Wairoa District Council
Rating Review 2020
Statement of Proposal

Including the following funding changes:

- **Creating a new General Rate (capital value)**
- **Simplifying to four General Rate differentials**
- **Moving 10% of the Water, Wastewater, Stormwater and Waste Management rates to the General Rate.**
- **Moving 50% of the Uniform Annual General Charge to the General Rate.**

WHY DO WE NEED A RATES REVIEW?

Our rating system is complex, confusing and out of date.

It was developed in the 1990's when Wairoa had a bigger population, the commercial sector was larger and comparatively thriving and forestry was smaller and more local.

The demographic has changed. The population had decreased by 1,000 people. Māori now make up two thirds of the district. Taking this and other societal changes into consideration, it is apparent that what is important, how we view the world, and our priorities are different. The current rating system is unaffordable for many residential and commercial property owners. It does not serve the community well.

This review builds on the 2018 review. Most of that proposal was not implemented aside from a change to forestry rating.

Councillors have since heard from ratepayers asking why that proposal was not implemented. Councillors have been provided with further examples of rates inequity as a result of the complex rating differential system.

Disclaimer: This Statement of Proposal provides an indication only of proposed rating changes from July 2021. It does not represent your actual rates account. The rates invoice you receive from July 2021 will be based on the yet to be finalised Long Term Plan budgets. The amounts shown are based on the 2020/2021 rates. All rate amounts shown are inclusive of GST.

STATEMENT OF PROPOSAL

OVERVIEW OF THE PROPOSAL

We are proposing changes to how we distribute our rates across the Wairoa district.

These proposed changes would improve rates affordability for many people, by reducing the rates for many residential and small commercial properties across the district. These proposed changes would however increase the rates for high value properties, rural and forestry, in some cases by a large amount.

Council will not collect any more money from these changes if the proposals are adopted. The total rates revenue remains the same, however the system for who pays what is redistributed. The changes reallocate the amount each group of ratepayers pays.

This review is being driven by three major themes:

- Simple
- Affordable
- Appropriate

The proposed changes support our community outcomes and would provide for improved wellbeing of the communities of this district.

There are four parts to the proposal:

- Creating a new General Rate (which will be on capital value).
- Simplifying to four General Rate differentials.
- Moving 10% of the Water, Wastewater, Stormwater and Waste Management rates to the General Rate.
- Moving 50% of the Uniform Annual General Charge (UAGC) to the General Rate.

1. Creating a new General Rate (capital value).

We propose to simplify those rates charged to everyone in the general and roading rates (land value), and services and recreation rates (capital value) to a single new general rate (capital value).

This proposal would simplify the rating system and transfer rates from the residential and commercial sectors to the rural and forestry sectors.

2. Simplifying to four differentials of the new General Rate.

The current rating system dates back to the 1990's. Since then the community and our values have changed. We have 34 differentials for land and capital value rates. It is overly complex.

We propose to have four differentials (residential, commercial, rural and forestry).

This change would see residential and rural paying the same rate in the dollar of capital value, commercial slightly higher to reflect the benefits of being in business and forestry a lot higher to reflect extra costs of maintaining roads and negative community wellbeing effects of the industry.

3. Moving 10% of the Water, Wastewater, Stormwater and Waste Management rates to the General Rate.

Everyone pays the general rate. Council propose that 10% of the cost of water, wastewater, stormwater and waste management is funded by the general rate. This recognises the wider district benefits to health, kaimoana, recreation and the environment.

This change supports the ability to pay rates for residential properties.

4. Moving 50% of the Uniform Annual General Charge (UAGC) to the General Rate.

Everyone pays the UAGC. It is a fixed rate (currently $726.20). It is the second largest rate behind roading.

Fixed rates are highly regressive to income. In Wairoa town fixed rates alone (before value-based rates) exceed the rates affordability threshold, as discussed on page 4

We are proposing to reduce this rate by half, adding the reduction to the general rate. This change is to help with rates affordability and would benefit all low value properties in town and in rural areas. The transfer to the general rate would mean higher rates for rural and high value properties.

OVERALL REASON FOR THE PROPOSAL

Every three years Council reviews how we fund our activities. We are part way through that process. This proposal addresses possible changes to how we distribute the rates contribution to funding the cost of activities. The outcome of this consultation will be incorporated in a revised Revenue and Financing Policy for consultation next year. This review does not consider the cost of activities, that is considered in Long-Term Plan consultation which occurs early next year.

We have had community pre-engagement meetings at Wairoa and Mahia. We have meet with Iwi, farming and forestry representatives. We have listened at these meetings; we have listened to feedback after the last consultation and have reflected on the views of people at the last rating consultation. Taking all this into account we have identified three major drivers for change.

- **SIMPLE**: The current rating system is complex. It splits costs between urban and rural and then it reallocates those costs 34 different ways (known as differentials).

  The result is confusion when we talk about rates increases as some rates go up more than others. It also results in some neighbours paying a different amount of rates for no clear or obvious reasons.

- **AFFORDABLE**: The current rating system uses a high proportion of fixed rates, which are impacting on townships. The Local Government Rates Inquiry 2007 recognised that when rates are greater than 5% of household income, they become unaffordable. In Wairoa township most properties are above this level.

- **APPROPRIATE**: It is our view that the current rating system is not allocating an appropriate amount of cost to parts of the district. Urban properties are paying an unaffordable share of the costs.

  The Local Government Act 2002 asks that Council decide what is the appropriate share of the rates allocation. This is a complex balance of considering community outcomes, benefits, the effects of individuals or groups actions or inactions, transparency, and community wellbeing.

Fundamentally, rates are a tax and not an exchange of money for a service. We are wanting sectors to pay an appropriate share of costs that recognise all the factors we must consider under the legislation.

Rates Affordability

The threshold of unaffordability is where rates exceed 5% of household income[1].

Table 1: Wairoa town affordability

Wairoa town median rates (2020/21)	$3,161
Wairoa town median household income[2]	$42,700
Affordability calculation – rates as a percentage of income	7.4%
Affordability threshold - rates as a percentage of income	5.0%

Median household income for the district is $48,500.

For many councils in NZ this median affordability benchmark is lower at between 3.8 and 4.2%. This is always more challenging for small populations looking after large areas.

The biggest driver for household rates affordability are fixed rates. Fixed rates are where everyone pays the same amount regardless of ability to pay. Fixed rates are regressive to income.

Table 2: Wairoa town fixed rates 2020/21

Fixed Rate	**$**
Uniform Annual General Charge (UAGC)	726
Water rate (Connected)	669
Sewerage rate (connected)	570
Waste management rate	319
Drainage rate	203
TOTAL	**$2,487**
Affordability Threshold on Median Income	**$2,135**

Table 2 shows the fixed rates for Wairoa town total $2,487. This is $352 more than the affordability threshold and means that all fully serviced properties in Wairoa town have rates that are unaffordable for more than half of the residents.

