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Sponsor/Group:	Chief Financial Officer

Revenue and Financing Policy

Ko te Puutaketanga Purpose

1. The policy outlines the choices Hamilton City Council (Council) has made in deciding the appropriate sources of funding for operating and capital expenditure from those sources listed in the Local Government Act 2002 (LGA). The Policy is a requirement under s102(2)(a) of the LGA along with s103(2)(a)-(j) which notes the sources referred to in s103(1) of the LGA. The policy illustrates Council's compliance with LGA s101(3) which sets out the factors Council must consider in making these decisions. A comprehensive analysis of how Council has complied with this section of LGA s101(3) is included in the Funding Needs Analysis.

2. Deciding the best way to fund Council activities is complex. Complying with legislation takes account of many factors including, but not limited to, the following:
   - Legal
   - Social
   - Competition
   - Affordability
   - Impact of change
   - Efficiency
   - Equity
   - Cost
   - Intergenerational equity
   - Transparency
   - Accountability
   - Business
   - Strategic alignment
   - Benefit

Ko te Whaanuitanga Scope

3. This Policy applies to all funding decisions made at Council.

Ko ngaa Whakamaaramatanga Definitions

Term	Definition in this Policy
DC	means development contribution. It is a one-off charge imposed on new developments. It contributes to the growth-related cost of our infrastructure network and supports the city's long-term growth.
UAGC	means Uniform Annual General Charge. Is a rate set as a fixed amount per SUIP. The UAGC modifies the impact of rating on a city-wide basis.
SUIP	Means separately used or inhabited part of the rating unit as defined by Council in the Long-Term Plan

Ko ngaa Tikanga Whakahaere Kaupapahere Principles of Policy

4. The following guiding principles will be applied when considering our use of funding sources:

   a) Council will adopt a prudent Financial Strategy which supports its current credit rating.

   b) The everyday costs of running the city will be met from everyday revenues.

   c) Council will fund maintenance and renewals as per approved Asset Management Plans.

d) Growth cells will be completed to an approved level of service.

e) Council should explore external funding options for new discretionary projects whenever possible.

f) When a private benefit can be identified, and it is efficient to collect the revenue user charges will be considered.

g) Growth will pay for growth.

h) Asset sale proceeds will be used to pay down debt.

i) The main source of our everyday revenue will be general rates.

j) Targeted rates could be used to fund the council portion of new projects where the costs of these activities can be easily identified.

k) Rates certainty will be considered.

l) Affordability of rates will be considered.

m) Rates increases will consider Local Government inflation and interest cost levels to ensure a prudent financial position is maintained.

5. Balancing these principles can be challenging at times. Council must use its judgement in assessing many options in the development of budgets or acquisition of assets and the choice of funding sources to enact these.

Ko ngaa Tikanga Policy

Funding sources for operating costs

6. Operating costs are the everyday spending on services Council provides. This includes contributions to the wear and tear of assets used (depreciation), interest charged on borrowing for capital projects and overhead costs.

7. We must consider the funding for each activity individually. Some activities may be best funded by user charges, such as swimming pool admission fees, others with targeted rates, such as a Business Improvement District Rate, and others from the general rate, such as road maintenance.

8. The funding sources for operating costs are described in the following sections.

User charges (s 103(2)(c) under LGA 2002 fees and charges)

9. User charges are applied to services where it is identified there is a benefit to an individual or group. User charges are a broad group of fees charged directly to an individual or entity and includes:

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

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10. The price of the service is based on a number of factors, including:
    - The cost of providing the service;
    - The estimate of the users' private benefit from using the service;
    - The impact of cost on encouraging/discouraging behaviours;
    - The impact of cost on demand for the service;
    - Market pricing, including comparability with other councils;
    - The impact of rates subsidies if competing with local businesses;
    - Cost and efficiency of collecting the user charge;
    - The impact of affordability on users;
    - Statutory limits; and
    - Other matters as determined by the Council.

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

12. Where goods or services are sold commercially, and taking into consideration legislative limitations, Council's preference is to charge a market price. This includes leases, rents and licences for land and buildings.

