Report to Council

DATE: 7 May 2021

TO: Mayor and Councillors

FROM: Group Manager: Corporate Services

Adoption of the Revenue and Financing Policy for consultation concurrent with the Long Term Plan Consultation

1. Summary

1.1. The purpose of this report is to seek Council approval of the Revenue and Financing Policy, attached as Appendix 1, for consultation.

1.2. This issue arises from an administrative amendment to the Revenue and Financing Policy on which Council is required to consult by Section 102 (4) (a) of the Local Government Act 2002 (LGA).

1.3. A Long Term Plan (LTP) must include Council's adopted Revenue and Financing Policy.

1.4. Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in May 2018, which are set out in the Long Term Plan 2018-28. Refer page 2 of the agenda.

1.5. This report concludes by recommending that Council adopts the Revenue and Financing Policy, attached Appendix 1, for consultation concurrently with the LTP consultation as provided by LGA s83A.

2. Background

2.1. The reason the report has come before the Council is due to the requirement that the Revenue and Financing Policy be reviewed every three years. The current Revenue and Financing Policy was adopted in 2018.

2.2. During 2014 Council completed a Rating Review which made significant changes to the rating methodology. There have been no changes to the rating methodology since that time.

3. Current Situation

3.1. The current situation is that the changes to the rating system were implemented from 1 July 2015.

3.2. The current rating system has been reviewed and no changes are recommended.

3.3. The only changes to the Revenue and Financing Policy are minor and include amending the references to the activity groups to reflect updated names.

3.4. The Revenue and Financing Policy outlines the sources of funds and how those sources will be used by Council. The policy gives effect to the decisions from the Rating Review and provides for the lawful collection and use of all funding sources.

3.5. The Revenue and Financing Policy is supported by the Funding Needs Analysis, Rating Policy and Funding Impact Statement.

3.6. The policy has been reviewed by Audit New Zealand.

4. Options

4.1. Option 1: Adopt the policy, attached as Appendix 1, for consultation.

4.2. Option 2: Adopt a modified policy.

4.3. Option 3: Reject the policy.

5. Risk Analysis

5.1. Risk has been considered and risk has been identified if Council choose to reject the proposal to adopt the documents or adopt the documents with modifications, that Council might not be able to adopt the final LTP within the required timeframe, and will not meet the legislative requirements.

6. Health and Safety

6.1. Health and Safety has been considered and no items have been identified.

7. Significance and Engagement

7.1. The level of significance has been assessed as high as the Revenue and Financing Policy defines the methods by which Council will fund its activities and thus the application of rates.

7.2. Public consultation is considered necessary.

7.3. Changes to the Revenue and Financing Policy require public consultation, applying the principles of LGA Section 82. As a s82 consultation, Council must make the following available:

7.3.1. The proposal (being the Revenue and Financing Policy attached as Appendix 1).

7.3.2. The reasons for the proposal; being the policy is updated as a consequence of administrative changes within the policy. There are no other changes to the Revenue and Financing Policy.

7.4. It is proposed that the consultation takes place concurrently with the LTP consultation; as it is efficient to do so and would ensure that ratepayers are informed of all interdependent issues at the same time.

8. Assessment of Options (including Financial Considerations)

8.1. Option 1 Adopt the policy, attached as Appendix 1, for consultation. The changes are administrative only and reflect the current rating system. The changes are administrative only and reflect the current rating system.

8.2. There are no financial implications to this option**.**

8.3. Option 2: Adopt a modified policy. Minor modifications may be possible, however due to the complex nature of the policy it may not be wise to make ad-hoc changes at this time. Changes can be made following the consultation. Changes cannot be inconsistent with current Rating System without further consultation.

8.4. There are no financial implications to this option**.**

8.5. Option 3: Reject the policy. If Council reject the policy, it must revisit principles it previously determined and develop a new policy. If Council reject the proposal it cannot be completed and resolved before the LTP is adopted in June 2021, it will require a LTP amendment and separate consultation during 2021/2022.

8.6. There would be a financial implication to this option – further audit work would be required and Audit NZ would charge for their time and this would increase the cost of the audit process.

9. Preferred Option(s) and Reasons

9.1. The preferred option is Option 1; adopt the proposal.
9.2. The reason that Option 1 has been identified as the preferred option is that it reflects the decisions from the current Rating System in a legally compliant form.

