



Policies and Assumptions

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Revenue and Financing Policy

Introduction

The Local Government Act 2002, Section 103 stipulates the content of Council's Revenue and Financing Policy which covers funding for operating and capital expenditure.

Council manages its revenues, expenses, net assets, reserves and special funds in such a manner that adequate and effective provision is made to meet the expenditure needs of the local community. One of Council's key responsibilities is to ensure that major assets are not run down, particularly infrastructural assets, by failing to provide adequate funds for future maintenance and renewals. Council manages its long term financial requirements with a suitable balance between long term debt and reserve funds, while ensuring at all times a sound debt/rates income ratio is maintained.

1. Policy Statement on the Funding of Operational Expenditure

Operating expenditure pays for the Council's day-to-day operations and services, from collecting rubbish and providing street lighting to maintaining gardens and issuing building consents.

As allowed under Section 100(2) of the Local Government Act 2002, Council sets projected operating revenues at a different level to operating expenses. It is the view of Council that it is financially prudent to do so. This position has been arrived at for the following reasons:

- Council does not consider that depreciation reflects the annual cost of maintaining the service potential of assets but is merely the reduction in economic benefits embodied in the asset.
- For the above reason the renewal, replacement and establishment of assets is funded through a combination of rates, grants, subsidies and loans in order to equitably allocate the funding responsibility for provision and maintenance of assets and facilities throughout their useful life.
- Councils budgeting and asset management regimes ensure that the estimated cost of achieving and maintaining the predicted levels of service provision, set out in the Long-Term Council Community Plan, including the estimated cost of maintaining the service capacity and integrity of assets, can be accurately determined.
- Councils budgeting regime ensures that the projected revenue is available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life.
- Under New Zealand International Financial Reporting Standards (NZIFRS), changes in the fair value of certain assets must be accounted for within the Prospective Statement of Comprehensive Income. In accordance with Section 100 of the Local Government Act 2002, the Council does not consider it financially prudent to fund changes in the fair value of assets or liabilities as these are essentially unrealised accounting adjustments.

Options Available for Funding Council Services

It is Council policy to use the following mechanisms to fund operational expenditure requirements:

- **General Rates.** General Rates are used to fund public goods where it is not possible to clearly identify customers or users. The general rate is also used to fund activities where, for reasons of fairness, equity and consideration of the wider community good, it is considered that this is the most appropriate way to fund an activity.
- **Targeted Rates.** This form of rate is used where an activity benefits an easily identifiable group of ratepayers (such as the commercial or residential sectors) and where it is appropriate that only this group be targeted to pay for some or all of a particular service. For example, wastewater disposal and water supply.

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- **Fees and Charges.** User charges are direct charges to people and/or groups who use certain Council services such as swimming pools. In these instances, an identifiable benefit exists to clearly identifiable people and/or groups and they are required to pay for all or part of the costs of using that service. It is noted that from 1 July 2006 Councils are required to adjust budgets to include inflation of all income and expenditure with their LTCCP. Where appropriate and with consideration to 'ability to pay' principles, user charges will be increased by the rate of the inflation to achieve continued alignment with the proposed funding policy targets.
- **Grants and Subsidies.** Grants and subsidies apply to some activities when income from external agencies is received to support that particular activity.
- **Other Sources of Funding.** The Council also funds operating expenditure from other sources, including income from interest and dividends from investments held by the Council, lease income and proceeds from asset sales. In the event of a major civil emergency Council may be obliged to utilise cash reserves, overdraft facilities and/or loan funding in order to effect essential repairs and restore core services. Other sources of funding include:

Use of surpluses from previous financial periods

Where the Council has recorded an actual surplus in one financial period it may pass this benefit to ratepayers in a subsequent period.

A surplus may arise from the recognition of additional income or through savings in expenditure. Council considers that passing this benefit on to ratepayers in future financial periods is equitable, in that most of the financial benefit is passed on to those ratepayers who shared the rates-funding burden in the financial period that the surplus was generated.

The amount of any surplus carried forward from previous financial periods, will be transferred to the credit of the cost centre it relates to, in the case of restricted surpluses, in the year the benefit is passed onto ratepayers. When general rates surpluses are applied this will be reported in Council's Cost of Service Statements, in the year the benefit is passed onto ratepayers, but a formal accounting entry will not be actioned.

The Council will not carry forward surpluses in relation to:

- The sale of assets.
- Trust and bequest revenue. Such surpluses shall be applied in accordance with the terms on which they are provided.
- Revenue received for capital purposes. Such surpluses shall be retained to fund the associated capital expenditure.
- Unrealised gains arising from fair value adjustments to assets and liabilities. These gains are unrealised accounting adjustments in the period which they are recognised.

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Funding of expenditure from restricted or special funds

Certain operating and capital expenditure items may be funded from restricted or special funds. Restricted and special funds are those reserves within the Council's equity that are subject to special conditions of use, whether under statute or accepted as binding by the Council, and that may not be revised without reference to the courts or a third party.

Transfers may be made only for specified purposes or when specified conditions are met.

The following restricted and special funds are available for use by Council:

- **Trusts and Bequests.** From time to time Council may be the recipient/holder of trusts monies and/or bequests. These funds can only be used for the express purposes for which they were provided to the Council. Each year, the Council may expend money, of an operating or capital nature, from its trusts and bequests in accordance with the specified conditions of those funds. For the avoidance of doubt, the Council does not fund the expenditure from its trusts and bequests from any of the sources of operating revenue.
- **NZTA Subsidies.** Each year the Council receives funding from NZTA as part of the overall replacement and renewal programme for the City's roading infrastructure. The Council recognises the subsidies as income in accordance with Generally Accepted Accounting Practices (GAAP).
- **Other Reserves.** Restricted funds are also included in other reserves, funds, renewal and contingency accounts. Subject to meeting any specified conditions associated with these reserves the Council may expend money, of an operating or capital nature, from these reserves.

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, pipes). They may also be used for rental to others or for administrative purposes, and may include items held for the maintenance or repair of such assets.

It is Council policy to fund capital expenditure items from a range of sources including rates, development contributions, capital subsidies, restricted funds and through new or extended borrowings.

It is Council policy to generally fund renewal or replacement capital expenditure items (such as pipelines) from rates. Generally Council funds the renewal of assets, which do not have a constant funding pattern (such as bridges and reservoirs) and new capital expenditure items from borrowings. Council's cumulative objective is to maintain a relatively uniform annual cost over all cost. In all cases however, the following funding sources may be utilised if and when appropriate:

- Capital subsidies from third parties, to fund investment in new or upgraded assets (e.g. funding received from NZTA).
- Capital expenditure from the sale of surplus assets, as decided on a case-by-case basis.
- Capital expenditure from restricted or special funds, as decided on a case-by-case basis and subject to the specified purposes and conditions governing the use of those restricted funds.
- On projects, where on the basis of financial prudence, the Council considers it appropriate to do so; it may impose a targeted rate to repay borrowings on an asset at a faster rate over the full life of the asset.

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- 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.
- In accordance with the Council's Development Contributions Policy, development contributions are required to fund capital expenditure where development requires the construction of additional assets or increased capacity in network infrastructure, community infrastructure and reserves. Development contributions are transferred through to a Development Reserve within the Council's equity.
It is Council policy that development contributions are to be used as a funding source for capital expenditure resulting from growth for community facilities. The Council will continue to use Resource Management Act (RMA) based financial contributions in some circumstances. Funds collected under either the Development Contributions Policy or the Financial Contributions Policy in the District Plan will result in a corresponding decrease in the amount to be funded from new borrowings.