[1] The rates affordability threshold was developed in the Local Government Rates Inquiry 2007

[2] Median household income 2018: Wairoa District $48,500 and NZ $75,700 - source: Stats NZ

We propose to address this by reviewing the activities funded by fixed rates and who should be contributing to those costs.

OTHER OPTIONS CONSIDERED

As well as our preferred option (Option 1) we have considered other options, refer page 14.

These options and variations on these options are also presented here for your consideration. In addition to these not changing the rating system (status quo) is an option.

SUPPORTING INFORMATION

This Statement of Proposal includes supporting information that provides further information to assist the reader to understand the proposal and the other options considered.

The supporting information is listed at the end of this Statement of Proposal. The supporting information can be read and downloaded from our consultation website or requested from Council's office.

https://www.consultations.nz/wdc/rates-review-2/

MĀORI LAND

We have not undertaken any specific review of rates on Māori land. We do know that high fixed rates disadvantage many low value properties, including many Māori land properties. Reducing fixed rates would benefit the low value Māori land properties.

Changes proposed by the government in the Local Government (Rating of Whenua Māori) Amendment Bill, are not considered within the scope of this document. We will implement these requirements when Parliament confirms the law.

POLICY REVIEWS

This consultation is focussed on rates. This is the most significant part of the funding review as it impacts all ratepayers.

The outcome of this consultation informs the review of the Revenue and Financing Policy. The Revenue and Financing Policy and associated policies are being reviewed and will be consulted on around February 2021. The new Revenue and Financing Policy will incorporate the outcome of this review of rates along with our policy on how and when we use all the other funding choices we have and how we will fund the activities in the 2021-31 Long Term Plan.

ABOUT THE NUMBERS

Disclaimer: The rates numbers in this statement are GST inclusive. It does not represent your actual rates account. The rates invoice you receive from July 2021 will be based on the yet to be finalised Long Term Plan budgets. This is an illustration of what the rates would have been for the 2020/21 year under the proposed policy. It is not what your rates will be next year.

WE WANT YOUR FEEDBACK

Look it up

These proposals impact the rates on each property differently, some would increase, and some would decrease.

To see how this could impact you and find out more visit our consultation website.
https://www.consultations.nz/wdc/rates-review-2/

We will be posting every ratepayer a letter telling you how your rates would be affected by this proposal.

Tell us what you think

If your rates are proposed to go down its just as important for you to tell us whether you agree with this or not, as it is for those whose rates go up.
https://www.consultations.nz/wdc/rates-review-2/

You have until **5 pm on Friday 4 December 2020** to tell us.

If you wish to speak to the full Council, you can complete a submission form and you will be invited to speak at the Council Meeting on 15 or 16 December 2020.

Talk to us

We are giving everyone the opportunity to come and meet us at community meetings and informal caravan drop-in sessions. The full schedule of these can be found on our consultation website.
https://www.consultations.nz/wdc/rates-review-2/

Come along for a kōrero with us, use our website to see how the proposed changes could impact you, ask questions or tell us what you think about our proposed changes.

THE PROPOSAL

OVERALL IMPACTS

We are proposing changes to how we share our rates across Wairoa.

To assist in deciding what is appropriate we must consider the statutory framework when making funding choices. We have considered[3]:

- How funding choices will help us achieve our community outcomes?
- Who benefits from our services and when?
- Who creates extra costs through their actions or inactions?
- Are the funding choices efficient to implement in the rating system?

Having considered these matters we have looked at the overall allocation of rates on the current and future cultural, social, environmental and economic wellbeing of the community.

We are proposing to make four significant changes that would affect how much everyone pays.

Overall impacts of all changes for all sectors $(000)

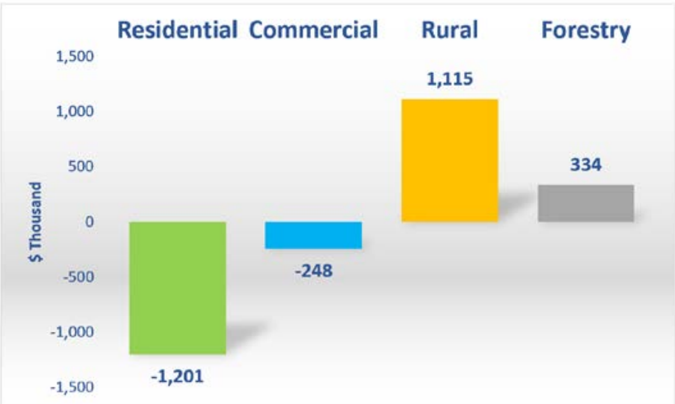


Figure 1 Overall movement of the total rates collected from each sector showing the distribution of the 2020/21 rates as a result of this proposal.

Figure 1 shows the overall impact of implementing all four proposals (i.e. in total the residential sector would pay $1,201,000 less than they are paying now).

[3] The consideration of the statutory framework is included in the Supporting Information: Funding Needs Analysis Workpapers.

Reasons for overall impacts to rating categories:

Residential

The large decrease is a direct result of reducing the UAGC, transferring 10% of the funding for water, wastewater, stormwater, and waste management to the general rate. 1,068 properties would get an increase and 2,621 properties a decrease.

These decreases directly address the affordability of rates for those on the lowest incomes.

Commercial

The decrease in fixed rates and the removal of the rural urban funding split in the general rate has resulted in less money being collected overall from commercial properties. There are however some high value commercial properties that would receive significant increases due to the new general rate (capital value). 37 commercial properties get increases and 225 get decreases.

Overall, the decreases in this sector support many small businesses that are currently paying very high rates.

Rural

The move to more capital value rating (the new general rate) and the reduction in the UAGC would increase the amount collected from the rural sector substantially.

Compared to the townships the rural and forestry sectors have the greatest ability to pay. 1,861 ratepayers would get in increase and 576 would get a decrease.

This increase would help to address the affordability of rates for those on the lowest incomes.

Forestry

The move to capital value rating (the new general rate) impacts forestry the most. The increase of $334,000 is from 115 ratepayers in the forestry sector.

There are three factors impacting the forestry rate. The change to more capital value rating reduces forestry rates. Adjusting the forestry differential for the additional costs to roading maintenance and an increase to reflect the negative community wellbeing impacts of the industry on the district (explained page 9).

This increase would help to address the affordability of rates for those on the lowest incomes.

The consequence of this proposal is an appropriate, simpler rating system that addresses affordability.

The Detail

PROPOSED OPTION

We are proposing 4 major changes to the way we rate. There are four parts to the proposal:

1. Creating a new General Rate (which will be on capital value).
2. Simplifying to four General Rate differentials.
3. Moving 10% of the Water, Wastewater, Stormwater and Waste Management rates to the General Rate ($0.55 million).
4. Moving 50% of the Uniform Annual General Charge (UAGC) to the General Rate ($1.85 million).