10. Recommendation(s)

10.1. That the report be received.

10.2. That Council adopts the Revenue and Financing Policy, attached Appendix 1, for consultation concurrently with the Long Term Plan consultation as provided by LGA s83A.

Lesley Crichton
Group Manager: Corporate Services

Appendix 1: Revenue and Financing Policy

Revenue and Financing Policy

Introduction

This policy outlines the choices Council has made about the appropriate funding of operational and capital expenditure from the sources[1] of funds listed in the Local Government Act 2002 (LGA). The policy also shows how Council has complied with section 101(3)[2]. The comprehensive section 101(3) analysis is separately documented in the Funding Needs Analysis.

Determining the appropriate way to fund Council activities is complex. It is a process that takes account of many variables including, but not limited to, the following matters:

- Legal
- Social
- Competition
- Affordability
- Impact of change
- Efficiency
- Equity
- Cost
- Intergenerational equity
- Transparency
- Accountability
- Business
- Strategic Alignment
- Benefit

In determining the appropriate Revenue and Financing Policy, Council plans to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

Funding Principles

Council has determined the following basic principles to guide the appropriate use of funding sources.

- User charges are preferred when a private benefit can be identified and it is efficient to collect the revenue.
- External subsidies, grants and other revenue options are fully explored prior to rates being used.
- Each generation of ratepayers should pay for the services they receive, and borrowing can assist to achieve this outcome.
- Capital expenditure to replace assets that reach their projected economic life is firstly funded from asset renewal reserves built up over time by funding depreciation, rates or borrowing.
- Capital expenditure to upgrade or build new assets is funded firstly from other sources (e.g. subsidies, grants, fundraising, financial contributions) and then borrowing.

Complying with these principles can at times be challenging. The Council must apply judgment in assessing many options to determine appropriateness in its development of budgets or acquisition of assets and the choice of funding sources to implement these.

Related Policies

The Development and Financial Contributions Policy provides further analysis, as required by section 106(2)(c). This explains why Council has chosen to use financial contributions but not development contributions to fund the capital expenditure needed to meet increased demand for community infrastructure.

The Westland District Plan determines those matters that financial contributions are required under the Resource Management Act 2001.

The Liability Management Policy places restrictions on the use of borrowing as a funding source.

The Investment Policy places conditions on how surplus funds should be invested, the reasons for holding investments, the type of investments that may be held, and how they might be used as a source of funds.

The Rating Policy, sits with the Funding Impact Statement, and further clarifies the funding

[1] The sources of funds are listed in section 103(2).

[2] All legislative references are to the Local Government Act 2002 unless otherwise stated.

requirements of Council by documenting matters not included in the Funding Impact Statement, rates resolution or this policy. It includes the allocation of activity rates requirements to different rate types, detailed definitions and maps for rating areas.

The Funding Impact Statement is included in each Long-term Plan and Annual Plan as required by clauses 15 or 20 of schedule 10. This statement shows the basis for the rates calculation for the following year.

Together the above documents form the necessary components to lawfully charge under the LGA for the revenue requirements of Council. Council must also comply with other legislation in regard to the setting of some fees and charges and the Local Government (Rating) Act 2002 for the setting of rates.

Previous reviews

In 2004/14 Council prepared its first Long Term Council Community Plan (later to be named the Long Term Plan). A requirement of the plan was to every three years review and consult on the Revenue and Financing Policy. The Funding Needs Analysis was incorporated in its entirety in these previous Revenue and Financing Policies, but is now separated, to enhance clarity of the separate requirements of the parts of the Act.

At each review Council has considered particular activities that may need re-analysis and made incremental changes. Council changed the rating system to a capital value rating system in 2015 to better reflect the use of land. There have been no significant changes to this system.

Funding Sources for Operating Costs

Operating costs are the day-to-day spending that maintains the services delivered by Council. This includes contributions to the wear and tear on assets used (depreciation), interest charged on borrowing for capital projects and corporate overheads.

