



SOUTH WAIRARAPA DISTRICT COUNCIL

Kia Reretahi Tātau

Agenda

**ORDER PAPER FOR AN ORDINARY MEETING
TO BE HELD**

Via Audio-Visual Technology

ON

27 October 2021

MEMBERSHIP OF COUNCIL

HIS WORSHIP THE MAYOR

Mr Alex Beijen

Deputy Mayor Garrick Emms

Cr P Colenso
Cr R Fox
Cr L Hay
Cr B Jephson

Cr P Maynard
Cr A Plimmer
Cr R Vickery
Cr B West

**RECOMMENDATIONS IN REPORTS ARE NOT TO BE CONSTRUED AS
COUNCIL POLICY UNTIL ADOPTED BY COUNCIL**



SOUTH WAIRARAPA DISTRICT COUNCIL MEETING

Agenda 27 October 2021

NOTICE OF MEETING

Due to COVID-19 restrictions this meeting will be held via video conference and will commence at 1.00pm. All members participating via video conference will count for the purpose of the meeting quorum in accordance with clause 25B of Schedule 7 to the Local Government Act 2002. This meeting will be live-streamed and will be available to view on our [YouTube channel](#).

SWDC Affirmation

We pledge that we will faithfully and impartially use our skill, wisdom and judgement throughout discussions and deliberations ahead of us today in order to make responsible and appropriate decisions for the benefit of the South Wairarapa district at large.

We commit individually and as a Council to the principles of integrity and respect, and to upholding the vision and values we have adopted in our Long Term Plan strategic document in order to energise, unify and enrich our district.

Open Section

- A1.** Apologies
- A2.** Conflicts of interest
- A3.** Acknowledgements and tributes
- A4.** Public participation
As per standing order 14.17 no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.
- A5.** Actions from public participation
- A6.** Extraordinary Business

B. Decision Reports from Chief Executive and Staff

- B1.** Financial Information and Options for Responding to Rates Increases for the 21/22 Year

Pages 1-15

C. Public Excluded Business

C1. Earthcare Change of Control Report

Distributed separately

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Report/General Subject Matter	Reason for passing this resolution in relation to the matter	Ground(s) under Section 48(1) for the passing of this Resolution
Earthcare Change of Control Report	Good reason to withhold exists under section 7(2)(h) and section 7(2)(i)	Section 48(1)(a)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

Reason for passing this resolution in relation to the matter	Ground(s) under Section 48(1) for the passing of this Resolution
The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.	Section 7(2)(h)
The withholding of the information is necessary to enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 7(2)(i)

SOUTH WAIRARAPA DISTRICT COUNCIL

27 OCTOBER 2021

AGENDA ITEM B1

OPTIONS FOR REDUCING BUDGET AND RATES FOR 2021/22

Purpose of Report

To inform Council of options for reducing the budget and rates for the 2021/22 financial year.

Recommendations

Officers recommend that the Council:

1. *Receives the Options for Reducing Budget and Rates for 2021/22 Report.*
2. *Notes the background to the development of the 2020/21 Annual Plan and 2021–31 Long Term Plan.*
3. *Notes the tools available to assist ratepayers who are finding it difficult to pay their rates.*
4. *Considers the options for reducing the budget and rates for the 2021/22 financial year and agrees a preferred position to discuss with the community at public meetings scheduled for early November 2021.*

1. Background

1.1 2020/21 Annual Plan Rates

During last year's (2020/21) Annual Plan process, Council identified the need to start addressing the historic underspend that has seen a decline in the condition of many of our assets, including water, roading, buildings and amenities.

However, uncertainties around the economic impacts of Covid-19 meant Council needed to rethink how it could achieve this. Council decided to exercise Section 4 of its Revenue and Financing Policy allowing for the use of short-term borrowing to spread some operating costs or smooth funding over a limited period to avoid rates spikes. By undertaking a one-off borrowing of \$1.5M in 2020 Council was able to continue with its proposed programme of work and use these funds to reduce the amount required to be collected from ratepayers. This loan was taken out for a period of five years with annual interest costs and a portion of loan principal collected from ratepayers each year. It was used to fund the revenue shortfall, reducing the amount required to be

collected from ratepayers from \$16.6M¹ excluding GST to \$15.4M excluding GST, or from an increase of 14.3% to 4.2%.

