

**PROPOSAL TO  
UPDATE THE REVENUE  
AND FINANCING  
POLICY AND RATES  
REMISSIONS AND  
POSTPONEMENT  
POLICIES (INCLUDING  
POLICIE FOR MĀORI  
FREEHOLD LAND)**

**9<sup>TH</sup> FEBRUARY 2021**



**TE WAIROA  
WAIROA DISTRICT**

# INTRODUCTION

Council is proposing an update to its **Revenue and Financing Policy**.

This matter affects everyone in the district and will determine how the Council derives the revenue it needs in order to undertake activities on behalf of the community at desired service levels for several years. Therefore, Council determines that is a matter of high significance, and presents this proposal for community consultation.

Council is seeking the community's views on the proposed changes. The full proposed Revenue and Financing Policy is included with this proposal.

There are three key elements to the policy:

1. Funding sources for operating costs
2. Funding sources for capital costs
3. Rates

In addition, Council has reviewed its **Rates Remissions and Postponement Policies (including Remissions and Postponement Policies for Māori Freehold Land)**. This proposal incorporates consultation on these.

These changes are primarily to support the decisions of the 2020 Rating Review. Additional changes have been made to better reflect changes in community outcomes, operational changes and other and best practice in documenting these policies.

## SUMMARY OF WHAT IS PROPOSED

### REVENUE AND FINANCING POLICY

The full proposed policy is attached.

This revised policy describes all the funding sources available to Council and how Council uses those funding sources are applied to the funding of operating and capital expenditure.

The Policy shows how the Council has Complied with section 101(3) of the Local Government Act 2002 (LGA) including:

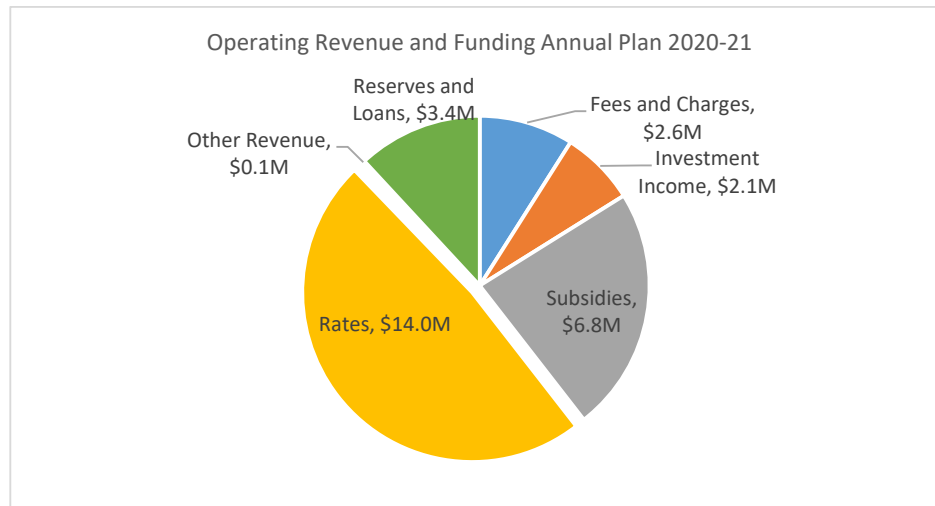
- A summary of the result of the detailed analysis of the completing the Funding Needs Analysis of LGA s101(3)(a) for operating expenses.
- An analysis of the process Council applies to applying the Funding Needs Analysis of LGA s101(3)(a) for capital expenses.
- Council's policies in applying the requirements of LGA s.101(3)(b).

Overall, the Revenue and Financing Policy addresses, at the level specified by the legislation, the relevant matters necessary to give effect to the outcomes of the 2020 Rating Review. Some matters relevant to the review such as the definition of rating categories and factors will be included in the rating Funding Impact Statement as supporting information to the LTP Consultation Document. Furthermore, the LTP Consultation Document will include rates samples showing the impact of the rating review, valuation changes and the 2021/22 budgets.