Council must consider the funding of each activity in a way that relates exclusively to that activity. Some activities may be best funded by user charges, such as swimming pool admission fees, others with targeted rates, such as a water rate, and others from the general rate, such as road maintenance. Distinct funding enables ratepayers or payers of other charges to assess more readily whether or not the cost of the service provided to them, either directly or indirectly, represents good value. They can also more easily determine how much money is being raised for the service and spent on the service, which promotes transparency and accountability. The funding sources for operating costs include:

User charges

User charges are used for services where there is a benefit to an individual or group. Users charges is a broad group of revenue charged directly to an individual or entity. It includes:

- Entry fees
- Service charges
- Hire
- Rent, lease, licenses for land and buildings
- Permits
- Regulatory charges
- Fines and penalties
- Connection fees
- Disposal fees
- Deposits
- Private works
- Memberships
- Planning and consent fees
- Statutory charges
- Retail sales

The price of the service is based on a number of factors, including:

- The cost of providing the service.
- The estimate of the users' private benefit from using the service.
- The impact of cost to encourage/discourage behaviours.
- The impact of cost on demand for the service.
- Market pricing, including comparability with other councils.
- The impact of rates subsidies if competing with local businesses.
- Cost and efficiency of collection mechanisms.
- The impact of affordability on users.
- Statutory limits.
- Other matters as determined by Council.

Council's ability to charge user charges is limited by the powers conferred to it by many statutes and regulations. As a general rule fees for statutory functions should be set at no more than the cost of providing the service. In some cases legislation sets the fees at a level that is below cost and in other cases, where provided by legislation (e.g. Waste Minimisation Act 2008) Council may set fees at greater than the cost of providing the service. Council considers it appropriate to incorporate overhead charges in the determination of the cost of providing a service.

Where Council is charging for the sale of goods or services not required by statue, Council's preference is to charge a market price, having regard to the powers conferred by section 12. This includes leases, rents and licenses for land and buildings.

Fees and charges may be set by Council at any time and are reviewed by Council annually. A list of regular fees and charges is maintained on Council's website.

User charges revenue is allocated to the activity which generates the revenue.

Grants, sponsorship, subsidies and other revenue

Grants, sponsorship and subsidies are used where they are available. Many of these items are regular and predictable and therefore can be budgeted. Some items of other revenue are unexpected or unpredictable and may not be able to be prudently budgeted (e.g. reparation payments, Civil defence and other reimbursements, legal settlements and insurance pay-outs)

Council expects to continue receiving substantial subsidies for road maintenance from government or its agencies.

Investment revenue

Council has an Investment Policy which determines the types of investments Council has and procedures for the management of these. These investments generate revenue such as dividends, interest, forestry returns, rents and surpluses on disposal. The policy places some restrictions on the use of revenue generated from some investments.

Each source of revenue is receipted to the activity that owns the asset.

Council maintains reserves funds and much of the revenue received by Council is allocated to reserve balances and is not used to reduce rates requirements for operating costs.

Financial contributions

Council collects financial contributions under the Reserve Management Act 2001. The purpose of these contributions is outlined in the Westland District Plan and Development and Financial Contributions Policy. Most contributions are made by vesting assets in Council. Some contributions are paid in cash and the Westland District Plan allows for some of these contributions to be used for operating expenses.

Council's approach is to deposit receipts into a reserve fund and to withdraw from that fund for specific projects. These projects are generally in addition to the normal operating budgets but may not meet the accounting definition of capital expenditure (e.g. the establishment of a garden).

Development contributions, proceeds from the sale of assets and lump sum contributions

Council does not collect revenue from lump sum contributions and development contributions to fund operating costs. Low value proceeds from sale of assets may be used to fund operating costs.

Reserve funds

Council maintains reserve funds. These cash reserves have generally come about from unspent rates, investment income, bequests or other revenue sources in a previous year. Many of these reserve funds are for capital expenditure however some of these reserve funds are available to meet operating costs.

Council generally uses these funds for the purposes that the reserve was created and usually for new projects additional to normal operating expenditure. Council at times may use these funds to minimise or smooth changes in rates.

Borrowing

Council may in exceptional circumstances borrow to fund operating costs where it is prudent to do so. Council has budgeted to not require borrowing for operating expenses, except as part of a major capital project, where accounting rules determine a project cost cannot be capitalised.

If an unexpected event occurs, Council has limited reserves and may during a financial year resolve to fund some operating expenses from borrowing.

Where Council has determined to smooth the rates short term borrowing may be required to cover expenditure, these circumstances are due to timing differences.

Rates

Having been prudent and appropriately exhausting all other funding sources, Council funds its remaining operating expenses from rates. For many activities this is the main funding source.

Council must determine whether the portion of an activity to be funded from rates is to be funded from a general rate or a targeted rate.

