



Financial Policies: Rating Review

Statement of Proposal

We are reviewing a group of our financial policies as required under Section 102 of the Local Government Act 2002 (LGA).

The policies being reviewed include the:

- Remission policies, proposing to combine the Remission of Rates Policy, Water by Meter Leak Write-off Policy and the Coastal Erosion Policy into a single policy.
- Remission and Postponement of Rates on Māori Freehold Land Policy.
- Revenue and Financing Policy, which sets how rates are structured.

The policies guide how decisions are made to set rates in the Long-Term and Annual Plans, who is eligible for postponement or remission of rates once set, and how they can apply for postponement or remission.

We're proposing a few changes and need your feedback so we can ensure the policies reflect the views of the community.

Remission of Rates Policy

To allow rate relief where it is considered fair and reasonable to do so, Council is required to adopt a policy specifying the circumstances under which rates will be considered for remission. There are various types of remission, and the circumstances under which a remission will be considered for each type may be different.

1. Our proposal

The main change we are proposing is combining three policies into one policy for simplicity for both council officers and customers who are looking for the information and want to understand the remissions process.

2. Summary of key changes

- Combination of the Remission of Rates Policy, Water by Meter Leak Write-off Policy and the Coastal Erosion Policy into a single policy.
- Change the statement 'Ratepayers who own or occupy rating units, which have some feature of cultural, natural or historic heritage which is voluntarily protected, may qualify for a remission of rates under this section of the policy' to add '**rating units that are protected under the Combined District Plan as a site of significance for Māori**'.
- Minor editorial and formatting improvements have been made to make the policy easier to

understand.

- Consistency of language and terms have been applied.

3. Draft policy

A draft of the proposed policy is included in this statement of proposal.

Remission and Postponement of Rates on Māori Freehold Land Policy

This policy is a requirement of section 102 of the Local Government Act 2002. It recognises that certain Māori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide relief from rates. It also recognises that the Council and the community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered uncollectable.

1. Our proposal

To continue to have a policy as requirement of section 102 of the Local Government Act 2002 with minor editorial changes for clarity.

2. Summary of key changes

- Minor editorial and formatting improvements have been made and consistency of language and terms have been applied.

3. Draft policy

A draft of the proposed policy is included in this statement of proposal.

Revenue and Financing Policy

The Revenue and Financing (R&F) Policy sets out how the total rates are to be allocated between different groups of ratepayers. It does not change the amount of rates collected.

The draft policy outlines the choices Council has in deciding the appropriate sources of funding for operating and capital expenditure from the sources listed in the Local Government Act 2002 (LGA). The draft policy also shows how the Council will comply with section 101(3) of the LGA which sets out several factors we must consider when making these decisions.

Council has had to consider the following when developing this draft policy:

- Community outcomes; social, economic, environmental, and cultural,
- Legislation and legal implications,

- Ensuring transparency and maintaining accountability,
- Fair distribution of rates and,
- Intergenerational equity.

Where Council activities have a benefit to the whole district, they are funded through General Rates. Where Council activities are considered to benefit a group of ratepayers, they are funded through Targeted Rates charged to those ratepayers. In some cases, activities are considered to have some level of benefit to the whole district, but particularly to a group of ratepayers. In these cases, a proportion of the activity is funded through General Rates and the remainder through the Targeted Rate. The R&F policy sets out the proportions of each activity that, once income from fees and charges have been applied, are funded from General Rates and the proportion from Targeted Rates. These proportions have been reviewed by Council and can be seen in the draft policy.

1. Our proposal

This draft policy reflects many months of work undertaken by elected members together with Council officers and specialist advice in response to the call from the ratepayers of the South Wairarapa to make rates fairer across the district. This work began back in August 2022. We had specific feedback in our most recent Annual Plan consultation about the affordability and fairness of the rating model, with comments such as:

“...our proportion of proposed rates increase for urban and rural is very, very unfair.”

“We face a 28.9% rise in rates, nearly 3x that of our fully serviced neighbours across the fence. Is that fair? We think the SWDC needs to undertake an immediate review of the situation with lifestyle properties.”

We have also monitored requests for information through the Local Government Official Information and Meetings Act, had meetings with individual ratepayers who have specific concerns, and held a small informal workshop with community representatives who we believe we may not have heard from.

Council has not identified any particular groups of properties that any differentials should be applied to, but this might be identified through consultation. A differential is a mechanism, set in each Long Term and Annual Plan, to reduce or increase the share of rates paid for particular groups of properties/ratepayers. For example, a differential of 0.75 on a type of property would mean they are rated 75% of the rate, or a differential of 1.10 on a type of property would mean they are rated 110% of the rate. Differentials should be justified based on the benefits to that clearly identifiable group and the whole district. Differentials could be based on location, land use, or other determined criteria.

The draft policy outlines the approach taken and how the considerations have been applied.

2. Summary of key changes

These changes set out how the total rates are to be allocated between different groups of ratepayers. It does not change the amount of rates collected.

- General Rates:
 - Uniform Annual General Charge – change from split by rating unit to rating per separately used or inhabitable part.

- General Rate changing from based on land value to capital value.
- Targeted Rates:
 - Amenities targeted rate removed (funding to come from the general rates).
 - Economic Development rate added, levied on commercial properties (according to land use data from QV).
 - Footpath targeted rate added, levied on urban zoned properties.
 - Roading targeted rate added, levied across the district.
 - Stormwater targeted rate added, levied on properties within the stormwater asset network.
 - Infrastructure Emergency Resilience rate added, levied across the district.
- Major document restructure to give the reader an understanding of the decision tools council can apply.
- Formatting improvements have been made to make the policy easier to understand.
- Consistency of language and terms have been applied.

3. Draft policy

A draft of the proposed policy is included in this statement of proposal.