This was in effect a rates holiday for ratepayers for one year, with the borrowing repaid in the following years. The impact of the repayment of the loan on the 2020/21 year was explained as part of the 2020/21 Annual Plan consultation document and subsequent Annual Plan. As those documents were specific to the 2020/21 year, they did not identify the impact of the loan on the next year's (2021/22) rates.

1.2 2021-31 Long Term Plan

1.2.1. Development of Draft Long Term Plan

In August 2020 Council began the process of developing its draft Long Term Plan 2021-31 (LTP). Council carried out a community engagement campaign "What's on Top" to help identify the community's priorities for the district for the 10 year LTP and the 30 year Spatial Plan. The key themes raised were:

- Water
- Robust infrastructure
- Roothing
- Housing and growth
- Local businesses/jobs
- Climate change/sustainability
- Cycleways, walkways, tracks and trails
- Public transport/accessibility
- Open and green spaces

This feedback informed Council's thinking on its strategic management framework and costed programme of work for the 10 year draft LTP to be consulted with the community.

Council considered that, due to the condition of its assets, it needed to continue a programme of increased investment to maintain community infrastructure to safe levels. It recognised that at the same time increased demand within the construction sector put upward pressure on costs with this trend expected to continue in the coming years. However, delaying investment makes it more expensive to do in the future. Key issues include:

- Costs continue to rise, and infrastructure continues to fail
- Water and wastewater maintenance cannot be deferred without imposing the inevitable failure to future generations
- Our roads and footpaths need more money spent on them in order to remain safe

¹ All figures in this report are GST exclusive as they refer back to the financial statements in the Long Term Plan 2021-31.

- Our public buildings need to be maintained
- We need to find a solution for the future of the Featherston Wastewater Treatment Plant
- More people want to move here so we are developing a Spatial Plan that will help us manage how we do this.

Council proposed a programme of work and 10-year budget that largely maintained its service levels across its various activities, with some reductions in service in specific areas including rural road seal extensions, berm mowing in towns and closing down the Greytown recycling centre. It proposed an increase in service levels through funding footpath kerb and channel extensions and an additional recreational facility; Greytown Play Space.

Council has limited income earning investments to offset the cost to deliver services, so relies on ratepayers to fund a significant portion of costs. The rates required from ratepayers in 2021/22 to fund this programme of work is \$19.9M excluding GST.

1.2.2. Consultation

Council consulted with the community on the draft 2021-31 Long Term Plan between 31 March to 30 April 2021 via its consultation document *Big Challenges Big Decisions proposed South Wairarapa District Council Long Term Plan 2021-2031*. Council received 685 submissions on 5 Big Decisions and general feedback on Council's services.

Three of the Big Decisions related to core infrastructure and there was general support for Council's proposed investment across these areas. Support for the proposals was more favourable from the ratepayers most impacted by the decision.

- 48% of submitters agreed/strongly agreed with the proposed investment in water and wastewater infrastructure renewals, with 17% disagreeing/strongly disagreeing and 35% neutral. 55% of urban ratepayers agreed/strongly agreed, and rural and non-ratepayers were more likely to be neutral to the proposal than urban ratepayers (44% rural, 48% non-ratepayers and 25% urban ratepayers).
- There was an even split between submitters as to whether Council should stop funding rural road seal extensions for three years (40% agreeing/strongly agreeing, 40% disagreeing/strongly disagreeing and 19% neutral). There was greater support for the proposal to stop the funding among urban ratepayers (50% agreed/strongly agreed compared to 31% rural, and 57% of rural ratepayers disagreed/strongly disagreed with the proposal compared to 29% of urban ratepayers).
- 60% of submitters agreed/strongly agreed with the proposal to fund footpath kerb and channel extensions in the urban network while 19% disagreed/strongly disagreed with 21% neutral. Half of rural ratepayers agreed with the proposal compared to 67% for urban ratepayers and 61% for non-ratepayers.

There was a mixed reaction to proposals to reduce service levels.

