

REVENUE AND FINANCING POLICY



INTRODUCTION

A wide number of funding sources are available to Council to help fund its activities, ranging from general and targeted rates through to fees and user charges.

This policy outlines Council's approach to funding its activities. It provides information on what funding tools are used and who pays, as well as describing the process used to make these decisions.

The policy sets target funding bands for the two main funding sources (Public and Other) for each activity. The funding bands are:

- High 80-100%
- Medium / High 60-79%
- Medium 40-59%
- Medium / Low 20-39%
- Low 0-19%

This policy should be read in conjunction with the Funding Impact Statement contained elsewhere in this Long Term Plan (and in Council's Annual Plan in later years). The Funding Impact Statement is the mechanism used to implement the Revenue and Financing Policy and provides detail on how rates are set.

HOW DOES COUNCIL DECIDE WHAT IS FUNDED FROM WHERE?

Appropriate funding sources are determined using a two-step process on an activity by activity basis.

Step One

The funding needs of Council must be met from what Council determines to be the most appropriate funding source for each activity following consideration of:

- The community outcomes to which the activity contributes
- The distribution of benefits between the community as a whole and any identifiable parts of the community and individuals
- The period over which the benefits are expected to occur
- The extent to which the action or inaction of particular individuals or groups contributes to the need for the activity to take place
- The costs and benefits of funding an activity distinctly from other activities

A more detailed discussion of the use of different funding tools and the reasons for the allocation of costs to various sectors of the community for each activity is provided in Appendix 1.

Step Two

The second step in the process is for Council to apply its judgement to the overall impact on the community. In exercising this judgement Council considers the following;

- The impact of rates and rates increases on residential properties, and in particular on the affordability of rates and rates increases for low, average and fixed income households.

- The impact of rates and rates increases on businesses and on the competitiveness of Hutt City as a business location.
- The fairness of rates (and changes in rates) relative to the benefits received for “stand-out” properties with unusually high capital values.
- The special characteristics of particular classifications of property - including their purpose and proximity to the city.
- The complexity of the rating system and the desirability of improving administrative simplicity.

Shifting the “differential factor” for each sector’s share of the city’s overall capital value is the principal means of achieving the desired overall rates impact on the wider community.

FUNDING OF OPERATING EXPENDITURE

GENERAL RATES

General rates, together with targeted rates, are the largest source of funding for Council.

General rates are used to help fund activities that exhibit strong or dominant public good characteristics. A public good / service is defined as one that demonstrates the following characteristics:

- Non-rival – the enjoyment by one person does not prevent the benefit from being enjoyed by others. An example is street lighting.
- Non-excludable – no person or group can easily be prevented from enjoying the benefit. An example is a beach or park.

In these cases, all ratepayers pay towards the cost of the activity. Where the activity also provides private benefits, rates are used to fund the balance of costs after the potential for user charges has been exhausted.

Council sets general rates based on the capital value of properties. Capital value is used because, in the main, it reflects ability to pay better than the alternatives of land value or annual value.

What each ratepayer pays depends on the capital value of their property relative to the value of other properties, and on the share of the general rate that has been allocated to each sector of the community (Residential, Business, Utilities and Rural). Council has determined that for most activities, the general rates funded costs should be allocated to each sector of the community in line with each sector’s percentage share of the capital value of the city. For most activities, there is little evidence to support alternative approaches where one sector should be carrying a greater or lesser proportional share.

However there are two exceptions.

1. Roading and Traffic - general rates are weighted towards the business and utility sectors because of the particularly high use of the roads (or road space) by these sectors. Trip generation data is used as an indicator of the cause and benefit of this activity’s costs – this data shows that the business/utility and residential sector trip generation is 72% and 28% respectively. The share of general rates costs are allocated accordingly.
2. Stormwater - is weighted towards the business/utility sector to reflect the fact that it accounts for approximately 37% of the city’s impervious area (after making an allowance for roads). The share of general rates costs for Stormwater are allocated on this basis,

To achieve the desired weighting of general rates allocation towards the business and utility sectors in these cases the Council increases each sector’s assumed share of the overall capital value of the city.