These changes will change the share of the rating pie. Remember the pie stays the same size $16.5 million it is just shared differently.

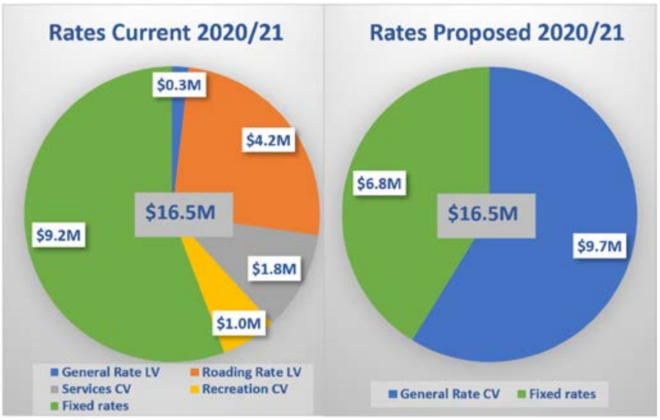


Figure 2: The rates pie as it is for 2020/21 and the rates pie as it would be if the proposal is adopted.

Figure 2 shows two main changes to the general rate (blue) and fixed rates (green).

The general rate grows from $0.3 million to $9.7 million because the roading, services and recreation rates are added to it and because 10% of water, wastewater, stormwater and waste management ($0.55 million) and 50% of the UAGC ($1.85 million) are added to it. This means the variable rates (land value and capital value) go from 44% of total rates to 59%.

The fixed rates have reduced from $9.2 million to $6.8 million as a result of the changes described above. This change, in part, recognises benefits delivered to the whole district and, in part due to the benefits of having more affordable rates.

The following sections describe the 4 changes in detail and outline the advantages and disadvantages of each proposed change.

1. Creating a new General Rate (capital value).

We propose to simplify those rates charged to everyone in the general and roading rates (land value), and services and recreation rates (capital value) to a single new general rate (capital value).

This proposal would simplify the rating system and transfer rates from the residential and commercial sectors to the rural and forestry sectors.

Reason for choosing to create a new general rate

The current rating system has three variable rates charged across the district.

Current 2020/21 variable rates

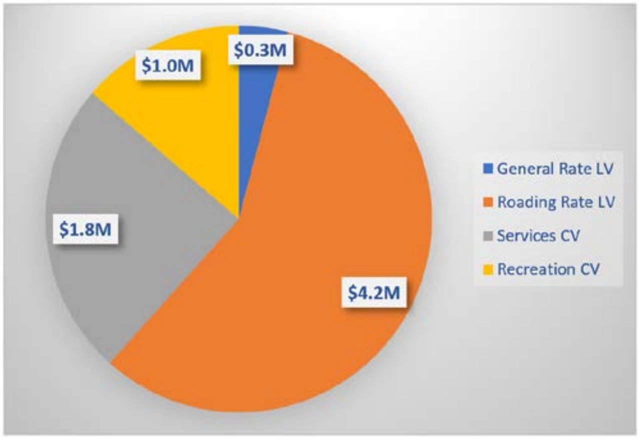


Figure 3: 2020/21 variable rates charged to all properties in the district (excludes fixed rates).

Figure 2: shows the current variable rates of which two are based on land value and two based on capital value. On the surface of it, it could be assumed that the rural and forestry sector would pay the largest portion of the land value rural sector, but this is not necessarily so. Due to a two-step differential process that firstly divides the budget between rural and urban and secondly creates 34 differentials it becomes very unclear as to why there are both separate land and capital value rates. This is excessively complex and obfuscates transparency.

The roading, services and recreation rates are general rates by another name. Having these as separate targeted rates may have been an attempt to be more transparent however it was clear at our pre-engagement meetings that few people knew what activities are funded under the services and recreation rates.

There is a case for a separate roading rate so that it can be clear how much forestry is contributing to roading, separately to our other costs. With today's technology it is easy to communicate information on how much you pay for each council activity without using the comparatively cumbersome rating system as a communication tool.

The choice of capital value over land value aligns with the practice of most councils. This is because capital value is the best tool that we have available that has some correlation to wealth. As stated above there are exceptions.

For commercial and rural properties, commercial leases or farm production is considered in assessing the capital rating value. This income is foremost in the minds of buyers assessing their return on investment. Improvements have a lesser impact on these values. Therefore, there is a strong link between capital value and income.

Residential properties tend to be valued on market sales. While the capital value has a strong link at the time of sale that linkage is weakened over time. We are aware for example that high value property sales at Mahia increases the land value for others. There are properties in family ownership for generations, where there would be little link between ownership and ability to pay. We think that capital value would assist in the more appropriate allocation of costs between these two examples as the improvements would mean more rates on the much higher value property.

Advantages of creating a new general rate

- It simplifies the rating system, which would make it clearer to all what is changing and how their share is calculated.
- Capital value is a tax that has a stronger link to income than other available funding tools and therefore better supports affordable rates for all.
- It removes the land value rates which through differential modification do not allocate the rates as would be commonly expected of land value.
- The current services and recreation targeted rates add little value to improving the transparency of what people are paying for and it is more effective to use communication tools than rating tools for being transparent.
- People expect the general rate to be the biggest rate (not the smallest rate).
- In areas where there are significant differences in property owner's ability to pay rates, it is more likely that capital value rating would benefit those with lower value improvements.
- High value utilities companies with ability to pay would appropriately pay rates.
- In uncertain times, with a pandemic and consequential recession, with the government reviewing the role of council's in the management of water, wastewater and stormwater, and uncertainty on government climate change expectations on councils, a general rate provides more flexibility to respond to change.
- It supports the well-established legal precedent that property rates are a tax and not an exchange for a service.

Disadvantages of creating a new general rate

- Any change in the distribution of rates would impact ratepayers differently and may impact on the wellbeing of some in the community.
- Capital value rating is perceived by some as a tax on looking after your property and those who don't look after their property pay less or that small improvements would result in large rate increases.
- Land value rating is considered by some to better encourages the development of the land. Wairoa's development needs are more impacted by other matters than the cost of rates.
- It removes three targeted rates that some might argue provides better transparency for what rates are paid on activities.

2. Simplifying to four General Rate differentials

We propose to simplify the differentials which adjust the share of the new general rate.

The current differential rating system dates back to the 1990's. Since then the business, the community and our values have changed. We have 34[4] differentials for land and capital value rates. It is overly complex.

We propose to have four differentials (residential, commercial, rural and forestry).

The change would see residential and rural paying the same rate in the dollar of capital value, commercial slightly higher to reflect the benefits of being in business, and forestry a lot higher to reflect extra costs of maintaining roads and the negative community wellbeing effects of the industry (explained page 9).