This policy should be read in conjunction with the Funding Impact Statement contained in the current Annual Plan.

3. Funding the Activities of Council

Council operations have been analysed as to the most appropriate funding sources following consideration of:

A) In relation to each activity to be funded:

- the community outcomes that each activity contributes to;
- the distribution of benefits from each activity to the community as a whole, identifiable parts of the community, and individuals;
- the period over which the benefits from each activity can be expected to occur;
- the extent to which the actions or inactions of particular individuals contribute to the need to undertake each activity; and
- the costs and benefits of separate funding.

B) The overall impact of any allocation for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community.

The detailed analysis for each activity is as follows:

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Leadership

Funding Analysis	
Community Outcomes	<p>The Leadership activity contributes to all seven of the Upper Hutt Community Outcomes.</p> <p>It provides the opportunity for people to participate in the democratic process, and for the elected Councillors to lead the Council on behalf of the community.</p>
Distribution of Benefits	The public in general benefit from the Leadership activity.
Timeframe of Benefits	The benefits of Leadership are ongoing, and may have both immediate and long term effects.
Need for Activity	The leadership activity is required by legislation. At times, more active leadership may be required as a result of the action or inaction of individuals or groups. Local, regional or national issues may also trigger the need for action by the community's leaders.
Costs and Benefits of Funding Activity Distinctly	<p>The elected Council is responsible for representing the community, consultation, and setting policy direction for the City Council.</p> <p>The community has an interest in being able to transparently see the costs of such representation and leadership.</p>
Impact of Funding Mechanism on Community Wellbeing	While decisions made by leaders may have far reaching effects on community wellbeing, accountability lies with the presently elected Council. Accordingly, general rates funding is the most appropriate funding source.

The following funding source is proposed for Leadership:

Funding Source	Proportion of Operational Cost
General Rates	90 - 100%
Other Sources	0% - 10%
Special Funds	Up to 100% of expenses or projects

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Business Development

Funding Analysis	
Community Outcomes	<p>The Business Development activity contributes significantly to Community Outcomes 1, 2, 3, 6 and 7.</p> <p>It promotes the business sector at a local and regional level. It encourages new businesses to establish, existing businesses to expand, and facilitates communication within the sector.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Business Development activity:</p> <ul style="list-style-type: none"> • the public in general; • the business community in general, including potential businesses; • central city businesses; and • visitors.
Timeframe of Benefits	<p>The benefits of this activity are immediate and ongoing.</p>
Need for Activity	<p>The community has identified a need for the City Council to become more actively involved in facilitating promotion of the city and economic development in general. No similar service is available within the private or community sectors.</p>
Costs and Benefits of Funding Activity Distinctly	<p>As Council has chosen to be active in business development on behalf of the community, it is important that the community is able to see what costs are involved in providing this service.</p> <p>Although some individuals or groups obtain particular benefits from the services provided, these benefits are not material when compared to the benefits generated for the community as a whole.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>A thriving business community is important to the wellbeing of the City as a whole, both now and for the future.</p> <p>For that reason the Council does not seek to recover any of the cost of this activity from user charges.</p>

The following funding sources are proposed for Business Development:

Funding Source	Proportion of Operational Cost
General Rates	95 - 100%
Other Sources	0% - 5%
Special Funds	Up to 100% of expenses or projects

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City Promotion/Visitor Industry

Funding Analysis	
Community Outcomes	The City Promotion/Visitor Industry activity contributes to Community Outcomes 1, 2, 3, 6 and 7. Its purpose is to market the city and provide Council with a public relations service.
Distribution of Benefits	The following people and groups benefit from the City Promotion activity: <ul style="list-style-type: none"> • the public in general; • users of the Visitor Information Centre, including visitors to Upper Hutt; and • those people, groups, businesses and organisations involved with particular activities, events and promotions.
Timeframe of Benefits	City Promotion offers both immediate and ongoing benefits for users and the wider community.
Need for Activity	<p>The community has identified a need for the City Council to become more actively involved in facilitating the promotion of Upper Hutt.</p> <p>Businesses and other organisations recognise the value of events sponsorship and collaboration with others to attract more visitors in to Upper Hutt. It is appropriate to seek contributions from those that benefit, and to charge where particular services are required e.g. temporary road closure.</p> <p>No similar service is available within the private or community sectors.</p> <p>Visitors and residents also want to know about what is going on in Upper Hutt, what they can do and where they can go.</p>
Costs and Benefits of Funding Activity Distinctly	As Council has chosen to be active in city promotion on behalf of the community, it is important that they are able to see what costs are involved in providing this service. For the user charges, it is important to be able to identify and recover appropriate charges.
Impact of Funding Mechanism on Community Wellbeing	City Promotion involves the direct provision of information and promotion services, and also an investment in attracting more people and businesses in to the city to ensure its ongoing vitality. General rates are therefore appropriate to use.

The following funding sources are proposed for City Promotion/Visitor Industry:

Funding Source	Proportion of Operational Cost
General Rate	95% - 100%
Other Sources	0% - 5%
Special Funds	Up to 100% of expenses or projects

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Community Services

Funding Analysis	
Community Outcomes	<p>The Community Services activity contributes to Community Outcomes 1, 5, 6 and 7.</p> <p>The Community Services division provides support for local initiatives to meet community, social and recreational needs.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Community Services activity:</p> <ul style="list-style-type: none"> • the public in general; • participants in events and activities where the Community Services division has made a contribution; • sports, leisure, arts and cultural groups; and • sponsors advertising at particular events.
Timeframe of Benefits	<p>Benefits from this activity are both immediate and ongoing.</p> <p>While particular events and activities bring short term benefits, part of the work is to empower groups so that they are better able to manage their own affairs in the future.</p>
Need for Activity	<p>The community has identified a need for this activity, recognising that a central and neutral service, that provides advice, information, coordination and training, benefits everyone.</p> <p>Without this support, there is a risk that sports and community groups may not function as well, and that some community events may not happen.</p> <p>Groups are assisted to improve activities that they may already be doing, or to start up new things. As sponsors will gain good publicity through events, it is appropriate that some funding for these activities come from the community.</p>
Costs and Benefits of Funding Activity Distinctly	<p>As Council has chosen to be involved in the Community Services activity on behalf of the community, it is important that the community is able to see what costs are involved in providing this service.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>A safe, healthy and strong community is a vital outcome for the whole community to achieve, now and in the future. Therefore, general rate funding for most of this activity is appropriate.</p>

The following funding sources are proposed for Community Services:

Funding Source	Proportion of Operational Cost
General Rates	Up to 100%
Other Sources	Up to 100% of one-off projects (This funding is largely dependent on external agencies funding criteria)
Special Funds	Up to 100% of expenses or projects

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Activation

Funding Analysis	
Community Outcomes	<p>The Activation activity contributes to Community Outcomes 1, 2, 5, 6 and 7.</p> <p>The Activation team provides support for local initiatives to meet community, social and recreational needs.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Activation activity:</p> <ul style="list-style-type: none"> • the public in general; • participants in events and activities where the Activation team has made a contribution; • sports, leisure, arts and cultural groups; and • sponsors advertising at particular events.
Timeframe of Benefits	<p>Benefits from this activity are both immediate and ongoing.</p> <p>While particular events and activities bring short term benefits, part of the work is to empower groups so that they are better able to manage their own affairs in the future.</p>
Need for Activity	<p>The community has identified a need for this activity - a need to enable the wider community to be more active, more often. In addition, a central and neutral service providing advice, encouragement, facilitation, information, coordination and training benefits everyone.</p> <p>Without this support, there is a risk that sports and community groups may not function as well, and that some sport and recreation club numbers may decline.</p>
Costs and Benefits of Funding Activity Distinctly	<p>As Council has chosen to be involved in the Activation initiative on behalf of the community, it is important that the community is able to see what costs are involved in providing this service. However, as this activity meets national government priorities and objectives, it is appropriate that some funding come from grants. In addition, this activity is an ideal candidate for corporate society gaming proceeds and external sponsorship.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>A safe, healthy and strong community is a vital outcome for the whole community to achieve, now and in the future. Therefore, some general rate funding for this activity is appropriate.</p>