13. Fees and charges may be set at any time and are reviewed annually. A list of current fees and charges is maintained on our website.

14. Revenue from user charges is allocated to the activity which generates the revenue.

Grants, sponsorship and subsidies (s 103(2)(i)) under LGA 2002 grants and subsidies)

15. Grants, sponsorship and subsidies are used where they are available. Many of these types of income are regular and predictable and can therefore be budgeted for.

16. Council expects to continue to receive substantial subsidies from central government or its agents for road maintenance.

Other income

17. Council receives a distribution of local authorities fuel tax**.** Fuel Tax is allocated to the transportation activity and is used to fund operating costs of maintaining roads.
18. Some other types of income are unexpected or unpredictable and may not be able to be prudently budgeted (e.g. reparation payments, civil defence and other reimbursements, legal settlements and insurance claims).

Investment income (s 103(2)(d)) under LGA 2002 interest and dividends from investments)

19. Council's approach to investments is documented in its Investment and Liability Management Policy. These investments generate income such as dividends, interest, and rents.

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20. Investment income funds the activity that owns the asset. The investment income is used to fund the operating costs of the activity.

Development contributions under s198 of the LGA 2002 and Financial contributions under 77E of the Resource Management Act 1991 (RMA)

21. Development Contributions revenue funds the interest on debt or capital costs for growth-related capital projects.

22. Financial Contributions revenue funds capital and operational costs for the purposes identified in Chapter 24 of the Operative District Plan.

Reserve funds (s 103(2)(j)) under LGA 2002 any other source)

23. Council maintains a small number of cash-funded reserve funds. Some of these reserve funds may be used to meet operating costs (e.g. cemetery maintenance). Generally, reserve funds are used for the purposes that they were created for.

Borrowing (s 103(2)(e)) under LGA 2002 borrowing)

24. Council's approach to borrowings is documented in the Investment and Liability Management Policy.

25. Borrowing is generally undertaken at a whole of Council level subject to constraints on rates increases and debt levels set by the Financial Strategy. In the instance where an activity is reflected separately to the whole of Council, borrowings will be attributed to the activity that incurs the expenditure.

26. Council generally plans to fund all cash operating costs from sources other than borrowing. However, in specific circumstances, where Council decides it is prudent to do so, it may fund some operating costs from borrowing.

Regional fuel taxes under the Land Transport Management Act 2003 (s 103(2)(ia) under LGA 2002)

27. A regional fuel tax provides additional funds to a region to pay for transport projects that would not otherwise be funded. Under the legislation, a regional fuel tax: applies to petrol and diesel, not CNG or LPG, and may be charged up to a maximum rate of 10 cents per litre, plus GST, for a maximum of 10 years. This tax is not being applied to the Waikato Region and is not a source of operating revenue for Council.

Rates

28. Having appropriately exhausted all other funding sources, we fund all remaining operating expenses from rates. For many activities this is the main funding source.

29. The above matters are all considered when determining the funding required from general rates or targeted rates for each activity in the Funding Needs Analysis, as required by section 101(3)(a).

Deleted: **Development contributions, financial contributions under the Resource Management Act 1991 (RMA) and environmental contributions under the Natural and Built Environment Act 2023 (NBA), proceeds from the sale of assets and lump sum contributions¶**
Generally, Council does not collect revenue from these funding sources to fund operating costs.
¶
Development Contributions revenue funds the interest cost on debt for growth-related capital projects.¶

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30. Council may choose to establish targeted rates to fund operating costs.

31. Further information on rates can be found in clauses 57-60 and 77-94 of this policy as well as the Rating Policy, Rates Remissions and Postponements Policy and Rates Funding Impact Statement.

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Summary of sources of funding for operating costs by activity

32. Council will apply the funding source preferences noted above to each activity in its Funding Needs Analysis. Table 1 shows the degree to which (expressed as a range) each funding source is used to fund operating costs following the LGA s101(3)(a) assessment.

33. This s101(3)(a) assessment may be modified by the s101(3)(b) assessment. The latter assessment requires Council to consider the overall impact of any allocation of liability for revenue needs on the community. Council's consideration of s101(3)(b) is included later in this policy.