Reason for choosing to create four general rate differentials

The current rating system has 34 differentials on the variable rates. Set in the 1990's when Wairoa had a larger population (about 1,000 more people), farming was thriving, and the main street of Wairoa was a busy shopping district. Elements of the system were based around pre-1989 Borough and County boundaries.

Such a dated allocation system creates anomalies. Many main street businesses are paying very high rates. Some neighbours are paying very different rates because of old boundaries. Also, when a rates increase is announced some groups of rates go up a lot more than the advertised increase and others go down. At times it is difficult for us to explain why.

As was a significant part of the 2018 rating review making the rates system simpler is important to achieving better transparency about the rates everyone pays.

When considering differentials, we did not start with the existing 34 and whittle them down, we started with no differentials and no UAGC (Option 1) and added them where appropriate. The result is 4 differentials, commonly used and obvious to most people.

We are proposing the following differential categories and differential factors:

Category	Factor
Residential	1.00
Commercial	1.60
Rural	1.00
Forestry	3.32

Table 3: Proposed differential categories and factors

The detailed definitions will be based on the Rating Valuation Rules 2008 land use codes. https://www.linz.govt.nz/regulatory/30300

Understanding differentials

Differentials adjust how much share of the rates a group pays. One category is the base category with a differential factor of 1 and every other category is adjusted compared to the base.

In the proposed differentials, for every dollar in rates Residential pays, commercial pays $1.60, rural $1.00 and forestry $3.32.

Differentials are linked to each other. If one differential was to decrease, then the others would increase.

Why these factors?

The following explains our rationale for the proposed differential factors.

Residential 1.00

Residential is the base that all other differentials are set against. It will always be 1.00.

Commercial 1.60

Commercial properties would be asked to contribute 60% more (per the same capital value) than residential properties because of their ability to generate income to pay the rates and that they can get the GST portion refunded and deduct the cost from and income tax. In other words, rates are more affordable.

We also considered the change in rates from the current rates setting. With the differential set at this level 85% of businesses would get a reduction in rates. This is good for the economic wellbeing of the commercial sector.

[4] In our pre-engagement we talked about having over 50 differentials – we do across variable and fixed rates.

Rural 1.00

Rural properties would be asked to contribute the same as residential properties. This is a substantial increase from the current differential calculations.

Matters commonly considered in setting differentials for rural properties are benefits greater than residential such as from a large roading network and lesser benefits often associated with distance from services like sportsgrounds and libraries. Also, the rural sector benefit in the same way as commercial and forestry sectors from tax benefits.

We also considered Community outcome and wellbeing factors. We consider that the affordability of rates in the township is, on balance more important for the district. A thriving Wairoa is of benefit to the rural community and so the economic benefits that rural farming brings to a rural service town like Wairoa and the social benefits of the rural sector participating and supporting community wellbeing.

After considering this complex and somewhat subjective mix of matters we decided that rather than reducing the differential we would keep it the same as the residential factor. This contributes to the large increases for the sector.

Forestry 3.32

As with the other sectors we started with model 1 with no differentials and no UAGC. Under this model 120 forestry properties would pay $703,000 less than they are now. Forestry rating values are low as they have little improvements value and unlike horticulture their trees are not part of the valuation. This rule was set by Government.

Council spend a large part of our roading budget maintaining roads to a standard suitable for the forestry industry to thrive. As this cost is caused by the sector and as we did in 2018, we proposed to charge this additional cost to the sector by adjusting the differential up. Forestry will pay the same share of the roading cost as they pay now. Also, in the same way as commercial and rural sectors forestry benefits from commercial tax benefits.

There has been a lot of community discussion about the value of the forestry sector to the district. While exotic forestry has some environmental benefits on difficult erosion prone Wairoa land, most of the benefits of this industry is at a regional or national level rather than to Wairoa. It is our job to look after the best interests of our district.

We acknowledge the Government's one billion tree programme and the various reports outlining the benefits to New Zealand. For Wairoa, many jobs commute into the district daily and we don't get the downstream benefits of ports and processing available to Gisborne and Napier.

We also know that the growth of forestry is having negative impacts on the wellbeing of our community. Wairoa would lose over $517,502[5] from the economy every year from an extra 10% of forestry (not accounting for the multiplier effect of that money in the community). Council is currently rating 74,229 ha of forestry.

The forestry sector is expanding, to acquiring more productive land. Forestry activities are a permitted activity under the Government's National Environmental Standards for Plantation Forestry, which makes our options for managing land use choice in our District Plan more difficult. The One Billion Tree Fund and carbon credits subsidies are assisting the forestry sector to buy productive land. The industry does not have constraints on ability to pay.

Having considered these negative effects on the wellbeing of the district, and the business benefits the sector gets from subsidies, non-valuation of the trees, the environmental standards and taxation, we have decided that it is appropriate to adjust the differential for forestry upwards.

Overall, it is our view that forestry can afford this extra cost.

Advantages of creating four general rate differentials

- It simplifies the rating system by removing 34 differentials and creating 4 obvious and transparent differentials.
- Everyone in a sector is treated the same. This is not the case in the current system.
- The share of the general rate is transparent and the difference between sectors is obvious.

[5] Calculated from table 12 of *Socio-economic impacts of large scale afforestation on rural communities in the Wairoa District* – see supporting information

- It assists making the rates more affordable for the residential sector by allocating cost to where the greater incomes are.
- It supports the well-established legal precedent that property rates are a tax and not an exchange for a service.

Disadvantages of creating four general rate differentials

- Any change in the distribution of rates would impact ratepayers differently and may impact on the wellbeing of some in the community.
- Differentials are unpopular with some commentators that believe greater transparency is achieved through targeted rates. We disagree with this view on the basis that transparency can be achieved in other ways.

3. Moving 10% of the Water, Wastewater, Stormwater and Waste Management rates to the General Rate.

We all pay the general rate. We propose that 10% of the cost of water, wastewater, stormwater and waste management is funded by the general rate. This recognises the wider district benefits to health, kaimoana, recreation and the environment.

The change supports rates affordability for residential properties.

Reason for moving 10% of the 3 waters and waste management to the general rate

When considering this change, we looked at two criteria. The allocation of benefit and rates affordability.

There are benefits to the whole region from having good quality water, wastewater, stormwater and waste management services. These benefits relate to processing septage from private septic tanks, improving and maintaining water quality, protecting waterbodies and coastal waters that have important ecosystem, recreational and cultural values, moving toward more efficient and sustainable use of freshwater and having a place to dispose of waste.

The Government is reforming how water, wastewater and stormwater services are managed and provided to all communities. The Government's Freshwater National Policy Statement and Freshwater National Environmental Standards (both effective September 2020) will drive further costs for the benefit of not just the district but the country. These reforms will impact all of us. Over the next three years we expect our staff to be working on our region's participation in the reforms.

All matters relating to water and stormwater will impact on the management of landfills and other waste management activities.