Financial Policies: Rating Review Consultation Questions

1. Remission of Rates Policy

Under the Local Government (Rating) Act 2002, land owned or used by a society or association, for games or sports, should pay no more than 50% of their general rates. Participating in sporting activity has known benefits to community wellbeing and Council are interested in hearing your thoughts on the rates remission for community games or sports grounds.

- a. **Do you think that the rates remission on general rates for community games or sports grounds should change from 50% to 100%?**
- b. **Do you have any other feedback on the draft Remission of Rates Policy?**

2. Remission and Postponement of Rates on Māori Freehold Land Policy

Council notes that an addition to the proposed Remission of Rates Policy, enables remissions to sites of significance to Māori, as described in the Combined District Plan, that are not on Māori Freehold Land.

- a. **Do you have any feedback on the draft Remission and Postponement of Rates on Māori Freehold Land Policy**

3. Revenue and Financing Policy

3.1 Capital Value or Land Value?

Council is proposing a change from rating on capital value instead of land value. No system is ideal, however on balance, Council believes that capital value is fairer than land value. Considering the overall rating impacts across different groups of ratepayers and individual properties, Council considers capital value represents a better correlation to ability to pay than land value.

What is the difference between capital value and land value?

Capital value is the total value of the land and improvements, i.e. the land and any buildings on the

land. Land value is the value of the bare land.

- a. Do you agree with Council's proposal to change the general rate to capital value from land value?**

3.2 Who should pay for footpaths?

Footpaths help our communities stay connected locally and support us to move around without relying on vehicles. Council is proposing a change to the way footpaths are funded. This change recognises that urban people benefit more from footpaths than those who live rurally.

- a. Do you agree with Council's proposal that 90% of the costs of footpaths should be paid by urban ratepayers and the remaining 10% by the district as a whole?**

3.3 Should we replace our Rural Road Reserve with an Infrastructure Emergency Resilience Fund?

Over the past two years, we have had many significant weather events that have impacted our communities. Council is proposing changing the Rural Road Reserve to an Infrastructure Emergency Resilience Fund. This is an expansion of the current Rural Road Reserve to cover more than just rural roads and would be collected from everyone, not just rural ratepayers.

Currently, the Rural Road Reserve is funded by rural ratepayers to cover emergency road repairs and has been used up. Council proposes to replace it with the Infrastructure Emergency Resilience Fund that would be collected from all ratepayers through a targeted rate based on capital value and would be used to repair infrastructure in an emergency that was not funded by central government. This amount would be set through the long-term or annual planning process.

This change recognises that rural roads have benefits for the whole community through tourism, recreation, and farming. This means that all ratepayers would be contributing to this fund, which would more fairly reflect the contribution from the whole community.

- a. Do you agree with Council's proposal to create an Infrastructure Emergency Resilience Fund through a targeted rate to all rates payers?**

3.4 Should dwellings used for short-stay accommodation e.g. Airbnb, Bookabach, or similar, contribute to the economic development rate?

Tourism is one of the fastest growing industries in the South Wairarapa and has an impact on the

wellbeing of our communities. To support tourism in the district, Council has an economic development targeted rate that is used to promote the region, its activities, and events. This is currently paid for by commercial and industrial properties.

Dwellings used for short-stay accommodation also benefit from the investment in economic development. Council is interested in hearing from the community if short-stay accommodation properties should therefore contribute to the economic development rate.

- a. Do you believe that dwellings used for short-stay accommodation should be included in the economic development rate?**

- b. How would you recommend that Council define and identify these dwellings, for example through self-identification or registration (fees may need to be collected to cover the administration costs)?**

3.5 Further Feedback?

Council is interested to hear any other ideas you may have on the proposed rating model that may not have already been captured.

- a. Do you have other further feedback on the draft Revenue and Financing Policy?**

How you can have your say

Tell us what you think before 15 October 2023 by:

- filling out the online feedback form on our website www.swdc.govt.nz
- emailing your feedback to submissions@swdc.govt.nz
- dropping your feedback form at the Council Office at 19 Kitchener Street Martinborough or any of the district libraries
- posting your submission to: Policy and Governance Team, South Wairarapa District Council, PO Box 6, Martinborough 5741

Please include your name and email address if you want to speak in support of your submission at a Hearings Committee meeting. These hearings are currently scheduled for Thursday 26 October and we will contact you to arrange a presentation time. Although we do our best to accommodate time preferences, we cannot always be flexible.

Privacy statement

Your name and feedback will be in public documents. All other personal details will remain private.

The Privacy Act 2020 applies when we collect personal details. Any details that are collected will only be used for the purposes stated. You have the right to access and correct any personal information we hold.



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

Remission of Rates Policy

Date of Approval	29 June 2011
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Business Owner	Chief Executive
Policy Sponsor	General Manager, Finance
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Remission of Rates Policy

1. Relevant Legislation

- » [Local Government Act 2002](#)
- » [Local Government \(Rating\) Act 2002](#)
- » [Te Ture Whenua Māori Act 1993](#)

2. Introduction and Purpose

In order to allow rate relief where it is considered fair and reasonable to do so, the Council is required to adopt policies specifying the circumstances under which rates will be considered for remission. There are various types of remission, and the circumstances under which a remission will be considered for each type may be different. The conditions and criteria relating to each type of remission are therefore set out separately in the following pages, together with the objectives of the policy.

3. Scope

This policy applies to all ratepayers in the South Wairarapa district who meet the defined circumstances.

4. Policy Statement

4.1. Remission of Penalty Rates

4.1.1. Objectives

- » To enable Council to act fairly and reasonably in its consideration of rates which have not been received by the due date.
- » To provide relief and assistance to those ratepayers experiencing financial hardship.
- » To encourage an efficient payment regime, recognising the significant benefits accruing by ratepayers using the direct debit payment system.