- 59% of submitters agreed/strongly agreed to stop mowing berms in towns with 25% disagreeing/strongly disagreeing.
- 63% disagreed/strongly disagreed to close the Greytown recycling centre with 21% agreeing/strongly agreeing.
- 40% agreeing/strongly agreeing to stop funding rural road seal extensions with 40% disagreeing/strongly disagreeing.

There was strong support to fund the additional recreational facility with 72% of submitters agreeing/strongly agreeing to develop a Greytown play space and 15% disagreeing/strongly disagreeing.

In addition, thirteen out of forty-five submitters who made reference to the level of rates increase in their general comments considered that the rates were unaffordable, excessive or unacceptable in today's economic climate.

1.2.3. Adoption of the Long-Term Plan and Rates Resolution

Council heard oral submissions on 25th and 26th May 2021. Deliberations were then held on 26th and 27th May 2021, and 2nd June 2021. On 30th June 2021 Council adopted the Long-Term Plan 2021-31 and passed the rates resolution.

1.3 Recognition of incomplete information in LTP Consultation Document

In September 2021 Council issued information to the community recognising that the increase in rates for 2021/22 was higher than had been advised in the LTP Consultation Document. The Consultation Document stated that Council needed to collect an extra 17.9% to fund the proposed programme of work for the 2021/22 year. This percentage was an increase in costs, rather than the increase in rates revenue. It did not highlight the impact of the previous year's rates holiday.

The increase in rates revenue is a year-on-year increase of \$4.6M excluding GST or 29% in the amount required to be collected from ratepayers compared to last year. The increase of 29% is because Council needs to collect all of the costs of Council for the 2021/22 year, unlike last year where Council borrowed part of it.

Compounding this, is the 2021/22 revaluation of land and capital values, seeing a redistribution of values across urban and rural, resulting in an additional uplift for some ratepayers.

Council sincerely apologised that the impact of the rates holiday was not adequately explained in the Consultation Document and acknowledged that the message should have been clear.

Council noted that the rates had been set in accordance with the LTP and were payable. However, as Council had not provided the full picture on the rates increase it committed to considering options to ease the rates burden by considering ways to reduce the budget and rates this year.

2. Options for reducing the budget and rates for 2021/22

When making a decision, Council is required under the Local Government Act 2002 to identify all reasonably practicable options to achieve its objective and to assess the advantages and disadvantages of those options. The options for reducing the budget and rates for the 2021/22 are:

- Making significant reductions in costs and levels of service via an amendment to the LTP and resetting rates based on the amended LTP
- Making reductions in costs that do not significantly reduce levels of service and resetting rates
- Making reductions in costs that do not significantly reduce levels of service and carrying over savings to the next financial year

2.1 Significant reduction in costs and levels of services (LOS)

2.1.1. Strategic framework to 2050

In accordance with the LGA, the 2021-31 LTP:

- Sets the strategic direction of the Council, providing a long-term focus for our decisions, activities, funding and financing.
- Describes the Community Outcomes for the South Wairarapa District – what Council wants to achieve for the community.
- Describes the activities of Council, setting out what we will do in the next 10 years and beyond and what the cost of those activities will be.
- Provides a basis for Council to be accountable to the community.
- Through the consultation process has allowed the public to participate in decision-making processes on activities to be undertaken by Council.

This Council developed a new strategic framework to 2050 as part of its LTP and Spatial Plan work to capture the long term aspirations for the district, provide a clear path to meet those aspirations and so deliver on the one of the purposes of local government under the LGA; to promote social, economic, environmental and cultural wellbeing.

Council implements its strategic direction through the delivery of services. As part of the Long Term Plan council agreed eight significant activities that align with council's strategic framework. Each of these activities has levels of service that are important to the delivery of the activity and our community outcomes, and which represent high costs, risks or value to the community. There are Key Performance Indicators for each level of service that help us monitor if we are achieving service levels, and targets that assist in achieving service levels.

The quantity and quality of each level of service translates into costs – generally the higher the service the higher the cost. In a number of cases, the minimum levels of service are determined by statutory and regulatory compliance.

The Infrastructure Strategy identified the need to continue the increase in investment that began in 2020/21, in water, roading and amenity infrastructure in order to meet the demands placed on our ageing assets.