## 1. FUNDING SOURCES FOR OPERATING COSTS

Council has completed a review of its 32 activities and determined appropriate funding sources for each, and an appropriate allocation of the revenue requirements among user groups and ratepayers. The objectives of the proposed update to the policy are to maximise external revenue sources and establish appropriate and practical ranges for other sources, particularly among fees, charges and rates.

In its Annual Plan for the Year Ending 30 June 2021, Council's operating costs were funded in the following proportions.



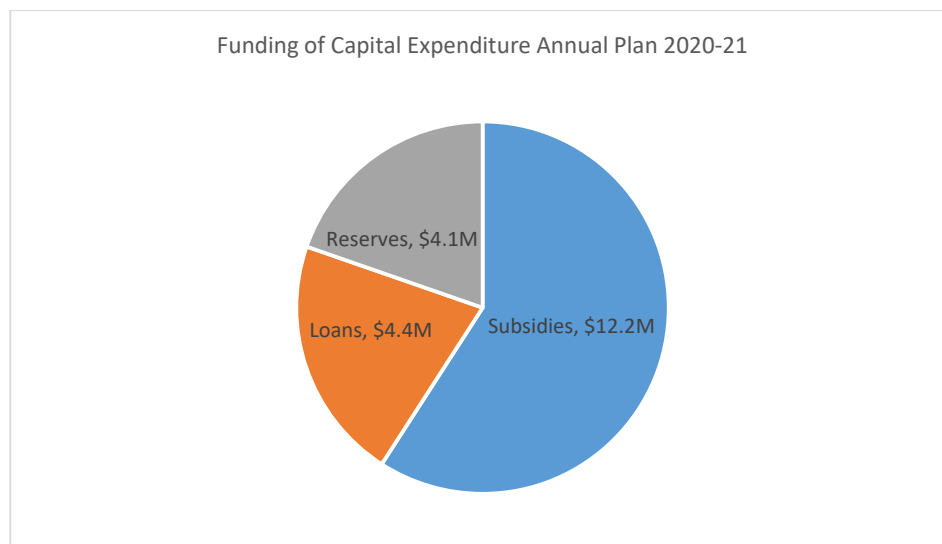
The draft policy details the sources of revenue that Council intends to use to pay for operating costs and why.

## 2. FUNDING SOURCES FOR CAPITAL EXPENDITURE

Council has also determined guiding principles for the funding of capital expenditure. In considering options Council must look to the long-term and take account of prudence and intergenerational equity, noting that an investment in future service levels today has cost implications for many years to come.

The main sources of funding for capital expenditure that Council currently employs are subsidies, reserves and borrowing. The draft policy sets down guidelines for when these sources should be used.

In its Annual Plan for the Year Ending 30 June 2021, Council's capital expenditure was funded as follows:



The draft policy considers when these sources are most suitable, along with the availability of other funding.

### 3. CALCULATION AND ALLOCATION OF RATES

In 2020 Council consulted with the community on a change to its rating system, and subsequently adopted a change with the following features:

- a. A general rate calculated on the capital value of all rateable land to fund the rates revenue for all activities available to the whole district, differentiated as follows (by land use):
  - i. Commercial
  - ii. Forestry
  - iii. Residential
    1. Capital value above \$399,999
    2. Capital value below \$399,999
  - iv. Rural
- b. A uniform annual general charge calculated as a percentage of the total general rate, at 50% of its previous calculated amount
- c. Targeted rates applied as a fixed amount per rating unit, or connection, applied to those rating units which receive or have available the following services:
  - i. Solid waste management
  - ii. Water supply (water by meter rates will continue to apply)
  - iii. Wastewater
  - iv. Stormwater
- d. 10% of the rates for activities identified in c) to be allocated through the capital value general rate.

The draft Revenue and Financing Policy has been updated to reflect these changes.

Council has already consulted on these matters in the 2020 Rating Review and has a good understanding of the community views on these matters. Council made significant changes to the General Rate differentials consulted on in the 2020 Rating Review Proposal following community feedback.

Council is consulting on the Proposed Revenue and Financing Policy. The final adopted Policy must be included in the adopted Long-term Plan.