4.1.2. Criteria and Conditions

Council will consider each application on its merit and remission may be granted where it is considered that the application meets the following criteria and conditions.

- » Council will remit penalty rates where it is demonstrated that penalty rates have been levied due to an error by Council.
- » Remission of one penalty will be considered in any one rating year where payment had been late due to significant family disruption. Significant family disruption is likely to be the ratepayer, or a member of the household being affected by serious illness, serious accident, hospitalisation, or death.
- » Remission of penalty may be granted if the ratepayer is able to provide evidence the late payment has resulted from matters outside their control. Applications under

these criteria will only be accepted if the ratepayer has a history of regular payments of rates and has not incurred penalty rates in the previous two years.

- » Remission of penalty rates will be considered for those ratepayers who due to financial hardship, are in arrears and who have entered into an agreement with Council to repay all outstanding and current rates. This repayment scheme will generally be for a period of up to 12 months. Penalty rates remission will not be considered if the agreement plan is not being adhered to, or a prior repayment scheme has not been adhered to.
- » Remission will be considered if a new owner receives penalty rates through the late issuing of a sale notice, a wrong address on the sale notice or late clearance of payment by the Solicitor on a property settlement. This only applies to penalty rates incurred on one installment. Future installments do not qualify under these criteria.
- » Application for remission of penalty rates must be in writing using the prescribed form.
- » Penalty rates will not be considered for remission if the penalty rates were incurred in a previous rating year, regardless if the application otherwise meets the criteria.
- » Where a ratepayer agrees to pay rates by direct debit on a weekly, fortnightly, monthly, or quarterly basis, no penalties will be charged if the rates for the financial year have been paid in full prior to 30 June in the rating year.

4.1.3. Delegation

Council delegates the authority to remit penalty rates to the Chief Executive Officer or the General Manager Finance.

4.2. Remission of Rates for Land Used by Sporting, Recreational and Community Organisations

4.2.1. Objectives

- » To facilitate the ongoing provision of non-commercial sporting, recreational and community services that meet the needs of the residents of the district.
- » To provide indirect financial assistance to community organisations.
- » To make membership of the organisation more accessible to the general public, particularly disadvantaged groups. These may include children, youth, young families, aged people, and economically disadvantaged people.

4.2.2. Criteria and Conditions

- » This policy will apply to land owned by the Council or owned or occupied by a not for profit organisation, which is used exclusively or principally for sporting, recreation or community purposes.
- » Council will remit 50% of rates, (current legislation), with the exception of targeted rates, for organisations that qualify under this policy, and with the exception of Rural

Halls which will receive 100% remission. Sporting organisations will qualify for 50% remission regardless of whether they hold a current license under the Sale and Supply of Alcohol Act 2012.

- » The policy does not apply to organisations operated for pecuniary profit or which charge tuition fees.
- » The policy does not apply to groups or organisations whose primary purpose is to address the needs of adult members (over 18 years) for entertainment or social interaction, or who engage in recreational, sporting or community services as a secondary purpose only.
- » Applications for remission must be made to the Council prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated. All rating units that have remissions in place at 1 July 2002 are not required to make an application.
- » Organisations making an application should include the following documents in support of their application: information on activities and programmes, details of membership and statement of objectives.
- » Remissions will apply to the following rating year and will not be retrospective.
- » Remissions will remain in force until the purposes of the organisation change such that the criteria is no longer met. No annual applications are required following the granting of a remission.

4.2.3. Delegation

Council delegates the authority to remit 50% of rates (current legislation) for sporting, recreational and community organisations to the Chief Executive Officer or the General Manager Finance.

4.3. Remission of Rates on Land Protected for Natural, Historical or Cultural Conservation Purposes

4.3.1. Objectives

- » To preserve and promote natural resources and heritage.
- » To encourage the protection of land for natural, historic, or cultural purposes.

4.3.2. Criteria and Conditions

- » Ratepayers who own or occupy rating units which have some feature of cultural, natural, or historic heritage which is voluntarily protected, or that are protected under the Combined District Plan as a site of significance for Māori, may qualify for remission

of rates under this part of the policy.

- » Land that is non-rateable under section 8 of the Local Government (Rating) Act and is liable only for rates for water supply, wastewater disposal or refuse collection will not qualify for remission under this part of the policy.
- » Applications must be made in writing. Applications should be supported by documentary evidence of the protected status of the rating unit e.g., a copy of the covenant or other legal mechanism. Receipt of evidence of protection without a written application will not be considered.
- » In considering any application for remission of rates under this part of the policy the Council will consider the following criteria:
 - » The extent to which the preservation of natural, cultural, or historic heritage will be promoted by granting remission of rates on the rating unit.
 - » The degree to which features of natural, cultural, or historic heritage are present on the land.
 - » The degree to which features of natural, cultural, or historic heritage inhibit the economic utilisation of the land.
- » In granting remissions under this part of the policy, Council may specify certain conditions before remissions will be granted. Applicants will be required to agree in writing to these conditions and to pay any remitted rates if the conditions are violated.
- » Council will decide what amount of rates will be remitted on a case-by-case basis. Remissions will apply to the following rating year and will not be retrospective.

4.3.3. Delegation

Applications for the remission of rates for protection of heritage will be considered by Council.

4.4. Remission of Uniform Annual General Charge in Certain Circumstances

4.4.1. Objectives

- » To encourage continued subdivision activity by providing rates relief to new subdivisions by limiting the rates impact of multiple Uniform Annual General Charges (UAGCs).
- » To assist ratepayers who have multiple rating units that are contiguous and used as a single farming operation.