In doing this, while considering all the matters of section 101(3), Council placed emphasis on developing a simple more easily understood rating system. Council has taken the view that rates are more akin to a tax and are not a payment for services received.

As a result the default stance is that an activity should be funded from the general rate unless Council determines a targeted rate is justified to more appropriately allocate the rates to a community or sector or connected property.

Summary of sources of funding for operating expenditure by activity

Council has developed the above preferences for the use of the funding sources after completing the activity analysis for each activity in its Funding Needs Analysis. Table 1 describes the extent each funding source is used expressed in ranges. These ranges are expressed as a percentage of the cost of the activity. A key to interpret the graphics follows the table.

Table 1: Summary of funding sources by activity

Activity	User charges	Grants, subsidies & other	Invest. Income	Fin. Cont.	Reserve Funds	Borrowing	General Rates	Targeted rates
Leadership:								
Democracy	x	x	x	x	x	x	✓	x
Corporate Services	✓	x	x	x	x	x	✓	x
Council Controlled Organisations	x	x	✓	x	x	x	x	x
Planning & Regulatory Services:								
Inspections & Compliance	✓	✓	x	x	x	x	✓	x
Responsible Camping	x	✓	x	x	x	x	x	x
Resource Management	✓	x	x	x	x	x	✓	x
CDEM	x	x	x	x	x	x	✓	x
Animal Control	✓	x	x	x	x	x	✓	x
Community Services:								
Community Dev & Assistance	x	✓	x	x	x	x	✓	✓
Community Halls	x	x	x	x	x	x	✓	✓
Township Development Fund	x	x	x	x	x	x	x	✓
Facilities, & Leisure Services:								
Library	✓	✓	x	x	x	x	✓	x
Museum	✓	x	x	x	x	x	✓	x
Swimming Pools	x	x	x	x	x	x	x	✓
Visitor Information	x	x	x	x	x	x	x	✓
Parks & Reserves	✓	x	x	x	✓	x	✓	✓
West Coast Wilderness Trail	x	x	x	x	x	x	x	✓
Public Toilets	x	x	x	x	x	x	✓	x
Land & Buildings	✓	x	x	x	x	x	✓	x
Cemeteries	✓	x	x	x	x	x	✓	x
Wild Foods Festival & Events	x	x	x	x	x	x	x	✓
Infrastructure:								
Land Transport	x	✓	x	x	x	x	✓	x
Drinking Water	x	✓	✓	x	x	✓	x	✓
Wastewater	✓	x	x	x	x	x	x	✓
Stormwater	x	x	x	x	x	x	x	✓
Solid Waste	✓	x	x	x	x	x	✓	✓

Range Name	Range	Key
Unlikely	0	x
Minimal	0% -20%	✓
Low	20% -40%	✓
Moderate	40% - 60%	✓
High	60% - 80%	✓
Most	80% - 100%	✓
All	100%	✓

Council budgets will normally be set within these ranges. As these ranges are expressed as a percentage of the cost of the activity they may change over time because of changes in expenditure rather than changes in revenue. Budgets are set within these ranges, it is however likely that actual funding sources may be different from budgeted funding sources due to unexpected events happening during a financial year. In years subsequent to 2021/22, if budgets were marginally outside these ranges, it is unlikely that Council will consider this to be a matter with a high degree of significance. As such Council is unlikely to update the policy. Significant changes are required to have the policy updated and these may require to be consulted upon.

Funding Sources for Capital Costs

Capital costs are those costs associated with the purchase and improvement of assets and for the repayment of debt. The funding sources for capital costs include:

User charges

User charges are generally not available for capital costs as individual user contributions would generally be too large to be affordable. Borrowing and charging users annually for financing costs (interest and principal) via rates is often a more affordable method of charging users contributions.

Council does charge for capital works that are solely for private benefit (e.g. a network extension to a single dwelling) or where capital works are undertaken outside of asset management plans at the request of individuals (e.g. a rural seal extension for dust suppression).

Grants, subsidies, and other revenue

Council relies on a significant subsidy for capital works in its roads and bridges activity. Other activities are able to access grants and subsidies from time to time. Other revenue can be from many and varied sources and is unlikely to be predictable enough to budget for in advance. Other revenue used to fund capital expenditure could include bequests, insurance payouts, and legal settlements.

Grants, subsidies and other revenue are used wherever they are available.

Development contributions

Council has chosen not to collect development contributions.

