

Adoption of Revenue and Financing Policy for inclusion in the Long Term Plan

Meeting: Kaipara District Council
Date of meeting: 16 December 2020
Reporting officer: Sue Davidson, GM Sustainable Growth & Investment

Purpose/Ngā whāinga

To approve the draft Revenue and Financing Policy for inclusion in the Draft Long Term Plan which will go out for consultation.

Executive summary/Whakarāpopototanga

There have been improvements to the current policy in terms of reducing the volume of paperwork while enabling better clarity, transparency and understanding of the process taken to identify how we allocate how the Council will be funded and who pays. There will also be parts of the Revenue and Financing Policy that will be discussed further in the consultation document for the Draft Long Term Plan.

Recommendation/Ngā tūtohunga

That the Kaipara District Council:

- a) Approves the draft Revenue and Financing Policy for inclusion in the draft Long Term Plan (Attachment A).
- b) Authorises the Chief Executive to make minor edits or changes to the Policy to correct any spelling errors or make typographical edits, and/or to reflect decisions made by Council at this meeting.

Context/Horopaki

The Revenue and Financing Policy sets out how Council funds each activity it is involved in and why. Council is required to have this policy to provide predictability and certainty to customers about the sources and levels of funding. The Revenue and Financing Policy describes how Council funds its operating and capital expenses from the funding sources available to Council and why it chooses the various mechanisms to fund the operating and capital expenditure of Council.

For each of the activities, Council must consider the following steps:

- i. The community outcomes to which the activity primarily contributes; and
- ii. The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- iii. The period in or over which those benefits are expected to occur; and
- iv. The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
- v. The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities;
- vi. And the overall impact of any allocation of liability for revenue needs on the community.

When considering the funding sources appropriate for each activity Council has considered affordability, accessibility, practicality and community wellbeing are applied to the activity.

Discussion/Ngā kōrerorero

Council has had two separate workshops on the Revenue & Financing policy to consider possible changes. The previous policy has been reviewed and the two parts are included as Attachment B and Attachment C. Council staff revised the policy and reduced it in size to make it clear and easier for the community to understand.

Changes proposed to the policy from LTP 2018-2028.

1. **Wastewater** – the percentage of funding attributed to private individuals by way of targeted rate has reduced from 100% to 95%. This was to recognise that all those that live in the District have the benefit of a nice clean harbour through having Council owned wastewater systems and also the availability of public toilets was thought to give sufficient benefit of 5% to general ratepayers. This is a shift in the benefit from those rating units that are connected to a Council wastewater scheme to the general ratepayer to recognise the benefits.
2. **Mangawhai Community Plan** – the previous policy provided for a differential on the general rate charged to those in Mangawhai to reflect the planning, development, and construction work being carried out as part of the Mangawhai Community Plan. The change has arisen because a strategic review of projects required for Parks and Open Spaces has been undertaken and there have been more projects identified which has required a change in funding. These capital projects will be funded firstly by Financial Contributions, then Loans over the District allocated to general ratepayers. Much of the Mangawhai Community Plan will be funded by Financial Contributions.
3. The funding analysis categories split have been changed from broad percentage categorisation, (e.g. 0-33% Low, 34-66% Medium 67-100%) to an exact percentage with actuals needed to come in at minus or plus 10% of the percentage.
4. New changes proposed specifically to be mentioned in the Consultation Document that if agreed would result in a change to the Final Revenue and Financing Policy adopted.
 - a. Recycling Targeted Rate

It is proposed the recycling service will be changed so that yellow bags are no longer needed to be purchased for recycling. The Council will look to provide two crates to ratepayers, one for glass and the balance for other recycling. Any recycling taken to the transfer stations would not incur a charge. The recycling will be charged for by way of a targeted rate which is a same charge per property whereas currently it has been included in the general rate and rated by land value. There will be a reduction in weekly costs for ratepayers as they will no longer have to purchase the yellow bags.