4.4.2. Criteria and Conditions

- » For subdivision purposes, this policy will apply to land that is:

- » subdivided into two or more lots; and
- » where title has been issued; and
- » the unsold lots remain in common ownership.
- » Remission will be the charge for each unsold lot except one.
- » For multiple rating units, this policy will apply to land that is:
 - » owned by the same person or persons; and
 - » used jointly as a single unit (including being used as part of the same farming operation); and
 - » contiguous or separated only by a road, railway, drain, water race, river, or stream.
- » Remission will be the UAGC for each unit except the main farm residence unit. Remissions will apply to the following rating year and will not be retrospective.

4.4.3. *Delegation*

Council delegates the authority to remit UAGCs to the Chief Executive officer or the General Manager Finance.

4.5. Remission of Reserves and Civic Amenities Charge

4.5.1. *Objectives*

- » To encourage continued subdivision activity by providing rates relief to new subdivisions by limiting the rates impact of multiple Reserves and Civic Amenities Charges (UACs).
- » To assist ratepayers who have multiple rating units that are contiguous and used as a single farming operation.
- » To provide relief to rural farming properties for a vacant unit used as a run-off.

4.5.2. *Criteria and Conditions*

- » For Subdivision purposes, this policy will apply to land that is:
 - » subdivided into two or more lots; and
 - » where title has been issued; and
 - » the unsold lots remain in common ownership.
 - » Remission will be the charge for each unsold lot except one.
- » For multiple rating units, this policy will apply to land that is:
 - » owned by the same person or persons; and
 - » used jointly as a single unit (including being used as part of the same farming operation); and
 - » contiguous or separated only by a road, railway, drain, water race, river, or stream.
 - » Remission will be the UAC for each unit except the main farm residence unit.
- » For a run off unit, this policy will apply to one unit that is:
 - » used as a run-off for a farming operation. A separate application in writing must

- » be made for consideration of this remission.
- » Remissions will apply to the following rating year and will not be retrospective.

4.5.3. *Delegation*

Council delegates the authority to remit Reserves and Civic Amenities Charge to the Chief Executive Officer or the General Manager Finance.

4.6. Remission of Rates for Natural Disasters

4.6.1. *Objectives*

- » To provide relief to properties affected by natural disasters.

4.6.2. *Criteria and Conditions*

- » Council will remit rates to those properties identified according to the conditions and criteria set by central government.
- » The level of remission will be to the extent of funding provided by central government.

4.7. Remission of Excess Water Usage due to Water Leak

4.7.1. *Objectives*

- » To provide for the 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.
- » To set out fair procedures for the write off of water by meter charges where a leak has been detected and repaired.
- » To reduce overall consumption through identification and repair of leaks.

4.7.2. *Criteria and Conditions*

- » Current owners will be allowed one write off under this policy per financial year (1 July to 30 June).
- » A waiver will only be considered for the financial year which the current reading refers to.
- » The write off will only apply where the leak identified is of such magnitude that usage will exceed the allowance set for the financial year. For example, a slowly dripping tap is unlikely to result in excess usage.
- » Documentation of the repair is supplied in writing, for example by way of a plumber's invoice or a written and signed description of the repair work undertaken. The nature of the repair must indicate that excess usage is likely.
- » Where suspected excess usage is identified, a notice may be issued at the time of the meter reading. If this notice is not acted on within four weeks, then this policy will not apply.
- » A write off will be available due to council error, or the meter reading inaccurate usage.

- » Where suspected excess usage is identified, a notice may be issued at the time of the meter reading. If this a property changed ownership during the year, usage for the rest of that year will start from nil from the time of change of ownership.
- » If a write off is agreed, but the user has a history of usage in excess of the allowance, estimated usage (based on historical usage) amount will be calculated and invoiced.

4.7.3. *Delegation*

Council delegates the authority to remit access water usage charges to the Chief Executive Officer or the General Manager Finance.

4.8. Remission of Rates Due to Coastal Erosion

4.8.1. *Objectives*

- » To ensure a clear process exists to deal with the increased frequency of coastal erosion caused by adverse weather within our district.
- » To set out general procedures for council staff to manage rating units affected by coastal erosion ensuring a fair and transparent process.

4.8.2. *Criteria and Conditions*

- » Properties are inspected as they come to the attention of the council, generally as part of storm assessment.
- » Applications for rates remissions must be made in writing in the rating year the erosion occurs. All applications will be considered on a case by case basis.
- » Council at its discretion may remit or postpone any rates or charge wholly, or in part levied in respect of any property affected by coastal erosion, where it considers it fair and reasonable to do so.
- » Council will take into account:
 - » whether as a result dwellings or buildings previously habitable were made “uninhabitable” *
 - » the activity for which the land and/or buildings were used prior to the disaster is unable to be undertaken or continued
 - » the extent to which essential services such as water, or sewerage to any dwelling or building were interrupted and could not be supplied
 - » whether essential services such as water, or sewerage to any dwelling or building are able to be supplied
 - » whether any part of the property remains habitable or available for use.

*For the purposes of this policy “uninhabitable” shall mean:

A building cannot be used for the purpose it was intended due to a ‘s124 notice’ being issued under the Building Act 2004.

4.8.3. *Delegation*

- » Decisions on remissions under the policy will be delegated to the Chief Executive Officer.

- » On application they will direct the valuation provider to inspect the rating unit and prepare a valuation taking the new circumstances into account. As there are no statutory rights of objection or appeal for valuations of this nature then the valuation provider's decision will be final and apply for the new rating year.
- » Land abandonment – All effort will be made to encourage the initiation of a market sale over abandonment. Where land is abandoned, Council will resolve the issue under section 77 of the Local Government Rating Act (2002) taking a minimum of 4 years.
- » Rating obligations remain until remissions are granted in writing.