Financial contributions

Council collects financial contributions under the Resource Management Act 2001. The purpose of these contributions is outlined in the Westland District Plan and Development and Financial Contributions Policy. Most contributions are received as revenue by the vesting of assets in Council; some contributions (reserve contributions) are paid to Council.

Council's approach is to deposit receipts into a reserve fund and to draw funds from that account for specific projects that meet the purpose for which the funds were collected.

Council has a Development and Financial Contributions Policy that, in addition to the requirements of sections 101(3) and 103 describes funding matters further as stipulated by section 106(2)(c).

Proceeds from the sale of assets

From time to time Council disposes of assets. Many of these are low value items and the revenue is received by the activity that owns the assets.

Council's property activity holds some higher value assets that are intended for sale. Unrestricted proceeds from the sale of these assets will be used to repay debt, unless resolved otherwise by Council. Restricted revenues will be placed in a reserve fund and used for the purpose required by the document that imposes the restriction (e.g. endowments).

Reserve funds

Council maintains various reserve funds for capital projects and will approve the use of the funds when a project meets the specific criteria for the reserve. These reserve funds may include bequests, depreciation or asset renewal reserves and financial contribution reserves.

Borrowing

For larger capital projects that provide a long-term benefit to the community, Council may determine that borrowing the funds is an appropriate method of allocating the costs of a project over time to users.

Borrowing, both the capital (principal) and interest components, is generally repaid by future rates or from depreciation reserves. Council may resolve to capitalise interest repayments on some debt, where it considers it most likely (prudent) that another funding source (e.g. property sales or grants) will be able to repay the accumulating debt.

Where it is not practical to obtain third party revenue and where reserve funds haven't previously been set aside, Council prefers borrowing as a funding source. Borrowing spreads the cost of the project over a longer period, smoothing changes in rates and contributing to intergenerational equity.

Lump sum contributions

Council has the option when undertaking a major project to seek lump sum contributions to the capital cost of the project from those who are identified in the projects 'capital project funding plan'[3]. Lump sum contributions are provided for in the Local Government (Rating) Act 2002 and have stringent requirements placed on how they are used. Where a lump sum payment option is proposed ratepayers choose to participate or not. Council has previously used these provisions and may do so in the future.

Council will consider for major projects, requiring funding from borrowing, whether it wishes to seek lump sum contributions.

Rates

Rates are used firstly to fund the day to day operational expenses including depreciation and borrowing interest costs. A portion of rates funds the capital (principal) repayments of debt where there are no depreciation reserves, generally using table loan calculations. Rates will be used to fund some small items of capital expenditure. Rates are not a practicable method to fund large projects in the year of expenditure.

Council funds some capital projects, for maintaining service levels, in advance by collecting rates for depreciation (an operating expense). These funds are placed into depreciation or asset renewal reserve funds.

Analysis for capital expenditure by activity

Council has developed the above preferences for the use of the funding sources for capital costs after completing the activity analysis for each activity in its Funding Needs Analysis. Council will fund capital costs on the same basis as determined by the operating costs funding policy, unless Council resolves otherwise. Such a resolution that follows the following funding guidelines will be considered consistent with this policy and not require amendment to the policy. It is not practicable to determine a funding policy for an unknown future project at this time.

Council uses the following guidelines when considering the funding of capital projects:

- A Funding Needs Analysis will be completed.
- All projects are first funded from grants, subsidy or other revenue.
- Renewal projects that maintain the same service level are then funded from reserves set aside for this purpose.

[3] Local Government (Rating) Act 2002 - s.117A

- Other reserve funds (e.g. financial contributions) are considered.
- Lump sum rating options are considered.
- Capital projects that have exhausted previous funding sources or are for new or increased service levels or for growth are then funded from borrowing.

A single project may have a mix of each of these funding options.

Generally it is not practical to create separate funding policies for each and every capital project. Council will only do this when a project is particularly large, affects a particular group or does not fit with an existing funding policy or activity. Whenever Council resolves to consider funding for a capital project Council will consider the sources of funds above and the guidelines for applying those to a capital project. Generally Council will resolve the funding policy at the time the project is proposed in an Annual Plan or Long-term Plan.

Overall impact funding considerations

Council is required by section 101(3)(b) to consider the overall impact of the allocation of liability for revenue needs on the community. It allows Council, as a final measure, to modify the overall mix of funding in response to these considerations.

