

EXPLANATION OF THE RATES INCREASE FROM YOUR COUNCIL



SOUTH WAIRARAPA DISTRICT COUNCIL
Kia Reretahi Tātau

3 September 2021

Most of South Wairarapa District's ratepayers have experienced high rates increases for this year, 2021/22. The increase is more than we had advised in the Long Term Plan (LTP) Consultation Document earlier this year.

Last year, Council wanted 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 we needed to rethink how we would achieve this. 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. The loan was used to fund the revenue shortfall, reducing the average rates increase for all ratepayers last year.

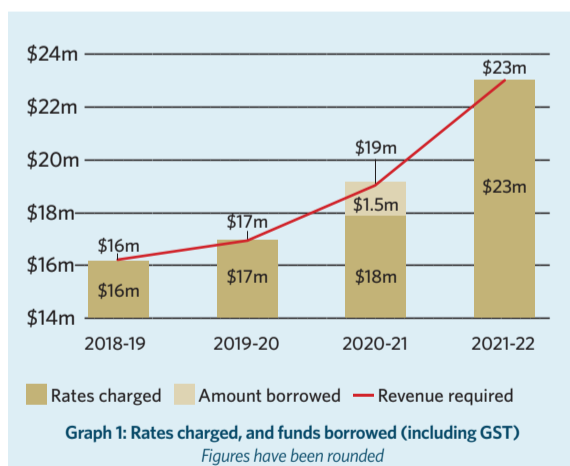
This was in effect a rates holiday for ratepayers for one year, and the borrowing would need to be repaid in the following years. Council cannot keep borrowing for what rates should fund.

This year Council needs to collect \$22.9M incl. GST from ratepayers to continue to fund necessary work. Last year we collected \$17.7M incl. GST from ratepayers. This is an increase of \$5.2M or 29% and includes the revenue shortfall from last year.

Our LTP Consultation Document indicated that Council needed to collect an extra 17.9%. This focused on the increase in cost, rather than the increase in rates revenue, and failed to highlight the impact of the previous year's rates holiday.

The increase of 29% is because we need to collect all of the costs of Council this year, unlike 2020/21 where we borrowed part of it. This is the impact that we didn't adequately explain in our consultation. And for this, we want to sincerely apologise. We acknowledge that the message should have been clear, and we are committed to absolute transparency in responding to the situation.

This graph demonstrates the annual rates charged to ratepayers and the one-off borrowing.



We have discussed the situation and our proposed response with the Office of the Auditor-General.

It is important to note that the Council has adopted the LTP and set rates as it is required to do. The rates have been assessed and are payable. The rates revenue is essential to fund the activities of Council that was committed to through the LTP planning process.

We are committed to maintaining our community infrastructure to safe levels.

- 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
- 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.

These increasingly cost more money and delaying any work makes it more expensive to do in the future.

Two other factors affected your rates this year:

- Greater Wellington Regional Council's rates that Council collects on its behalf also increased, and
- All properties underwent the three-yearly revaluation by Quotable Value. This revaluation meant many land and capital values significantly increased, so the way rates are distributed across properties was different to previous years.

Next steps and future plans

The rates have been set in accordance with the LTP and are payable. However, as Council didn't provide the full picture on the rates increase, we want to consider options to ease the rates burden on ratepayers by considering ways to reduce the budget and rates this year.

We need to continue to deliver our essential services and so there is not much scope for substantial changes. Potential options include:

1. Council could review to see whether anything could be done differently in providing essential infrastructure, as this consumes the bulk of costs.
2. Council could review the budget to identify any possible savings. In other words, we could decide to do less than currently planned or defer some work.
3. Council could consider alternative ways of funding services, such as through use of reserves, but needs to be mindful this could reduce our reserves for even leaner times.

Council will work with legal advisers to consider all the options that may be available to ease the rates burden on ratepayers for this year. We will keep the auditors informed as appropriate.

If sufficient savings or changes to rates funding can be identified, the Council could consider setting rates again using a procedure available for this purpose in the Local Government (Rating) Act 2002. This will enable some reduction in rates assessed in the current year. However, indications are that the reductions would be minimal, so this may not be an effective option.

Council does not plan on borrowing to fund rates in this way again, so this effect will not happen in future years.

We will progress the planned rating review which will also look at alternative options for rates setting.

The community will be kept fully informed during this process. A public meeting will be held as soon as possible with details available on our website.

In summary

Council is committed to improving the condition of our community assets.

This year's rates increases have been affected in several ways:

- Last year there was a partial rates holiday, made possible by borrowing. There is no rates holiday this year so ratepayers feel a greater impact from the increase to fund Council services.
- Increased rates charges from GWRC.
- The revaluation of properties, which affects the distribution of rates collected.

The change in land value is why rating impacts will vary property by property, as the way rates are distributed across properties will be different to previous years.

Support available to you

We understand the impact of this year's rates increase on our ratepayers, and wish to help anyone that needs our support in meeting their rates payments:

- On 19 August we announced the grace period, for ratepayers who usually make payments in person at our offices or service centres, had been extended to 27 August 2021.
 - For those ratepayers who have contacted us we will not apply penalties so long as rates are paid once our offices open.
 - For all other ratepayers who have not contacted us during lockdown or have not paid their rates by the due date, a penalty will be applied.

- Rates payments can be spread over a longer period. Please call us to discuss.

- You can apply for the rates rebate available from Government to low-income families. The criteria include:

- You must be the person living in your home, and
- the person paying the rates for that home.

If eligible, you can get up to \$665 off your rates. It's really easy to apply - for an application form, please call our office and we can post one out to you, or visit our website to download one.

- Rates postponement is also an option in situations where homeowners are experiencing extreme financial hardship. Please call us to discuss.

You're welcome to visit the Council office when we are open to discuss your specific situation.

The rates have been set in accordance with the LTP and are payable as charged.

However, the impact of the Covid rates holiday from 2020 should have been better communicated to you.

We are sincerely sorry for not fully explaining the impact of the 2020/21 rates holiday. It was a genuine oversight for which we unreservedly apologise.

Our people do their very best each day and this issue is no reflection on the good work they continue to do. We aim to work hard at rebuilding your trust and confidence in us.

If this year's rates are putting pressure on your ability to pay your rates, then we are here to help. Should Council choose to modify the rates charged then, for those who have already paid their rates, the amounts would be credited to future payments and everyone will be issued with new rates statements.

Please contact us at 2021Rates@swdc.govt.nz or call us should you require further support in paying your rates this year.

We know this is a lot of information to absorb. Please visit our website for more information, including answers to some frequently asked questions. Stay safe.

Yours sincerely

Mayor Alex Beijen

Chief Executive Harry Wilson

Councillors

Alistair Plimmer	Pam Colenso
Brenda West	Pip Maynard
Brian Jephson	Rebecca Fox
Garrick Emms	Ross Vickery
Leigh Hay	