Appendix 2 provides more detail of Council’s operating costs and the allocation of general rates costs to various sectors of the community.

UNIFORM ANNUAL GENERAL CHARGES

Council also has the option to levy a uniform annual general charge (UAGC). A UAGC recovers a portion of general rates costs as a fixed amount per property. Such fixed charges tend to have a disproportionate impact on low income households as the charges make up a higher proportion of such a household's income. For this reason, Council does not currently propose using a UAGC. Council does, however, use fixed charges for some targeted rates.

TARGETED RATES

Targeted rates are used where Council has decided that the cost of a service or function should be met by a particular group of ratepayers (possibly even all ratepayers) or in order to provide greater transparency about the use of the funding. There is considerable scope to set rates for a specific function (e.g. water) or target a rate on a specific geographic area (e.g. Jackson Street) or set different levels of rates for different property types (e.g. promotion levy targeted on business central properties). The targeted rates charged by Hutt City Council are:

- Water supply, per property
- Wastewater services, per pan
- Jackson Street upgrade project, per business property in Jackson Street
- Recycling, per property

FEES AND CHARGES

User charges are used where there are strong private benefits from an activity and it is feasible to collect fees.

User charges contribute to the cost of some facilities (such as swimming pools) and also fully or partly meet the cost of regulatory services, such as those under the Building and Resource Management Acts.

Similarly, Council has the ability to fine people and businesses for certain rule infringements. The amount of income derived through these fines depends on the level of noncompliance and the amount of effort Council puts into enforcement activities.

OTHER FUNDING SOURCES

The other main funding sources for operating expenditure are grants and subsidies. New Zealand Transport Agency funding assistance for road maintenance makes up the majority of this funding.

Council does not use borrowing, proceeds from asset sales or development or reserve contributions to help fund operating expenditure.

FUNDING OF CAPITAL EXPENDITURE

Council funds capital expenditure mainly from borrowing and then spreads the repayment of that borrowing over several years. This enables Council to better match funding with the period over which benefits will be derived from assets and helps ensure intergenerational equity. Borrowing and repayments are managed within the framework specified in the Liability Management Policy.

In some cases other funds are available to finance capital expenditure. Such other funds include:

- Council reserves, including reserves comprising development contributions under the LGA, and financial contributions under the Resource Management Act 1991 (see Council's Development Contributions Policy).
- Contributions towards capital expenditure from other parties such as the New Zealand Transport

Agency (in relation to certain roading projects) and Upper Hutt City Council (in relation to joint wastewater activities)

- Annual revenue collected through rates to cover depreciation charges.
- Proceeds from the sale of assets, not otherwise used for debt reduction
- Operating surpluses

DIFFERENTIAL FACTOR

The general rate payable on each category of property is expressed as a rate in the dollar of capital value. The different rates in the dollar for different categories of property are determined as a result of the review described above. These different rates in the dollar for different property categories are known as “differential factors’ and are agreed following the completion of Step Two of the process (which is designed to allow the Council to apply its judgement on the overall impact on the community).

Following a Revenue and Financing review undertaken by Council in 2012 it determined the following differential factors for each category of property:

- Residential: 1.0
- Business: 2.3
- Business Central: 2.3
- Utility Networks: 2.3
- Rural: 0.8
- Community Facilities 1: 1.0
- Community Facilities 2: 0.5
- Community Facilities 3: 2.3

In 2012 the Council commenced a 10 year shift in the differential to achieve these ratios.

The underlying objectives of the transition are to:

- Lower the allocation of rates to the rural sector to a level where the rural differential is equal to 0.8. This change has been made on the basis that rural properties often experience a lower level of service because of the longer distances between rural properties and Council facilities.
- Provide two special categories of community facilities and rate them at a lower differential to recognise the community benefits provided by such facilities. The two categories are community facilities 1 and community facilities 2 and are defined in the Funding Impact Statement, along with the differential to apply to each. A third category of community facilities is also defined but no adjustment has been made to the differential to be levied on this category.
- Standardise the differential for all other non-residential properties so that such properties are rated on the same basis.

