



# POLICY AND FINANCE COMMITTEE

## AGENDA – 14 December 2011

### A Conduct of Business

The meeting will be held in the Council Chambers, 19 Kitchener Street, Martinborough and will commence at the conclusion of the District Council meeting. The meeting will be held in public (except for any items specifically noted in the agenda as being for public exclusion).

- A1. Apologies
- A2. Conflicts of Interest
- A3. Minutes for Confirmation: Policy & Finance Committee 2 November 2011 Pages 1-2
- A4. Action Items from 2 November 2011 Page 3

### B. Reports

- B1. Draft Revenue and Financing Policy Pages 4-14
- B2. Revenue and Financing Policy Considerations Pages 15-28
- B3. Water by Meter Leak Write-off Policy Pages 29-33
- B4. SUIP Policy Pages 34-36

### C. Financial Statements





# POLICY AND FINANCE COMMITTEE MEETING

## MINUTES – 2 November 2011

**Present:** Mayor Adrienne Staples (Chairperson), Councillors Margaret Craig, Dean Davies, Mike Gray, Brian Jephson, Viv Napier, Julie Riddell, Solitaire Robertson and Keith Sexton.

**In attendance:** Dr Jack Dowds (Chief Executive Officer), Paul Crimp (Group Manager Corporate Support) and Suzanne Clark (Committee Secretary).

**Conduct of Business:** The meeting was held in the South Wairarapa District Council Chambers at 19 Kitchener Street, Martinborough and was conducted in public between 1:05pm and 1:25pm.

**A1. Apologies**

*P&F RESOLVED (P&F2011/28) to receive apologies from Cr Stevens.*

*(Moved Cr Davies/Seconded Cr Sexton)*

Carried

**A2. Conflicts of Interest**

No conflicts of interest were declared.

**A3. Minutes for Confirmation: Policy & Finance Committee 21 September 2011**

*P&F RESOLVED (P&F2011/29) that the minutes of the Policy and Finance Committee meeting held on 21 September 2011 were received and confirmed as true and correct.*

*(Moved Cr Napier /Seconded Cr Robertson)*

Carried

**A4. Policy and Finance Committee Action List from 21 September 2011**

*P&F RESOLVED (P&F2011/30) to receive the action items list.*

*(Moved Cr Riddell/Seconded Cr Sexton)*

Carried

**A5. Risk & Audit Working Party Notes – 6 September 2011**

*P&F RESOLVED (P&F2011/31) to receive the Risk and Audit Working Party Notes of 6 September 2011.*

*(Moved Cr Napier /Seconded Cr Craig)*

Carried

**DISCLAIMER**

*Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness*

**B Reports**

**B1. Policy on Significance**

*P&F RESOLVED (P&F2011/32):*

1. To receive the information.
2. Adopt the changes to the current policy.
3. Adopt the policy for inclusion in the 2012-22 LTP, with a review date of the next LTP.

*(Moved Cr Gray/Seconded Cr Sexton)*

Carried

**B2. Policy on Partnerships with the Private Sector**

*P&F RESOLVED (P&F2011/33):*

1. To receive the information.
2. To note that there is no longer a requirement to have a policy on partnerships with the private sector.
3. To note that the current policy was a requirement for the 2009-19 LTCCP, which is operative until 30 June 2012.
4. To let the current policy lapse on 30 June 2012.

*(Moved Cr Riddell/Seconded Cr Craig)*

Carried

**C Financial Statements**

The Group Manager Corporate Support spoke to the financial reports and undertook to provide a full year forecast for December.

*P&F RESOLVED (P&F2011/34) to receive the financial reports to 30 September 2011.*

*(Moved Cr Napier /Seconded Cr Gray)*

Carried

**Confirmed as a true and correct record**

.....(Mayor)

.....(Date)

**DISCLAIMER**

*Until confirmed as a true and correct record, at a subsequent meeting, the minutes of this meeting should not be relied on as to their correctness*

**Policy & Finance Committee  
Action Items  
From 2 November 2011**

Ref #	Meeting	Date	Action Type	Responsible Manager	Action or Task details	Status	
960	P&F	21-Sep-11	Action	Paul	Submit updated water policy for adoption at Council on 2 November 2011	Actioned	This policy will be submitted to the December meeting

# POLICY & FINANCE COMMITTEE

14 DECEMBER 2011

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## AGENDA ITEM B1

### DRAFT REVENUE AND FINANCING POLICY

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#### **Purpose of Report**

To present the draft revenue and financing policy.

#### **Recommendations**

Officers recommend that the Council:

1. *Receive the information.*
2. *Adopts the draft revenue and financing policy, for later ratification by full Council.*

#### **1. Executive Summary**

This report presents the draft revenue and finance policy.

This draft policy is the result of the discussions at the revenue and financing workshops.

This draft policy is still a working document, and will need to be adopted by full Council prior to the adoption of the draft LTP.

#### **2. Appendixes**

Appendix 1 – Draft Revenue and Financing Policy

Prepared by: Paul Crimp / Philip Jones

Contact Officer: Paul Crimp, Group Manager Corporate Support

# **Appendix 1 – Draft Revenue and Financing Policy**

## APPENDIX 1 DRAFT REVENUE AND FINANCING POLICY

South Wairarapa District Council

Draft Revenue & Financing Policy

The Revenue and Financing Policy (Policy) contains Council's policies with respect to the funding of operating expenditure and capital expenditure from various revenue sources. When read in conjunction with the Funding Impact Statement (Rating), this policy provides the link between the funding decisions taken at the activity level, with the eventual rates assessment that each ratepayer will receive. It is also the lead policy for other funding and financial policies including:

- liability management policy;
- investment policy;
- development and/or financial contributions policies;
- rates remission policies; and
- rates postponement policies.

Section 101 (3) of the Local Government Act 2002 (LGA) set out the requirements Council must consider as part of the development of the policy. Section 103 LGA sets out the general contents of the Policy.