Fixed rates mean everyone pays the same amount regardless of income or ability to pay. Allocating rates this way, increases the likelihood that rates become unaffordable for low income households. By moving a portion of the costs to the general rate it would lessen the regressive impact of the current fixed rates.

Table 4: Change in fixed rates for water, wastewater, stormwater and waste management

Fixed Rate	Current $	10% $	New $
Water rate (Connected)	669	33[6]	636
Sewerage rate (connected)	570	57	513
Stormwater rate	203	20	183
Waste management rate	319	32	287
TOTAL	**$1,761**	**$143**	**$1,618**

Table 4 shows that a 10% transfer from connected or serviced properties reduces these fixed rates by $143. Overall, $550,000 is transferred to the general rate. Note that, not all of the reduction is passed on as connected properties would continue to pay a portion of the costs in their general rate.

We concluded that in addition to the private benefit that connected or serviced properties receive there is a benefit to everyone in the region for these activities and that the fixed rates were a significant factor in residential properties exceeding the 5% affordability threshold. The general rate is an appropriate way to allocate these adjustments to the whole district.

Advantages of moving 10% of the 3 waters and waste management to the general rate

- The district benefits to cultural, social, economic and environmental wellbeing are recognised by allocating a portion of the cost to the general rate.
- It assists with making the rates more affordable for the residential sector by allocating cost to where the greater incomes are.
- It recognises the benefit septic tank users receive from the wastewater activity.

Disadvantages of moving 10% of the 3 waters and waste management to the general rate

- It is a different approach to funding these activities from the past. It recognises changing issues for the community. Previous funding conversations have not recognised wider community benefits and community outcomes in the consideration of funding choice. This may challenge some views in the community.
- Those with high capital values would pay more towards the cost of these activities.

[6] Water has 5% in the general rate already in the 2020/21 rates.

4. Moving 50% of the Uniform Annual General Charge (UAGC) to the General Rate.

Everyone pays the UAGC. It is a fixed rate (currently $726.20). It is the second largest rate behind roading.

Fixed rates are highly regressive to income. In Wairoa town fixed rates alone (before value-based rates) exceed the rates affordability threshold.

We are proposing to reduce this rate by half and adding the reduction to the general rate. This change is to help with rates affordability and would benefit all low value properties in town and in rural areas. The transfer to the general rate would mean higher rates for rural and high value properties.

Reason for moving 50% of the UAGC to the general rate

The UAGC is part of the general rates. It is a fixed rate that can be set either by undertaking a detailed analysis of activities or by choosing a number to adjust the overall allocation of rates.

Those that use the detailed activity analysis determine that a portion of an activity should be funded from the UAGC. Generally, councils apply a rationale for this based on either activities that we all get equal benefit from or activities that provide a benefit to people more so the land.

Councils that choose a number look at the regressive impact the rate has on low value properties and/or look at the impact of capital value rating on very high and low value properties. A UAGC is set at a level that brings down the high value and lifts the very low value properties. This adjusts the overall allocation of the rate to a level the council considers is appropriate.

We propose to make an adjustment to the existing general rate to a level that reduces the fixed rates. Reducing the UAGC by 50% takes it from $726 to $363.

The reduction in fixed rates for a full serviced property would be ($143 plus $363)= $506. For rural unserviced properties they get the benefit of the UAGC reduction ($363).

Table 5 shows that despite large shifts in the allocation of rates between fixed and variable rates that for serviced properties in Wairoa the majority will continue with rates exceeding the rates affordability threshold.

Fixed Rate	$
UAGC	363
Other Fixed rates	143
Total reduction	**506**
Current Wairoa median	3,161
Adjusted median	2,655
Amount still over threshold	**520**
Affordability Threshold on Median Income	**$2,135**

Table 5: Wairoa serviced properties benefit of fixed rate reductions

To further reduce the fixed rates would make rates less affordable in the commercial and rural sectors.

We acknowledge that these changes won't completely solve the problem of rates affordability but is making a large step forward.

Advantages of moving 50% of the UAGC to the general rate

- It assists in making the rates more affordable for the residential sector by allocating cost to where the greater incomes are.
- It is simple to do and easily adjusted.

Disadvantages of moving 50% of the UAGC to the general rate

- It isn't enough to solve the rates affordability challenges.
- Higher value properties will pay more rates.

OTHER OPTIONS FOR CONSIDERATION

This rating review builds on the 2018 rating review which considered 12 options compared to the status quo. Our proposed option has three substantive changes that could be modified.

- Four new General Rate differentials.
- Moving 10% of the Water, Wastewater, Stormwater and Waste Management rates to the General Rate.
- Moving 50% of the Uniform Annual General Charge (UAGC) to the General Rate.

Each of these options could be changed to create different outcomes. These are described below.

New General Rate differentials

General rate differentials can be changed in two ways:

- The share of the General Rate can be changed by increasing or decreasing the differential factor, or
- A differential category could be added or removed.

Changing the differential factor

We started our review by looking at what the rates would look like for all general rates (the general and the UAGC), the roading rate, the services rate and the recreation rate were combined into a single general rate capital value. This rate has not differentials (or is undifferentiated).

This shows the rate based simply on your capital value. Figure 4 shows the how this would redistribute the rates.

Example: General Rate no differentials no UAGC

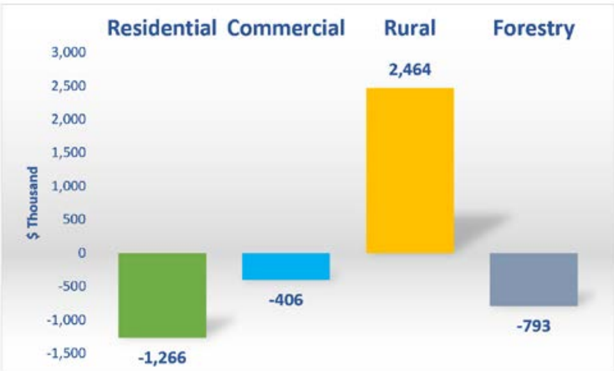


Figure 4: Overall movement of rates between rating categories showing the distribution of the 2020/21 rates .

This example has no adjustment for community outcomes, benefit or behaviours of groups. Most notably the rural sector increases a lot to the advantage of all others. We believe this would not be appropriate as it doesn't take account for example distance from services or the extra costs of maintaining roads for the forestry sector.

Council would like to hear you views on options for determining the differential factor.

Other differential categories

In our pre-engagement we were asked to look at a rural lifestyle differential. There are 994 rural properties with a lifestyle land use code attributed by the valuer, averaging 4.6 hectares. Under the preferred option they will have an average increase of 13% to pay an average rate of $1,356. They are paying the same differential as all rural and town properties. Our proposed reduction in the capital value and UAGC benefits the very low value properties (300 with capital value $50,000) or less while the capital value increases the rates for the highest value properties (17 with improvements larger than $500,000).

Overall, we consider it is not necessary to create this differential category as the mix of funding choices we are proposing is supporting the appropriate allocation of rates.