The differential policy was reviewed by Councillors during the preparation of the Long Term Plan 2015-2025 and it was decided to continue with both the current target differential factors and the 10 year transition.

REVIEW

The overall revenue and financing policy (including the differential factors) will be reconsidered every 3 years as part of the Long Term Plan preparation.

APPENDIX 1

REVENUE AND FINANCING POLICY BY MAJOR ACTIVITY

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
Libraries			
<p>Council provides, maintains and manages eight libraries in the city. These are run as a single city-wide service. Their primary role is to provide written and recorded material such as books, audio-visual resources and access to online information. Library services are used for many purposes including learning, research and entertainment.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ Actively engaged in community activities ▪ Strong and inclusive communities 	<p>Public – High Other – Low</p>	<p>Who benefits: While there are identifiable private benefits from the provision of library services, the Council views the open and low cost access to information and books as being in the best interest of the city as a whole. The library system is an efficient way for the community to pool their reading and information resources and it is unlikely it could continue to exist if it operated on a strictly user pays system. Rather charges are levied for late returns, internet access and DVD hire, but these contribute only a small amount towards total operating cost.</p> <p>Who pays: No particular sector or group is considered to drive these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector’s share of the total capital value of the city.</p>
Museums			
<p>Council operates two museums. The Dowse displays art, craft and other cultural materials. The Petone Settlers Museum specialises in the social history of the lower Hutt Valley and Petone. These institutions are open to the public at no charge, other than for special</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A strong and diverse economy ▪ An accessible and connected 	<p>Public – High Other – Low</p>	<p>Who benefits: The Council believes that the support of the arts, recognition of our social history and cultural endeavours is an important component in making the city a vibrant and attractive city, as well as providing a means for the community to express a sense of self and place. While individual visitors to these facilities do gain private benefits, collecting an entry fee would be inefficient due to the costs associated with establishing and operating a door charge system. Council recognises the contribution the Dowse Foundation and donors are making to the city through the extensive community fundraising activities.</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
exhibitions.	city <ul style="list-style-type: none"> ▪ Actively engaged in community activities ▪ Strong and inclusive communities 		Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.
Aquatics and Recreation			
Council provides and maintains six swimming pools in the city as part of its portfolio of recreational facilities. Recreational programmes are community-based programmes designed to encourage residents to engage in a range of recreational activities. These services are provided to promote health and enjoyment and stimulate the community's interest in different recreational opportunities.	This activity contributes primarily to the following Community Outcomes: <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ Actively engaged in community activities 	Public – Medium Other – Medium	Who benefits: Fees and charges contribute a significant portion of the income for this activity. This reflects the fact that individuals benefit from the personal fitness and enjoyment they derive from using the facilities. However it is also recognises that there are positive benefits for the community when the population is fit and actively engaged. The pool also provides quality and accessible tuition in essential water safety and life skills, which produces both private and public benefits. To this extent funding from general rates is a key source of income for this activity. Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.
Parks and Reserves			
Council provides and maintains passive recreational facilities in the city for the enjoyment and well-being of the public, free of charge. Sports fields are provided and maintained through charges to sports codes. Recreation areas are both natural and created, with the majority of effort targeted at maintenance and retaining areas in their natural state. This activity	This activity contributes primarily to the following Community Outcomes: <ul style="list-style-type: none"> ▪ Healthy people ▪ A healthy natural environment ▪ Actively engaged in community activities 	Public – High Other – Low	Who benefits: Parks and Reserves: Council views the active participation of residents in outdoor activities as beneficial to the whole community. Some degree of user charging is appropriate, however affordability for sporting clubs is now a factor in limiting participation. The actions of sports codes contribute to the need for Council to undertake the maintenance of sports fields. This is therefore an example of the exacerbator principle. Cemeteries: There is a significant private benefit in this service to the families of deceased people where burials and interment services are provided. There is also an ongoing community benefit in providing for the respectful treatment of deceased people who form part of the community's heritage