The first step requires consideration, at activity level of each of the following:

- community outcomes - the community outcomes to which the activity primarily contributes (in other words your rationale for service delivery)
- the user/beneficiary pays principle – the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals
- the intergenerational equity principle – the period in or over which those benefits are expected to accrue
- the exacerbator pays principle – the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity, and
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

### *i.* Community Outcomes

The requirement to consider community outcomes in the funding process is seen as an obligation for Council to consider why it is engaged in an activity and to what level. To that extent, possible funding of activities should be consistent with achievement of desired outcomes.



ii. Distribution of Benefits

At this stage, Council is required to consider who benefits from the activities performed by Council. This is expressed as the Public/Private split. Economic theory suggests there are two main characteristics that need to be considered when looking at a particular good or service:

Rivalry in Consumption

A good is a rival in consumption if one person's consumption of the good or service prevents others from doing so, e.g. a chocolate bar is a good with a large degree of rivalry in consumption, i.e. if Bill eats it, Jane cannot.

Excludability

A good or service is excludable if a person can be prevented from consuming the good or service, e.g. if Bill does not buy a movie ticket, then the usher can exclude him by preventing him from entering the theatre.

At one end of the continuum there are so-called 'public goods'. These are goods which are both non-rival and non-excludable, i.e. everyone can consume them and no one can be prevented from consuming them if they wish. A good example of a public good is national defence, where the whole community is protected from an invasion by the armed forces whether it wishes to be or not, and this protection cannot be removed from anyone in New Zealand.

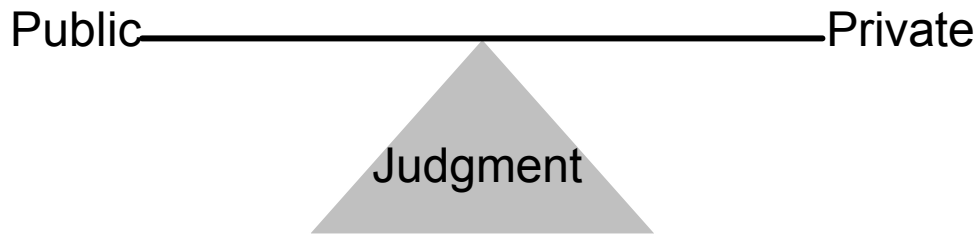
At the other end of the continuum are 'private goods' which are both rival and excludable. Most daily consumables are private goods.

Very few goods and services are entirely public goods or private goods. Most goods and services are 'mixed goods' and fall somewhere between the two ends of the continuum.

The characteristics of a good or service determine what type of funding mechanism might be used to fund a particular service. Council has already made judgements about what it considers are public goods when deciding whether or not to undertake a particular activity.

For example, a good towards the public end of the continuum may not be a good candidate for user charges as people cannot be prevented from consuming it, or because everyone consumes it whether they wish to or not. Such goods will generally be candidates for funding from some general source such as a general rate. A good towards the private end of the spectrum may be a candidate for a targeted rate or a user charge.

In the end, it is likely to come down to 'reasonable' judgment. Both the LGA and previous case law place the responsibility on elected members to make decisions about who benefits and who should pay.



iii. Distribution of Benefits Over Time

Council needs to consider something called 'intergenerational equity' which means that funding decisions are required to consider future generations, not just today. Many of the activities provided by local government are either network or community infrastructure which has long service lives. Benefits from these services can be expected to accrue over the entire life of the asset. Current ratepayers should not be expected to subsidise the benefits that future ratepayers receive nor should future ratepayers subsidise current ratepayers.

One way that Council applies the intergeneration equity principle is by spreading costs over the future. Council will typically borrow to fund the cost of a project and future ratepayers will repay the loan (and interest cost), say over a 25 year period. Council typically only borrows to fund capital expenditure but Council may use short term borrowing to spread some operating costs smooth funding over a limited period to avoid rate spikes.

Council also needs to ensure that appropriate funding has been allocated to reasonably meet the levels of service that each activity is targeting to meet and financial sustainability into the future needs to be considered.

iv. Actions or Inactions of Individuals or Groups

This generally refers to how to make the 'exacerbators' pay. This could include funding mechanisms to allow for the fining of people that cause unwanted Council activity, e.g. cleaning up abandoned cars or rubbish. However, Council has very limited funding mechanisms to enable targeted charging and, in many cases, it is not possible to pass this cost on to the exacerbator and, therefore, it becomes more a case of identifying the quantum of the issue and deciding who then should bear the cost, if not the exacerbator.

V. Costs, Benefits and Separate Funding

Council is required to consider whether an activity should be separately funded and what the cost implications might be. There are administration costs associated with separate funding and these need to be weighed against any benefits of targeting specific beneficiaries/users of a service, including transparency and accountability.

Transparency and accountability are most evident when an activity is totally distinctly funded. This allows ratepayers, or payers of user charges, as the case may be, to see exactly how much money is being raised for and spent on the activity, and to assess more readily whether or not the cost to them of the activity represents good value.

However, funding every activity this way would be extremely complex. For some activities, the quantity of rates funding to be collected amounts to only a few cents per ratepayer. The administrative costs and lack of significance lead Council to fund a number of activities by way of a general rate. To aid in transparency and accountability, Council separates the total general rate into reasonable activity breakdowns when presenting the ratepayer with their rates assessment notices. This then allows the ratepayer to make some form of meaningful assessment down to activity level.

### **Selection of tools**

Section 103(1) requires Council to identify the funding of operational expenditure and capital expenditure.

Operational expenditure is normally funded by way of revenue (income) while capital expenditure can be funded by way of both revenue and non-revenue items such as borrowings and the use of Council created reserves.

Capital expenditure is expenditure when the benefit of that expenditure is greater than one year and therefore benefits obtained by those assets spread according to the life of the asset.

Section 103 (2) LGA requires Council to identify its funding tools from the list below.