Council would like to hear you views on options for determining the differential categories.

Advantages of changing differentials

- A few differentials enable the reallocation of funding between sectors.
- It can be simple, where this a few differentials.

Disadvantages of changing differentials

- Differentials and particularly differential factors can be challenging to communicate.
- Over time differential factors change as the rating database changes (not just because Council collects more or less rates).
- Too many differentials (as the 34 differentials shows) creates a large amount of administration and quickly becomes complicated and lacking in transparency.

Moving 10% of the Water, Wastewater, Stormwater and Waste Management rates to the General Rate.

This option transfers costs from connected or supplied properties to all properties. It recognised that there is a degree of benefit to the community as a whole in how these services are provided.

Ten percent is a small contribution $550,000 in total for the four activities. In determining a figure of 10% council considered the size of the change and its impact on other ratepayers (particularly rural properties to pick up a higher proportion of this from other sectors). Council also considered that Gisborne are proposing a similar change.

You might prefer the contribution to be higher or lower. Council would like to hear your views this.

Advantages of increasing the general rate contribution above 10%

- It assists making the rates more affordable for serviced residential and commercial properties.
- It recognises the importance of environmental considerations and costs to the whole community.

Disadvantages of increasing the general rate contribution above 10%

- It penalises the rural sector more so than others.
- It does not provide any benefit to residential properties with no services, who would also pay extra general rate.

Moving 50% of the Uniform Annual General Charge (UAGC) to the General Rate.

The UAGC is a general rate that is paid by all ratepayers. It is a fixed rate currently set at $726.

Council is proposing to reduce the General Rate by 50% to make rates more affordable on residential and commercial properties. The benefit to affordability of the transfer of 10% for 3 waters etc had only a small impact on many residential ratepayers and no impact on many rural residential properties that are not connected or receiving these services.

This adjustment significantly improves affordability on low value properties (include Māori land).

You might prefer the contribution to be higher or lower change in the UAGC. Council would like to hear your views this.

Advantages of decreasing the UAGC by more than 50%

- Low value residential and commercial properties would benefit.

Disadvantages of decreasing the UAGC by more than 50%

- The rural sector and high value properties would pay a lot more.

No change – the Status Quo

It remains an option that our proposal or variants of it are not a satisfactory improvement that warrant changing the rating system at this time.

The rates samples posted to you will show the current rates or you can look on your rates invoice.

It would likely be another 3 years before another rates review would be undertaken.

Advantages of Status Quo

- The are no dramatic shifts in the allocation of rates.

Disadvantages of Status Quo

- As discussed, the current system is complex and out of date.
- Residential and commercial rates are unaffordable for many.

Supporting Information

The Statement of Proposal for the Rating Review 2020 includes additional information that may assist in the understanding of the matters in this proposal. These are not attached but are easily accessed from our website.

WE WANT YOUR FEEDBACK

https://www.consultations.nz/wdc/rates-review-2/

CONTENTS

1. **Median Household Income**
   The following table is published from stats NZ website

Location	Total No. Households		Median Household Income	
Year	2013	2018	2013	2018
New Zealand	1,549,890	1,653,792	$63,800	$75,700
Wairoa District	2,973	2,988	$42,400	**$48,500**
Maungataniwha-Raupunga	429	405	$51,700	$57,900
Frasertown-Ruakituri	312	324	$60,100	$61,900
Whakaki	249	255	$48,000	$46,700
Wairoa	1,533	1,548	$37,300	$42,700
Mahia	447	456	$38,800	$47,900

2. **Your rates:**
   - Individual properties will receive a letter telling you the impact of the proposed changes on your property.
   - Our website https://www.wairoadc.govt.nz/services/properties-and-rates/rates/ will have a tooltuhat will allow you to search your property and compare your current rates with the proposed changes to rates.

3. **Funding Needs Analysis workpapers:**
   - Our considerations in this proposal have been made having regard to the Local Government Act 2002, sections 101(3)(a) and (b) as described in the draft Funding Needs Analysis. These policies will be prepared for consultation in April 2021.
   - The briefing paper to elected members and the revised (at the Council workshop) funding needs analysis workpapers are available on our consultation website https://www.consultations.nz/wdc/rates-review-2/

4. **Report: "Socio-economic impacts of large-scale afforestation on rural communities in the Wairoa District"**

   https://www.consultations.nz/wdc/rates-review-2/

   We are aware there are many reports on the economic benefits of forestry, both from the Government and the forestry sector. We have placed weight on this report as it is a specific case study on Wairoa. It addresses our particular circumstances.

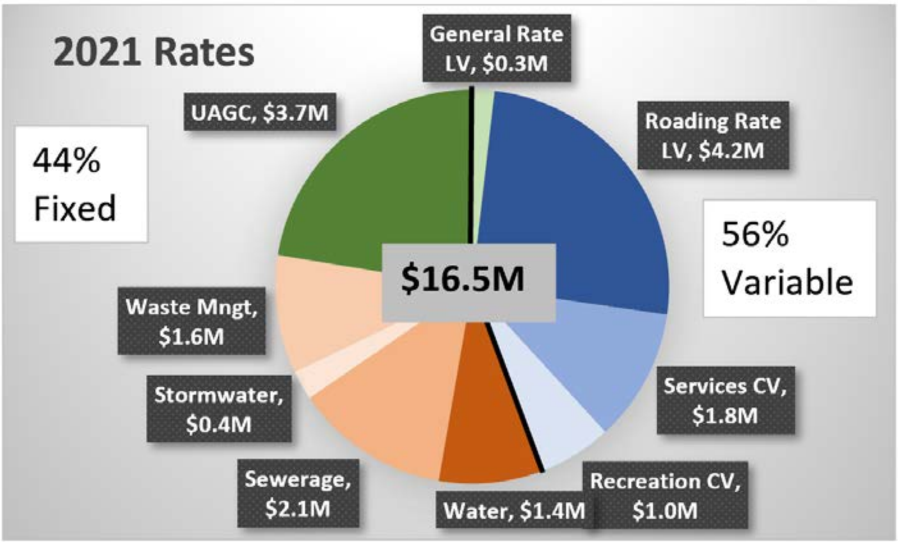
We also acknowledge that some of the statements made in this report are challengeable. We recognise that any economic impact report will include assumptions and areas of judgement which ultimately make the assessment subjective. Different authors will come to different answer due to their own bias. Our experience – what we see and hear in our community – supports an overall view that the expansion of forestry from marginal land to productive rural land has significant negative impacts on the future wellbeing of the district.