34. The ranges in Table 1 are expressed as a percentage of the revenue required to fund each activity and are indicative only. They may change over time as a result of changes in expenditure requirements. It is possible that actual funding sources may differ from budgeted funding sources.

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Table 1: Summary of funding sources by activity s.101(3)(a) only

Unlikey	0%	x
Minimal	0% - 20%	✓
Low	20% - 40%	✓
Moderate	40% - 60%	✓
High	60% - 80%	✓
Most	80% - 100%	✓
All	100%	✓

ACTIVITY	GENERAL RATES	TARGETED RATES	FEES & USER CHARGES	SUBSIDIES & GRANTS	OTHER	BORROWINGS
Community Services						
Aquatics	✓	x	✓	x	✓	x
Libraries	✓	x	✓	✓	✓	x
Customer	✓	x	✓	x	x	✓
Governance						
Democracy Services	✓	x	✓	x	x	✓
Mayor Office	✓	x	x	x	x	✓
Mayoral Support Services	✓	x	x	x	x	✓
Growth						
Planning Guidance	✓	x	✓	x	x	✓
Growth Funding & Analytics	✓	x	x	x	x	✓
Sustainable Communities	✓	✓	x	x	x	✓
Strategic Property	✓	x	✓	x	✓	✓
Urban & Spatial Planning	✓	x	✓	x	x	✓
Parks & Recreation						
Cemetery & Crematorium	✓	x	✓	x	✓	x
Community Facilities	✓	x	x	x	✓	x
Nursery & Natural Areas	✓	x	✓	x	x	✓
Parks Assets	✓	x	✓	x	✓	x
Parks Contracts	✓	x	x	x	x	x
Parks Service Delivery	✓	x	✓	x	x	✓
Partnerships, Communication & Maaori						
Amorangi Maaori	✓	x	x	x	x	✓
Communication & Engagement	✓	x	x	x	x	✓
Community Partnerships, Funding & Events	✓	x	✓	x	x	✓
Partnerships, Communication & Maaori	✓	x	x	x	x	✓
Rubbish & Recycling						
Resource Recovery	✓	✓	✓	✓	✓	✓
Regulatory & Safety						
Animal Control	✓	x	✓	x	✓	✓
Building Control	✓	✓	✓	x	x	✓
City Safety Operations	✓	x	✓	✓	x	✓
Civil Defence & Emergency	✓	x	x	x	x	✓
Environmental Health Control	✓	x	✓	x	x	✓
Liquor Licensing	✓	x	✓	x	x	✓
Stormwater						
Stormwater	x	✓	✓	x	✓	x
Transport						
Transport Centre	✓	x	x	✓	✓	x
Transportation Network	✓	x	✓	✓	✓	✓
Urban Transport	x	✓	✓	x	✓	✓
Venues, Tourism and Events						
Claudelands Events Centre	✓	x	✓	x	✓	x
Hamilton Gardens	✓	x	✓	x	✓	x
Museum	✓	x	✓	✓	✓	x
Stadia	✓	x	✓	x	✓	x
Te Kaaroro (Hamilton Zoo)	✓	x	✓	✓	✓	x
Theatres	✓	x	x	x	x	✓
Tourism & Events	✓	x	x	x	x	✓
Wastewater						
Wastewater	x	✓	✓	x	✓	x
Water Supply						
Water Supply	x	✓	✓	x	✓	x