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
also includes Council's cemeteries.	<ul style="list-style-type: none"> ▪ A healthy and attractive built environment 		<p>and whakapapa.</p> <p>While it is recognised that the rural sector often provides its own recreational land, Council considers that this sector is also a beneficiary from this activity and should share the general rates cost.</p> <p>Lands purchased for sports grounds and reserves provide substantial intergenerational benefits.</p> <p>Who pays: No particular sector or group is considered to derive benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
Community Safety and Connections			
<p>Council has a policy of identifying and understanding its communities and their issues. Through greater knowledge of local needs Council is able to respond suitably to social issues affecting members and groups of communities it represents. The support Council contributes assists groups to achieve their goals when it would not otherwise have been possible owing to lack of resources. This support includes facilitation, advocacy, consultation and allocation of grants to community organisations and groups. These services are carried out through Council's Community Services Group or through private contracts.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ Healthy people ▪ Actively engaged in community activities ▪ Strong and inclusive communities ▪ A well-governed city 	<p>Public – High</p> <p>Other – Low</p>	<p>Who benefits: In most cases community support or grants are targeted towards the most disadvantaged groups in society. Targeting intervention at the most disadvantaged groups does provide individual benefits for those people. However the very nature of this service means that the recipients cannot be expected to shoulder the cost. By lifting the status of our most disadvantaged groups, the whole community benefits through greater social cohesion, higher productivity, and less demand for remedial services. Therefore this activity is appropriately funded from the general rate.</p> <p>There is an intergenerational aspect to this activity, in that the social policy framework was developed over a few years but its benefits will occur over a longer period.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
Community Facilities Development			
<p>Council has underway a significant rejuvenation plan and programme for its community facilities. It plans to develop</p>	<p>This activity contributes primarily to the following Community</p>	<p>Public – High</p> <p>Other – Low</p>	<p>Who benefits: While there are identifiable private benefits from the provision of community facilities, the Council views the open and low cost access to community facilities as being in the best interest of the</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
<p>strategic and integrated community hubs across the city. The developments are predominantly aimed at increasing community participation and improving the wellbeing of Hutt City residents.</p> <p>Communities Facility developments are generally being done through the Community Facilities Trust, for which Council contributes funding by way of annual grant funding.</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ Actively engaged in community activities ▪ Strong and inclusive communities 		<p>city as a whole.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
Regulatory Services			
<p>The Regulatory Services team provides inspection, auditing, enforcement and education that ensures Council's policies and regulations are being complied with.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ A healthy and attractive built environment 	<p>Public – Medium Other – Medium</p>	<p>Who Benefits: <i>Environmental Inspections & Enforcement:</i> The service acts to control the negative effects of non-compliance by individuals or groups, nearly all of which are businesses. There is also a general public benefit in the assurance of a safe environment.</p> <p><i>Animal Control:</i> Animal control is primarily the dog control function with a small amount of service involved with general livestock control. Dog registration fees are a targeted form of cost recovery for this activity. An animal control function is necessary in order to ensure the public is safe from the negative effects of animal ownership. At one level, the activity can be considered an exacerbator issue, as the actions of animal owners create the need for the service. Often, it can be hard to track down an animal's owner – or the animal may be a stray – so recouping the costs of this activity is difficult.</p> <p>Who pays: These activities protect the public interests of both residents and business. After maximising user charges, the public good portion of this activity cost is allocated in proportion to each sector's share of the total capital value of the city.</p>
Emergency Management			