A number of tools can be used to allocate both public and private good. The use of targeted rates is good example of this. An activity with a very high percentage of public good can be allocated over a small geographical area and therefore the most appropriate tool to recover the expenditure would be a targeted rate. Therefore in this instance a targeted rate is used to recover a public good. However targeted rates can be used to recover a private good such as use of water from a closed network. This is where Council can restrict people using that network and before they can join they have to formally join to it and are charged the appropriate fee(s).

### **Revenue**

#### **General Rates**

Including Uniform Annual General Charge  
This is usually used to recover public good.

South Wairarapa District uses land value for the application of its general rate.

Council believes that land of value allocates the costs fairly between the rural and urban communities.

When Council considered the advantages and disadvantages of each option it considered it identified that:

- The ratio of land to capital value was inconsistent across the district and this would have lead more ratepayers having an increase than those decreases) in rates payable

Movement in General rate	Percentage of properties
Decrease between 0% and 30%	35%
Increase between 0% and 30%	14%
Increase between 30% and 100%	31%
Increase greater than 100%	20%

- As land value is the current method it is accepted and understood by the majority of ratepayers.
- There would be additional costs in both moving to capital value and additional costs in maintaining the rating database without out any significant increase in value.

**Targeted rates:**

Any other rate includes, Uniform Annual Changes, rate set on a differential on value, rates set over at area of benefit and rates for a service or for an activity.

This can be used for both private good and public good.

Current targeted rates include the amenity rates.

**Lump sum contributions:**

For the recovery of specific capital expenditure, otherwise loan funded (optional for ratepayer)

This must have a high component of private good.

**Fees and charges:**

Any fee, recovery fine or charge made Council for service or activity.

Must have a high component of private good

**Interest and dividends from investments:**

Income from an investment

This would be generally public good.

**Financial & development contributions:**

There are used to recover costs to mitigate the effects of development. Council has a Financial Contributions Policy under the Resource Management Act 1991 which explains the application and the levying of these fees. Council does not have a development contributions policy.

This must have a high component of private good.

**Grants and subsidies:**

Income from external funding entity.

These generally would be of a public good.

## **Non-revenue items**

### **Borrowing:**

Loans, both short term and long term

This is a funding tool and does not need a split between public and private good as it is only deferring the eventual charge.

### **Proceeds from asset sales:**

This would only need to be recognized where an asset was being sold and not replaced with a similar asset. For the example where the proceeds from the sale of corporate property were used to fund another activity.

Again this is a funding tool.

### **Council Created reserves**

Council created reserves result from surplus revenues over expenditure being held for a particular purpose or the transfer of non-cash expenditure (e.g. depreciation).

Group of Activities, and Activity	Community Outcomes	user/beneficiary pays principle	intergenerational equity principle	exacerbator pays	costs and benefits	Proposed		Rationale	Funding Sources	
						Private	Public		Operational	Capital
<b>Governance/Leadership/Advocacy</b>										
Representing the community	Vibrant and strong communities Sustainable South Wairarapa	NIL	NIL	L	L	100%		The democracy process is available to all residents and ratepayers, therefore all ratepayers benefit from this activity	General rate & reserve funding	
<b>Public Protection</b>										
Protection of public health		M	NIL	M	M	70%-80%		Council has a statutory obligation to enforce public health legislation	Fees & Charges General Rate	
Noise control and enforcement		NIL	NIL	H	L	10%		Council has the ability to charge for monitoring and recover other costs	Fees & Charges General Rate	
Building consents and enforcement		H	NIL	L	M	80%-90%		Council has statutory obligation to enforce the building act	Fees & Charges General Rate	
Dog and animal control	Healthy & economically secure people	L-M	NIL	H	L	60%-70%		For dog control the urban community receive a higher benefit than the rural community while for animal control the rural community receives a higher benefit than the urban	Fees & Charges General Rate	
Liquor licensing		H	NIL	L	L	70%-80%		Council has a legal obligation to enforce liquor act	Fees & Charges General Rate	
Emergency management and civil defence		NIL	NIL	L	H	100%		Emergency management is for the protection of life and restoration of essential services	Fees & Charges General Rate	
Rural fire		M	NIL	H	M	25%-15%		Council has a statutory obligation to fund combined rural fire activity	General rate Targeted General rate	
<b>Community Development</b>										
Cultural and community development		L	NIL	NIL	H	100%		Supporting community activities for which council believes there is a high public benefit	General rate Targeted rate	
Economic Development	Vibrant and strong communities Sustainable South Wairarapa	NIL	NIL	NIL	L	100%		Economic development provides a benefit of the district, but there are occasions where parts of the district benefit to a different degree	General rate Targeted rate	
Economic Development - Tourism		M	NIL	NIL	M	60%-70%		Tourism is a very important part of economic activity within Swai therefore has a high public good. However the benefit received from tourism develop also directly benefits the tourist related businesses	General rate Targeted rate	
<b>Resource Management</b>										
Educated and knowledgeable people										
Vibrant and strong communities										
Sustainable South Wairarapa										
District Plan (reviews and development)		L	NIL	M	L	5%	95%	DP is a strategic and statutory planning document for the benefit of the district however members of the community can apply and fund a private plan change	General rate, fees and charges, reserves short term loans (1-3 yrs)	
Resource consent applications		H	NIL	H	H	95%	5%	Element public good for enquiries, and consents that have a high public interest	General rates, F & C surpluses	
Resource consent appeals		H	NIL	H	L	50%	50%	Appeals potentially cover a wide range of effects and have a wide range of benefits	General rates / surpluses	