The analysis required as part of the proposed change to the Revenue and Financing policy is as follows:

Council Service	Community Outcomes	Period of Benefit/ Distinct Funding	Distribution of Benefits / Exacerbator	Modification Funding Split	Funding Source Operating Capital
Recycling/ waste minimisation	Healthy environment	Short & long term benefits Distinct funding high	Recycling helps sustainability Recycling collection is of benefit to individuals as rubbish	Private 100%	Targeted rates Grants & subsidies Borrowing

		benefit	disposed of		Reserves
			No charge at Transfer station for recycling has private benefit		Development contributions

b. Safer Communities

It is proposed to collect rates on behalf of the Dargaville Community Development Board to support the Safer Dargaville campaign which includes the initial set up and ongoing management of CCTV, Dargaville Lighting project, and Community Patrols which would benefit the Dargaville, West Coast Central and Ruawai Tokatoka wards.

The analysis required as part of the proposed change to the Revenue and Financing policy is as follows.

Council Service	Community Outcomes	Period of Benefit/ Distinct Funding	Distribution of Benefits / Exacerbator	Modification Funding Split	Funding Source Operating Capital
Safer communities	Prosperous economy Trusted council	Short & long term benefits Distinct funding high benefit	Safety benefits specific Dargaville community Wider rural community benefits as West Coast central ward and Ruawai adjacent to towns	Private 100%	Targeted rate

c. One Bucket System for Wastewater (Equalisation)

Currently Council operates a hybrid funding system for wastewater where operating costs are merged together, and capital costs are charged separately. Desludging is considered an operating cost even though it has longer term benefits.

The 2 options identified and being proposed for consultation are:

- i. Maintaining separate scheme rates for each of the water supply and wastewater schemes; or
- ii. Rating users across the district equally for each of water supply and wastewater activities.

Scheme costs across the district vary as a result of relative age, size and technology used in each scheme. In the long run, all schemes will require large expenditure to renew aging componentry. Further, increasing environmental standards are continuing to place significant costs on individual schemes. The additional standards do not take cognisance of the ability of the respective community's affordability. The consequences are typically onerous and more so on

the smaller schemes that do not have the ability to share the costs amongst a large number of users.

Councils preference is for having one bucket for all costs relating to wastewater. This is because each connection across the district receives the same (or very similar) service levels. That is, each connected user is able to flush their toilet, and dispose of wastewater, irrespective of the scheme they are connected to.

Unifying the cost of this service provision across the district therefore recognises the benefit received and enables:

- Expensive cyclical renewals or upgrades to be scheduled as required with costs being able to be distributed across a larger user base
- Spreading the risk associated with operating assets
- Avoiding any sudden changes in the level of funding required from specific groups of ratepayers
- Provide integrated management

The analysis required as part of the proposed change to the Revenue and Financing policy is as follows:

Council Service	Community Outcomes	Period of Benefit/ Distinct Funding	Distribution of Benefits / Exacerbator	Modification Funding Split	Funding Source Operating Capital
Wastewater	Prosperous economy Climate smart	Short & long term benefits Distinct funding high benefit	Public benefit is that harbours are kept clean Public toilets Private household benefits	Private 95% Public 5% Connectable- Council want sections in communities to be developed and connect 75% charge Sections benefit in sale value so should be charges. Note: 50% interest on Mangawhai outstanding development contributions included in general rates	Targeted rates Fees & charges General rates Financial & development contributions Borrowing Lump sum contributions Grants & subsidies

d. One Bucket System for Water (Equalisation)

Currently Council operates a hybrid funding system for water where operating costs are merged together and capital costs are charged separately to each community as water by meter. There is a fixed charge component to each scheme.

The 2 options identified and being proposed for consultation are:

- i. Maintaining separate scheme rates for each of the water supply and wastewater schemes; or
- ii. Rating users across the district equally for each of water supply and wastewater activities.