The following funding sources are proposed for Activation:

Funding Source	Proportion of Operational Cost
General Rates	Up to 80%
Sponsorship and Grants	20% - 85%

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Parks and Reserves

Funding Analysis	
Community Outcomes	<p>The Parks and Reserves activity contributes significantly to Outcomes 1, 2, 4, 5 and 6.</p> <p>It provides for the development and maintenance of parks, reserves, public open spaces and gardens. It also provides for both the recreational needs of the community and the needs of the environment.</p>
Distribution of Benefits	<p>The following people and groups benefit from Parks and Reserves:</p> <ul style="list-style-type: none"> • the public in general; • users of sports facilities, including sports fields; and • participants in organised events held on parks and reserves.
Timeframe of Benefits	<p>The benefits of parks and reserves are ongoing. Land may be held in perpetuity.</p> <p>When user groups book particular facilities, they enjoy additional exclusive use benefits for the period they have booked it for.</p> <p>The life of particular assets is variable e.g. playground equipment has a life of 10 years, sports grounds are considered to have a perpetual life.</p>
Need for Activity	<p>For particular services and facilities, the level of service is determined by consultation with likely user groups.</p> <p>Where the user group will gain exclusive access to an appropriate facility [e.g. clubrooms], then that group will fully fund that facility, including its maintenance.</p> <p>Where the group will have exclusive use of the facility at certain times, Council will negotiate rentals and charges for that facility on a case by case basis, and with regard to the level of benefit for the general public.</p>
Costs and Benefits of Funding Activity Distinctly	<p>The community has placed a particular priority on having outstanding leisure facilities. As the Parks and Reserves activity contributes significantly to this outcome, it is important to show the community how this is being achieved.</p> <p>User groups also have an interest in seeing what they may expect to receive from any direct charges they incur.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>As land for parks and reserves may be held for many generations for the use and enjoyment of the general public, it is appropriate for new land purchases to be funded intergenerationally for the existing community, or through Reserves Fund contributions to meet the needs of the population in newly developed areas.</p> <p>Where specific facilities are able to be used exclusively for some or all of the time by particular groups, it is appropriate to fund these by the public over the length of the life of the asset and in proportion to the extent of public benefit.</p>

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The following funding sources are proposed for Parks and Reserves:

Funding Source	Proportion of Operational Cost
General Rates	90% - 100%
Other Sources	0% - 10%
Special Funds	Up to 100% of expenses or projects
Funding Source	Proportion of Capital Development Cost
Financial Contributions	In accordance with the Financial Contributions Policy under the District Plan and Resource Management Act 1991.
User Contributions [including sponsorship]	By negotiation for particular assets / facilities
Borrowing	Cost attributed inter-generational benefit
Special Funds	Up to 100% of projects
General Rates	Balance of development cost, up to 100%

Revenue and Financing Policy

H²O Xstream

Funding Analysis	
Community Outcomes	The H ² O Xstream activity contributes to Community Outcomes 1, 2, 3, 5 and 6. It provides an aquatic leisure facility for the community, with a particular emphasis on fun for 10 to 14 year olds.
Distribution of Benefits	The following people and groups benefit from H ² O Xstream: <ul style="list-style-type: none"> • the public in general; • users of the facility, including visitors to the city; and • sponsors advertising onsite.
Timeframe of Benefits	H ² O Xstream offers immediate benefits for users and sponsors. There are ongoing benefits to the wider community in terms of promotion of the city, by attracting visitors to Upper Hutt and in building a safe and healthy community through opportunities to enjoy aquatic exercise.
Need for Activity	The community has identified a need for this activity, recognising that a top quality aquatic leisure facility will meet local needs as well as providing a significant attraction for visitors to Upper Hutt. It is targeted to meet the recreational needs of 10 -14 year olds, though all other age groups are catered for. No similar service is available within the private or community sectors.
Costs and Benefits of Funding Activity Distinctly	As Council has chosen to provide a high quality aquatic leisure facility, it is important to show the community how this is being achieved. Those who pay user charges have an interest in seeing what they may expect to receive from the charges they pay.
Impact of Funding Mechanism on Community Wellbeing	Particular people and groups benefit from use of the facility, so user charges are appropriate. The community generally benefits through improved health, entertainment and safety when leisure and sporting facilities are provided for residents who may not otherwise be able to afford to participate in such activities. The city image benefits from a facility which locals are proud of. For these reasons, general rates are also used to cover the cost of providing this service. The life of the pool asset, when properly maintained, extends beyond the present generation. Loan funding for major capital development and depreciation funding are appropriate funding sources. Should the population of Upper Hutt grow, then development contributions may be used to cover additional development required to meet the needs of the larger population.

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The following funding sources are proposed for H²O Xstream:

Funding Source	Proportion of Operational Cost
General Rates	40 – 65%
Other Sources	35% - 60%
Special Funds	Up to 100% of expenses or projects
Funding Source	Proportion of Capital Development Cost
User Contributions [including sponsorship]	By negotiation for particular facilities and equipment
Financial Contributions	In accordance with the Financial Contributions Policy under the District Plan and Resource Management Act 1991.
Borrowing	Cost attributed to inter-generational benefit
Special Funds	Up to 100% of projects
General Rates	Balance of development cost, up to 100%

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Library

Funding Analysis	
Community Outcomes	<p>The Library activity contributes to Community Outcomes 5, 6 and 7.</p> <p>It provides a public library services to the residents of Upper Hutt, and includes both books and electronic resources for recreation, education, business, community and general information purposes.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Library activity:</p> <ul style="list-style-type: none"> • the public in general; and • library users, including individuals, businesses, schools, groups and organisations.
Timeframe of Benefits	<p>The Library offers immediate benefits for users.</p> <p>There are ongoing benefits in terms of creating a literate and knowledgeable community. The library provides good access to a wide range of printed and electronic information covering a range of recreational, educational and business interests.</p>
Need for Activity	<p>The community expects that library services will be available within the community, and that everyone has the right to use them. They also want a facility that contributes towards achieving outstanding leisure and economic development.</p>
Costs and Benefits of Funding Activity Distinctly	<p>As Council has chosen to provide a library service on behalf of the community, and it is legally required to provide free membership for Upper Hutt residents, it is important that the community is able to see what costs are involved.</p> <p>The community has placed a particular priority on having outstanding leisure facilities, an innovative economy and connections to the world. The library has been identified as one such facility to contribute to these priorities. It is important to show the community how this is being achieved.</p> <p>Those who pay for particular services provided by the library have an interest in seeing what they can expect to receive for the charges that are payable.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>The obligation to provide free library membership for local residents ensures that cost is no barrier to use of the library service. Rates funding is appropriate to enable general access to this service, regardless of personal circumstances.</p> <p>Where people gain particular benefits, for example from reserving books, internet access, loan of best sellers, and use of overdue books, then specific charges will be made.</p> <p>It is likely that excessive user charges for particular services would result in a downturn in library use, which would not be in the interests of the community in general.</p>

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The following funding sources are proposed for the Library:

Funding Source	Proportion of Operational Cost
General Rates	85% - 95%
Other Sources	5% - 15%
Special Funds	Up to 100% of expenses or projects.
Funding Source	Proportion of Capital Development Cost
User Contributions [including sponsorship]	By negotiation for particular facilities /assets.
Financial Contributions	In accordance with the Financial Contributions Policy under the District Plan and Resource Management Act 1991.
Borrowing	Cost attributed to inter-generational benefit.
Special Funds	Up to 100% of projects.
General Rates	Balance of development costs, up to 100%.