2.1.2. Significant Activities and Levels of Service (LOS)

As part of the LTP council agreed the following significant activities and LOS.

Governance

This activity includes democratic representation, strategic planning, and policy development. The LOS are:

- Council supports and enables good decision- making resulting in decisions that are transparent, robust, fair and legally compliant
- Council provides opportunities for community engagement
- The community has confidence in the quality of democracy and representation provided by elected members

Finance and Corporate Support

This activity includes finance and corporate compliance, human resources, corporate support, communications, business continuity and emergency management. The LOS are:

- Council is financially prudent
- People are prepared for a civil defence emergency
- Council's processes and decision making is open and transparent
- Council's website is effective in supporting self-service

Planning and Regulatory Services

This activity includes resource management planning, public nuisance and health, alcohol and food licencing, animal control, noise control, and building consenting. The LOS are:

- All resource consents will be processed efficiently
- Council has a District Plan that provides certainty of land use/environmental outcomes
- It is easy to purchase information on any property in the district
- Food services used by the public are safe
- The sale and supply of alcohol is controlled and responsible drinking is promoted
- The Council will respond when I need some help with noise control
- Dogs don't wander freely in the street or cause menace or hard to humans or stock
- Stock don't wander on roads, farmers are aware of their responsibilities
- Council certifies all consented work complies with the NZ Building Code ensuring our communities are safe

- Council processes, inspects and certifies building work in the district

Community Facilities and Services

This activity includes council facilities including libraries, solid waste and recycling, and community and economic development. The LOS are:

- Council provides community facilities and spaces that encourage community use
- Council promotes the waste management hierarchy “reduce, reuse, recycle, reprocess, treat, dispose”
- Refuse collection and disposal meets the needs of the community
- Council supports the community to improve their social, cultural and environmental wellbeing
- Council supports economic wellbeing

Land Transport

This activity includes roading and footpaths. The LOS are:

- The roads are maintained to ensure that they are safe and comfortable to travel on
- Footpaths can be safely used to get around town

Water Supply

This activity includes water supply and water races. The LOS are:

- Potable water demand
- The Council provides reliable and safe drinking water supplies
- The water provided is safe to drink
- Customer satisfaction measures
- Fault response times where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system
- There is adequate water for urban fire fighting
- Maintenance of the reticulation network

Wastewater

The LOS are:

- Council provides wastewater services that effectively collect and dispose of wastewater
- Wastewater disposal does not create any smells, spill or health issues and causes minimal impact on the natural environment

Stormwater Drainage

The LOS are:

- Stormwater drains are well operated and maintained by the Council
- Consent compliance measures.

2.1.3. Significantly reducing LOS

In order to reduce rates significantly, LOS would need to be significantly reduced. Council would be required to amend the LTP and reconsult with the community, in accordance with section 97 of the Local Government Act 2002.

97 Certain decisions to be taken only if provided for in long-term plan

- (1) This section applies to the following decisions of a local authority:
 - a. decision to alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the local authority, including a decision to commence or cease any such activity;
 - b. a decision to transfer the ownership or control of a strategic asset to or from the local authority.
- (2) A local authority must not make a decision to which this section relates unless—
 - a. the decision is explicitly provided for in its long-term plan; and
 - b. the proposal to provide for the decision was included in a consultation document in accordance with section 93E.

In order to avoid a spike in rates in outer years, LOS would be reduced for the 10 year period of the LTP, or until such other time that the LTP was amended. It is important to note that some LOS, such as regulatory and health LOS, cannot be reduced. Council facilities and services, parks and reserves maintenance, and solid waste (refuse and recycling) are outsourced and bound by contractual obligations. A reduction in LOS in these areas may not be able to be put in place for some years and there may be cost implications in varying contracts.

A significant reduction in rates through a reduction in LOS may be achieved across Council services and facilities, for example:

- Pushing the date to achieve compliance of drinking water standards out for 2-3 years
- Accepting more water and wastewater breakages and potential sewage overflows
- Reducing the frequency of grading on rural roads or further pushing out the review of our bridges
- Closing libraries and looking at providing one for the district
- Closing swimming pools and looking at providing one for the district

- Reducing the number of times public toilets are cleaned, parks are mown, public bins are emptied
- Reducing playground maintenance and/or not replacing damaged equipment

2.1.4. Ability to reset the rates to take effect this financial year 2021/22

The LTP could be amended to take effect this financial year and rates could be reset in accordance with section 119 of the Local Government (Rating) Act 2002.

