



**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. PROPOSED 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:

- Wastewater
- Sea port
- Development contributions as capital expenditure funding sources for Water Supply, Stormwater, Wastewater, Roading, Footpaths and Berms, and Parks and Reserves activities

Wastewater and trade waste

With the new urban wastewater treatment plant soon to be operational we have reviewed the costs of providing the service, who should pay and how.

Council considers that the city wastewater targeted rate (otherwise known as the "pan tax") remains the fairest way to charge all properties connected to the system for the provision of the wastewater network and discharges of a domestic nature. There is no practical way to measure these discharges.

We are proposing some changes to the way that businesses who discharge trade wastes are charged. Trade wastes incur additional costs to the Council to convey, treat and discharge.

Trade waste

We have assessed that the fairest way of allocating costs between municipal and trade waste users is to take a marginal cost approach. This means that businesses who discharge trade wastes pay for the additional costs over and above the cost of conveying, treating and disposing of discharges of a domestic nature. Under this approach, municipal users are no better or worse off than they would be if the trade waste users did not discharge their waste to Council's wastewater system.

We do not currently charge for tankered waste discharges to the Council's city wastewater system, but we propose to introduce fees and charges to reflect the costs involved in conveying, treating and disposing of the effluent they discharge.

We also propose to change the funding structure for major trade waste users (that is, those that discharge over 100m³/day). Targeted rates are currently used but we propose to use a combination of targeted rates and fees and charges going forward.

Targeted rates will be utilised to fund the fixed costs involved in conveying, treating and disposing of trade wastes. These include the extra capital cost we incurred in building the wastewater treatment plant to cater for these trade waste discharges and fixed operating costs such as staff.

The variable operating costs associated with conveyance, treatment and disposal of trade wastes such as electricity, gas and sludge chemicals are proposed to be funded via fees and charges based on the actual quantity and quality of effluent discharged by each business.

We will investigate businesses discharging under 100m³/day to see whether any are discharging trade waste. We may implement volumetric fees and charges for these discharges in 2019/20 if it is identified that these businesses incur costs over and above what they pay for in their city wastewater rate or “pan tax”.

Sea port

The sea port (part of the Port and River activity) has historically been fully funded by returns from the Harbour Endowment investment property portfolio and has required no rate funding.

The Harbour Endowment faces significant challenges with the suitability of its properties and has declining rental returns. This means it is unable to fully fund the operation of the sea port. While we will continue to try and improve returns from the portfolio, rate funding will be required to fund the shortfall.

Council has considered section 101(3) of the LGA and has determined that general rates are the appropriate source of funding for the shortfall because of the district-wide benefits of the sea port. As a result general rates have been added as a “partial” funding source for this activity.

Development contributions

Development contributions are funding tools to manage the effects of development on the community.

In 2015 Council adopted a policy of collecting no development contributions due to minimal forecast household growth and growth related capital projects.

Recent growth in the district and the National Policy Statement on Urban Development Capacity 2016 has led to Council proposing to undertake some capital projects to provide capacity for urban expansion in the Otamatea West and Springvale Structure plan areas. This prompted Council to reconsider its policy of collecting no development contributions.

In late 2017 we consulted on a draft Development Contributions Policy. The policy proposed to allow Council to collect development contributions to recover capital expenditure related

to growth from developers in the Otamatea West and Springvale areas. The policy was adopted in February 2018.

As a result, development contributions have been added into the Revenue and Financing Policy as capital expenditure funding sources for the Wastewater, Stormwater, Water supply, Roothing, Footpaths and Berms, and Parks and Reserves activities.

Other minor changes

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

- A change in the layout and content of the policy to provide more clarity around Council's funding policies and the rationale for funding of its activities.
- The addition of funding needs analyses as supporting information for the funding options chosen. The funding needs analyses can be found at www.whanganui.govt.nz/long-term-plan
- Realignment with Council's activities. This involves some activity name changes to align with the Long-term Plan 2018-2028.

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 2018-2028 which is available at www.whanganui.govt.nz/long-term-plan

- **Wastewater:** We are proposing some changes to the way we use targeted rates to fund the Wastewater activity. We propose to amend the targeted rate structure for major trade waste users (that is, those discharging over 100m³/day). The new targeted rates will provide for repayment of their share of the capital cost of the new city wastewater treatment plant over a 25 year period. They will also provide for these businesses to pay for their share of fixed operating costs of the wastewater treatment plant such as staff. Variable operational costs such as electricity, gas and sludge chemicals will be funded by fees and charges rather than targeted rates in the future. This will allow these businesses to pay based on the actual quantity and quality of trade waste they discharge, in line with Council's costs.
- **Roothing:** We are proposing some changes to the way we use targeted rates to fund the Roothing activity. We propose to introduce a new targeted rate for exotic forestry (i.e. plantation forestry) properties to reflect the high costs they cause on the roading network. We are also proposing to continue the Storm damage rate over the period of the Long-Term Plan 2018-2028 to address debt in the roading activity to increase our financial resilience (to be renamed the Roothing resilience rate).
- **Animal management:** We are proposing a change to the general rating allocation for this activity which will decrease the amount funded by commercial and farming properties and increase the funding from residential properties.

- **Port and river:** We are proposing a change to the general rating allocation for the River control aspects of the Port and river activity which will spread the costs of this activity across all ratepayers. Farming ratepayers currently do not fund this activity.

5. OPTIONS

The Council has identified three options for addressing its objectives:

Option 1: No changes to the 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 Port, because the Harbour Endowment proceeds are no longer sufficient to fund the Port operation.

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

Council could adopt the Proposed 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 Proposed 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 Proposed 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 19 March 2018 to 4.00pm Thursday 19 April 2018**.

7. PROPOSED CONSULTATION PLAN

TASK	DATE
Council approval of the Statement of Proposal for public consultation	Tuesday 13 March 2018
Submissions open	Monday 19 March 2018
Submissions close	Thursday 19 April 2018
Hearing of submissions	Wednesday 2 & Thursday 3 May 2018 (TBC)
Deliberations	Wednesday 16 & Thursday 17 May 2018 (TBC)
Final adoption by Council	Thursday 28 June 2018