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ACTIVITY	GENERAL RATES
Community Services	
Aquatics	✓
Libraries	✓
Customer	✓
Governance	
Democracy Services	✓
Mayor Office	✓
Mayoral Support Services	✓
Growth	
Planning Guidance	✓
Growth Funding & Analytics	✓
Sustainable Communities	✓
Strategic Property	✓
Urban & Spatial Planning	✓
Parks & Recreation	
Cemetery & Crematorium	✓
Community Facilities	✓
Nursery & Natural Areas	✓
Parks Assets	✓
Parks Contracts	✓
Parks Service Delivery	✓
Partnerships, Communication & Maaori	
Amorangi Maaori	✓
Communication & Engagement	✓
Community Partnerships, Funding & Events	✓
Partnerships, Communication & Maaori	✓
Rubbish & Recycling	
Resource Recovery	✓
Regulatory & Safety	
Animal Control	✓
Building Control	✓
City Safety Operations	✓
Civil Defence & Emergency	✓
Environmental Health Control	✓
Liquor Licensing	✓
Stormwater	
Stormwater	✓
Transport	
Transport Centre	✓
Transportation Network	✓
Urban Transport	x
Venues, Tourism and Events	
Claudelands Events Centre	✓
H3 Management	✓
Hamilton Gardens	✓
Museum	✓
Stadia	✓
Te Kaaroro (Hamilton Zoo)	✓
Theatres	✓
Tourism & Events	✓
Venues, Tourism & Events	✓
Visitor Services & Products	✓
Wastewater	
Wastewater	✓
Water Supply	
Water Supply	✓

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Funding sources for capital costs

35. Capital costs are those costs associated with the purchase and improvement of assets and for the repayment of debt. The funding sources for capital costs are described in the sections that follow.

User charges

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

37. Council charges for capital works that are solely for private benefit (e.g. a network extension to a single dwelling) or where capital works are undertaken outside of Asset Management Plans at the request of individuals (e.g. a rural seal extension for dust suppression).

Grants, subsidies, and other income

38. Council relies on significant subsidies for capital works relating to the transport activity. Grants and subsidies may be available for other activities from time to time. Other income can be from many and varied sources and is unlikely to be predictable enough to budget for in advance. Other income used to fund capital costs could include bequests, insurance claims, and legal settlements.

39. Council relies on significant grant funding for capital works from the Infrastructure Acceleration Fund (IAF). The funding will be used for critical infrastructure projects to facilitate further development in the area - including a new water reservoir and pump station, local waters upgrades and improvements.

40. Grants, subsidies and other income are used wherever they are available.

Development contributions

41. Council collects development contributions (DCs) to fund capital costs necessary to service growth, in accordance with the Development Contributions Policy (DC Policy).

42. DCs are applied on an activity and catchment basis, as identified by the DC Policy. Projects identified in the DC Policy may be either completed projects (with debt yet to be repaid from future development contributions) or future projects planned in the period for which DCs may be collected.

43. Most contributions receipted are used to repay development contributions debt and interest on that debt. A portion may pay for capital expenditure in the year it is receipted, depending on projects.

It is important to note that, in addition to the requirements of sections 103 and 101(3), the DC Policy describes funding matters in more detail as required by section 106(2)(c).

Financial contributions under the Resource Management Act 1991 (RMA)

44. Chapter 24 of the Hamilton City Operative District Plan (**ODP**) contains rules which enable Council to require that a financial contribution be made to Council in relation to land use activities which are permitted or subject to resource consent.

Deleted: and environmental contributions under the Natural and Built Environment Act 2023 (NBA), proceeds from the sale of assets and lump sum contributions¶
Council collects financial and environmental contributions to avoid, remedy or mitigate adverse effects on the environment as conditions to resource consents. The requirements for these contributions are outlined in the Operative and Proposed Hamilton District Plan. Council receives most contributions as revenue by the vesting of assets although some may be paid directly to us.¶

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45. The purposes for which financial contributions are collected are set out in section 24.2 and 24.4 of the ODP. These are:
    a. Three waters/transport network connections;
    b. Residential amenity maintenance and improvement;
    c. Giving effect to Te Ture Whaimana

46. The level of funding for projects which achieve these purposes but are not identified as funded projects in the Long-Term Plan, will reflect actual financial contributions revenue received. Funding will not be allocated to projects until revenue is received. Such funding will be allocated in accordance with Council's Financial Contributions Policy.

47. The level of funding for projects which achieve these purposes, and are identified as funded projects in the Long-Term Plan, will be funded within or up to the level identified.

Proceeds from the sale of assets

48. From time to time assets are disposed of. Usually these are low value items and the revenue is received by the activity that owns the assets.