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
<p>Council develops and implements city-wide emergency management plans, and promotes community preparedness for emergencies. Plans are also in place for dealing with and preventing rural fires. Council maintains the in-house capacity to co-ordinate responses to both civil defence and rural fire emergencies. There is a legal requirement under the Forest and Rural Fires Act and the Civil Defence Act for Council to perform these functions.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ Strong and inclusive communities 	<p>Public –High Other – Low</p>	<p>Who benefits: The whole community benefits from this activity. It is triggered where the disruption to community life is such that a coordinated community response is required.</p> <p>The work regarding rural fire response and prevention applies largely to Council-owned land and therefore any benefits apply to the community. A rural fire response is necessary to deal with fires lit accidentally or deliberately. Where the person responsible for starting a rural fire is identified, they are dealt with through the courts and compensation is obtained where possible.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector’s share of the total capital value of the city.</p>
Roading and Traffic			
<p>The roading and traffic activity consists of five sub-functions – roading and footpaths, street cleaning, street lighting, traffic management and parking. Council provides, maintains and cleans sealed roads and footpaths throughout the city. Traffic control measures are utilised to ensure the efficient and safe movement of motor vehicles, cyclists, pedestrians and other forms of transport. Street lighting is provided to ensure the safety and security of road and footpath users at night.</p> <p>Parking involves the provision, maintenance and regulation of on-street and off-street carparks in the commercial areas of the city. The location and regulation of carparks is designed to ensure fair, easy and efficient access to the</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy and attractive built environment 	<p>Public – Med/High Other – Med/Low</p>	<p>Who benefits:</p> <p>Roading: Many of the benefits of roading networks accrue to individuals or businesses. To a large extent, this is reflected in the subsidies received by Council from government for roading, which are ultimately funded from fuel excise, road user charges, and vehicle registration charges. However, for the balance of costs which Council must cover, Council has no direct means to charge individual users of the local network on a user-pays basis. Consequently, rates revenue is used to fund Council’s share of these costs. Most roading expenditure in the city relates to the ongoing maintenance of the existing network and assets, with only moderate expenditure on improvements. Most of the expenditure is therefore funded directly from rates revenue (and government subsidies) rather than through borrowing. However, major projects with benefits over several decades, or very high costs, will be debt funded, along with an approximate contribution from development contributions charges where possible. This helps ease the immediate burden on rates, helps to ensure intergenerational equity, and ensure growth costs are borne by developers.</p> <p>Street Cleaning: Street cleaning has a range of benefits widely dispersed amongst the community, and for which there is little ability or sense in charging individuals for the benefits they receive. The need to undertake street cleaning is partially caused by the actions of individuals littering or dumping and is thus an exacerbator issue. However, it is very difficult to police this activity, and consequently few costs are</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
city's commercial areas.			<p>able to be recovered this way.</p> <p>Parking: The benefits of on-street parking largely accrue to the individuals or groups involved. However charging and actively monitoring parking in most areas, such as most urban neighbourhoods, is simply not practical or cost effective – although some time restrictions may still apply. Consequently, a large proportion of the cost is simply absorbed into the roading budget, and funded accordingly. In areas with a high concentration of parking demand, it becomes necessary and cost-effective to manage parking, allowing much of the cost associated with these parks to be recouped through parking charges and/or fines.</p> <p>The benefits of road facilities are ongoing and spread over the long term. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: Trip generation is used as an indicator of both the cause and benefit of this activity's costs. Trip generation of the business / utility and residential sectors is estimated at 72% / 28% respectively. The shares of general rates costs are allocated to these sectors on this same basis.</p>
Water Supply			
<p>This activity involves the supply of high quality drinkable water for domestic and commercial use. Council purchases bulk water from Greater Wellington Regional Council, and this accounts for 56% of the total cost of water supply to the city. Water is then distributed around the city through the local pipe network. Council's ownership of the pipe network is historical. There is a legal requirement for Council to retain control of these assets.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ Strong and inclusive communities 	<p>Public – Low Other – High</p>	<p>Who benefits: Much of the benefit from this activity is considered to be private to the people who obtain and use the water. Public health benefits arise out of the treatment of water borne diseases.</p> <p>Water leakage and unaccounted for water accounts for a portion of total water use. This cost is spread evenly across all users.</p> <p>There are ongoing benefits as long as infrastructure is maintained. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: In the absence of metering, targeted rates can be seen as a proxy for user charges. All connections are charged the targeted rate, and this is assumed to cover the supply of the average residential user. Commercial water users are charged on a metered rate for water consumption.</p>
Wastewater			