Group of Activities, Community Outcomes and Activity	user/beneficiary pays principle	intergenerational equity principle	exacerbator pays	costs and benefits	Proposed		Rationale	Funding Sources	
					Private	Public		Operational	Capital
<b>Amenities</b>									
Parks and Reserves including playgrounds and Martinborough.	L	H	M	M	10%-15%	90%-95%	Reserves are there for recreational purposes and are open to all without restriction except for specific areas and times	Targeted rates, fees and charges	Targeted rates, contributions, surplus funds & Loans
Swimming Pools in Featherston, Greytown and Martinborough.	H	M-H	L	L	30%-40%	70%-60%	While pools provide recreation value council can restrict access	Targeted rates, fees and charges	Targeted rates, contributions, surplus funds & Loans
Ownership of Camping Grounds in Martinborough and Greytown.	H	M	L	L	70%-85%	15%-30%	Martinborough is a restricted area and Greytown is unrestricted however council may in the future may look at options for Greytown	Targeted rates, fees and charges	Targeted rates, surplus funds & Loans
<b>Civic Amenities</b>									
Libraries in Featherston, Greytown and Martinborough.	H	L-H	L	M	30%-40%	60%-70%	This activity provides public benefit by increasing people's knowledge, but also provides a private benefit.	General rate, fees & charges	General rates, surplus funds & Loans
Pensioner housing units in Featherston, Greytown and Martinborough.	H	M	L	L	95%	5%	There is high private benefit by the tenants and council provides this facility for the wellbeing of a select number of the community	Fees & charges	Surplus funds & Loans
Public toilets in Featherston, Greytown and Martinborough and at various rural and coastal sites.	H	M	H	M	80%-90%	20%-10%	Providing essential service to ensure a clean environment	Targeted rates	Targeted rates, surplus funds & Loans
Public halls, Sports Stadium in Featherston, Greytown and Martinborough.	M-H	M	M	L	40%-60%	60%-40%	Halls while used for private benefit there are wider community benefits of having halls available. Halls are the focal point of the community	Targeted rates, fees and charges	Targeted rates, contributions, surplus funds & Loans
Cemeteries in Featherston, Greytown and Martinborough.	H	H	L	L	90%	10%	Can restrict access and there are alternatives, providing service to public there are benefits from memorial status	Targeted rates, fees and charges	Targeted rates, surplus funds & Loans
<b>Roading / Land Transport</b>									
	H	H	H	H	70%-80%	30%-20%	Road corridor provides high public good however the use of the road is predominantly for private benefit purposes	Fees & charges, NZTA subsidy, tolls, contributions, General Rates	Surplus funds, NZTA subsidy, tolls, contributions, general rates
<b>Solid Waste Management</b>									
Waste collection	H	L	H	M	70%-80%	30%-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rates	Surplus funds, fees & charges, targeted rates and loans
Closed Landfill	NIL	M	L	L	100%		Protect environment from impacts of previous events	General rates	General rates, surplus funds & Loans
Transfer stations	H	L	H	M	70%-80%	30%-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rates	Surplus funds, fees & charges, targeted rates and loans
Recycling	H	L	H	M	70%-80%	30%-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rates	Surplus funds, fees & charges, targeted rates and loans

Group of Activities, Community Outcomes and Activity	user/beneficiary pays principle	intergenerational equity principle	exacerbator pays	costs and benefits	Proposed		Rationale	Funding Sources	
					Private	Public		Operational	Capital
<b>Stormwater</b> Healthy & economically secure people Sustainable South Wairarapa.									
Stormwater Collection	H	H	H	L-M	20%	80%	Collection predominantly to prevent flooding of private and public property	Fees & Charges, targeted rates, general rates, surplus funds and loans	Fees & Charges, targeted rates, general rates, surplus funds and loans
Stormwater Treatment	L	H	H	L-M	5%	95%	To protect the environment	Fees & Charges, targeted rates, general rates	Fees & Charges, targeted rates, general rates, surplus funds and loans
<b>Water Supply</b>									
	H	H	H	M	90%	10%	Provides safe potable drinking water	Fees & Charges, targeted rates, contributions	Fees & Charges, targeted rates, contributions, surplus funds and loans
Healthy & economically secure people									
<b>Sewerage</b>									
Healthy & economically secure people, Sustainable South Wairarapa.	H	H	H	M	75%	25%	Provide safe/sanitary treatment & disposal environment for waste	Fees & Charges, targeted rates, contributions	Fees & Charges, targeted rates, contributions, surplus funds and loans



# POLICY & FINANCE COMMITTEE

14 DECEMBER 2011

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## AGENDA ITEM B2

### REVENUE AND FINANCING POLICY CONSIDERATIONS

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#### **Purpose of Report**

To present the summary of the considerations following revenue and finance policy workshops.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the information.*
2. *Adopts the allocations for the apportionment of funding as set out in appendix 1.*
3. *Confirms it believes that land value is the most appropriate method for the General Rate.*
4. *Sets the Uniform Annual General Charge using an allocation method.*
5. *Considers a Uniform Annual Charge (UAC) allocated between the rural and urban community's best reflects the use and benefit of amenities to the communities.*
6. *Considers that targeted rates based on the property's ability to connect to wastewater (Sewerage) and water supply are the most appropriate tool for the recovery of water and waste water charges*
7. *Proposes that the fixed charges should be recovered based on a fixed amount per separately used or inhabited part of a rating unit as the purpose of the fixed charges relates to either dwellings or individual businesses. Council defines is a SUIP as:*
  - a. *All commercial premises in excess of 100 m<sup>2</sup> that can be separately used or inhabited shall be deemed an additional rating unit. All dwellings capable of separate inhabitation which includes the provision of kitchen and bathroom.*
  - b. *Accommodation units which are provided for short term (less than four weeks) basis and are excluded from the definition.*
8. *Adopts the Rates Remission Policy – Additional Dwellings for consultation proposes with the 2012 – 2022 Long Term Plan.*

## 1. Executive Summary

This report summarises the discussions that councillors' had in various workshops in developing its Revenue and Financing Policy, and then formally recommends adoption of the relevant decisions.

The primary driver is preparation for the next Long-Term Plan (LTP).

Council needs to consider its Revenue and Financing Policy which must be formally consulted in 2012 and covers the years 2012 to 2022.

The draft revenue and financing policy, which is the summary of the discussions and decisions discussed in this report is presented as a separate report to this meeting.