49. Council holds some higher value assets for investment purposes which, although not budgeted for, could be sold. Unrestricted proceeds from the sale of these assets would be used to repay debt, unless otherwise resolved by Council. Restricted revenues would be placed in the appropriate reserve fund and used for the purpose required by the document that imposes the restriction (e.g. Municipal Endowments reserve).

Reserve funds

50. We maintain some reserve funds for capital projects and will approve the use of the funds when a project meets the specific criteria for accessing the reserve.

Borrowing

51. Council must borrow to fund its asset programme. The amount of borrowing available is restricted by the Financial Strategy debt limits.

52. Borrowed funds, both the principal and interest components, are generally repaid by future rates.

53. Borrowing spreads the cost of a project over a longer period of time, smoothing changes in rates and ensuring that future ratepayers who will enjoy the benefit of long-lived assets contribute to their costs.

54. Council will budget to borrow from the Housing Infrastructure Fund (HIF) in the 2024-34 Long-Term Plan to fund some capital expenditure on growth related infrastructure. This loan is treated the same as other borrowing except that it is interest free for 10 years from the date each loan is drawn down. At the end of the 10 years the loan is required to be repaid and/or refinanced by new borrowing that is subject to interest.

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Lump sum contributions

55. When undertaking a major project, Council has the option to seek lump sum contributions to the capital cost of the project from those who are identified in the "capital project funding plan". Lump sum contributions are provided for in the Local Government (Rating) Act 2002 and have restrictions placed on how they are used. Where a lump sum payment option is proposed ratepayers may choose to pay the lump sum or not. If not, the rating unit will be liable to pay any targeted rate set to recover the loan costs.

56. Generally, Council does not plan to seek lump sum contributions.

Regional fuel taxes under the Land Transport Management Act 2003 (S 103(2)(ia))

57. A regional fuel tax provides additional funds to a region to pay for transport projects that would not otherwise be funded. Under the legislation, a regional fuel tax: applies to petrol and diesel, not CNG or LPG, and may be charged up to a maximum rate of 10 cents per litre, plus GST, for a maximum of 10 years. This tax is not being applied to the Waikato Region and is not a source of capital revenue for Council.

Rates

58. Rates are mostly used to fund everyday expenses including depreciation and interest costs related to borrowing.

59. Each year, Council calculates its operating cash surplus which determines the amount of rates funding available to fund capital projects or debt repayment. The greatest portion of this rates funding is allocated to pay for depreciation (which is a non-cash operating cost). These funds are used to fund capital replacement and/or renewal projects.

60. A portion of rates funds the capital (principal) repayments of debt.

61. Council may establish targeted rates to fund specific capital projects. Targeted rates are more likely to be considered where a benefit can be linked to an identifiable individual or group, either arising from the use of the asset or as a consequence of a decision. For clarity, this may include the growth portion of any project or groups of projects that are unable to be funded from a DC Policy.

Potential future funding sources

Infrastructure Funding and Financing Act (IFF)

62. The IFF, which was enacted in August 2020, enables Council to access a new off-balance sheet funding mechanism to support the delivery of infrastructure projects.

63. Council has not yet negotiated any IFF deals, as such, the 2024-34 Long-Term Plan does not reflect any potential off-balance sheet funding arrangements.

Strategic Land Agreements

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64. Hamilton City Council is working with neighbouring Councils on Strategic Land Agreements which may result in boundary reorganisation. An agreement with Waikato District Council has been finalised covering land around Hamilton currently in the Waikato District Council area. Council is also working with Waipa District Council to establish a similar agreement. Strategic Land Agreements are intended to provide a degree of certainty around the future expansion of Hamilton and the transfer of land to the City from the District Councils.

65. Strategic Land Agreements outline a clear process to initiate a transfer of land and include financial principles for any land transfer. Financial considerations will be reviewed and reported to the relevant Committee if and when parcels of land are considered for transfer.

66. Once transferred to the City, rates will be set by Hamilton City Council, based on the rating system at that time. Hamilton City Council would also assume responsibility for the direct costs to provide services to the land.