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
<p>Council ensures the treatment and disposal of household and commercial effluent according to regional and national environmental standards. A new treatment plant was commissioned in 2002 to ensure effluent is treated to higher standards.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ Strong and inclusive communities 	<p>Public – Low Other – High</p>	<p>Who benefits: The removal of wastewater largely benefits the person whose wastewater is removed. However the public also benefits through improved public health and an unpolluted environment. The operation of many social and commercial activities would be curtailed if raw effluent was not properly dealt with.</p> <p>There is also a significant exacerbator component to the treatment of wastewater, as people cause costs through their action (for example commercial businesses that produce trade waste) or inaction (for example not installing a dual flush toilet).</p> <p>Some revenue is collected from the Upper Hutt City Council as an operating contribution towards the shared service.</p> <p>The benefits of wastewater services are ongoing and spread over the long term. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: In the absence of metering of water supplied as a proxy for water discharged, targeted rates can be seen as a proxy for user charges.</p>
Stormwater			
<p>Council operates an effective drainage system to protect property from flooding damage. Stormwater infrastructure includes pipe networks, street-side gutters, retention dams and open watercourses. These are provided and maintained according to the reasonable costs of managing foreseeable flooding events. There is a legal requirement for Council to retain control of these assets.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ Strong and inclusive communities ▪ A healthy and attractive built 	<p>Public – High Other –Low</p>	<p>Who benefits: Stormwater reticulation, watercourses, major storm events and watercourse quality management, addressed under this activity, are partly for private benefit but mainly for public benefit. This is in terms of dealing with public spaces and the public stormwater system, minimising damage from severe flooding and conducting monitoring and pollution control for the community at large. Economies of scale associated with the provision of the overall system are also recognised.</p> <p>Buildings and pavements increase the necessity for stormwater management and in this respect the built-up areas can be considered to exacerbate the problem.</p> <p>The benefits accrue over a long period, and hence costs need to be appropriately allocated between current and future users. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: The business sector is estimated to represent around 37% of the city's impervious area after allowing for a proportion of road stormwater allocated to the business sector on the same basis as the roading activity. General rates allocation to the business sector is twice this sector's share of the city</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
	environment		capital value.
Solid Waste			
<p>Council contracts out the collection of residential solid waste and household recycling. It also owns a landfill for the disposal of the city's refuse.</p> <p>Council wishes to promote recycling and waste reduction and to provide for the disposal of the city's solid waste.</p> <p>Commercial operators also provide waste and recycling collection services so that ratepayers have options other than Council services.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ Healthy people ▪ A healthy natural environment 	<p>Public – Low</p> <p>Other – High</p>	<p>Who benefits: The primary benefits of this activity are private benefits to people whose refuse is disposed of, and this is the classic example of polluter pays.</p> <p>Council provides kerbside recycling which is funded through a targeted rate. Recycling produces public benefits through sustainable resource use and through the deferral of costs involved in replacing landfills.</p> <p>There are also public benefits in ensuring that refuse is disposed of appropriately. The consequences of poorly dealt with waste are immediate public health effects. Longer term health effects can also result from interaction with contaminated sites.</p> <p>The benefits of this activity are ongoing and spread over a long period. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: The solid waste function makes an overall surplus, particularly as a result of landfill activities. This return on investment compensates Council as a whole and the whole ratepayer base for the long-term business risks of landfill operation and aftercare. Any surplus is therefore used to offset general rates.</p>
Environmental Policy			