119 Local authority may set rates again

- (1) A local authority may set a rate again in the financial year in which the rate was set.
- (2) Subsection (1) applies if—
 - (a) the local authority determines that it is desirable to set the rate again because of—
 - (i) an irregularity in setting the rate; or
 - (ii) a mistake in calculating the rate; or
 - (iii) a relevant change in circumstances; and
 - (b) setting the rate again will not increase the amount of rates assessed to any rating unit.

The above provisions give Council the ability to revise the programme of works, and the funding mechanisms applied, provided rates will not increase for any rating unit.

To take effect this year, the rates would be reset for the last quarter by May 2021 and for those who have already paid their rates, the amounts would be credited to future payments and ratepayers issued with new rates statements. Note that an amended LTP would need to be audited and this would depend on the availability of auditors.

2.1.5. Impacts of resetting the rates to take effect this financial year 2021/22

Amending the LTP and resetting the rates this year would require Council to commence work immediately in order to develop a draft amendment and budgets for consultation with the community. The consultation document would need to be audited in mid-January 2022 prior to consultation commencing at the beginning of February. The draft LTP amendment would need to be audited in late March/April for adoption and setting of rates by May. This work would run alongside the development of the Annual Plan which would be Year 2 of the LTP.

This timeframe may be achievable but would impact significantly on Council's workplan, particularly for the Finance, Communications and Policy and Governance teams. A number of projects would need to be postponed, including the rating review, IT system upgrade, engagement with Māori and the wider community on Māori wards, policy review programme and review of Council's Standing Orders.

It is likely that external resource would be required to assist in the development of the amended LTP and there are additional costs for consultation and production of the

document. There are costs and resource implications for resetting the rates, including system changes and communications, estimated at \$15,000.

2.1.6. Amending the LTP for next financial year 2022/23

Rather than amend the LTP and reset the rates to take effect this financial year, the LTP could be amended to take effect next financial year. Ratepayers would not see cost savings this year but cost savings would accrue in subsequent years. This work would need to commence immediately but the timeframes would be adjusted for adoption in June. This would not materially affect the impacts identified above, however, the additional costs for resetting the rates this financial year would be saved.

2.2 Reduction in costs in this financial year while maintaining LOS and resetting rates

Council can consider savings able to be made in the current financial year without impacting on the current LOS.

Section 96 of the Local Government Act 2002 clarifies that the LTP it is a document that states Council's intentions for the next 10 years. It does not constitute a decision to act; Council does not need to do everything proposed in the LTP.

96 Effect of resolution adopting long-term plan or annual plan

- (1) The effect of a long-term plan and an annual plan adopted by a local authority is to provide a formal and public statement of the local authority's intentions in relation to the matters covered by the plan.
- (2) A resolution to adopt a long-term plan or an annual plan does not constitute a decision to act on any specific matter included within the plan.
- (3) Subject to [section 80](#), and except as provided in [section 97](#), a local authority may make decisions that are inconsistent with the contents of any long-term plan or annual plan.²

As part of the development of the LTP, Councillors asked officers to propose a programme of work designed to meet the LOS. This needs-based approach resulted in a budget that continued to address underinvestment across all aspects of Council activities. Council was aware of the pressures to deliver in all areas at the same time as needing to keep rates affordable. The programme did not, therefore, include much in the way of non-essential or necessary activities.

Officers have reviewed the operational and capital budgets for each cost centre, along with the funding mechanism, with the intention of identifying savings that are able to be made in this financial year whilst at the same time maintaining LOS.

² Refer to section 80 of the Local Government Act 2002 below.

In some areas, like water supply, wastewater, stormwater, and roading, increasing costs and a lack of investment in previous years means cost savings are not possible in this current year if LOS are to be maintained.