Summary of sources of funding for capital costs by activity

67. As described in the Financial Strategy, Council has a challenge to manage growth, affordable rates increases and debt. To achieve the appropriate balance between these variables Council will take the following approach:

    a. Council will set the annual rate increase;
    b. The existing rating base plus an estimate for growth determines the rates income;
    c. Activity operating revenue and expenditure budgets are determined, within the rate income constraint;
    d. An amount is budgeted for development contributions payments, which is set aside to fund growth projects or growth debt and interest, as determined by the DC Policy;
    e. The net cash operating costs is determined (net of cash revenue budgets);
    f. This leaves the funded portion of operating costs. A small amount may be held in a cash funded reserve; otherwise the funds are available for capital costs. This amount largely represents rate funded depreciation but may include operating surpluses from some activities and accounting provisions not held in reserve funds. This funding is not held by specific activities and is available to fund any capital costs; and
    g. Council will then set the limit on debt, which determines the maximum debt funding available for capital costs.

68. This process is intended to result in the following funding sources being available to fund capital costs:

    a. Cash from general rates, for use on all activities;
    b. Cash from targeted rates, for example for use on the Business Improvement District grant;
    c. Cash from development and financial contributions, for growth projects and related interest costs;
    d. Cash from grants and subsidies, targeted to capital projects; and
    e. Cash from borrowing.

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69. Council will use the following guidelines when considering the funding of capital projects:
    f. All projects are first funded from grants, subsidy or other income, which are budgeted as operating revenues;
    g. Growth related projects for network infrastructure to meet increased demand are funded from DCs, as allowed for under the DC Policy;
    h. Reserve funds for other purposes are considered. We have a small number of cash funded reserves available for capital costs projects;
    i. Targeted rating options may be considered; and
    j. Projects that have exhausted previous funding sources are funded from general rates and/or debt.

70. A single project may have a mix of each of the above funding options.

71. Whenever Council resolves to fund a separate project, it will consider the sources of funds above, the Revenue and Financing Policy and LGA section 101(3) to determine an appropriate funding policy for that project. Generally, Council will resolve the funding in setting the budget for the project at the time it is proposed in an Annual Plan or Long-Term Plan.

Waters activities policy modification

72. Council is modifying its waters activities funding policy to provide supporting rates funding information for the consultation on Local Waters Done Well structural options. This transition separates the funding of the waters activities (water supply, wastewater and stormwater) from other Council activities.

73. The funding sources for operating costs remain unchanged. However, the Local Government (Water Services) Bill proposes to remove rate funding on a property value basis (land or capital value) over time.

74. The funding sources for capital costs of Water supply, wastewater, and stormwater funding will be separate from all other council activities for each activity.

75. The funding sources available for these activities for capital costs are:

    a) Cash from development and financial contributions for growth projects and related interest costs.
    b) Cash from grants and subsidies targeted to capital projects.
    c) Cash from borrowing.
    d) Cash from operational surpluses (including depreciation) and only from that activity.

Overall funding consideration

76. Council is required by LGA s101(3)(b) to consider the overall impact of the allocation of liability for revenue needs on the community. This allows Council, as a final measure, to modify the overall mix of funding that would otherwise apply after the s101(3)(a) analysis.

77. The following applications have been made:
    a. The Financial Strategy has the guiding financial principle that those who benefit from growth pay a fair share of the cost of that growth. Growth drives both operating and capital

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costs. Council will use all available funding sources to ensure that those who benefit from or create growth contribute an appropriate share towards the costs of providing infrastructure to meet the demands of that growth. This includes financial contributions, development contributions, user charges and general and targeted rates.

b. Council has made the following adjustments to targeted rates:
    i. A pool safety inspection rate has been introduced.

c. Council considers the benefits of services associated with the development of land are realised from the time the development is started.

d. Council may waive or discount fees and charges where it is considered appropriate to do so. Some matters considered in deciding whether it is appropriate to waive fees are for social reasons, the promotion of events and facilities, commercial reasons, due to poor service or to minimise risk.

e. Council may remit rates where it considered appropriate to do so and as allowed for in the Rates Remissions and Postponements Policy. These policies address social matters as well as adjusting rates for benefits that differ for some rates assessments (e.g. additional or no provision of some services).

f. Council may use accounting provisions and reserve funds to spread the costs of activities over multiple years to smooth the cost to users and ratepayers.

g. Council may modify the allocation of liability for growth related network infrastructure projects when considering the matters required by s106 of the LGA, in the DC Policy.

h. Council is required by LGA section 102(3A)(a) to ensure that the Revenue and Financing Policy supports the principles set in in the Preamble to Te Ture Whenua Maori Act 1993. The Council will take the principles into account when considering funding decisions.

i. Council's Local Waters Done Well programme develops legislative guidance my change. Council may modify funding preferences for the efficient Local Waters Done Well structural options.