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Expressions Arts and Entertainment Centre

Funding Analysis	
Community Outcomes	<p>The Expressions Arts and Entertainment Centre activity contributes Community Outcomes 1, 2, 3, 5 and 6.</p> <p>It provides a venue for arts and entertainment for the residents of Upper Hutt and visitors to the city. It includes a 200-seat theatre, two art galleries, an active recreation hall, a café and offices. Operation of the venue is contracted to the Expressions Arts and Entertainment Trust.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Expressions activity:</p> <ul style="list-style-type: none"> • the public in general; • centre users, including performers and exhibitors, individuals, businesses, schools, groups and organisations; and • sponsors.
Timeframe of Benefits	<p>The Expressions Arts and Entertainment Centre offers immediate benefits for users.</p> <p>There are ongoing benefits in terms of creating a community with a strong identity by providing good access to a venue where people can express themselves through the arts and performance, as well as through physical leisure activities.</p>
Need for Activity	<p>The community has requested a facility that provides for outstanding cultural, arts, recreation and leisure opportunities.</p>
Costs and Benefits of Funding Activity Distinctly	<p>As Council has chosen to fund most of the construction costs of the venue on behalf of the community, is responsible for maintenance and replacement of the built asset, and provides substantial grant funding to the contractor for operational costs, it is important that the community is able to see what costs are involved.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>Rates funding is appropriate to enable general access to this service, regardless of personal circumstances.</p> <p>Where people gain particular benefits, for example from attending particular events, it is the responsibility of the Expressions Arts and Entertainment Trust to set appropriate charges.</p> <p>The life of the venue, when properly maintained, extends beyond the present generation. Loan funding for major capital development and depreciation funding are appropriate funding sources.</p> <p>Should the population of Upper Hutt grow, then development contributions may be used to cover additional development required to meet the needs of the larger population.</p>

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The following funding sources are proposed for Council funding in relation to the Expressions Arts and Entertainment Centre:

Funding Source	Operational Grant and Asset Maintenance*
General Rates	100%
Special Funds	Up to 100% of expenses or projects

Funding Source	Proportion of Capital Development Cost
User Contributions [including sponsorship]	By negotiation for particular facilities /assets
Financial Contributions	In accordance with the Financial Contributions Policy under the District Plan and Resource Management Act 1991.
Borrowing	Cost attributed to inter-generational benefit
Special Funds	Up to 100% of projects
General Rates	Balance of development costs, up to 100%

* Note that funding for the Expressions Arts and Entertainment Centre relates to the operational grant made by Council and the costs of maintaining the asset. While the Expressions Arts and Entertainment Centre Trust receives operational grant funding from Council, it is responsible for generating additional income from other sources, including venue hire and sponsorship.

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Property

Funding Analysis	
Community Outcomes	<p>The Property activity contributes to Community Outcome 6.</p> <p>It provides for the management of Council's property portfolio, according to the purpose for which the land is held.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Property activity:</p> <ul style="list-style-type: none"> • users of Council property; and • the public in general.
Timeframe of Benefits	<p>Property offers both immediate benefits for users and ongoing benefits for the wider community.</p>
Need for Activity	<p>Most of Council's property is held for strategic purposes:</p> <ul style="list-style-type: none"> • Some properties are required for future public works, and may be rented out in the interim. • Some properties have been owned historically by Council and have benefit for the public e.g. the Cityline bus depot and Harcourt Holiday Park • Some properties are used as community buildings for use by community oriented organisations.
Costs and Benefits of Funding Activity Distinctly	<p>As Council has chosen to purchase land for its strategic value, it is important for the community to see what costs are involved.</p> <p>Where private benefit is being derived by particular individuals and businesses, it is important to show that rents cover the cost of holding and maintaining the asset.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>Council needs to make strategic land purchases in order to meet the future needs of the community.</p> <p>In order that land purchased for future use is not a burden on today's community, it is important to use such assets now to recover the cost of holding the land until when it is needed.</p>

The following funding sources are proposed for Property:

Funding Source	Proportion of Operational Cost
Rental Charges	100%
Special Funds	Up to 100% of expenses or projects
Funding Source	Proportion of Capital Development Cost
User Contributions	100%
Special Funds	Up to 100% of projects

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Akatarawa Cemetery

Funding Analysis	
Community Outcomes	<p>The Akatarawa Cemetery activity contributes to Community Outcomes 1, 4, 5 and 7.</p> <p>It provides an attractive space for people to be buried or cremated. The crematorium is leased.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Cemetery activity:</p> <ul style="list-style-type: none"> • users of the Akatarawa Cemetery; and • the public in general.
Timeframe of Benefits	<p>The Cemetery offers both immediate and ongoing benefits for users and the wider community.</p>
Need for Activity	<p>Council is legally required to provide for interment services, therefore it is appropriate to secure land and develop it ready for use through the general rate.</p> <p>As people choose to use the Akatarawa Cemetery when they or their loved ones die, it is appropriate to recover these costs from the user.</p> <p>The community place a high value on the standard to which the Cemetery is maintained.</p>
Costs and Benefits of Funding Activity Distinctly	<p>As this activity is funded from user charges, it is important for the community to see what costs are involved.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>Council considers it is appropriate to use rate funding to make the Cemetery available for use now and in the future, and for users to cover the costs of their use.</p>

The following funding sources are proposed for Akatarawa Cemetery:

Funding Source	Proportion of Operational Cost
Fees and Charges Special Funds	<p>Up to 100%</p> <p>Up to 100% of expenses or projects</p>
Funding Source	Proportion of Capital Development Cost
User Contributions	By arrangement
Special Funds Borrowing	<p>Up to 100% of projects</p> <p>Cost attributed to inter-generational benefit</p>
General Rate	Balance of development cost, up to 100%

Revenue and Financing Policy

Emergency Management

Funding Analysis	
Community Outcomes	<p>The Emergency Management activity contributes to Community Outcomes 4 and 5.</p> <p>It provides services to manage and recover from civil disasters and rural fires.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Emergency Management activity:</p> <ul style="list-style-type: none"> • the public in general; and • properties and people in the Rural Fire District.
Timeframe of Benefits	<p>Emergency Management offers both immediate benefits for those affected by rural fire or civil disaster. There are ongoing benefits for the wider community in being prepared to handle such events.</p>
Need for Activity	<p>Council is legally required to provide for Emergency Management, including for disaster recovery and the suppression and reduction of fires in the Upper Hutt Rural Fire District.</p> <p>Where fires occur within the Rural Fire District, Council coordinates the emergency response. Council endeavours to recover actual costs.</p>
Costs and Benefits of Funding Activity Distinctly	<p>There is a significant cost involved in making provision for emergency management, and there is no statutorily defined level of service. The community has an interest in what costs are involved in protecting it in this way.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>This activity is important if the effects of civil emergencies and rural fire events are to be minimised, now and in the future. The community as a whole benefits if people are well prepared and protected and therefore it is appropriate to use the general rate.</p>

