



WHANGANUI
DISTRICT COUNCIL
Te Kaunihera a Rohe o Whanganui

Statement of Proposal

Draft Revenue and Financing Policy

1. INTRODUCTION

Whanganui District Council (“the Council”) is proposing some changes to its Revenue and Financing Policy. These changes affect all ratepayers, with some groups of ratepayers more affected than others. Council is seeking the community’s views on the draft policy.

2. REASON FOR THE PROPOSAL

The Council is required to have a Revenue and Financing Policy under sections 102 and 103 of the Local Government Act 2002 (“the LGA”). The purpose of the policy is to set out Council’s policies on the funding sources to be used to fund its operational and capital expenditure, and the reasons behind their use.

The Revenue and Financing Policy is an important instrument of Council’s financial management because how activities are funded can have a significant impact on the financial viability of Council services as well as on the overall impact of any allocation of liability for revenue needs on the community.

The Council has completed a review of the funding of its 39 activities and has determined appropriate funding sources for each. As a result it is proposing to make some changes to its Revenue and Financing Policy.

3. DRAFT REVENUE & FINANCING POLICY AT A GLANCE

The Council’s Revenue and Financing Policy is concerned with who pays. It does not affect the total amount of funding to be collected by Council.

In performing its review of funding sources, Council gave consideration to the availability of alternative sources of funding. Council analysed each activity taking into account the following considerations:

- a) The community outcomes to which the activity primarily contributes
- b) The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals
- c) The period in or over which those benefits are expected to occur
- d) The extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity
- e) The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

After looking at each activity of Council individually, Council must then consider the overall impact of any allocation of liability for revenue needs on the community.

This review is documented in the funding needs analyses for each activity which support the Revenue and Financing Policy. These analyses are available at www.whanganui.govt.nz/long-term-plan.

The review resulted in revenue allocation for Council's activities as outlined in the Activity funding sources section of the policy. The full proposed policy is attached and is also available online at www.whanganui.govt.nz/long-term-plan

4. KEY PROPOSED CHANGES

As a result of the review, the key changes proposed to the Revenue and Financing Policy are for the following:

New external funding sources

- **Footpaths and berms:** As we are now receiving NZTA subsidy for footpaths, we have revised the policy to include these subsidies as a funding source for the Footpaths and berms activity.
- **Whanganui & Partners – Economic Development:** Grants are available from time to time and have been added as a funding source.
- **Environmental policy:** Grants are available from time to time and have been added as a funding source.

Port and river and Harbour Endowment

We are assuming that the assets and operation of both the port and the harbour endowment property portfolio that funds the port will be transferred to Whanganui Port Limited Partnership by 1 July 2021. As a result, we have removed the harbour endowment activity from the policy. The port and river activity remains, but has had its funding sources adjusted to remove the harbour endowment income, to include contracting income for Council staff supporting the partnership, and to increase the proportion of rates funding on a proportional basis now that the operation and income of the port does not form part of the activity.

Should the transfer of assets to Whanganui Port Limited Partnership not occur by 1 July 2021, Council will reinstate the funding mechanisms set out in its previous Revenue and Financing Policy.

CBD maintenance

We have increased the general rate funding for the CBD maintenance activity from partial to majority, and reduced the targeted rate funding from partial to minority. This is primarily due to further investment in the activity for town centre regeneration over the 2021-2031 Long Term Plan period which is funded by general rates.

Building control

We have increased the general rate funding for the building control activity from minority to partial, and reduced fees and charges from majority to partial. Recent legislative changes exempting some minor building works from needing consents and increased levels of non-chargeable advice and compliance costs have led to a slightly reduced proportion of fee income and a slightly increased proportion of general rate funding for this activity.

City endowment

A minor amount of general rate funding has been included as a funding source for the city endowment property portfolio to allow for times when rental incomes are insufficient to cover the costs of the activity.

Investments

The proportion of the activity funded by other funding sources like interest and dividends has increased from partial to majority due to a reduction in the costs associated with operating the activity.

Other minor changes

Other changes to the policy that do not affect funding are as follows:

- NZ Glassworks is now an activity in its own right and has been split out from the Community activity.
- Realignment with Council's activities. This involves some activity name changes to align with the Long-term Plan 2021-2031.