Scheme costs across the district vary as a result of relative age, size and technology used in each scheme. In the long run, all schemes will require large expenditure to renew aging componentry. Further, increasing environmental standards are continuing to place significant costs on individual schemes. The additional standards do not take cognisance of the ability of the respective community's affordability. The consequences are typically onerous and more so on the smaller schemes that do not have the ability to share the costs amongst a large number of users.

Councils preference is for having one bucket for all costs relating to water. This is because each connection across the district receives the same (or very similar) service levels. That is, each connected user can turn on a tap for a potable water supply irrespective of the scheme they are connected to.

Unifying the cost of this service provision across the district therefore recognises the benefit received and enables:

- Expensive cyclical renewals or upgrades to be scheduled as required with costs being able to be distributed across a larger user base
- Spreading the risk associated with operating assets
- Avoiding any sudden changes in the level of funding required from specific groups of ratepayers
- Provide integrated management

The analysis required as part of the proposed change to the Revenue and Financing policy is as follows:

Council Service	Community Outcomes	Period of Benefit/ Distinct Funding	Distribution of Benefits / Exacerbator	Modification Funding Split	Funding Source Operating Capital
Water	Prosperous economy	Short & long term benefits Distinct funding high benefit	Access to safe drinking water Assured supply of fire fighting Water for public toilets Private household benefit	Private 100% Connectable-Want sections in communities to be developed and connect 75% charge Sections benefit in sale value so should be charges	Fees & charges Targeted rate Financial & development contributions Borrowing Lump sum contributions

5. Specific Queries Council asked of staff:

- **Septic Tanks** – Councillors wanted to understand where the able to be connected properties were within the District which got a 75% connection charge.

Where 75% connectable charge	Number of Properties	
	Vacant	Developed
Mangawhai	400	96
Maungaturoto	28	9
Dargaville	135	18
Glinks Gully	1	
Kaiwaka	8	8
Te Kopuru	22	3

Data does not support changing the 75% in this current environment where sections can be sold quickly to be developed.

- **Forestry Rate** – amount charged 2020/21 was \$407,349 The previous 5 years \$390,000 was charged.

Cost of maintenance of forestry roads:

Year	Heavy metalling Rehabilitation of Forestry roads (000s)
2013-14	625 (243) after subsidy
2014-15	1,080 (421)
2015-16	849 (331)
2016-17	1,545 (602)
2017-18	1,918 (748)
2018-19	534 (208)
2019-20	431 (168)

This data may support lowering the rate to \$250k total rate take as harvesting and the impact on the roads has lowered. This rate is in place till 2027. If Council agrees with this, then a resolution will be required to support this.

- **Harmonising the rates for the revaluation** – this adds further complexity. Given that any harmonising would be based on location any properties that fall outside of the average valuation movement could see unexpected results. Responses received from other authorities indicated they made no provision for this.

Key concept is that rates are a tax and if you have a higher value home then you pay more rates.

It is not recommended to introduce another rate which would be extremely difficult to administer.

Options

- a) Approves the draft Revenue and Financing Policy for inclusion in the draft Long Term Plan (Attachment A).
- b) Authorises the Chief Executive to make minor edits or changes to the Policy to correct any spelling errors or make typographical edits, and/or to reflect decisions made by Council at this meeting.

Policy and planning implications

This is a policy required to be reviewed by the Local Government Act 2002.

Financial implications

The proposed changes to the Revenue and Financing policy will impact on the distribution of the rates across the community.

Risks and mitigations

Council must ensure it follows the Local Government Act 2002 when it completes the analysis.

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

Consultation will occur as part of the draft Long Term Plan consultation.

Next steps/E whaiake nei

This new policy and specific consultation issues will be included in the draft Long Term Plan.

Attachments/Ngā tapiritanga

	Title
A	2021-2031 Revenue and Financing Policy
B	2018-2028 Revenue and Financing Policy
C	2018-2028 Analysis of Activities

Sue Davidson, 23 November 2020