The following funding sources are proposed for Emergency Management:

Funding Source	Proportion of Operational Cost
General Rate	85% - 100%
Other Sources	0% - 15%
Special Funds	Up to 100% of expenses or projects
Funding Source	Proportion of Capital Development Cost
National Rural Fire Association	According to funding formula, for Rural Fire capital costs.
General Rate	Balance of cost, to 100%
Special Funds	Up to 100% of projects

Revenue and Financing Policy

Animal Control

Funding Analysis	
Community Outcomes	<p>The Animal Control activity contributes to Community Outcomes 4 and 5.</p> <p>It provides a system for licensing dogs, and for investigating complaints about dogs and other animals.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Animal Control activity:</p> <ul style="list-style-type: none"> • animal owners; • the public in general.
Timeframe of Benefits	<p>Animal Control offers immediate benefits for users and for the wider community.</p>
Need for Activity	<p>Council is legally required to provide animal control services.</p> <p>The need for the activity arises largely from the need to manage the potentially adverse effects of dogs, and therefore it is appropriate for dog owners to meet the costs of this activity.</p> <p>Occasionally, animals stray onto roads and Council must place them safely until their owners are located. Recovery of costs is sought from owners.</p>
Costs and Benefits of Funding Activity Distinctly	<p>This activity is funded from user fees and charges, therefore it is important that this activity be funded transparently.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>While animal ownership makes a significant contribution to the wellbeing of many in the community, the adverse effects of animals must also be managed.</p>

The following funding sources are proposed for Animal Control:

Funding Source	Proportion of Operational Cost
Fees and Charges	Up to 100%
Special Funds	Up to 100% of expenses or projects
Funding Source	Proportion of Capital Development Cost
User Contributions	Up to 100%
Special Funds	Up to 100% of projects

Revenue and Financing Policy

Building Control

Funding Analysis	
Community Outcomes	<p>The Building Control activity contributes to Community Outcomes 3, 4 and 5.</p> <p>It offers the following benefits:</p> <ul style="list-style-type: none"> • ensures standards for building safety and health are met when new buildings are constructed and additions made; and • provides information to the public about building consents for particular properties.
Distribution of Benefits	<p>The following people and groups benefit from the Building Control activity:</p> <ul style="list-style-type: none"> • the public in general; • building developers; and • people purchasing property.
Timeframe of Benefits	<p>Building Control offers both immediate benefits for occupiers of buildings and those needing information about buildings. It also offers ongoing benefits for the community by having buildings that meet a minimum standard of construction.</p>
Need for Activity	<p>Council is legally required to make provision for Building Control to ensure that minimum building standards are complied with.</p> <p>Without enforcement, there is a risk that minimum building standards may not be complied with, and this could place people's health and safety at risk.</p> <p>Prospective property purchasers are advised to establish what building consents have been issued for particular properties because of potential liability issues.</p>
Costs and Benefits of Funding Activity Distinctly	<p>It is important to identify the costs of this activity so as to ensure that, to the extent possible, they are recovered from those people undertaking building activities, or interested in building information.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>It is in the interests of the community to have buildings that meet safety requirements for now and in the future.</p>

The following funding sources are proposed for Building Control:

Funding Source	Proportion of Operational Cost
General Rate	0% - 30%
Other Sources	70% - 100%
Special Funds	Up to 100% of expenses or projects

Revenue and Financing Policy

Environmental Health

Funding Analysis	
Community Outcomes	<p>The Environmental Health activity contributes to Community Outcomes 2, 3, 4 and 5.</p> <p>It provides services for licensing premises such as hairdressers, food outlets and dangerous goods, as well as for enforcement of health and safety matters and investigation of complaints.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Environmental Services activity:</p> <ul style="list-style-type: none"> • the public in general; • businesses that require licenses to operate under various regulations; and • property owners that must comply with health and safety regulations e.g. swimming pool owners.
Timeframe of Benefits	<p>Environmental Health offers both immediate benefits for users and ongoing benefits for the wider community.</p>
Need for Activity	<p>Council is legally required to provide for environmental health services.</p> <p>Those needing licences to operate their businesses generate the need for licence administration.</p> <p>Those responsible for actions that lead to complaints and health and safety enforcement action by Council should also cover the costs of such enforcement.</p>
Costs and Benefits of Funding Activity Distinctly	<p>The community has an interest in being informed of the cost involved in investigating complaints.</p> <p>The costs of responding to specific needs, such as licensing and enforcement, must be identified if they are to be recovered from individuals or groups.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>The public benefits from having health and safety standards enforced, and accordingly, the general rate is appropriate.</p> <p>Individuals and specific groups benefit from specific licences, which enable them to carry out certain activities, accordingly it is appropriate for fees to be charged to recover these costs.</p>

The following funding sources are proposed for Environmental Health:

Funding Source	Proportion of Operational Cost
General Rates	75% - 90%
Other Sources	10% - 25%
Special Funds	Up to 100% of expenses or projects

Revenue and Financing Policy

Liquor Licensing, Gambling

Funding Analysis	
Community Outcomes	<p>The Liquor Licensing and Gambling activities contribute to Community Outcomes 2, 3 and 5.</p> <p>They provide services for licensing premises where liquor is sold or gambling [class 4 venues] takes place.</p>
Distribution of Benefits	<p>The following people and groups benefit from these activities:</p> <ul style="list-style-type: none"> • those people and businesses that require a liquor license or gambling venue licence to operate; and • the public in general.
Timeframe of Benefits	Liquor licensing and any gambling activities offer immediate benefits for those operating and using licensed venues.
Need for Activity	<p>Council is legally required to provide for the licensing of these services.</p> <p>Those needing licences to operate their businesses generate the need for licence administration.</p>
Costs and Benefits of Funding Activity Distinctly	<p>The community has an interest in being informed of the cost involved in licensing activities.</p> <p>The costs of responding to specific needs must be identified if they are to be recovered from individuals or groups.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>The public gains some benefits from having liquor outlets and gambling venues managed through licensing, and accordingly, the general rate is appropriate.</p> <p>Individuals and specific groups benefit from specific licences, which enable them to carry out certain activities, and accordingly it is appropriate for fees to be charged to recover these costs.</p> <p>Council notes that the fees for liquor licences are set by law, and that these do not cover the full costs of administration of these licences.</p>

The following funding sources are proposed for the Liquor Licensing and Gambling activities:

Funding Source	Proportion of Operational Cost
General Rates	0% - 20%
Other Sources	80% - 100%
Special Funds	Up to 100% of expenses or projects

Revenue and Financing Policy

Parking Enforcement

Funding Analysis	
Community Outcomes	<p>The Parking Enforcement activity contributes to Community Outcomes 2 and 5.</p> <p>It provides for control of primarily central city vehicle parking as well as vehicle safety by checking registration and warrants of fitness for parked cars.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Parking Enforcement activity:</p> <ul style="list-style-type: none"> • the public in general; and • central city businesses.
Timeframe of Benefits	<p>Parking Enforcement offers immediate benefits for users of the central city.</p>
Need for Activity	<p>Parking Enforcement is needed to ensure that convenient parking is turned over and available throughout the day for central city users. It is appropriate for those who fail to comply with parking restrictions to meet the costs through infringement fees.</p> <p>It is also appropriate for vehicle warrants of fitness to be checked at the same time to ensure that cars are meeting required safety standards.</p>
Costs and Benefits of Funding Activity Distinctly	<p>It is important to identify the costs of this activity so as to ensure that, to the extent possible, they are recovered from those offending.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>This activity is required because not all people comply with regulations at all times. Accordingly, Council's preferred funding mechanism is for all of the costs to be met by infringement fees and charges.</p>