Following adoption of the above resolutions, a further report will be required to full Council for final adoption. This allows time for further consideration of the issues if required.

Adoption by full Council could be at the time of the adoption of the draft LTP, or at some prior date.

## 2. Background

The requirement for a Revenue and Financing Policy is contained in the Local Government Act 2002 (LGA) sections 101(3) and 103 which state:

### **101 Financial management**

(3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—

- (a) in relation to each activity to be funded,—
  - (i) the community outcomes to which the activity primarily contributes; and
  - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
  - (iii) the period in or over which those benefits are expected to occur; and
  - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
  - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- (b) the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community

### **103 Revenue and financing policy**

(1) A policy adopted under section 102(4)(a) must state—

- (a) the local authority's policies in respect of the funding of operating expenses from the sources listed in subsection (2); and

- (b) the local authority's policies in respect of the funding of capital expenditure from the sources listed in subsection (2).

The Revenue and Financing Policy is the lead policy for all funding and financial policies which include the following:

- liability management policy;
- investment policy;
- development and/or financial contributions policies;
- rates remission policies;
- rates postponement policies.

The development of the Revenue and Financing Policy is in two parts. The first step requires consideration (LGA section 101(3)(a)), at activity level of each of the following:

- Community outcomes
- The user/beneficiary pays principle
- The intergenerational equity principle –
- The exacerbator pays and
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

Council considered the five components of each of its activities and these are included in the draft policy. This first step then leads to the selection of possible funding tools. The second stage of the process is to consider the overall impacts of its proposed Revenue and Financing Policy on the current and future well beings of the community.

### **3. Discussion**

#### **3.1 Selection of possible Funding Tools**

The development of the Revenue and Financing Policy requires disclosure of Council's view on its allocations as set out in section 101 (3) LGA. Council's view and rationale to each activity are set out in appendix 1.

Council has identified through the step one a variety of tools that wish to use to recover the required expenditure. The purpose of this section is to confirm the basis of calculation to each of the primary funding tools identified.

#### **3.2 General Rate**

Council has considered as to which method it will use to recover the general rate. The options are status quo land value (LV), capital value (CV) or annual rental value.

Council considered the advantages and disadvantages of land versus capital and did not consider annual rental value as a credible alternative because of lack of understanding of this method by the both the community and valuers.

During the review Council identified the following advantages and disadvantages of both capital and land value rating:

**Advantages**

**Capital value basis (CV)**

Better taxation tool – takes into account full value of property  
 Captures changes to District’s rating base from growth  
 Generally, there are smaller % swings at each revaluation  
 Through the higher value of improvements, CV recognises multiple users of a single property.

**Land value basis (LV)**

Land value is current basis of rating, so is accepted and understood  
 Status quo, therefore no administrative cost of change  
 There is no “tax on development”

**Disadvantages**

**Capital value basis (CV)**

Administrative cost of notification of changes to rating basis  
 High Capital Value can exist with low income  
 May penalise/discourage development of higher quality buildings  
 For orchard properties, Capital Value includes fruit trees and vines (but not the crop).  
 May penalise those with low land values

**Land value basis (CV)**

Land Value is only part of total property value  
 High Land Values can exist with low income  
 Needs to be modified by other rating policies to recognise multi-unit development on a single property

Council considered that because of the low land values relative to total capital values which are primarily in the residential areas will be penalised.

This is supported by the table below.

<b>Movement in General rate only</b>	<b>Percentage of properties</b>
Decrease between 30% and 25%	16%
Decrease between 25% and 10%	14%
Decrease between 10% and 0%	5%
Increase between 0% and 10%	4%
Increase between 10% and 20%	5%
Increase between 20% and 30%	5%
Increase between 30% and 50%	5%
Increase between 50% and 60%	5%

<b>Movement in General rate only</b>	<b>Percentage of properties</b>
Increase between 60% and 80%	13%
Increase between 80% and 100%	8%
Increase greater than 100%	20%

The reason for the large number of properties with a significant increase is because of the high number of properties with a low land value but a high improvement value (capital less land values). Council already has already mitigated the rating impacts of this by having a high Uniform Annual General Charge and Amenity Rates.

As land value is the current method it is accepted and understood by the majority of ratepayers. There would be additional costs in both moving to capital value and additional costs in maintaining the rating database without any significant increase in value.

Council believes that land of value allocates the costs fairly between the rural and urban communities.

### **3.3 Uniform Annual General Charge (UAGC)**

The UAGC for funding purposes is considered part of the general rate.

There are two options when setting the UAGC. The first is a fixed value which Council set's each year and it considered a levelling tool to reduce the impact on high value properties and to ensure all properties make a reasonable allocation to the cost of providing Council services to the community. The second option is an allocation method.

Council uses the allocation method where Council allocates a percentage (current ranges 50%-100%) of the costs of an activity which will be recovered from each rating unit.

The activities which Council considers to be recovered by way of the UAGC are set out in the table below.

<b>Corporate Services</b>	100% UAGC
<b>Public Protection</b>	
Public Protection & Health	100% UAGC
Building & Construction	100% UAGC
Emergency Management	100% UAGC
<b>Economic, Cultural &amp; Community Development</b>	
Economic Development	50% UAGC
Community Wellbeing	50% UAGC
<b>Amenities</b>	
Libraries	100% UAGC
Cemeteries	100% UAGC
Transfer & Landfill	100% UAGC

<b>Governance, Leadership &amp; Advocacy</b>	50-55% UAGC
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There is no proposal to change this method of setting the UAGC.

### 3.4 Targeted Rates

Council considers targeted rates are most appropriate where there is a specific benefit to be recovered over specific areas or a specific activity which is to be allocated.

Council considers a Uniform Annual Charge (UAC) allocated between the rural and urban community's best reflects the use and benefit of amenities to the communities. Council has identified the following activities that should be recovered by an amenity UAC set differentially.

