

Rates Review: Step Two Analysis

Having considered Section 101 (3) (a) of the Local Government Act (2002), which requires, in relation to financial management:

- (3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—
 - (a) in relation to each activity to be funded,—
 - (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.

The Council has now considered:

- (b) 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 specific considerations are:

Social Wellbeing

Library

The Council considers that the library is an important facility for the community, to improve literacy outcomes as well as providing social connectedness. Therefore, it was agreed that the library will provide free access to books and other resources (but will continue to charge a fee for photocopying and printing services, and will charge fines for overdue books and rented items).

Housing for the Elderly

Rents should be affordable for pensioners, and so – while the intention is for housing rents to cover operating costs – general rates will fund any shortfall for refurbishments and unforeseen expenses. The housing units should be maintained at a healthy standard of living for residents, repairs be completed as required, heat pumps maintained and replaced, etc. Units are refurbished when they become vacant. Repairs and refurbishments would be completed where there are practical, health, or safety implications in not doing the work, rather than leave units in a state of disrepair until rent revenues have been collected.

Economic Wellbeing

Ability to pay

The Council decided to mitigate the overall impact of its funding decisions by ensuring alternative funding is sourced wherever it can be found (especially external grants and subsidies), especially to minimise reliance on rates. It also has an obligation to justify its budgets and to keep its spending under control.

The ability to pay has an influence on the level of user fees just as much as it does on the level of rates.

Fairness of commercial rates for businesses

Currently, any property that provides accommodation for visitors, but doesn't meet the definition of a commercial property (generally because they can only accommodate 4 guests or less), is assessed the Accommodation Sector Charge of \$400.00 including GST per year. The Council is suggesting this is too low. In comparison, a benchmarked medium-value 12-room motel would be paying \$4,274 in their commercial rates, per year. In addition, many of the smaller visitor accommodation providers could be earning \$400 a night in peak season.

The Council is suggesting that the Accommodation Sector Charge be increased to \$600.00 including GST per year, so these smaller accommodation providers are contributing a fairer share towards Council activities that support tourism.

Sustainability of other revenue streams

The Council will continue to source grants and subsidies wherever it can but is mindful that at some point those funds may not be available. Where external funding ceases to be available, the Council would need to consider whether it continues to provide certain services.

Use of the UAGC lever

The Council considers that the Uniform Annual General Charge plus the total of all targeted rates set on a uniform basis (per s21 of the Local Government Rating Act 2002) should be as close to the 30% cap set by legislation as possible (but no greater than 29.5% to mitigate the risk of error). The Council acknowledges that the UAGC lever minimises rates on high value properties, while maximising rates on low value properties, however this is appropriate because the benefit of almost all Council services and activities accrues to households equally. Everyone uses Council services at a relatively similar level regardless of the value of their property.

Transitional impacts

The local government sector is facing further legislative change, particularly in the Three Waters space and the potential for further reform arising from the Future for Local Government workstreams. This may result in changes to the way activities are delivered and the funding sources available to Council.

Environmental Wellbeing

Impacts of Climate Change

The Council discussed options such as to offer discounted resource consent fees for applicants that comply with Dark Sky lighting standards, or to building consent applicants that include solar or other alternative energy sources in their building design. Ultimately, however, the Council concludes that

it does not have the financial capacity to do so, and that such a decision would impact rates and affordability to pay issues.

Financial incentives to influence wasteful behaviour

The Council believes that refuse station landfilling fees should be set high, and cover all costs of the waste transfer station, including repayment of the loan to construct it. In doing so, it acknowledges that fees set too high may result in illegal dumping in riverbeds and other areas, and that we will work closely with Environment Canterbury to monitor and manage that risk.

Protecting areas of natural or historic heritage

The Council has a rates remission policy for land that is protected by QEII covenant, and its continuation remains appropriate because the covenant limits the landowners use of the land.

Excessive use of water

Ideally, were it not for the Three-Waters reform pursued by the last Government, the Council could have seriously considered installing water meters on all properties connected to Council water supplies, as this is the most effective way to monitor water consumption and charge for its use. This would be a significant change to the current way the Council manages its water supplies, and would come at a significant cost to ratepayers to install. The Council concluded that this would be of little benefit to ratepayers until after the government-led decisions regarding Three-Waters services are made.

Cultural Well-being

The Council considers that “cultural” in this context includes the arts, religion, Kiwiana, and race, and so has a very broad range of factors to take into account.

Support for community or cultural groups

The Council has made available an annual discretionary grant scheme of \$100,000 to fund not-for-profit community and cultural groups. This fund has paid out to cultural groups such as Kapa Haka groups, support for youth and elderly, Newcomers Network, etc., as well as to the Mayfair Theatre and various arts projects. The Council also provides a discounted rent to the Kaikōura Historical Society for lease of the Museum facilities. This support is significant and is limited only by financial capacity.

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 (where that land is not already non-rateable), 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).

General considerations

The Council considers the following to be its overall position on revenue and financing matters:

- User pays is appropriate because user fees ensure that those who actually use services, pay for them, rather than relying on rates to subsidise service delivery.
- Transparency is important.
- Rating differentials are a useful tool to make our rating system fairer.
- Where rates are set on property value, capital value is to be used because this captures the high value of commercial property while mitigating the high value of land for farming.
- Where rates are set as a fixed dollar amount, separately used or inhabited parts of a rating unit (SUIP) is to be used, as this captures each dwelling within a rating unit, each shop within a mall, etc, as intended. Some exceptions may be appropriate, such as registered premises targeted rates which are levied per licence, or certain water charges which are per unit of water as consumed or supplied by restrictor.