The following funding sources are proposed for Parking Enforcement:

Funding Source	Proportion of Operational Cost
Infringement Fees	85% or more
General Rate	0% - 15%
Special Funds	Up to 100% of expenses or projects

Revenue and Financing Policy

City Planning

Funding Analysis	
Community Outcomes	<p>The City Planning activity contributes to Community Outcomes 2, 3, 4 and 5.</p> <p>It provides for the promotion of sustainable management of natural and physical resources for the community as a whole.</p>
Distribution of Benefits	<p>The following people and groups benefit from the City Planning activity:</p> <ul style="list-style-type: none"> • the public in general; • property owners; and • the business community in general.
Timeframe of Benefits	<p>City Planning offers both immediate benefits for people living and working in Upper Hutt and ongoing benefits for the wider community in terms of sustaining the natural and physical environment.</p>
Need for Activity	<p>Council is required to administer the Resource Management Act 1991. This includes preparation of the District Plan.</p> <p>People interested in property purchase or developments want to know what the District Plan provides for in relation to specific properties.</p> <p>Resource consents are required where specific development proposals vary from that provided for in the District Plan.</p>
Costs and Benefits of Funding Activity Distinctly	<p>This is a significant Council activity and it is important that the community be kept informed of the costs involved.</p> <p>The costs of responding to specific needs, such as resource consents and property information, must be identified if they are to be recovered from applicants.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>The preparation of the District Plan, the means by which Council gives effect to its responsibilities for sustainable management of the physical and natural resources, benefits the people now and the future. Therefore the general rate is appropriate as a funding mechanism.</p> <p>Individuals and specific groups benefit from specific information or resource consents, which enable them to carry out certain developments, and accordingly it is appropriate for fees to be charged to recover these costs.</p>

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The following funding sources are proposed for City Planning:

Funding Source	Proportion of Operational Cost
General Rates	65% - 90%
Other Sources	10% – 35%
Special Funds	Up to 100% of expenses or projects

Land Transport

Funding Analysis	
Community Outcomes	<p>The Land Transport activity contributes to Community Outcomes 2, 3, 4, 5 and 7.</p> <p>It provides a safe and efficient local roading network including maintenance and improvements to roads, footpaths, streetlights etc, road safety programmes, street cleaning, provision of car parks and bus/taxi stands, and advocacy on land transport issues.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Land Transport activity:</p> <ul style="list-style-type: none"> • the public in general; and • those people who use particular services e.g. carparks, public transport, road safety programmes etc.
Timeframe of Benefits	<p>Land Transport offers both immediate and ongoing benefits for the wider community.</p> <p>Users of particular services gain immediate benefits while they are using the service e.g. parking, but the service is generally available to the public.</p>
Need for Activity	<p>People have a fundamental need to move themselves, goods and services, from one place to another. The land transport activity provides for a range of ways for this to happen in a safe and efficient way.</p>
Costs and Benefits of Funding Activity Distinctly	<p>The community has an interest in being informed of the cost involved in providing land transport services.</p> <p>Other agencies involved in part funding land transport activities also have an interest in ensuring that their funding is accounted for appropriately.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>As land transport covers a range of services for both current users and future generations, a range of funding mechanisms are appropriate.</p> <p>Rate funding covers local needs of the current generation, loan funding covers needs of the future generation. Subsidies from NZ Transport Agency and the Greater Wellington Regional Council contribute to the regional and national land transport network usage within Upper Hutt.</p>

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Central city parking is free and therefore funded through rates. This policy provides a marketing advantage for the CBD and benefits the community at large.

The following funding sources are proposed for Land Transport:

Funding Source	Proportion of Operational Cost
General Rates	50% - 70%
Other Sources	30% - 50%
Special Funds	Up to 100% of expenses or projects

Funding Source	Proportion of Capital Development Cost
User Contributions	By negotiation for particular services
Development Contributions	In accordance with the Development Contributions Policy
Borrowing	Cost attributed to inter-generational benefit
Subsidies	According to criteria for subsidy, depending on the nature of the work
General Rates	Balance of development cost, up to 100%
Special Funds	Up to 100% of projects

Water Supply

Funding Analysis	
Community Outcomes	<p>The Water Supply activity contributes to Community Outcomes 3, 4 and 5.</p> <p>It provides high quality water to those connected to the reticulated supply system for general use and including fire fighting.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Water Supply activity:</p> <ul style="list-style-type: none"> • the public in general; and • those areas serviced by the reticulated supply system, or reasonably able to connect to it.
Timeframe of Benefits	<p>Water Supply offers both immediate benefits for those connected to the system and ongoing benefits for the wider community in terms of having a quality water supply available.</p>

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Need for Activity	<p>Water is essential for life, and a reticulated supply system provides an efficient way to supply areas of concentrated populations.</p> <p>About 20% additional capacity is required to provide fire fighting services.</p>
Costs and Benefits of Funding Activity Distinctly	<p>The community served by the supply system has an interest in being informed of the cost involved in providing water supply services.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>User charges, including metering and uniform charges, are appropriate for those within the supply area. A smaller charge reflecting the potential to access the supply network is appropriate for those properties that are able to connect to the supply system, but have chosen not to connect.</p> <p>As additional capacity is built in to provide fire fighting services, it is appropriate that this cost factor reflects capital valuations.</p> <p>The life of the water supply infrastructure, when properly maintained, extends beyond the present generation. Loan funding for major capital development and depreciation funding are appropriate funding sources.</p> <p>Development contributions may be used to cover the costs of providing water supply to new developments.</p>

The following funding sources are proposed for Water Supply:

Funding Source	Proportion of Operational Cost
Targeted Rates [fire protection]	20 - 30%
Targeted Rates [water supply] and Fees and Charges	70 - 80%
Special Funds	Up to 100% of expenses or projects

Funding Source	Proportion of Capital Development Cost
User Contributions	By negotiation
Development Contributions	In accordance with the Development Contributions Policy
Borrowing	Cost attributed to inter-generational benefit
Targeted Rates	Balance of development cost, up to 100%
Special Funds	Up to 100% of projects

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Wastewater

Funding Analysis	
Community Outcomes	The Wastewater activity contributes to Community Outcomes 3, 4 and 5. It provides a wastewater treatment and disposal service to those connected to the reticulated system.
Distribution of Benefits	The following people and groups benefit from the Wastewater activity: <ul style="list-style-type: none"> • the public in general; and • those areas serviced by the reticulated system, or reasonably able to connect to it.
Timeframe of Benefits	Wastewater offers both immediate benefits for those connected to the system and ongoing benefits for the wider community in terms of having a healthy and hygienic urban environment.
Need for Activity	Safe wastewater treatment and disposal is essential for life, and a reticulated system provides an efficient way to service areas of concentrated populations.
Costs and Benefits of Funding Activity Distinctly	The community served by the system has an interest in being informed of the cost involved in providing wastewater services. It also ensures the costs of the wastewater service are fully recovered from system users.
Impact of Funding Mechanism on Community Wellbeing	Pan charges are appropriate for those within the supply area. It is appropriate for businesses connected to the wastewater system to pay pan charges and trade waste charges in accordance with their need for wastewater disposal. The life of the wastewater infrastructure, when properly maintained, extends beyond the present generation. Loan funding for major capital development and depreciation funding are appropriate funding sources. Development contributions may be used to cover the costs of providing wastewater infrastructure to new developments.