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**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

Remission and Postponement of Rates on Māori Freehold Land Policy

Date of Approval	29 June 2011
Policy ID	PI-FDT-005 (previously M800)
Business Owner	Chief Executive
Policy Sponsor	General Manager, Finance
Next Review	XXXXXXXX
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Remission and Postponement of Rates on Māori Freehold Land Policy

1. Relevant Legislation

- » [Local Government Act 2002](#)
- » [Local Government \(Rating\) Act 2002](#)
- » [Te Ture Whenua Māori Act 1993](#)

2. Purpose

- » To support the connection of mana whenua and Māori to their traditional lands and resources, and cultural values, where appropriate, through the relief from rates.
- » To recognise that certain Māori owned land may have particular conditions, features, ownership structures, or other circumstances that make it appropriate to provide for relief from rates.
- » To recognise that the Council and the community benefit through the efficient collection of rates that are properly payable and the removal of rating debt that is considered non-collectable.
- » To meet the requirements of section 102 of the Local Government Act 2002 to have a policy on the remission and postponement of rates on Māori freehold land.

3. Scope

This policy applies to all ratepayers in the South Wairarapa district who meet the defined circumstances.

4. Policy Process

- a) Application for remission or postponement under this policy should be made prior to the commencement of the rating year. Applications made after the commencement of the rating year may be accepted at the discretion of the Council.
- b) Owners or trustees making application should include the following information in their applications:
 - » Details of the rating unit or units involved.
 - » Documentation (e.g. a copy of the Certificate of Title) that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court.
- c) The Council may of its own volition investigate and grant remission or postponement of rates on any Māori freehold land in the district.
- d) Relief, and the extent thereof, is at the sole discretion of the Council and may be cancelled and reduced at any time.

- e) Council will give a remission or postponement of up to 100% of all rates for the year for which it is applied and subsequent years unless the status of the land changes or based on the extent to which the remission or postponement of rates will:
- » Support the use of the land by the owners for traditional purposes.
 - » Support the relationship of Māori and their cultural traditions with their ancestral lands.
 - » Avoid further alienation of Māori freehold land.
 - » Facilitate any wish of the owners to develop the land for economic use.
 - » Recognise and take account of the presence of waahi tapu that may affect the use of the land for other purposes.
 - » Recognise and take account of the importance of the land for community goals relating to:
 - » The preservation of the natural character of the coastal environment.
 - » The protection of outstanding natural features.
 - » The protection of significant indigenous vegetation and significant habitats of indigenous fauna.
 - » Recognise the level of community services provided to the land and its occupiers.
 - » Recognise matters relating to the physical accessibility of the land.
 - » Provide for an efficient collection of rates and the removal of rating debt.
- f) Council may review the status of Māori freehold land from time to time and advise ratepayers of a change in status if it is considered the land no longer meets the criteria for remission of rates.
- g) Decisions on the remission and postponement of rates on Māori freehold land may be delegated to council officers or a committee of the Council. All delegations will be recorded in the Council's delegation schedule.



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

Revenue and Financing Policy

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Business Owner	Chief Executive
Policy Sponsor	General Manager, Finance
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Revenue and Financing Policy

1. Relevant Legislation

- » [Local Government \(Rating\) Act 2002](#)
- » [Local Government Act 2002](#)
- » [Te Ture Whenua Māori Act 1993](#)

2. Purpose

This policy outlines the choices Council has made in deciding the appropriate sources of funding for operating and capital expenditure from those sources listed in the Local Government Act 2002 (LGA). The policy also shows how the Council complied with section 101(3) of the LGA which sets out a number of factors we must consider when making these decisions.

The outcome of balancing all these factors requires judgement over many facets of Council functions including but not limited to legal, transparency, accountability, affordability, efficiency social, and intergenerational equity, as well as providing for the financial sustainability of the activities undertaken.

3. Policy Principles

When making funding policy the Council must work through the process and matters set out in section 101(3) of the Local Government Act (LGA) including to have regard to the section 101(1) obligation to act prudently and in the interests of the community. The requirements of section 101(3) analysis is a two-step process, as discussed below.

4. First Step Considerations

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

- » Community outcomes to which the activity primarily contributes.
- » The distribution of benefits between the community, and any identifiable parts of the community and individuals.
- » Period in or over which benefits occur.
- » The extent to which actions or inactions of particular individuals or a group contribute to the need to undertake the activity.
- » The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

No single criterion has greater weight in law than the others, and these are explained in more detail below.

4.1. The community outcomes (wellbeing) to which the activity contributes.

Our community outcomes are:

Social - Residents are active, healthy, safe, resilient, optimistic and connected.

Economic - A place of destination, new business and diverse employment that gives people independence and opportunity.

Environmental - Sustainable living, safe and secure water and soils, waste minimised, biodiversity enhanced.

Cultural - Strong relationships with whānau, hapū and marae, celebrating diverse cultural identity, arts and heritage.

The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals (the beneficiary pays principle).

The community as a whole means all residents and ratepayers. For some of the Council's activities it is difficult to identify individual users, or people cannot be excluded from entry, or everyone benefits in some way from an activity (also known as "public good"). If the activity benefits the community as a whole, it is appropriate to fund that activity by the community as a whole, such as by general rate. If groups or individuals benefit, then costs can be recovered either by a targeted rate or user fees.

4.2. The Period over which those benefits are likely to occur – 'intergenerational equity' principle.

Many of the activities provided by local government are either network or community infrastructure (for example, roads and stormwater channels), which last for a long time. Benefits from infrastructure can be expected to last for the life of the asset. This matter requires consideration of how the benefits and costs for the assets are distributed over time, so that current-day ratepayers are not meeting the entire burden by paying for them now. This is illustrated in the diagram below.