<b>Amenities</b>	<b>Apportionment</b>
Parks & Reserves	70% Urban 30% Rural
Campgrounds	70% Urban 30% Rural
Swimming Pools	70% Urban 30% Rural
Community Buildings	70% Urban 30% Rural
Greytown Town Centre	70% Urban 30% Rural
Toilets	70% Urban 30% Rural

Other targeted rates may be introduced for community development and specific projects.

Council also considers that targeted rates based on the property's ability to connect to wastewater (Sewerage) and water supply are the most appropriate tool for the recovery of water and waste water charges.

### 3.5 Rating Units

Under the Local Government (Rating) Act 2002, the Council has the opportunity to define what it considers to be a rating unit. Traditionally it has used property titles as the rating unit, however there are a number of properties that are occupied by more than one entity but under the current rating approach these are considered one rateable property. Under the Act the Council can elect to set rates on what is known as separately used and inhabitable portions of a property. The Council believes that this better reflects the benefits these properties are receiving and now wishes to change to rate every Separately Used and Inhabitable property (SUIP)

Examples of properties that will be impacted by SUIPs are as follows:

- Shops one title 3 leases greater than 100 m2
- Apartment complex – not unit title
- Farms – 2 dwellings

The effect of the decision to rate using the SUIP basis will result in additional Uniform Annual Charges (UAC) income including UAGC, but this

will not increase the total rate income. Therefore there will be a reduction in the UAC rates per rating unit and in the value portion of the general rates. Because the total value of the property does not change and only properties likely to have an increase will be those which have more than one occupier. All other properties will therefore see a decrease. There will be no change in the rates for water, sewerage and refuse as these are already charged on a per connection or per service provided.

The Council proposes that the fixed charges should be recovered based on a fixed amount per separately used or inhabited part of a rating unit as the purpose of the fixed charges relates to either dwellings or individual businesses. Council therefore defines is a SUIP as:

- All commercial premises in excess of 100 m<sup>2</sup> that can be separately used or inhabited shall be deemed an additional rating unit.
- All dwellings capable of separate inhabitation which includes the provision of kitchen and bathroom. Accommodation units which are provided for short term (less than four weeks) basis and are excluded from the definition. Additional dwelling units that are used for family purposes are subject to Council's remission policy.

#### **4. Overall impacts**

That second step requires (LGA section 101(3)(b)) Council to consider the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community. At this future stage Council will consider modification based on but not limited to the considerations in appendix 2.

To assist Council, staff together with Council's external adviser have made an initial assessment of the considerations, however Council need to provide response and develop any modification prior to adoption of the draft long-term plan prior to public consultation.

#### **5. Appendices**

Appendix 1 – Apportionment of Funding

Appendix 2 – Social; Economic; Environmental; and Cultural Considerations

Prepared by: Paul Crimp / Philip Jones

Contact Officer: Paul Crimp, Group Manager Corporate Support

# **Appendix 1 – Apportionment of Funding**



Group of Activities, and Activity	Community Outcomes	user/beneficiary pays principle	intergenerational equity principle	exacerbator pays	costs and benefits	Proposed		Rationale	Funding Sources	
						Private	Public		Operational	Capital
<b>Governance/Leadership/Advocacy</b>										
Representing the community	Vibrant and strong communities, Sustainable South Watarapa	NIL	NIL	L	L	100%		The democracy process is available to all residents and ratepayers, therefore all ratepayers benefit from this activity.	General rate & reserve funding	
<b>Public Protection</b>										
Protection of public health		M	NIL	M	M	70%-80%	30%-20%	Council has a statutory obligation to enforce public health legislation.	Fees & Charges General Rate	
Noise control and enforcement		NIL	NIL	H	L	10%	90%	Council has the ability to charge for monitoring and recover other costs.	Fees & Charges General Rate	
Building consents and enforcement		H	NIL	L	M	80%-90%	20%-10%	Council has statutory obligation to enforce the building act.	Fees & Charges General Rate	
Dog and animal control	Healthy & economically secure people	L-M	NIL	H	L	60%-70%	30%-40%	For dog control the urban community receive a higher benefit than the rural community while for animal control the rural community receives a higher benefit than the urban.	Fees & Charges General Rate	
Liquor licensing		H	NIL	L	L	70%-80%	30%-20%	Council has a legal obligation to enforce liquor act.	Fees & Charges General Rate	
Emergency management and civil defence		NIL	NIL	L	H	0	100%	Emergency management is for the protection of life and restoration of essential services.	General rate	
Rural fire		M	NIL	H	M	75%-85%	25%-15%	Council has a statutory obligation to fund combined rural fire activity.	Targeted General rate	
<b>Community Development</b>										
Cultural and community development		L	NIL	NIL	H	100%		Supporting community activities for which council believes there is a high public benefit.	General rate Targeted rate	
Economic Development	Vibrant and strong communities, Sustainable South Watarapa	NIL	NIL	NIL	L	100%		Economic development provides a benefit of parts of the district benefit to a different degree.	General rate Targeted rate	
Economic Development - Tourism		M	NIL	NIL	M	60%-70%	40%-30%	Tourism is a very important part of economic activity within Swai therefore has a high public good. However the benefit received from tourism develop also directly benefits the tourist related businesses.	General rate Targeted rate	
<b>Resource Management</b>										
Educated and knowledgeable people										
Vibrant and strong communities										
Sustainable South Watarapa										
District Plan (reviews and development)		L	NIL	M	L	5%	95%	DP is a strategic and statutory planning document for the benefit of the district however members of the community can apply and fund a private plan change.	General rate, fees and charges, reserves short term loans (1-3 yrs)	
Resource consent applications		H	NIL	H	H	99%	5%	Element public good for enquiries, and consents that have a high public interest.	General rates, F & C surpluses	
Resource consent appeals		H	NIL	H	L	50%	50%	Appeals potentially cover a wide range of effects and have a wide range of benefits.	General rates / surpluses	