<p>Council develops district plan policy and makes changes to the district plan in line with national and regional policy changes and also in line with expectations of the local community. The district plan provides the “rules” by which individuals and businesses can build and undertake activity within the city.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city 	<p>Public – High</p> <p>Other – Low</p>	<p>Who benefits: <i>Environmental Policy:</i> District planning has a mix of private and public benefits, as well as encouraging optimal resource use over time. The District Plan is determined by the community in terms of the Resource Management Act. It therefore applies to, and represents the environmental aspirations of the community as a whole.</p> <p>Who pays: These activities protect the public interests of both residents and business. After maximising user charges (which are minimal and in some years non-existent), the public good portion of this activity cost is allocated in proportion to each sector's share of the total capital value of the city.</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
	<ul style="list-style-type: none"> ▪ Healthy people ▪ A healthy natural environment ▪ A healthy and attractive built environment 		
Environmental Consents			
<p>The Environmental Consents Division is responsible for the regulatory consents and compliance functions for building work in Lower Hutt, for general advice to the public on consenting matters, for co-ordinating LIM applications for Council and for advice on environmentally sustainable residential design and products.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A safe community ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Healthy people ▪ A healthy natural environment ▪ A healthy and attractive built environment 	<p>Public – Medium Other – Medium</p>	<p>Who Benefits: <i>Environmental Consents:</i> The environmental consents activity is undertaken to ensure that public welfare is not jeopardised by the actions of individuals or groups now or in the future.</p> <p><i>Building Consents:</i> Current charges for building consents are already considered to be significant. High charges may restrict development activity in the city.</p> <p>Who pays: These activities protect the public interests of both residents and business. After maximising user charges, the public good portion of this activity cost is allocated in proportion to each sector's share of the total capital value of the city.</p>
Local Urban Environment			
<p>Council aims to develop an urban environment that will help to attract people and investment and enhance the city's image. The public space of the city is managed and developed by Council on behalf of the community. The benefits of preserving buildings of architectural, heritage and historic value are to both the community as a whole and the owner or</p>	<p>This activity contributes to all Community Outcomes.</p>	<p>Public – Med/High Other – Med/Low</p>	<p>Who benefits: Council aims to carry out improvements to public areas to improve the amenity value of the city. Most of the benefits from this activity accrue to the community as a whole. Certain parts of the community, such as business owners, may gain distinct private benefits as a result of council work in shopping areas etc.</p> <p>Benefits are ongoing, and work particularly around the preservation of heritage elements is intended for the benefit of future generations. These intergenerational benefits support the ongoing use of debt financing for associated capital works.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
occupier. Council purchases the public benefit of this on behalf of the community.			those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.
Economic Development			
<p>Council has a leading role in fostering the city's growth in a number of ways.</p> <p>These are through creating a business-friendly environment, facilitating the expansion and creation of local businesses and employment, increasing tourism to the city and contributing to regional growth through regional economic development initiatives. Individual businesses generally have insufficient incentives to explore opportunities that benefit the city as a whole as well as themselves. The city's businesses and residents benefit from Council's support of the business sector and from the promotion of the city as a place to visit.</p>	<p>This activity contributes primarily to the following Community Outcomes:</p> <ul style="list-style-type: none"> ▪ A strong and diverse economy ▪ An accessible and connected city ▪ Strong and inclusive communities 	<p>Public – Med/High</p> <p>Other – Med/Low</p>	<p>Who benefits: These projects are targeted at regional cooperation and growth industries. The general economic development function of Council aims to increase jobs and wealth for the benefit of the whole city in the long term.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
City Promotions			
<p>Council undertakes a number of activities in this area including external communications (eg to residents and businesses), marketing and promotions, web based information and local and national level events.</p> <p>Council does this to ensure that all parts of</p>	<p>This activity contributes to all Community Outcomes.</p>	<p>Public – Med/High</p> <p>Other – Med/Low</p>	<p>Who benefits: The beneficiaries of this activity are the people, businesses and organisations in the city who benefit from having access to information, doing business on line with us and who attend or are part of events.</p> <p>Who pays: The City applies for and receives some grant funding to help with specific events in the city. No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees (minimal). The public good portion of this activity cost is</p>