5. **Charts**

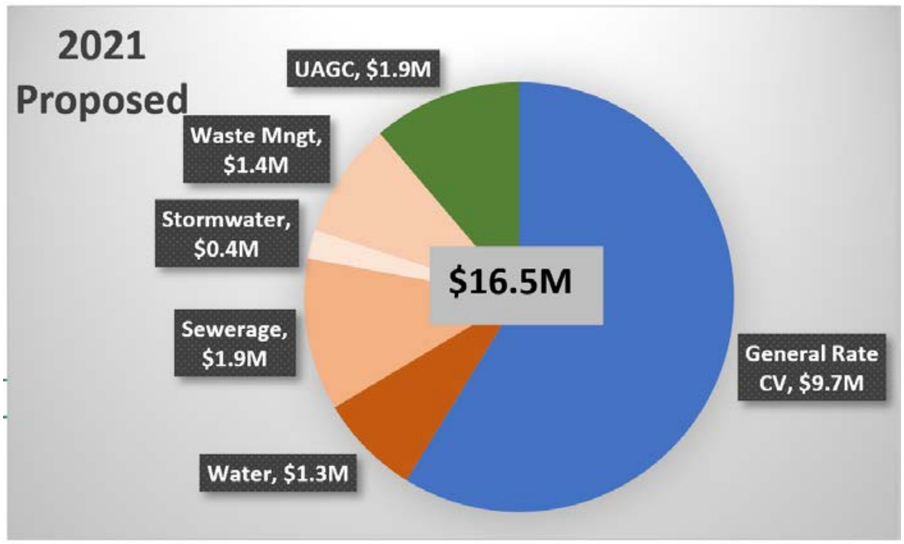
The following charts provide additional information to assist in understanding the impacts of the proposed changes:

- The Rates Pie for 2020/21
- The Rates Pie for 2020/21 adjusted for Proposed Changes
- Rates Impact by Dollar
  - Wairoa Residential
  - Mahia Residential
  - Other Residential
  - Commercial
  - Rural
  - Forestry

The Rates Pie for 2020/21.
This shows the rates collected as resolved in the 2020/21 Annual Plan.

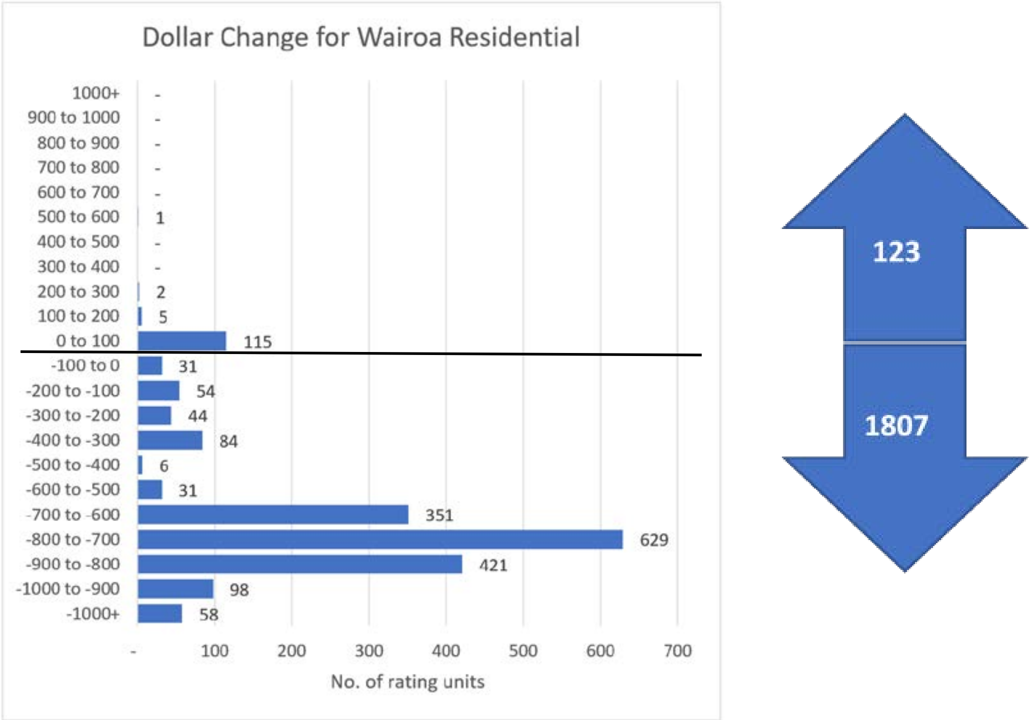


The Rates Pie for 2020/21 adjusted for Proposed Changes
This shows the new general rate, and smaller services rates and UAGC.

