

Notice is given that a Submissions Hearing meeting will be held on:

Date: Tuesday 24 May 2022
Time: 9.30 am
Meeting Room: Tasman Council Chamber
Venue: 189 Queen Street, Richmond
Zoom conference link: <https://us02web.zoom.us/j/89765447624?pwd=cnZ6RGs3aytrdEdWTndUTlpuVFZJZz09>
Meeting ID: 897 6544 7624
Meeting Passcode: 408756

Deliberations

Annual Plan

LATE ITEMS AGENDA

MEMBERSHIP

Chairperson	Mayor T King	
Deputy Chairperson	Deputy Mayor S Bryant	
Members	Cr C Butler	Cr D McNamara
	Cr B Dowler	Cr D Ogilvie
	Cr M Greening	Cr T Tuffnell
	Cr C Hill	Cr A Turley
	Cr C Mackenzie	Cr T Walker
	Cr K Maling	

(Quorum 2 members)

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LATE ITEMS

1 LATE ITEMS

That the late item, 3.3, Annual Plan and Schedule of Fees and Charges – Addendum be considered at today's meeting. The reason the report is late is because it provides additional information on topics covered by submissions that Councillors' requested at the Annual Plan and Schedule of Fees and Charges hearing on 18 May 2022.

The discussion on this item cannot be delayed because the Council needs to make decisions on the Annual Plan and Schedule of Fees and Charges at this meeting to enable them to to be adopted by 30 June 2022 to meet statutory deadlines.

3 REPORTS

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3 REPORTS

3.3 ANNUAL PLAN AND SCHEDULE OF FEES AND CHARGES - ADDENDUM

Decision Required

Report To: Submissions Hearing

Meeting Date: 24 May 2022

Report Author: Alan Bywater, Team Leader - Community Policy; Neil Lindsay, Graduate Community Policy Advisor; Dwayne Fletcher, Strategic Policy Manager

Report Number: RSH22-05-7

1 Summary

- 1.1 At the Annual Plan and Schedule of Fees and Charges hearing on 18 May 2022, Councillors requested further information on several topics covered in submissions.
- 1.2 This report provides additional information to assist the Council in its decision making at the deliberations meeting on 24 May 2022.

2 Draft Resolution

That the Full Council receives the Annual Plan and Schedule of Fees and Charges - Addendum Late Report RSH22-05-7.

3 Purpose of the Report

- 3.1 To provide additional information on subjects raised by submitters to the Annual Plan consultation document and draft Schedule of Fees and Charges.

4 Additional Submission Information from Federated Farmers

- 4.1 The representative of Federated Farmers due to speak at the hearing on 18 May 2022, misunderstood the communication on the timing of the hearing.
- 4.2 Federated Farmers would like to draw Councillors' attention to a recent court decision which *they say is an example of a small, resource poor Council with a large forestry industry, following proper process and introducing forestry differentials, then successfully defending their decision making in the High Court.*
- 4.3 Federated Farmers further say that it is not against forestry, noting that many of its members have forestry blocks. *Rather they want safe and reliable roads for all road users. This requires a sustainable roading budget, which TDC doesn't currently have because the impacts of logging trucks are being socialised on all ratepayers, rather than forestry paying their fair share. We'd like TDC to be braver and do what Gisborne, Wairoa, Kaipara, Far North, Western Bay of Plenty, Wanganui and Southland have done, and what Stratford and Rangitikei are proposing to do, by introducing forestry differentials.*
- 4.4 Federated Farmers supplied the document attached to this report.

5 Annual Plan

Top of the South Neighbourhood Support

- 5.1 Top of the South Neighbourhood Support has provided the information below about its funding since 2020:

Table 1

Department of Internal Affairs – Lotteries and Community Organisation Grants	26%
Rata Foundation	15%
Nelson City Council (10%)	10%
Neighbourhood Support NZ – contestable distribution of funds from NZ Police (10%)	10%
Wellby contract (9%)	9%
Marlborough District Council (8%)	8%
Tasman District Council (1.6%)	1.6%
Fundraising, sponsorship, and small contracts.	20.4%

- 5.2 Top of the South Neighbourhood Support's projected total costs for 2022/2023 is \$320,000. It states that 40% of staff and operational costs are spent in Tasman, with 30% of costs spent in each of Nelson and Marlborough.
- 5.3 From July 2020 to May 2021, Marlborough District Council provided \$32,000 (including free accommodation within the Emergency Operations Centre, Wi-Fi, electricity, printing and

access to training for the Area Coordinators). Nelson City Council provided \$71,996, and Tasman District Council provided \$4,300.

5.4 In the last year the Council provided funding to the Top of the South Neighbourhood Support through community grants, as follows:

- \$0 towards the development and delivery of appropriate resources, engagement and support of a Junior Neighbourhood Support programme in Richmond.
- \$1,800 towards supporting neighbourhoods in Richmond, Brightwater, Wakefield and Tapawera to develop personal and street continuity plans and record key information within the Gets Ready database.
- \$2,500 towards plans to increase the number of Neighbourhood Support groups in Richmond (Richmond West and South), Hope, Brightwater, Wakefield and Tapawera, providing initial training and ongoing support for Street Coordinators and individual members.

