

PROPOSED AMENDMENT TO THE REVENUE AND FINANCING POLICY

It is proposed that the following statement on funding of capital expenditure (see p6 of the policy) in the Revenue and Financing Policy is amended as follows:

- The new text is shown by the **bold underlined text**
- The text in [*italics*] is deleted.

2. **Policy Statement on the funding of capital expenditure**

Capital expenditure represents expenditure on property, plant and equipment. Property, plant and equipment are tangible assets that are held by the Council for use in the provision of its goods and services (for example: bridges, libraries, the Wellington Regional Aquatic Centre), for rental to others or for administrative purposes, and may include items held for the maintenance or repair of such assets. The assets must also have been acquired or constructed with the intention of being used on a continuing basis.

Capital expenditure is funded from depreciation, asset sales, and restricted funds or through new or extended borrowings as outlined below:

- If the capital expenditure relates to the replacement (renewal) of an existing asset, that expenditure will be funded by depreciation. Funding for depreciation comes from rates. Any surplus depreciation, after paying for the replacement of Council assets, will be used to repay borrowings.
- If the capital expenditure relates to the construction or purchase of a new asset or to the upgrade or increase in service potential of an existing asset, that expenditure will usually be funded from new or extended borrowings.
- The funding of capital expenditure from the sale of surplus assets is decided on a case-by-case basis. Funds received from the sale of surplus assets that are not applied to the funding of capital expenditure may be used to repay borrowings.
- The funding of capital expenditure from restricted or special funds is decided on a case-by-case basis and is subject to the specified purposes and conditions governing the use of those restricted funds.
- If an approved capital expenditure project is not completed by the end of the financial period, the unspent funds may be carried forward to the next financial period to enable the project to be completed.

APPENDIX E

- *[While currently the Council operates under the auspices of the Resource Management Act (1991) in the use of financial contributions, consideration is currently being given to the adoption of a development contributions policy under the Local Government Act. Any revenue derived from such a policy will likely be used to fund the construction or purchase of a new asset or to the upgrade or increase the service potential of an existing asset. This]* **The Council has agreed that Development Contributions are to be used as the primary funding tool for capital expenditure resulting from growth for water, wastewater, stormwater, roads and reserves. The Council's Development Contributions Policy has been adopted to give effect to this policy decision. The Council has indicated that Development Contributions may also be used to fund growth related expenditure for Community Infrastructure, but that further work is required on the funding options and choices for such activities. The Council will continue to use RMA based Financial Contributions in some circumstances. Funds collected under either the Development Contribution Policy or the Financial Contributions provisions in the District Plan** will result in a corresponding decrease in the amount to be funded from new borrowings.