The main tool for ensuring intergenerational equity is the use of debt, and then rating future ratepayers to service the debt. A decision not to borrow for new capital is effectively a decision that current ratepayers should meet the cost of services that future ratepayers will consume and should be made as a conscious policy choice.

4.3. The extent to which the actions (or inaction) of any individual or group may contribute to the need to undertake the activity.

This is the exacerbator pays principle which is that those groups whose actions or inactions give rise to a need to undertake a certain activity should contribute to the costs of that activity.

4.4. The costs and benefits of funding the activity distinctly from other activities.

Should the activity be funded from a general source (e.g., general rates or uniform charge) or from a targeted source such as user fees and charges, or a targeted rate. The choice between general and targeted rating requires consideration of the consequences for transparency and accountability. This might include:

- » The smaller the activity the less likely that funding it separately will be economic or practical.
- » Legal requirements may require an activity to be ring fenced.
- » An activity that may be of benefit to a subset of the community may be a stronger candidate for distinct funding.
- » Transparent rates may aid in the community seeing what they get for their money.

A comprehensive analysis of this is included in the **Funding Needs Analysis (FNA)- (Appendix 1)**.

After the activity-by-activity analysis, the Council undertakes an analysis of 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. The results of this analysis may vary the outcome of the activity-by-activity analysis.

A summary of tools proposed is set out in Table 1 below:

Activity/tools	General Rates	Basis for rating			Fees and charges:	Grants and subsidies:
		Differential	Value	Uniform		
Governance						
Governance	100%					
Finance and Planning						
Communications	100%					
Emergency management and civil defence	100%					
Planning and Regulatory Services						
District Plan (reviews and development)	90%				10%	
Resource consent appeals	100%					
Resource consent applications	20%				80%	
RMA monitoring and compliance	50%				50%	
Building consents					100%	
Public nuisance, health, and noise	100%					
Safe and sanitary buildings	100%					
Alcohol	25%				75%	
Safe food	25%				75%	
Animal Control -Dog control	20%				80%	
Stock control	10%				90%	
Community Facilities and Services						
Council facilities	85%				15%	
Cemeteries	80%				20%	
Senior Housing	20%				80%	
Libraries	100%					
Campgrounds					100%	
Camping areas	90%				10%	
Investment properties					100%	
Community development	100%					
Economic development	20%		80% (Capital)			
Solid Waste and Recycling						
Waste collection	10%			90%		
Closed landfill	100%					
Transfer stations	10%				90%	
Recycling				100%		
Land Transport						
Roading	20%		50% (Capital)	30%		Waka Kotahi subsidy
Footpaths	10%		90% (Capital)			
Cycle trails and cycleways	100%					
Stormwater Management	10%		90% (Capital)			
Stormwater Management	10%		90% (Capital)			
Water Supply						
Treatment and supply				100%		
Water races			100% (Land)			
Sewerage						
Reticulation				100%		
Treatment	20%			80%		

Table 1 above shows the degree to which each funding source is used to fund operating costs in relation to each activity to be funded, as required by section 101(3)(a) of the LGA. The ranges in **Table 1** are expressed as a percentage of the revenue budgeted to fund each activity and are indicative only. They may change over time because of changes in expenditure requirements. Actual funding sources may differ from the budgeted funding sources.

Capital expenditure for the following activities will be funded from the tools set out in **Table 2** below. The allocation between the various tools will be based on the type of expenditure and the available funds.

Activity	Tools to be used
Dog control	Loans, reserves, and general rates
Council facilities	Loans, reserves, financial contributions, grants and subsidies, and general rates
Cemeteries	General rates, fees & charges, grants & subsidies, loans & reserves
Senior Housing	General rates, fees & charges, grants & subsidies, loans & reserves
Libraries	General rates, fees & charges, grants & subsidies, reserves
Campgrounds	Fees & charges, reserves
Camping areas	General rates, fees & charges, grants & subsidies, reserves
Transfer station	General rates, fees & charges, loans, and reserves
Land Transport	General rate, targeted differential rate, fees & charges, grants & subsidies, financial contributions, loans & reserves
Stormwater	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Water supply	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Sewerage	Targeted differential rate, fees & charges, financial contributions, loans & reserves

The Council does not currently intend to use lump sum contributions nor development contributions under the Local Government Act 2002

5. Second Step Considerations

This step requires the Council to consider the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community. This second step requires consideration once the first step is completed and this is at the whole of Council level rather than at the activity level.

5.1. Capital Value

Having considered the overall rating impacts across both groups of ratepayers and individual properties, the Council will apply capital value (over land value) to general rates because in its opinion capital value represents a greater degree of use of Council's services. It also reflects a better correlation to ability to pay than land value. No system is ideal, however on balance Council believes that capital value has more benefits than land value.

5.2. Use of the Uniform Annual General Charge lever

The Council considered the impacts of rates on all groups of properties and including high value properties (those properties with a significantly greater than the average value) which generally pay significant rates and the use of a fixed (uniform) rate reduces the higher value properties but increase rates lower value properties. The greater the property value from the average the greater the impact. Therefore, the Council considers that the Uniform Annual General Charge (UAGC) should be between 20% and 30% based on the Local Government (Rating) Act 2002. The rationale for this approach includes that the benefit of almost all Council services and activities accrues to all properties equally, therefore Council considers all properties should contribute a relatively similar level regardless of the value of their property.

5.3. Cultural Wellbeing and Te Ture Whenua Māori Act (1993)

The Council will promote the retention of Māori land in the hands of its owners, their whanau, and their hapu; and to protect wahi tapu; and to facilitate the occupation, development, and utilization of that land for the benefit of its owners, their whanau, and their hapu. It will do this by way of rates remission on Māori Freehold Land that is not used, and it will also offer rates remission to general land that is owned by Māori, where that land and its ownership is the same in nature as Māori Freehold Land but has not been registered with the Māori Land Court. By the same in nature, the Council considers that multiple owners/trustees and the owners/trustees cannot be easily held liable for payment of rates (in the same manner as Māori Freehold Land).