Rates

78. Council's final consideration of funding by rates comes:
    a. After considering how other funding sources will be used to fund operating and capital costs;
    b. After that has been applied to activities in the Funding Needs Analysis; and/or
    c. After being adjusted for the overall funding considerations.

79. The following section outlines the Revenue and Financing Policy requirements that are used to set rates. To have a full understanding of rates they should be read with regard to the analysis above and in conjunction with the Rating Policy, Funding Impact Statement and Rates Resolution.

General rates

80. The general rate will be set on the basis of capital value.

81. A Uniform Annual General Charge (UAGC) will be set on each separately used or inhabited part (SUIP) of all rating units.

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Deleted: The Council has determined in its Funding Needs Analysis that all or part of the following activities should be funded from the general rate and the UAGC:

Deleted: <#>Amorangi Maaori¶
Animal Control¶
Aquatics¶
Building Control¶
Cemetery & Crematorium¶
City Safety Operations¶
Civil Defence & Emergency¶
Claudelands Events Centre¶
Communication & Engagement¶
Community Facilities¶
Community Partnerships, Funding & Events¶
Customer ¶
Democracy Services¶
Environmental Health Control¶
Growth Funding & Analytics ...

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82. Council differentiates the general rate into three differential rating categories based on one or more of the uses to which the land is put, the provision or availability to the land of a service provided, the activities permitted, controlled, or discretionary for the area in which the land is situated and the rules to which the land is subject under the operative district plan, and the location of the land. The categories are:
    - Residential;
    - Commercial; and
    - BID Commercial.
    -
83. The Other category will not be applied from 2025/26 onward. Properties previously categorised as Other will now be categorised as Residential and waters targeted rates will be applied if applicable.
84. The BID Commercial category will increase to be the same as the Commercial category from 2024/25, meaning commercial properties in the central city will pay the same General rate and Government Compliance rate as commercial properties elsewhere in the city.
85. The full definition of these categories is contained in the Funding Impact Statement.
86. The general rate differential factors will be calculated as shown in the Funding Impact Statement.
87. In setting the differential categories, and the differential factors, Council considers the requirements of the LGA and a number of other considerations, including:
    - The activities funded by the general rate and the s101(3) considerations for the activities;
    - The impact of any change, or rate of change to the differential;
    - The views of those impacted by the differentials;
    - Other reasonable options, and the advantages and disadvantages of those options; and
    - The overall impact of the differential on ratepayers.

Uniform Annual General Charge (UAGC)

88. The level of the UAGC will be determined based on the overall impact of rates to individual ratepayers and categories. There is no direct allocation of any activity nor is there a calculation methodology for the determining the UAGC amount.

Targeted rates

Pool safety inspection rate

89. A pool safety inspection rate was introduced to replace the current three yearly fee with a targeted annual rate to be administratively efficient for the triennial inspections.
90. Pools are required to inspected for safety compliance every 3 years. Council considered all funding sources available and identified that charging a targeted rate would be more efficient. The targeted rate will replace the fees being charged through fees and charges.
91. For more information on the rate refer to the Rating Policy, Funding Impact Statement and Rates Resolution.

Other targeted rates

92. Council collects other targeted rates either to fund activities as identified in the Funding Needs Analysis or as a result of overall funding considerations.