Costs associated with the Finance and Corporate Support activity support the delivery of the whole Council work programme and include the communications, human resources, information technology, customer service, and finance functions. These costs indirectly support the delivery of the LOS and are allocated across all activities as internal charges and overheads.

Officers have given consideration to staffing within council and believe there is no additional capacity, with staffing levels only sufficient to deliver the LOS required at best. Any reduction to staffing levels would take several months to implement and come at a cost to council in terms of severance payments, and a likely increase in staff turnover. Due to the lag in implementation of staff reductions, coupled with labour shortages in key local government areas, this strategy would be unlikely to have any material cost saving impact on the current financial year.

Council facilities encompassing parks and reserves, swimming pools, cemeteries, playgrounds, maintenance and cleaning of public toilets, and solid waste (refuse and recycling) are all outsourced and bound by contractual obligations. Costs are unable to be reduced for this financial year in these areas.

2.2.1. Impact of reducing costs this financial year 2021/22 on future years' rates

It is important to note the impact of reducing costs this financial year will have an impact on future years:

- due to inflation and market driven supply and demand constraints, any deferment of necessary costs will result in higher costs, and therefore increased rates, in the future.
- Cost savings in this financial year, whether permanent or deferred, will have an upward impact on future years

The table below shows the reduction in rates if savings are made this financial year.

	2020-21 Annual Plan	2021-22 LTP	Increase	Cost Savings	Adjusted 2021-22	Adjusted Increase
	\$M	\$M		\$M	\$M	
Rates Required	15.4	19.9	29.2%	0.3	19.6	27.3%

The impact this would have on next year's rates (2022-23) if these savings are permanent are shown below:

	Adjusted 2021-22	2022-23 LTP	Adjusted Rates Increase
	\$M	\$M	
Rates Required	19.6	21.5	9.7%

If the savings made in 2021/22 are not permanent, but rather deferred, the impact on rates increases for 2022/23 is significantly higher than the 8.1% indicated in Y2 of the LTP as demonstrated below:

	Adjusted 2021-22	2022-23 LTP	Deferred Cost from 2021-22	Adjusted 2022-23 LTP	Adjusted Rates Increase
	\$M	\$M	\$M	\$M	
Rates Required	19.6	21.5	0.3	21.8	11.2%

2.2.2. Potential cost savings for this financial year 2021/22

Operational Costs

Officers have reviewed all operational costs and identified some savings that could be made this financial year.

Possible Savings

Adjust timing of additional resourcing	\$ 45,000
Delay commencement of the Representation Review until Y2	30,000
Delay commencement of the Rates Review until Y2	60,000
Adjust budget for Māori Liaison commencement	50,000
Delay the project to digitisation of historical files	40,000
Revise the Economic Development budget	45,000
Reduce budget for facilities repairs and maintenance	58,000
Total potential operational savings	\$328,000

This level of savings would result in the following annual reductions to ratepayers:

	Annual \$ Saving	Decrease in Rates	Revised Average Rates	Unadjusted Rates increase
Urban	-\$54.12	-1.52%	22.52%	18.06%
Commercial	-\$61.41	-1.47%	25.42%	24.37%
Rural	-\$57.04	-2.46%	30.33%	23.53%

Capital Costs

Officers have reviewed the capital programme of works in relation to project timing and remain confident of full delivery in this financial year.

Officers have also reviewed the project funding mechanism as this can have an impact on rates.

Capital costs can be funded in four ways:

1. Directly through rates
2. Raising new debt

3. Through the use of reserves (usually depreciation reserves, restricted or infrastructure reserves built up from developer contributions)
4. A combination of the above

In deciding on the type of funding, officers took treasury implications into account, and after the review considered the current funding mechanisms to be the best option for each project.

Other

Council has an existing rural roading reserve which was created to help offset the costs of any emergency works as a result of an unforeseen weather event or natural disaster. Ratepayers contribute \$300k each year to build this reserve. The LTP indicated the balance in this reserve at 1st July 2021 to be \$1.19M.

If Council considers this amount to be sufficient to mitigate risk it could decide to remove or reduce the contribution for 2021/22.