6. Policy Statement

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

6.1. User Charges

User charges are applied to services where it is identified there is a benefit to an individual or group, or directly attributable cost. User charges are a broad group of fees charged directly to an individual or entity including but not limited to: hire, rent, lease, licences for

land and buildings, permits, regulatory charges, fines and penalties, connection fees, disposal fees, planning and consent fees, statutory charges, harbour, and landing fees.

The price of the service is based on a number of factors, including but not limited to:

- » The cost of providing the service.
- » The estimate of the users' private benefit from using the service.
- » The impact of cost to encourage/discourage behaviours.
- » The impact of cost on demand for the service.
- » Market pricing, including comparability with other councils.
- » The impact of rates subsidies if competing with local businesses.
- » Cost and efficiency of collection mechanisms.
- » The impact of affordability on users.
- » Statutory limits.
- » Other matters as determined by the Council.

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

6.2. Fees and charges

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

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

6.3. Grants, Sponsorship, Subsidies and Other Income

Grants, sponsorship, and subsidies are used where they are available. Many of these types of income are regular and predictable and can be budgeted for (for example Waka Kotahi roading subsidy). Some other types are unexpected or unpredictable and may not be able to be prudently budgeted (such as Provincial Growth Fund funding, reparation payments, civil defence and other reimbursements, legal settlements, and insurance claims). These are applied as they arise to the corresponding activity or project.

6.4. Investment Income and Proceeds from the Sale of Assets

The Council's approach to investments is documented in the Investment and Liability Management Policies. These investments generate income such as dividends, interest, and rents.

6.5. Development Contributions, Financial Contributions and Lump Sum Contributions

Development, financial, and lump sum contributions, relating to resource consents are collected and placed in a reserve fund. The use of this fund could include some operating costs. The Council does not currently take development contributions.

6.6. Reserve Funds

Reserve funds are used for the purposes that they were created. Reserve funds may be used to meet operating costs if the expenditure is consistent with the purpose of the fund.

6.7. Borrowing

The Council's approach to borrowing is documented in the Liability Management Policy. The Council generally plans to fund all cash operating costs from sources other than borrowing but may in specific circumstances, where it determines it is prudent to do so, fund some operating costs from borrowing.

Appendix I - Funding Needs Analysis

Activity	Considerations required by Section 101 (3) (a)					Proposed allocation		Rationale	Proposed Funding Sources	
	Community Outcome	User/beneficiary pays principle	Intergenerational equity principle	Exacerbator pays	Costs and benefits	Whole district	Part or individuals		Operational	Capital
Governance										
Governance	Social	Very low	Nil	Low	Low	100%	0%	All rate payers and residents have the ability to benefit from this activity	General rate	Nil
Finance and Corporate Support										
Communications	Social	Low	Nil	Low	Nil	100%	0%	All rate payers and residents have the opportunity to be informed and understand council activities	General rates and fees & charges for LGOIMA	Nil
Emergency management and civil defence	Social	Nil	Nil	Nil	Low	100%	0%	All people benefit from having civil defence and emergency management plans	General rate	Nil
Planning and Regulatory Services										
District Plan (reviews and development)	Economic	Low	Medium	Medium	Nil	90%	10%	The District Plan provides certainty for the use of the land and therefore benefits the whole district. However, private plan changes usually benefit the individual.	General rate, borrowings for District Plan changes and fees & charges for recovery of private plan changes	Nil
Resource consent applications	Social	High	Low	Low	Low	20%	80%	As the primary benefactor is the applicant, however, pre-application guidance and some advice is provided by Council.	Fees & charges& general rates	Nil
Resource consent appeals	Social	High	Low	Low	Low	100%	0%	As the primary benefactor is the submitter and there is no legal ability to charge, recognising the court does have the ability to impose costs.	General rate	Nil
RMA monitoring and compliance	Social	Medium	Low	High	Low	50%	50%	The monitoring benefits the whole district, non compliance is not meeting conditions by the consent holder	General rate and fees & charges (enforcement penalties)	Nil
Building consents	Social	High	Low	Low	Low	0%	100%	The primary benefactor is the applicant and subsequent building owners.	Fees & charges	Nil
Public nuisance, health and noise	Social	Low	Nil	High	Medium	100%	0%	There is significant public benefit in provision of services, however, penalties should be applied to those who do not comply.	General rate and fees & charges (enforcement penalties)	Nil
Safe and sanitary buildings	Social	High	Nil	High	Medium	100%	0%	The owner/occupier has not taken the reasonable steps to keep the building safe and sanitary, however, there is no ability to recover those costs and therefore the general rate is the only funding source.	General rate	Nil
Animal Control Dog control	Social	Medium to high	Medium	High	Low	20%	80%	The activity is because individual dog owners are not controlled and therefore safe. By having this activity, enhances safety for whole community.	General rates and fees & charges (enforceable penalties)	Loans, reserves and general rates
Animal Control Stock control	Social	Medium	Low	Very High	Low	10%	90%	There is assurance that the stock will be secured.	General rates and fees & charges (enforceable penalties)	Nil
Alcohol	Social	Medium	Low	High	Low	25%	75%	Because enforcement and monitoring is required, those costs should be recovered from users where possible, however, there is a benefit to the whole district in having a safe and enforceable alcohol policy.	General rates and fees & charges (enforceable penalties)	Nil
Safe food	Social	Medium	Low	High	Low	25%	75%	Because enforcement and monitoring is required, those costs should be recovered from users where possible, however, there is a benefit to the whole district in having a safe and enforceable safe food policy.	General rates and fees & charges (enforceable penalties)	Nil