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A Government compliance targeted rate was introduced to fund additional costs in the Council's water services activities as well as the cost of changing the District Plan as a result of legislation introduced by central government.¶
The Government compliance targeted rate has been implemented to clearly identify and explain additional costs associated with water services and changes to the District Plan.¶
The Government compliance targeted rate is applied to all rateable land on the basis of capital value, and differentiated on the same basis as the general rate.¶
The differential bases are outlined in the Council Funding Impact Statement.¶

Hamilton City Council
Te kaunihera o Kirikiriroa

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Table 2: Targeted rate types

Name	Activities funded	Basis for rate
Central City	Transport activity.	Fixed amount per Separately Used or Inhabited Part of a Rating Unit (SUIP). A SUIP is defined in the Council Funding Impact Statement.
Business Improvement District (BID)	Growth activity.	Fixed amount per SUIP and a rate per dollar of capital value for all properties in the BID area.
Metered water supply	Water Supply activity.	Fixed amount per water connection to rateable land supplied with water for land with a water meter or a restricted flow supply and a charge per unit of water consumed or supplied.
Water	Water Supply activity.	Applied to residential properties where Council's water supply system is available and is not otherwise metered. The rate is set on the basis of capital value.
Wastewater	Wastewater activity.	Applied to all rateable land where Council's Wastewater system is available, set differentially on the basis of capital value.
Citywide Stormwater	Stormwater activity.	Applied to all rateable land set differentially on the basis of capital value.
Commercial non-metered water	Water Supply activity.	Fixed amount per rating unit for Commercial properties with a water connection but without a meter.
Service Use refuse	Rubbish and Recycling activity.	Fixed amount per SUIP for connected land used for certain purposes as defined in the Funding Impact Statement.
Pool safety inspection	Regulatory and Safety activity.	Fixed amount per rating unit for all rating units receiving a Council pool inspection.

93. The full definition of these targeted rates are contained in the Funding Impact Statement.
94. Council is currently phasing out the Central City targeted rate over 2 years (2024/25 and 2025/26).
95. Council may introduce new targeted rates when setting rates in any year as documented in the relevant year's Funding Impact Statement and Rates Resolution.

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Ko te Aroturukitanga me te Whakatinanatanga Monitoring and Implementation

96. Implementation of the policy will be monitored by the Chief Financial Officer.
97. Performance against this policy will be monitored and reported.
98. The policy will be reviewed in response to any issues that may arise, every three years, at the request of Council or in response to changed legislative and statutory requirements (whichever occurs first).

Ko ngaa Tohutoro References

99. The Local Government Act 2002. The policy is a requirement under s102(2)(a) of the LGA along with s103(2)(a)-(j) which notes the sources referred to in s103(1) of the LGA.
100. Funding Needs Analysis, as required by s101(3) of LGA, provides the background and analysis to explain the funding decisions Council has made. It is guided by the funding principles and choices of funding sources documented in the Revenue and Financing Policy.
101. The DC Policy provides further analysis, as required by s106(2)(c) of the LGA. This explains why Council has chosen to use DCs to fund the capital costs needed to meet increased demand for infrastructure.
102. The Investment and Liability Management Policy places restrictions on the use of the proceeds from asset sales.
103. The Rating Policy and Rates Remissions and Postponements Policy further clarifies funding requirements by documenting matters not included in the Funding Impact Statement, rates resolutions or this Revenue and Financing Policy. It includes detailed definitions and maps for rating areas.
104. The Funding Impact Statement is included in each Long-Term Plan and Annual Plan as required by clauses 15 or 20 of schedule 10 of the LGA. This statement shows the results of the detailed rates calculation for the first year of the 2024-34 Long-Term Plan.
105. The Preamble to Te Ture Whenua Maori Act 1993 includes the principles that the policy must support as required by s102(3A)(a) of the LGA.
106. Together the above documents form the necessary components to lawfully charge under the LGA for Council's revenue requirements. Council must also comply with other legislation regarding the setting of some fees and charges and the Local Government (Rating) Act 2002 for the setting of rates.
107. Council plans to modify the Revenue and Financing Policy and Funding Needs Analysis for Local Water Done Well programme. At the time of this update, the Government had repealed Three Waters Reform legislation, enacted the Local Government (Water Services Preliminary Arrangements) Act 2024 and introduced the Local Government (Water Services) Bill.

Deleted: announced the Local Government Water Services Bill would have its first reading in December 2024.

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