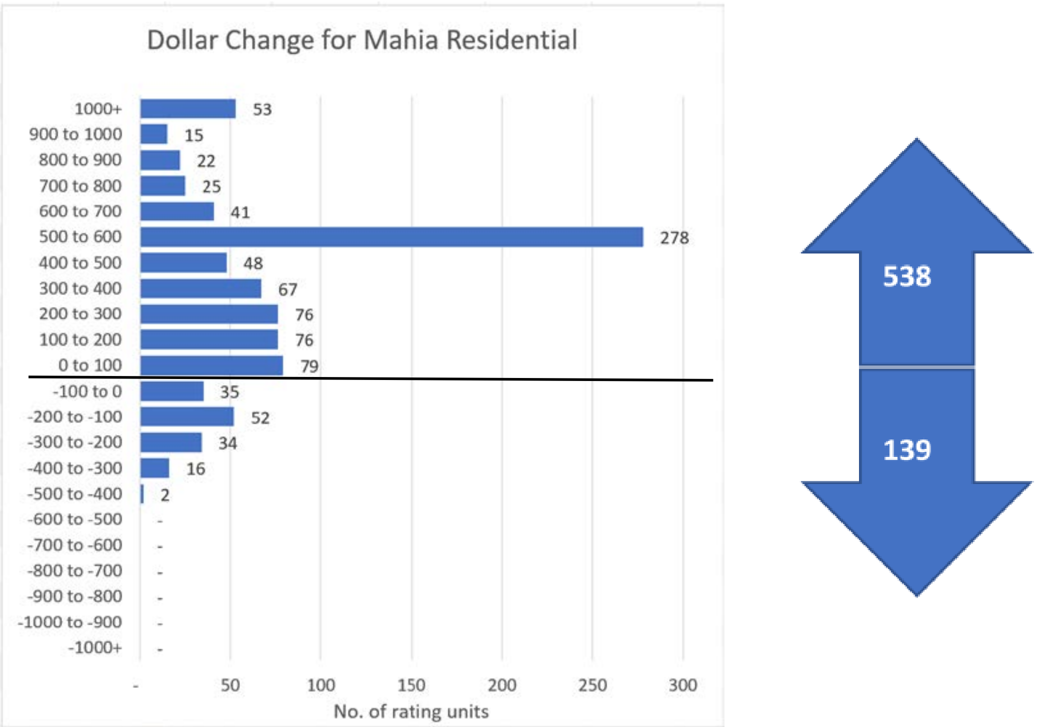


Rates Impact by Dollar

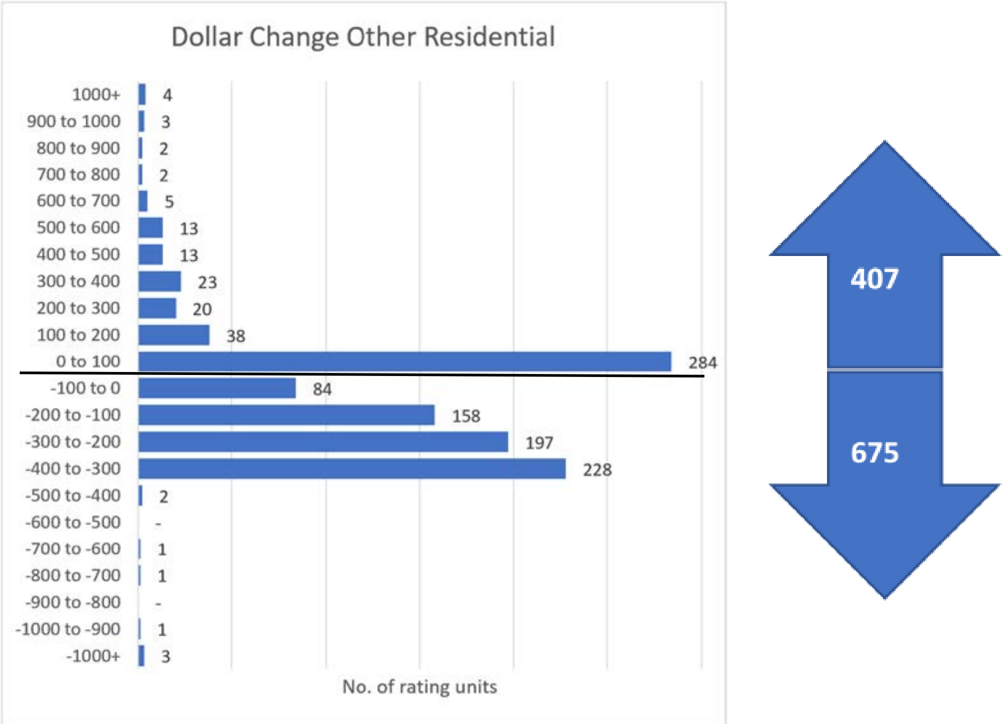
Wairoa Residential



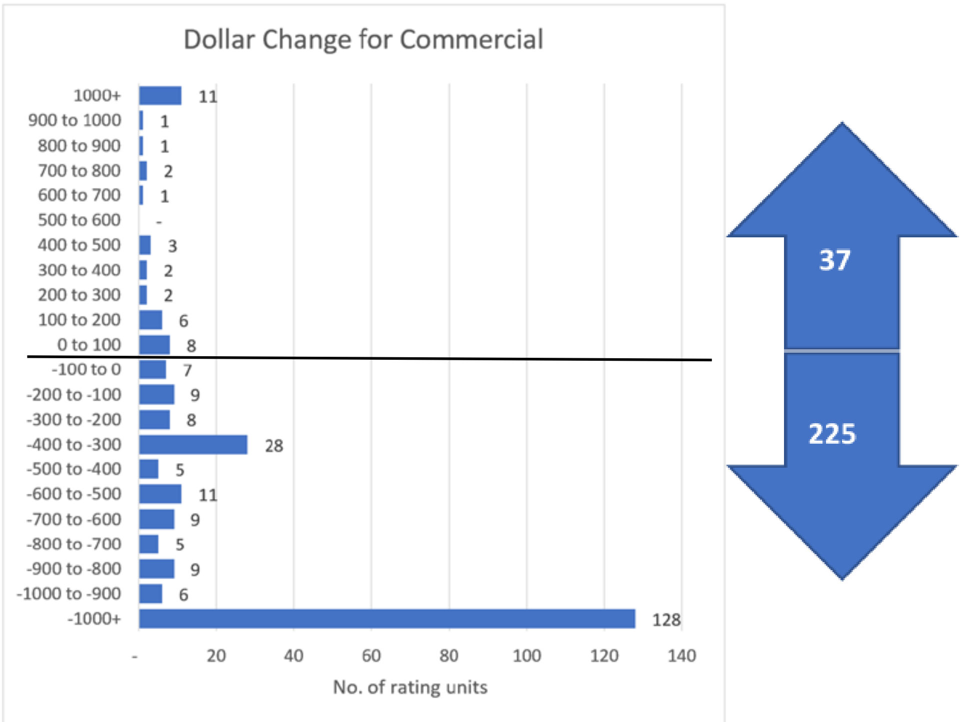
Mahia Residential



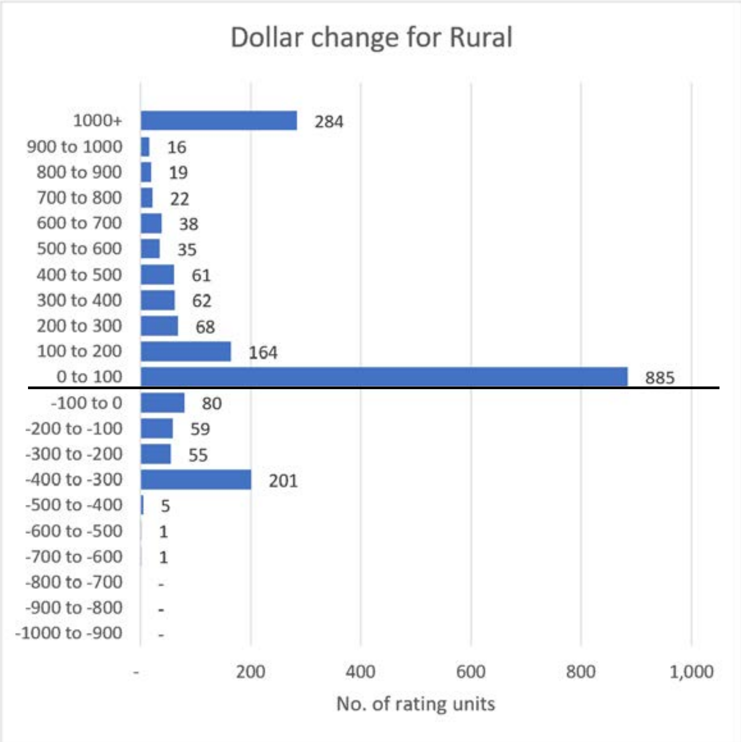
Other Residential

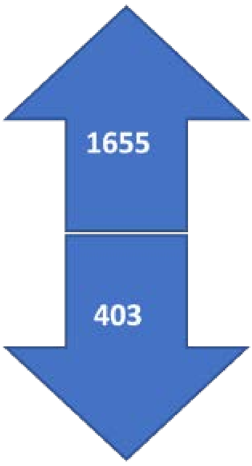


Commercial



Rural





Forestry