ACTIVITY	OUTCOME	FUNDING SOURCE PROPORTION	FUNDING RATIONALE [LGA 2002 SECTION 101(3)(A)] Who benefits (community as a whole, or individuals, group or users, exacerbators), intergenerational benefits, reasons for funding the activity separately)
the community have the information they require about Council, are aware of what is happening in the city, can do business with us online and have access to community and other events.			therefore allocated in proportion to each sector's share of the total capital value of the city.
Elected Members			
Council is an elected body that governs the direction and objectives of the activities it is responsible for on behalf of the city. Community representatives on Community Boards and Community Committees are part of Council and provide local input into governance issues. Council is required by law to have elected members.	This activity contributes to all Community Outcomes.	Public – High Other – Low	<p>Who benefits: The beneficiaries of this activity are the people and organisations in the city who benefit through the democratic governance of the city's affairs.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>

Advice and Support			
<p>This activity involves the processes of policy formation, consultation and public accountability on behalf of Council. The most public examples of this are the annual planning and reporting processes and the development of the city's strategic plans. Professional advice and support are necessary to assist the community and their representatives on Council, Community Boards and Community Committees to make informed decisions on behalf of the community.</p>	<p>This activity contributes to all Community Outcomes.</p>	<p>Public – High Other – Low</p>	<p>Who benefits: The beneficiaries of this activity are the people and organisations in the city who benefit through the democratic governance of the city's affairs.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>
Support Services			
<p>This activity incorporates the organisational support functions that help Council to provide its other activities in the most efficient and effective manner. It includes:</p> <ul style="list-style-type: none"> ▪ Human Resources Management ▪ Financial Management ▪ Corporate Strategy and Risk ▪ General Counsel ▪ Communication & Marketing ▪ Information Services 	<p>This activity contributes to all Community Outcomes.</p>	<p>Public – High Other – Low</p>	<p>Who benefits: The entire community benefits from the Council being run as an efficient organisation.</p> <p>Who pays: No particular sector or group is considered to drive or benefit from these costs beyond those groups that can be targeted by user fees. The public good portion of this activity cost is therefore allocated in proportion to each sector's share of the total capital value of the city.</p>

APPENDIX 2

REVENUE AND FINANCING POLICY BY ACTIVITY

REVENUE AND FINANCING POLICY BY ACTIVITY								RATE TYPE													
	Gross Expenditure	Gross Revenue	Capital Subsidies	Other Revenue	Loan Funded	Targetted Rate	General Rate	Residential	Business						Utilities	Rural	Community Facilities			Total	
								Res %	Accom %	Central %	Qsgate %	Eastb %	Sub %	Tot Bus %	%	%	CF1	CF2	CF3	%	
Libraries	9,890	621		621			9,269	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Museums	4,472	842		842			3,630	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Aquatics and Recreation	12,391	5,986		5,986			6,405	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Parks and Reserves	13,158	1,969		1,969			11,189	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Community Safety and Connections	2,431	89		89			2,342	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Community Facilities Development	11,800	-		-	10,929		871	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Regulatory Services	4,193	2,321		2,321			1,872	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Emergency Management	817	-		-			817	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Roading and Traffic	28,585	17,154	7,502	9,652			11,431	27.4%	1.4%	9.1%	6.5%	0.4%	40.8%	58.2%	11.9%	0.6%	0.4%	1.1%	0.4%	100.0%	
Water Supply	15,369	2,485		2,485		12,884	-	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Wastewater	20,802	4,135		4,135		16,667	-	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Stormwater	7,048	178		178			6,870	61.7%	0.7%	4.6%	3.3%	0.2%	20.9%	29.7%	6.3%	1.3%	0.2%	0.6%	0.2%	100.0%	
Solid Waste	7,522	12,900		12,900		1,336	-	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Environmental Policy	1,678	-		-			1,678	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Environmental Consents	5,103	2,898		2,898			2,205	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Local Urban Environment	4,780	300		300			4,480	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Economic Development	5,131	150		150		132	4,849	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
City Promotions	960	676		676			284	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Elected Members	1,826	-		-			1,826	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Advice and Support	4,360	-		-			4,360	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Support Services	-	1,099		2,109			-	78.4%	0.4%	2.5%	1.8%	0.1%	11.3%	16.1%	3.4%	1.6%	0.1%	0.3%	0.1%	100.0%	
Total	161,217	54,813	7,502	47,311	10,929	31,019	64,456														
Total Rates	95,475																				
Gross Revenue	54,813																				
Gross Expenditure	161,217																				
Deficit	-	10,929																			