Group of Activities, Community Outcomes and Activity	user/beneficiary pays principle	intergenerational equity principle	exacerbator pays	costs and benefits	Proposed		Rationale	Funding Sources	
					Private	Public		Operational	Capital
<b>Amenities</b>									
Parks and Reserves including playgrounds and Marinborough.	L	H	M	M	10%-15%	90%-85%	Reserves are there for recreational purposes and are open to all without restriction except for specific areas and times	Targeted rates, fees and charges	Targeted rates, contributions, surplus funds & Loans
Swimming Pools in Featherston, Greytown and Marinborough.	H	M-H	L	L	30%-40%	70%-60%	While pools provide recreation value council can restrict access	Targeted rates, fees and charges	Targeted rates, contributions, surplus funds & Loans
Ownership of Camping Grounds in Marinborough and Greytown.	H	M	L	L	70%-85%	15%-30%	Marinborough is a restricted area and Greytown is unrestricted however council may in the future may look at options for Greytown.	Targeted rates, fees and charges	Targeted rates, contributions, surplus funds & Loans
<b>Civic Amenities</b>									
Libraries in Featherston, Greytown and Marinborough.	H	L-H	L	M	30%-40%	60%-70%	This activity provides public benefit by increasing people's knowledge, but also provides a private benefit.	General rate, fees & charges	General rates, surplus funds & Loans
Pensioner housing units in Featherston, Greytown and Marinborough.	H	M	L	L	95%	5%	There is high private benefit by the tenants and council provides this facility for the wellbeing of a select number of the community	Fees & charges	Surplus funds & Loans
Public toilets in Featherston, Greytown and Marinborough and at various rural and coastal sites.	H	M	H	M	80%-90%	20%-10%	Providing essential service to ensure a clean environment	Targeted rates	Targeted rates, surplus funds & Loans
Public halls, Sports Stadium in Featherston, Greytown and Marinborough.	M-H	M	M	L	40%-60%	60%-40%	Halls while used for private benefit there are wider community benefits of having halls available. Halls are the focal point of the community	Targeted rates, fees and charges	Targeted rates, contributions, surplus funds & Loans
Cemeteries in Featherston, Greytown and Marinborough.	H	H	L	L	90%	10%	Can restrict access and there are alternatives, providing service to public there are benefits from memorial status	Targeted rates, fees and charges	Targeted rates, surplus funds & Loans
<b>Roading / Land Transport</b>									
	H	H	H	H	70%-80%	30%-20%	Road corridor provides high public good however the use of the road is predominantly for private benefit purposes	Fees & charges, NZTA subsidy, tolls, contributions, General Rates	Surplus funds, NZTA subsidy, tolls, contributions, general rates
<b>Solid Waste Management</b>									
Waste collection	H	L	H	M	70%-80%	30%-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rates	Surplus funds, targeted rates and loans
Closed Landfill	NIL	M	L	L		100%	Protect environment from impacts of previous events	General rates	General rates, surplus funds & Loans
Transfer stations	H	L	H	M	70%-80%	30%-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rates	Surplus funds, targeted rates and loans
Recycling	H	L	H	M	70%-80%	30%-20%	Service provision public benefit by keeping the district clean	Fees & Charges, targeted rates	Surplus funds, targeted rates and loans

Group of Activities, Community Outcomes and Activity	user/beneficiary pays principle	intergenerational equity principle	exacerbator pays	costs and benefits	Proposed		Rationale	Funding Sources	
					Private	Public		Operational	Capital
<b>Stormwater</b>									
Healthy & economically secure people Sustainable South Wairarapa.									
Stormwater Collection	H	H	H	L-M	20%	80%	Collection predominantly to prevent flooding of private and public property	Fees & Charges, targeted rates, general rates, surplus funds and loans	Fees & Charges, targeted rates, general rates, surplus funds and loans
Stormwater Treatment	L	H	H	L-M	5%	95%	To protect the environment	Fees & Charges, targeted rates, general rates, surplus funds and loans	Fees & Charges, targeted rates, general rates, surplus funds and loans
<b>Water Supply</b>									
Healthy & economically secure people	H	H	H	M	90%	10%	Provides safe potable drinking water	Fees & Charges, targeted rates, contributions, surplus funds and loans	Fees & Charges, targeted rates, contributions, surplus funds and loans
<b>Sewerage</b>									
Healthy & economically secure people, Sustainable South Wairarapa.	H	H	H	M	75%	25%	Provide safe/sanitary treatment & disposal environment for waste	Fees & Charges, targeted rates, contributions, surplus funds and loans	Fees & Charges, targeted rates, contributions, surplus funds and loans

# **Appendix 2 – Social; Economic; Environmental; and Cultural Considerations**

Question/Issue	Consideration	Response	Modification
<b>Social</b>			
What is the likely impact of the mix of funding sources on the elderly and others on fixed incomes or low incomes (in other words is there a genuine affordability issue)?	Currently Council's does not have information in which to modify rates dependent on any affordability criteria.	Council currently administers the Rates Rebate Act on behalf of central government to provide assistance to properties with low incomes.	
Will the policy act as a barrier to the accessibility of some services (such as the cultural and recreational facilities)?	Council has a policy of nominal user charges for its facilities including low book rentals for its libraries		
What implications does the policy have for community groups?	As community groups provide the social fabric Council has a policy of reduced hirer fees		
Is the policy likely to have any effect on people's participation in community activities?			
<b>Economic</b>			
What is the size of changes in funding arrangements – is some sort of transitional process necessary?			
is the mix of funding sources financially sustainable i.e. is the likely borrowing level one that is feasible	Council's current policy of having 15% of interest expense to rate is considered prudent.		
What are the current economic conditions and projected conditions over the life of the policy?	The current approach of councillors to encourage both tourism and the primary sector		
What incentives will the policy have for			