Rating changes

We are also proposing some changes to our rating structure. These items are being consulted upon concurrently with the consultation in the Long-term Plan 2021-2031 which is available at www.whanganui.govt.nz/long-term-plan

- **Definition of a Separately Used or Inhabited Parts of a rating unit (SUIPs):** We are proposing to amend our definition of a Separately Used or Inhabited Part of a rating unit (SUIP). The definition change will not change the way that SUIPs are currently identified, but aims to provide further clarity and transparency to ratepayers. We'll clarify what a separate SUIP looks like, that every rating unit has a minimum of one SUIP, and that a SUIP is defined by its capability of being separately used rather than its actual usage.
- **Stormwater:** We are proposing some changes to how we rate stormwater serviceable properties (i.e. those with soak pits), increasing their rate contribution from 50% to

65% of the rate that a connected property pays in year 1, and 75% from year 2 onward. We are also proposing to classify properties in the Magnolia Crescent, Simon St and Morrell St area as stormwater serviceable properties from year 1.

- **Fordell water supply:** The Fordell water supply will be connected to the Whanganui city water supply from early 2021. As a result, we propose to no longer rate for the Fordell water supply from 2021/22. We propose to amend the definition of the City water supply rate to include Fordell, and transfer the Fordell water ratepayers to become ratepayers of the City water supply.
- **Marybank wastewater:** The Marybank wastewater system will be connected to the City wastewater system from early 2021. As a result, we propose to no longer rate for the Marybank wastewater system from 2021/22. We propose to amend the definition of the City wastewater rate to include Marybank, and transfer the Marybank wastewater ratepayers to become ratepayers of City wastewater.
- **Stormwater separation loans:** We propose to remove Stormwater separation loans from our Funding Impact Statement as all of these loans will be repaid by 30 June 2021.

5. OPTIONS

The Council has identified three options for addressing its objectives:

Option 1: No changes to the current Revenue and Financing Policy

Council could retain its existing Revenue and Financing Policy without amendment.

Advantages: Consistency.

Disadvantages: May result in inequitable funding of some Council activities. May affect the viability of some services e.g. the City Endowment, because the rental proceeds in some years are insufficient to fund the endowment's operation.

Option 2: Adopt the draft Revenue and Financing Policy (*preferred option*)

Council could adopt the Draft Revenue and Financing Policy. If Council adopts the proposed policy following public consultation there will be some changes to our funding structure, including targeted rates, general rates, fees and charges and development contributions. These changes address issues that affect the viability and equitable funding of Council services considering the requirements of section 101(3) of the Local Government Act 2002.

Advantages: The Draft Revenue and Financing Policy addresses issues that have been identified during the review (discussed above under Key proposed changes) and will improve equity and protect the viability of some Council services.

Disadvantages: The Draft Revenue and Financing Policy will change the funding for some services to ratepayers, developers and private users. This may increase funding from some groups, and decrease funding from others.

Option 3: Adopt a different Revenue and Financing Policy

Council may adopt a different Revenue and Financing Policy. The community may propose changes that have not been identified previously.

Advantages: Reflective of community feedback.

Disadvantages: If the proposed changes are significant Council may need to undertake further consultation to explore them.

6. CONSULTATION AND SUBMISSION

Consultation will give the Council a chance to hear the community's views before making a final decision.

The draft Revenue and Financing Policy is available on the Council's website www.whanganui.govt.nz. The supporting Funding Needs Analyses for each of Council's activities are also available on the website.

You can make a submission online at www.whanganui.govt.nz/long-term-plan or alternatively submission forms are available from the Whanganui District Council Customer Service counter at the main municipal building located at 101 Guyton Street, the Davis Central City Library and Gonville Library. Please indicate whether you would like to speak to your submission and include contact details. People who wish to be heard by Council will be given the opportunity to do so. The time and venue for the hearing of submissions is yet to be confirmed.

For any queries please contact Claire Williamson, Projects Manager, on (06) 349 0001.

The period for making submissions is from **9am Monday 29 March 2021 to 4.00pm Friday 30 April 2021.**

7. PROPOSED CONSULTATION PLAN

TASK	DATE
Council approval of the Statement of Proposal for public consultation	Tuesday 23 March 2021
Submissions open	Monday 29 March 2021
Submissions close	Friday 30 April 2021
Hearing of submissions	12 and 13 May 2021
Deliberations	25 and 26 May 2021
Final adoption by Council	22 June 2021