Officers have considered suggestions that council owned assets could be sold to reduce rates. Net proceeds from the sale of assets, once any costs and debt repayment and selling fees were deducted, would usually go to the District Property Reserve for the purpose of town centre development. Using proceeds from the sale of assets to offset operational costs and reduce rates would have the same effect as the borrowing in 2020/21. Unless the cost is a one-off, it would create an uplift to rates revenue in the following year.

2.2.3. Resetting the rates for 2021-22 financial year

Council is able to reset the rates in accordance with section 119 of the Local Government (Rating) Act to reflect savings identified above.

2.2.4. Impacts of resetting the rates to reflect savings to take effect this financial year 2021/22

To give effect to this option, Council could make a decision to amend the activities identified and agree to set the rates. This could be actioned any time prior to the last quarter rates instalment in May 2022.

Other than the implications on the work programme necessary to achieve the cost savings, there are minimal resourcing impacts on the work programme associated with this option. There are costs and resource implications for resetting the rates, including system changes and communications, estimated at \$15,000.

2.3 Reduction in costs this financial year and carrying over savings to next year

Rather than reducing costs this financial year and resetting the rates Council could choose to carry over any savings made to offset the rates for the 2022/23 financial year. This would be on the basis of maintaining LOS throughout the year. Note however, minor reductions to LOS (if identified throughout the year) could be made without triggering an amendment to the LTP under section 97 of the LGA. If the changes are lesser than section 97 but still significantly inconsistent with the LTP,

Council must identify this when it makes the decision adopting the changes, in accordance with section 80:

80 Identification of inconsistent decisions

- (1) If a decision of a local authority is significantly inconsistent with, or is anticipated to have consequences that will be significantly inconsistent with, any policy adopted by the local authority or any plan required by this Act or any other enactment, the local authority must, when making the decision, clearly identify—
 - a. the inconsistency; and
 - b. the reasons for the inconsistency; and
 - c. any intention of the local authority to amend the policy or plan to accommodate the decision.

2.3.1. Impacts of carrying over savings to next financial year 2022/23

Ratepayers would not see the benefit of cost savings this year through a reduction in rates but cost savings made this year would be realised next year.

This option has the benefits of the previous option with additional cost savings from not resetting the rates, estimated at \$15,000.

3. Ratepayer assistance and affordability

Council has several tools available to assist ratepayers who are finding it difficult to pay their rates.

Ratepayers are increasingly choosing to pay their rates by direct debit. We offer ratepayers the option to spread their rates payments by offering 2 weekly payment days, as well as fortnightly, and quarterly instalments.

Remission of Rates Policy stops penalties being applied if a ratepayer contacts us and commits to a payment plan. Under this policy rates can be spread over a longer period than 12 months.

The Department of Internal Affairs offers a Rates Rebate scheme for low-income ratepayers. If eligible, ratepayers can get up to \$665 off their rates.

Rates postponement is also an option in situations where homeowners are experiencing extreme financial hardship.

The Finance Audit and Risk committee meeting held on 6th October 2021 reported:

- A decrease in the number of properties (70) with outstanding rates compared to the same time last year
- 39% of rateable properties are paying by direct debit, an increase of 67% from the same time last year
- An increase in ratepayers applying for rates rebates, with 195 rebates processed as at 31st August 2021, compared to a total of 363 for last year

- 19 ratepayers on a payment plan compared to 13 at the same time last year (note: to date there have been no new payment plans put in place this financial year)

4. Conclusion

Council undertook to consider options to ease the rates burden by considering ways to reduce the budget and rates this financial year. Officers have identified three options:

- Making significant reductions in costs and levels of service via an amendment to the LTP and resetting rates based on the amended LTP
- Making reductions in costs that do not significantly reduce levels of service and resetting rates
- Making reductions in costs that do not significantly reduce levels of service and carrying over savings to the next financial year

In addition, there is an option to make reductions in costs and levels of service via an amendment to the LTP to take effect next financial year.

Officers recommend Council considers the options and agrees a preferred position to discuss with the community at public meetings scheduled for early November. Council will then be able to make a final decision on this matter at a future meeting.

Contact Officer: Harry Wilson, Chief Executive Office

Reviewed By: Katrina Neems, Chief Financial Officer

Karen Yates, General Manager Policy and Governance