Appendix I - Funding Needs Analysis

Activity	Considerations required by Section 101 (3) (a)					Proposed allocation		Rationale	Proposed Funding Sources	
	Community Outcome	User/beneficiary pays principle	Intergenerational equity principle	Exacerbator pays	Costs and benefits	Whole district	Part or individuals		Operational	Capital
Community Facilities and Services										
Council facilities	Social	Low	High	Low to medium	Medium	85%	15%	The whole of the district have the ability to use the facilities, therefore the majority of the district receive the benefit. There are some facilities that allow individual or exclusive use. There is an obligation to maintain heritage assets.	General rates and some fees & charges	Loans, reserves, financial contributions, grants and subsidies, and general rates
Cemeteries	Social	Medium	High	Low	Nil	80%	20%	The availability of a place of internment as does the heritage value. There is benefit to individuals in their ability to secure plots.	General rates, fees & charges, grants & subsidies	General rates, fees & charges, grants & subsidies, loans & reserves
Senior Housing	Social	High	High	Low to medium	Nil	20%	80%	The community have requested that we support this activity by the provision of affordable accommodation for people experiencing housing insecurity	General rates, fees & charges, grants & subsidies	General rates, fees & charges, grants & subsidies, loans & reserves
Libraries	Social	Medium	Low to medium	Low	Low	100%	0%	The library services provide holistic benefits across the whole of the district.	General rates, fees & charges, grants & subsidies	General rates, fees & charges, grants & subsidies, reserves
Campgrounds	Social	High	High	Low	Low	0%	100%	These are leased for commercial return.	Fees & charges	Fees & charges, reserves
Camping areas	Social	Medium	Medium to high	Low to medium	Low	90%	10%	The primary benefit is for the whole of the district however, there are flow on effects to the commercial sector as well as individuals using the facility.	General rates, fees & charges, grants & subsidies	General rates, fees & charges, grants & subsidies, reserves
Investment Properties	Economic	High	High	Nil	Nil	0%	100%	The purpose of the commercial investment is to provide a return for the ratepayer.	Fees & charges	Fees & charges, reserves and loans
Community development	Social	Low	Low	Low	Low	100%	0%	The whole community benefits from community development.	General rates, grants & subsidies	Nil
Economic development	Economic	Low	Low	Low	Low	20%	80%	There are three distinct groups that benefit from economic development: the whole district, all commercial enterprises, and targeted focus sectors.	General rates, differential targeted rates, grants & subsidies	Nil
Solid waste and recycling										
Waste collection	Environmental	High	Low	High	Low	10%	90%	The primary benefit is to the individual because of the convenience of waste collections, and contributes to a cleaner district.	General rates, differential targeted rates, fees & charges	Nil
Closed Landfill	Environmental	Nil	High	Low	Low	100%	0%	As these relate to a previous activity, Council cannot identify any beneficiary, therefore the whole district must pay for any subsequent costs.	General rates	General rates
Transfer stations	Environmental	High	High	Low	Low	10%	90%	The primary benefit for the users of the transfer station, however, there is a benefit for the whole district of the availability of the transfer station.	General rates, fees & charges	General rates, fees & charges, loans and reserves
Recycling	Environmental	High	Low	Medium	Low	0%	100%	The collection of recycling benefits the individual and the reuse of the materials, and the waste stream benefits the contractor.	Differential targeted rates, fees & charges Possible Grants & subsidies	Nil

Appendix I - Funding Needs Analysis

Activity	Considerations required by Section 101 (3) (a)					Proposed allocation		Rationale	Proposed Funding Sources	
	Community Outcome	User/beneficiary pays principle	Intergenerational equity principle	Exacerbator pays	Costs and benefits	Whole district	Part or individuals		Operational	Capital
Land Transport										
Roading	Economic	High	High	Medium to high	Low	20%	80%	People predominately use the roads for personal or economic purposes, and the wider community benefit from the roading corridor (essential services).	General rate, targeted differential rate, fees & charges, grants & subsidies	General rate, targeted differential rate, fees & charges, grants & subsidies, financial contributions, loans & reserves
Footpaths	Social	Medium	High	Low	Low	10%	90%	Everyone has the ability to use footpaths.	General rate, targeted differential rate, fees & charges, grants & subsidies	General rate, targeted differential rate, fees & charges, grants & subsidies, financial contributions, loans & reserves
Cycle trails and cycleways	Social	High	High	Low	Low	100%	0%	Everyone benefits from cycling and walking activities that makes our roads and footpaths safer. This also contributes to recreational values.	General rate, grants & subsidies	General rate, fees & charges, grants & subsidies, financial contributions, loans & reserves
Stormwater										
Stormwater Management	Environmental	Medium	High	Low to medium	Low	10%	90%	While reticulated stormwater properties receive benefit, the whole district receives benefit and accessibility.	Differential targeted rate	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Water Supply										
Treatment and supply	Social	High	High	Low to medium	Low	0%	100%	The user benefits from safe, clean and clear drinking water.	Differential targeted rate, fees & charges	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Water races	Economic	High	High	Low to medium	Low	0%	100%	Provides stock water, high urban amenity and for urban stormwater	Differential targeted rate, fees & charges	Targeted differential rate, fees & charges, loans & reserves
Sewerage										
Reticulation	Social	High	High	Medium	Low	0%	100%	Individual benefits from waste water removal	Differential targeted rate, fees & charges	Targeted differential rate, fees & charges, financial contributions, loans & reserves
Treatment	Environmental	Medium to high	High	Low	Low	20%	80%	Everyone benefits from improving the whole environment	Differential targeted rate	Targeted differential rate, fees & charges, financial contributions, loans & reserves