The following funding sources are proposed for Wastewater:

Funding Source	Proportion of Operational Cost
Targeted rates [wastewater]	90% - 100%
Other Sources	0% - 10%
Special Funds	Up to 100% of expenses or projects

Funding Source	Proportion of Capital Development Cost
Development Contributions	In accordance with the Development Contributions Policy
Borrowing	Cost attributed to inter-generational benefit
Targeted Rates	Balance of development cost, to 100%
Special Funds	Up to 100% of projects

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Stormwater

Funding Analysis	
Community Outcomes	The Stormwater activity contributes to Community Outcomes 3, 4 and 5. It provides a stormwater disposal service to those connected to the reticulated system.
Distribution of Benefits	The following people and groups benefit from the Stormwater activity: <ul style="list-style-type: none"> • those areas within the Upper Hutt Urban Drainage District, which was established in 1996; and • the public in general.
Timeframe of Benefits	Stormwater offers both immediate benefits for those connected to the system and ongoing benefits for the wider community in terms of reduced flooding, and better control of where flooding occurs.
Need for Activity	Stormwater disposal is important in built up areas because of the problems associated with flooding. A reticulated system provides an efficient way to service areas of concentrated populations.
Costs and Benefits of Funding Activity Distinctly	The community served by the system has an interest in being informed of the cost involved in providing stormwater services. It also ensures that the costs of the stormwater service are fully recovered from system users.
Impact of Funding Mechanism on Community Wellbeing	A targeted rate based on capital value is considered to most fairly reflect the level of benefit derived by particular properties. The use of differentials enables Council to target a sector which places a higher demand on the stormwater system. The life of the stormwater infrastructure, when properly maintained, extends beyond the present generation. Loan funding for major capital development and depreciation funding are appropriate funding sources. Development contributions may be used to cover the costs of providing stormwater infrastructure to new developments.

The following funding sources are proposed for Stormwater:

Funding Source	Proportion of Operational Cost
Targeted rate [Stormwater]	90 - 100%
Other Sources	0 – 10%
Special Funds	Up to 100% of expenses or projects
Funding Source	Proportion of Capital Development Cost
Development Contributions	In accordance with the Development Contributions Policy
Borrowing	Cost attributed to inter-generational benefit
Targeted rate	Balance of development cost, to 100%
Special Funds	Up to 100% of projects

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Solid Waste

Funding Analysis	
Community Outcomes	<p>The Solid Waste activity contributes to Community Outcomes 2, 3, 4 and 5.</p> <p>It provides a solid waste disposal service to those households within the solid waste and recycling collection area.</p>
Distribution of Benefits	<p>The following people and groups benefit from the Solid Waste activity:</p> <ul style="list-style-type: none"> • those areas within the residential solid waste and recycling collection area; • users of the Silverstream Landfill; and • the public in general.
Timeframe of Benefits	<p>Solid Waste offers both immediate benefits for those using the collection systems or the Silverstream Landfill, and ongoing benefits for the wider community in terms of a cleaner, litter free environment.</p>
Need for Activity	<p>Council is legally required to provide for the management of solid waste.</p> <p>Households in urban areas generate solid waste, which must be disposed of appropriately to maintain a safe and clean living environment.</p> <p>Some of the household waste material is able to be recycled, and needs to be collected and sorted prior to being used again.</p>
Costs and Benefits of Funding Activity Distinctly	<p>The community served by the collection system has an interest in being informed of the cost involved in providing these services.</p> <p>It also ensures that the costs of the solid waste service are fully recovered from system users.</p>
Impact of Funding Mechanism on Community Wellbeing	<p>Use charges are appropriate to ensure that those people using the collection services cover the costs.</p> <p>Funding generated from the Council's part share in the operations of the Silverstream Landfill contributes towards the cost of managing the overall service.</p>

The following funding sources are proposed for Solid Waste:

Funding Source	Proportion of Operational Cost
Silverstream Landfill Income	100%
Special Funds	Up to 100% of expenses or projects

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4. Rating System

1. General Rates

General rates are calculated on the capital value of all rateable properties in the City and assessed on a differential basis in accordance with Council's Differential Rating policy.

Under differential rating, all property is allocated to one of the following differential rating categories namely:

- Standard(Residential)
- High Value Residential
- Business
- Utility
- Rural
- High Value Rural

These categories are based on zoning or usage of the land. A differential based on a factor of 100 for the standard differential group is used for the calculation of general rates.

2. Targeted Rates

2.1 Water

A targeted rate, by way of a set rate per dollar on a capital value basis, is proposed to meet 20% of the revenue required for water supply. This component is identified as being required for fire protection purposes, and is assessed upon each separately used or inhabited portion of a rating unit, which is connected to the water supply ("a serviced property").

A further targeted rate, by way of a uniform annual charge, is proposed to be assessed against each separately used or inhabited portion of a rating unit to which water is supplied ("a serviced property") to provide 60% of the revenue needed for the general water supply service.

For both targeted water rates, if a rating unit can be, but is not supplied with water and is situated within 100 metres of any part of the water works, ("a serviceable property") a charge of 50% of the full charge will be made.

Water is a valuable resource for which the Council is accountable and for this reason water supplied for significant business purposes or extraordinary supply will be assessed on a user pays basis. The actual charge will be set based on the quantity of water used, as calculated by water meters installed on the properties concerned.

2.2 Stormwater

This rate is assessed, differentially, on the capital value of all rating units within that part of the city of Upper Hutt that benefits from the provision of stormwater drainage and flood protection services.

The differentials are:

- Business
- Other

These categories are defined in the Funding Impact Statement of the Council's Annual Plan for the current financial year.

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2.3 Wastewater

A targeted rate will be set on each water closet (pan) or urinal connected to a public sewage drain. The charge will be assessed on a scale of charges in accordance with the number of water closets (pans) or urinals at present on each separately used or inhabited part of a rating unit.

A whole charge will be set for the first pan or urinal on each separately used or inhabited part of the rating unit and a half charge for every additional pan or urinal thereafter. In addition Council will assess schools on a formula basis, in recognition of their lower level of occupancy during the year.

5. Other Targeted Rates

From time to time it is necessary for Council to provide activities, services or facilities that only, or primarily, benefit specific ratepayers or small groups of ratepayers therefore Council may set a targeted rate to provide such activities, services or facilities. The targeted rates will be assessed against the rating units owned by the ratepayers who are to benefit. Special targeted rates, when set will be named by the specific activity, service or facility they are set to provide.

6. Differential Rating Policy

1. General Rates

The Council will take into account the matters in section 101(3)(a) and (b) when applying the system of differential rating to the general rate with particular emphasis on:

- The overall impact of the latest general revaluation of the city.
 - The Council's desire to ensure, in general, that the amount of the general rate to be derived from each differential category, continues to be about the same share, relative to the other categories, as in the past.
 - Differences in the benefits received, and in the demands placed upon, the services provided by the Council for different categories of properties.
- The period in or over which those benefits are expected to occur.
 - The principles and considerations identified by Council as relevant in its analysis of funding of the various activities it undertakes.

For the purposes of the differential rating system for the general rate, all rating units in the district of Upper Hutt City shall be allocated to one of the following categories:

- Standard(Residential)
- High Value Residential
- Business
- Utility
- Rural
- High Value Rural

The above categories and the factors for each differential will be defined annually in the Funding Impact Statement section of the Annual Plan for the current financial year.