<b>Question/Issue</b>	<b>Consideration</b>	<b>Response</b>	<b>Modification</b>
development in the district?			
How is the burden of funding distributed across differing sectors of the community?	Council is considered this by developing the amenity rate which is allocated between urban and rural properties		
<b>Environmental</b>			
What incentives does the policy provide to conserve scarce resources?	Councillors considered water metering, encouraging of recycling and to reduce the impact is on the receiving environment of waste including solid and waste water		
Does the policy provide incentives for people to avoid environmentally 'unfriendly' activities?			
What incentives does the policy provide for the preservation of natural heritage?	Council's approach is to maintain its existing buildings e.g Greytown hall and library.		
<b>Cultural</b>			
What impact might the policy have on people's participation in sporting and cultural activities?	Council's policy of having blue usage fees encourages participation in both sporting and cultural events.		
Does the policy provide any incentives for the preservation of historical and other cultural heritage?			
Are there particular community or cultural groups that will be advantaged or disadvantaged by the policy?	Council uses both remission and postponement policies to ensure community or cultural groups are not disadvantaged		

# POLICY AND FINANCE COMMITTEE

14 DECEMBER 2011

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## AGENDA ITEM B3

### POLICY ON WATER BY METER LEAK WRITE-OFF

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#### **Purpose of Report**

To implement a policy of water by meter write-offs.

#### **Recommendations**

Officers recommend that the Council:

1. *Receive the information.*
2. *Adopt the "water by meter write-off policy, subject to amendment.*
3. *Agree to a five year review date.*

#### **1. Executive Summary**

During the two years following the installation of water meters, a policy was in place to allow for the write off of water by meter usage invoices where certain circumstances prevailed.

This policy was in place for two years and lapsed on 30 June 2011.

It is now time to review this policy.

#### **2. Discussion**

The introduction of water meters has resulted in an additional 260 (approx) new debtors being created.

For various reasons applications are received for some relief from the amount due, and as is usual in these cases it is prudent to have a policy in place to ensure everyone is treated fairly.

For information, a tap running normally will have an output of, very approximately, 1 cum per hour.

The current allowance is 300 Cum.

## **2.1 Draft Policy**

Attached as Appendix 1 is the draft water by meter leak write off policy.

As with all policies, full Council is required to ratify this policy

## **2.2 Review Date**

A five year review date, being December 2016, has been recommended.

## **3. Appendices**

Appendix 1 – Draft Water by Meter Leak Write-off Policy

Contact Officer: Paul Crimp, Group Manager Corporate Support



# **Appendix 1 – Draft Water by Meter Leak Write-off Policy**

## South Wairarapa District Council

### WATER BY METER LEAK WRITE -OFF POLICY

**STATUS:** New Policy

#### **RATIONALE:**

To provide for write off of water by meter usage charges where genuine reasons exist to do so.

To encourage reduction in water usage through prudent application of policies.

#### **PURPOSES:**

1. To set out fair procedures for the write off of water by meter charges where a leak has been detected
2. To reduce overall consumption through identification and repair of leaks
3. To recognise genuine and real hardship

#### **GUIDELINES:**

Water Leak Write – off

1. Current owners will be allowed one write-off under this policy per year. (**Options:** One write off every two years; one writeoff over life of ownership, Other)
2. The write-off will only apply where the leak identified is of such magnitude that usage will exceed the allowance set in any year. For example, a slowly dripping tap is unlikely to result in excess usage
3. A copy of the invoice for repair is supplied. Again the nature of the repair must indicate that excess usage is likely
4. Meter readers will be issuing notices where they suspect excess usage, at the time they read the meter. If this notice is not acted on within two weeks (**Option** four weeks; six weeks) then this policy will not apply
5. A writeoff will be available due to council error, or the meter reading inaccurate usage
6. If a property changes ownership during the year, usage for the rest of that year will start from nil from the time of change of ownership.
7. If a writeoff is agreed, but the user has a history of usage in excess of the allowance, and estimated usage (based on historical usage) amount will be calculated and invoiced

**Delegation:**

Implementation of this policy is delegated to the Chief Executive who may further delegate as is seen fit

Review date December 2016

# POLICY & FINANCE COMMITTEE

14 DECEMBER 2011

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## AGENDA ITEM B4

### DRAFT SUIP REMISSION POLICY

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#### **Purpose of Report**

To present the draft remission policy for separately used or inhabited properties that is used for family purposes.

#### **Recommendations**

Officers recommend that the Committee:

1. *Receive the information.*
2. *Adopts the draft remission policy for separately used or inhabitable properties that are used for family purposes, for later ratification by full Council.*

#### **1. Executive Summary**

This report presents the draft remission policy for separately used or inhabitable properties that are used for family purposes.

The draft Revenue and financing policy applies the uniform annual charges (UAGC & UAC) to all properties that are separately used or inhabited properties.

Council considers that this policy should not be applied to those situations where the additional property is used for family purposes

This draft policy is still a working document, and will need to be adopted by full Council prior to the adoption of the draft LTP

#### **2. Appendix**

Appendix 1 – Draft SUIP Policy

Prepared by: Paul Crimp / Philip Jones

Contact Officer: Paul Crimp, Group Manager Corporate Support

# **Appendix 1 - Draft SUIP Policy**

# **RATES REMISSION FOR ADDITIONAL DWELLINGS USED FOR FAMILY PURPOSES**

## **1 Objective of Policy**

The objective of this remission policy is to ensure that ratepayers of residential properties with additional dwellings capable of separate inhabitation that is used for family purposes does not incur additional uniform annual charges.

## **2.1 Conditions and Criteria**

1. To qualify for rates remission under this policy the rating unit must:
  - (a) be used solely for residential.
  - (b) the additional dwelling is used by a family member of the principle dwelling.
  - (c) applications must be received by 30 June each year.
2. Upon receipt of an application Council, Council will ensure that there is adequate information to support the conditions and criteria have been met,.

## **2.2 Rates to be remitted**

The amount of remission granted under this policy will be limited amount of the additional UACs.

## **2.3 Delegation**

Decisions on rates remissions under this policy will be delegated to the Chief Executive Officer or Group Manager Corporate Support, who will grant a rates remission being the amount of the additional UACs that have been charged as a result of Council's SUIP policy.