may affect the use of the land for other purposes;
7. government and Council's desire to avoid further alienation of Maori freehold land;
8. the land has particular conservation value:

because of its remoteness and inaccessibility the land has a high conservation value which Council or the community wish to preserve;

9. unsecured legal title:
land titles have not been surveyed, therefore they cannot be registered with the District Land Registrar. Owners seeking finance for development of their land are restricted as mortgages cannot be registered against the title;
10. isolation and marginal in quality:
the land is geographically isolated and of marginal quality;
11. no management structures:
owners of the land have no management or operating structures in place to administer matters;
12. rating problems:
because of the above factors there is a history of rate arrears and/or a difficulty in establishing who is/should be responsible for the payment of rates.

In accordance with Part 2 Section 96 of the Local Government (Rating) Act 2002 Maori Land is defined as in use when person/persons do one or more of the following for his or her profit or benefit:

- resides upon the land
- depastures or maintains livestock on the land
- stores anything on the land
- uses the land in any other way.

Policy application where the rating unit is in use

Where an insignificant or inconsequential portion of the land is in use Council may, at its sole discretion, provide rating relief on that portion of land not in use. For example, the depasturing of a pony on the rating unit is likely to be considered inconsequential.

Any such relief shall be determined following consideration of the criteria for granting rates relief on land not in use (as detailed above). In addition, Council is more likely to grant rates relief when one or both of the criteria below are met:

1. where the land is used by its owners for traditional purposes; and
2. where the land is used in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere) .

Policy application where there is a change in status, ownership, or use

In some circumstances Maori Land may change status (for example from Maori Freehold Land to General Land Owned by Maori), ownership, or use (for example persons may choose to reside upon land previously unoccupied). Where Council deems it to be in the interests of the community it may, at its sole discretion, choose to remit or postpone any postponed rates or rates arrears and penalty arrears on that land.

For example, should the land be developed in order to establish a conservation estate Council may grant rates relief. Similarly, should the land be developed in such a manner as to change it from unproductive to productive land, and

therefore eligible for rates in the future, Council may grant rates relief.

The amount and timing of any rates relief provided under this policy is entirely at the discretion of Council. However, in general such relief will not exceed the following:

- 100% remission of historic unpaid rates and penalties;
- 100% remission of general rates in the year of change in use;
- 50% remission of general rates in the year following change in use.

Remission applies to:

Owners, or authorised agents of the owners, of Maori Land, with different conditions applying to occupied, unoccupied or partially occupied land.