An important objective of the Council's differential rating system is to provide reasonable stability in the amount of the general rate on each property with the effect that the total proportion of rates from each category will remain approximately the same.

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Using standard as a base, the rural category's rating differential will be set lower, business and utilities higher, with a scale applying to High Value Residential and High Value Rural to prevent these rating units from assuming a disproportionate rates burden.

Generally, the rural category's rating differential will be set lower than the standard category's differential because of the perceived distance of rating units in this category from Council services.

The business and utilities differential will be set higher than the standard category in consideration of the overall impact of rates liability on the community.

2. Stormwater

For the purposes of the differential rating system for the Stormwater rate, all liable rating units in the district of Upper Hutt City shall be allocated to one of the following categories:

- Business
- Other

The use of differentials enables Council to target a sector which places a higher demand on the stormwater system.

The above categories and the factors for each differential will be defined annually in the Funding Impact Statement section of the Annual Plan for Council's current financial year.

7. Interpretation

In this Policy:

"District Plan" means the UHCC District Plan operative from 1 September 2004.

"Rating Unit" means a rating unit for the purposes of the Rating Valuations Act 1998.

"Ratepayer" has the same meaning as in Section 10 of the Local Government (Rating) Act 2002.

"Separately Used or Inhabited Part" as required under the Local Government Act 2002 this is defined in Council's Funding Impact Statement.

"Zoning" is determined by reference to the District Plan.

This Policy has been drafted with reference to the District Plan. Terms and expressions used in it are intended to have the same meanings as in the District Plan.

Allocation to a category or group for differential rating purposes is subject to a right of objection as set out in Section 29 of the Local Government (Rating) Act 2002. Valuations are subject to a right of objection under the Rating Valuations Act 1998.

Liability Management Policy

Upper Hutt City Council undertakes borrowing and risk management activities within the requirements of Section 102 [4][b] of the Local Government Act 2002. The Council borrows as it considers appropriate but exercises its flexible and diversified borrowing powers in compliance with LGA 2002. The borrowing requirement for each financial year is approved by the Council as part of the LTCCP/Annual Planning approval process.

In general, major projects are most likely to be funded by debt; whereas plant and equipment (when not leased) and smaller projects such as improvements in Parks and Reserves are funded through reserves or rates. The Council manages its finances with a view to ensuring that, over time, there is some stability in its annual rates revenue and accordingly the cumulative annual expenditure on capital items and debt repayment is controlled. This will ensure that stability is in fact achieved. This approach ensures that each generation is making a more or less equal contribution towards capital expenditure on an overall basis, although not in relation to separately identifiable individual projects. The Council is satisfied that this approach adequately ensures that equity is maintained between generations of ratepayers.

Interest Rate Exposure

Interest rate risk refers to the impact that movements in interest rates can have on the Council's cashflows. Council aims to have predictable, certain interest costs that avoid large adverse impacts on annual rates, which arise from interest rate related increases and the long term nature of the Council's assets. This along with intergenerational factors leads to a general tendency is to have a high percentage of fixed rate or hedged borrowing. Notwithstanding the above, it may be appropriate from time to time, depending on the Council's outlook on interest rates to have a floating rate profile.

Interest rate risk is managed within the confines of liquidity and there is a constant trade-off between the two. The use of interest rate risk management instruments is approved by the Council. Council will not utilise such instruments for any type of speculative transaction and will take advice from external parties whenever making use of them.

Liquidity

Liquidity risk management refers to the timely availability of funds to the Council when needed, without incurring penalty costs. The Council minimises its liquidity risk by:

- spreading income flow from rates which are received 10 times over the year.
- matching expenditure closely to its revenue streams and managing cashflow timing differences to its favour.
- maintaining its financial investments in liquid instruments.
- maintaining a committed overdraft facility with its relationship bank.
- avoiding concentration of debt maturity dates.
- maintaining a Disaster Recovery Plan and adequate insurance for coverage of natural disasters.
- adopting sound business financial practices which enhance Council's risk management.

Credit Exposure

The original borrowing will be carried out with known or established markets at a fixed or floating rate as appropriate. Subsequent hedging can operate separately to the original loans to provide greater flexibility. The external parties involved in hedging arrangements may be different to the original lender but in all cases will be reputable, financial institutions with strong credit ratings.

Council will only deal with the following external parties:

- (a) Registered Banks - short term S&P credit rating of A1 or better
- (b) Other SOE's and Corporates - long term S&P rating of AA or better
- (c) Other Local Authorities

Liability Management Policy

Debt Repayment

Council will generally set the terms of any borrowing to under 20 years for all loans up to a face value of \$15 million. However a matching of the asset life, term of benefits and intergenerational funding issues will also be considered in each case. The need to spread the maturity profile of debt, including any re-financing and income streams, will also be taken into consideration. Loans negotiated over this value will have a term dependant on forecast debt/equity ratios according to the Long Term Council Community Plan.

Specific Borrowing Limits

In managing debt borrowing, Council will adhere to the following borrowing limits:

- Total interest expense on public debt will not exceed 10% of annual rates.
- Ratio of external public debt to annual rates and levies will not exceed 150%.
- Public debt per assessable ratepayer will not exceed \$2,500.
- Public debt per capita will not exceed \$1,000.

Giving Securities

Council will generally operate with a security over its rates income under its Debenture Trust Deed. Council will generally avoid giving security over specific assets.

Operating Procedures

Council's detailed procedures and delegations for exercising its Liability Management Policy are set out in a document called "Investment and Borrowing Policy – Operating Procedures" [operative from 1 July 2009].

Investment Policy

Upper Hutt City Council undertakes investment and risk management activities within the requirements of Section 102[4][c] of the Local Government Act 2002.

Mix and Acquisition of New Investments

Council manages a portfolio of investments comprising equity investments, property, loans, advances and financial investments. The acquisition or disposal of investments, excluding re-investment of current financial investments on maturity, has to be approved by Council.

Objectives

Council's philosophy on the management of investments is to optimise returns in the long term while balancing risk and return considerations. Council recognises that, as a responsible public authority, any investments that it does hold should be of low risk. Council also recognises that lower risk generally means lower returns.

Council does not hold financial investments other than those involving special funds and cash management balances. In its financial investment activity, Council's primary objective when investing is the protection of its investment. Accordingly, only creditworthy counterparties are acceptable.

Investments are managed through the Finance division of Council, under delegated authority by the Chief Executive and the Director of Corporate Services. A Statement of Cash and Investments, showing investment limits, is monitored on a daily basis and reported to Council, through the Audit Committee, every quarter.

Council provides direct support to local organisations in its policy of supporting local initiatives. These loan advances are reviewed on a regular basis to ensure that interest and principal repayments are made in accordance with the loan agreement. In the case of guarantees Council expects and receives an audited annual report of the organisation concerned in order to review both current performance and abatement of the exposure through the organisation's debt repayments.

Management of Risk

Council in administering its financial investments will face both credit as well as interest risk in managing these particular investments. The Council's primary objective when investing is the protection of its investment. Accordingly, only credit worthy counterparties are acceptable and selected on the basis of their current Standard and Poors (S&P) rating which must be A1 or better.

Within the above credit procedures, Council also seeks to maximise investment return, ensure investments are liquid and manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

Operating Procedures

Council's detailed procedures and delegations for exercising its Investment Policy are set out in a document called "Investment and Borrowing Policy – Operating Procedures" [operative from 1 July 2009].