1. Council may use accounting provisions and reserve funds to spread the costs of activities over multiple years for the purpose of smoothing the cost to users and ratepayers.
2. While an unbalanced budget is neither prudent nor sustainable in the long term, Council may choose to not fund some operating costs in the short term:
    a. In order to phase costs and set rates at affordable levels.
    b. Where short term expenditure [projects] is expected to deliver long term savings
3. Council may waive or discount fees and charges where it considers it appropriate to do so. Some matters Council may consider in deciding whether it is appropriate to waive fees are for social reasons, for the promotion of events and facilities, for commercial reasons, or to compensate for poor service.
4. Council may remit rates where it considers it appropriate to do so and as documented in the Rates Remissions Policy. These policies address social matters as well as adjusting rates for benefits that differ for some rates assessments (e.g. additional or no provision of some services).
5. Council having determined to use a differentiated rate will modify the rate to adjust the rate for different rating categories. This adjustment is complex and takes account of the matters raised in paragraph two of the introduction to this policy.

Rates

Council's final consideration of revenue and financing policy for rates comes:

- After consideration of how the funding source will be used to fund operating and capital costs, and
- After that has been applied to activities in the Funding Needs Analysis, and
- After being adjusted for the overall funding considerations.

The following section outlines the revenue and financing policy requirements that are relevant to setting rates. To have a full understanding of rates they should be read having regard to the analysis above and in conjunction with the Rating Policy, Funding Impact Statement and Rates Resolution.

General rates

Council has chosen to have two general rates; a uniform annual general charge (UAGC) and a general rate based on the value of the property.

Council has chosen capital value as the basis by which to calculate the general rate and to apply a differentiated general rate based on the use of a rating unit. The Rating Policy documents how Council calculates the general rate differentials.

Council has determined in its Funding Needs Analysis that all or part of the following activities should be funded from the general rate.

- Democracy
- Corporate services
- Inspections and compliance
- Resource management
- Civil Defence Emergency Management
- Animal control
- Community Development and Assistance
- Community Halls
- Library
- Museum
- Parks and Reserves
- Public toilets
- Land and Buildings
- Cemeteries
- Land Transport
- Solid Waste

The UAGC is assessed on each rateable rating unit and is used to fund all activities funded from general rates. The Rating Policy document describes how Council calculates the UAGC.

Targeted rates

Council has determined in its Funding Needs Analysis that all or part of the following activities should be funded from targeted rates:

- Community Development and Assistance
- Community Halls
- Township Development Fund
- Swimming Pools
- Visitor Information Services
- Parks and Reserves
- Land and Buildings
- West Coast Wilderness Trail
- Drinking Water
- Wastewater
- Stormwater
- Solid Waste

In funding the above activities from targeted rates Council uses the following types of targeted rates. More information on the calculation of each rate, including the percentage of the rate requirement of an activity to be collected for each rate and the rating area maps, can be found in the Rating Policy.

Name	Activities funded
Community rates	Activities where Council considers every property in a community zone receives a benefit.
Tourism promotions rate	Tourism promotion activities where Council considers businesses should contribute a greater portion.
Refuse collection rate	To fund the cost of kerb-side refuse collection, recycling and disposal.
Water rates	To fund water supply.
Sewerage rates	To fund wastewater treatment and disposal.
Kokatahi community rate	To fund projects in the Kokatahi community.
Kaniere sewerage capital contribution rate	To recover the capital cost of the extension of the sewerage system to Kaniere.
Hokitika area promotions rate	To fund Destination Hokitika.
Emergency Management Fund rate	To accumulate a reserve in case of an emergency.
Hannahs Clearing water supply capital repayment rate	To recover the cost of installing water supplies.

Differentiation by Use

Council has chosen to differentiate the general rate and each community rate using the following categories of use:

- Residential
- Rural Residential
- Commercial
- Rural

Each year Council will determine the rating differential factors when it adopts its Rating Policy prior to the adoption of the Funding Impact Statement as part of an Annual Plan or Long-term Plan.

When setting the differential Council shall consider the following matters to determine the appropriate rating differential factors:

- Council's approach to rates funding as documented in this Revenue and Financing Policy.
- The activities funded by each rate.
- The effect (if applicable) of changes in valuations.
- The rates differentials and revenue collected from each sector for the previous year and the implications of changing those differentials as it affects individual ratepayers.
- For community rates the mix of properties and nature of services funded in each community.