Supporting information to this proposal is:

- Funding Needs Analysis
- Rating Policy
- 2020 Rating Review Statement of Proposal
- Extract from Agendas and Minutes of Council meeting 10 December 2020 and 12 January 2021

## RATES REMISSIONS AND POSTPONEMENT POLICIES

Rates Remissions and Postponement Policies enable Council to adjust rate liabilities for specific circumstances with the intention of mitigating the effects of any perceived disadvantages or inconsistencies that rating legislation may impose. It is appropriate that Council, having conducted a rating review and a review of its Revenue and Financing Policy, also considers updates to these policies.

The draft updates to the Rates Remissions and Postponement Policies are attached to this proposal, and summarised in the table below:

POLICY PART	EXISTING	ACTION	FOR CONSULTATION
Policy Objectives	Yes	Keep – No Change	Policy Objectives
Definitions	Yes	Keep – No Change	Yes
Remission of Rates on Land Owned of Used by Community or Charitable Organisations	Yes	Keep but alter minor changes	Yes
Remission of Penalties Added to Unpaid Rates	Yes	Replace with Remission of Penalties	Remission of Penalties
Remission of Uniform Annual General Charges and Targeted Rates in Certain Circumstances: non-rural land	Yes	Keep – No Change	Yes
Remission of Uniform Annual General Charges and Targeted Rates for Rural Land	Yes	Keep – No Change	Yes
Remission on Land Used for Outstanding Landscape, Cultural, Historical or Conversation Purposes	Yes	Keep – No Change	Yes
Policy for Remission and Postponement of Rates on Māori freehold land	Yes	Keep – No Change	Yes
Policy for Remission of Rates on Coastal Rural Land Used for Grazing Purposes	Yes	Keep – No Change	Yes
Remission of Rates on Land Only Partially in the Wairoa District	Yes	Keep – No Change	Yes
Postponement of Rates on Landlocked General Title	Yes	Keep – No Change	Yes
Remission of Excess Water Rates	Yes	Replace with Remission Water Meter Rates Attributable to Water Leaks	Remission Water Meter Rates Attributable to Water Leaks
Rates Arrears Payment Arrangements	No	New Policy	Yes
Abandoned Land and Rates Sales Rates Remissions	No	New Policy	Yes
Non-Contactable Owners Rates Postponement Policy – Māori freehold land	No	New Policy	Yes
Partial use of Māori freehold land	No	New Policy	Yes
Remission of Rates for Land Used for Papakāinga Housing	Yes	Keep – No Change	Yes

This revised policy replaces the previous describes all of Council's Remission and postponement policies including the objective each policy and the criteria to be meet to receive the remission or postponement.

Council is aware that the Local Government (Rating of Whenua Māori) Amendment Bill 2020 is part way through the Parliamentary processes. This Bill would change the remission of rates on Māori freehold land. The proposed policy is not able to include matters from the Bill.

## FURTHER INFORMATION

- A. To support its review of funding sources Council undertook a detailed funding needs analysis for its various activities to establish realistic funding ranges for each source of income. This analysis is appended to the draft policy.
- B. Council also intends to introduce a Rating Policy. It is expected that the principles contained in the Revenue and Policy will remain valid for many years. However, triennial rating valuations, significant changes in land use and the consumption of Council activities could vary sufficiently to necessitate review of the factors attributed to land use differentials, the amount of the Uniform Annual General Charge, the classifications of land use categories and so on. A Rating Policy will enable Council to respond to such circumstances as required. The draft Rating Policy is therefore also appended to support this proposal.
- C. Council's existing Revenue and Financing Policy can be found on Council's website at <https://www.wairoadc.govt.nz/assets/Document-Library/Policies/REVENUE-FINANCING-POLICY.pdf> and is available at Council offices
- D. Council's current Rates Remissions and Postponement Policies are on Council's website at <https://www.wairoadc.govt.nz/assets/Document-Library/Policies/Rates/Rates-Remissions-Policies.pdf> also available at Council offices.