5.5 In addition, staff worked with Top of the South Neighbourhood Support, Department of Internal Affairs and Nelson City Council on a project to support the community during Covid recovery. As part of this project, the Council funded Neighbourhood Support \$20,000 from internal budgets.

5.6 Top of the South Neighbourhood Support collaborates with NTCDEM in community resilience and planning (household, street-level, and broader community planning). During event activation, Neighbourhood Support may be used to help convey and receive community-based intelligence.

Monthly Payment of Rates

5.7 Ratepayers can pay their rates monthly by automatic payment or direct debit. The rates invoice for water usage is issued six-monthly, although ratepayers can pay this rate monthly based on an estimate of their water usage.

Water Rates

5.8 The Revenue and Financing Policy states that water should be funded through targeted rates high (80-100%), fees and charges low (less than 20%), general rates low (less than 20%) and other receipts low (less than 20%). The fixed and variable cost components are funded by the targeted rates.

5.9 However, in the Rates Funding Impact Statement (FIS) in volume 2 of the Long Term Plan 2021-2031, it states that the portion of revenue allocated to the service charge for rates is determined by taking 36% of the total revenue required.

Table 2

	Motueka		Water Club	
	\$	%	\$	%
Fixed	329,428	36	3,964,311	36
Variable	585,810	64	6,632,249	64
Total	915,239	100	10,596,561	100

Martin Farm Road – possible improvements

5.10 Staff consider the improvements to Martin Farm Road recommended by Steve Neave #31799 to be technically feasible. Staff estimate that the cost would be around \$600,000.

- 5.11 Staff are working on a more affordable plan to improve pedestrian safety on Martin Farm Road which involves seal widening, footpath surfacing and installing separators. The intent is to complete this lower costs work within the available 2022/2023 budgets.
- 5.12 The number of carparks will not increase (under either option), and several carparks may need to be removed because of the project.

Possible Zero Rates Increase Option

- 5.13 It is not possible in the timeframe available to provide a detailed examination of how a zero percent rate revenue increase would affect the Council's operations in 2023/2024. The scale of change required would be very significant and would unlikely to be practical for one year. The advice that follows instead provides some high-level indication of the challenges involved.
- 5.14 There are a series of cost increases that affect the rates revenue requirement in the Annual Plan 2022/2023 that are largely out of the Council's control i.e. complying with the Water Services Act, funding the Waimea Community Dam overruns, reduced industrial water use, and higher insurance costs and to a lesser extent, providing for higher staff costs. In themselves, these costs result generate a 3.31% increase in the rates revenue requirement.
- 5.15 To bring the rates revenue requirement down to 5.51% in Option 2 in the consultation document we have made savings of approximately \$1.8 million. A large proportion of these savings are from deferrals i.e. the work still needs to take place and the costs will be incurred later.
- 5.16 To bring the rates revenue increase requirement down from 5.51% in Option 1 to 0% would require further savings of approximately \$4.5 million. These savings would have to be made to activities and projects that are largely or entirely funded by rates rather than by other funding sources. Our core infrastructure services such as roading, water, wastewater and stormwater make up a significant portion of these activities.
- 5.17 Many potential savings to operating budgets would have a direct impact on reducing the rates revenue requirement. There are some discretionary areas of operational spending that the Council could consider reducing. However, these generally have modest budgets and would involve reducing services that are very visible and make a difference to the lives of our community.
- 5.18 Reductions to the operational budget of \$4.5 million would lead to cuts in levels of service in several areas and would make achieving legal compliance in all areas very challenging, if possible at all. Under the Local Government Act 2002, the Council is required to undertake a Long-Term Plan amendment to alter levels of service, which would have to be consulted on.
- 5.19 To generate substantial savings in the rates revenue requirement through reducing the capital programme would require very large cuts to the programme. The capital programme is funded through debt. It is the costs of debt servicing and repayments for the year that impact the rates revenue requirement. To generate rates revenue savings of approximately \$60,000 would require a reduction in the rates funded capital programme of approximately \$1 million. However, in individual cases, additional costs would arise from not undertaking this work, such as additional maintenance. To the extent it stops development, it may also affect the growth in the rating base assumed in the Annual Plan also.
- 5.20 The actions taken to reduce the rates revenue increase to 0% in 2022/2022 would also have implications for subsequent years.
- 5.21 Achieving these substantial savings will mean reducing or stopping several services for the year. This would create major disruptions to the Council's business for several years to

come. Trying to restart them the following year would be problematic. In several cases to achieve the savings required will mean making staff redundant, with the associated costs. Re-employing or replacing those staff after a year will be very difficult.

5.22 Most savings through reducing the capital projects would be in the form of deferrals. These projects will still need to be funded in the future at higher cost and generate extra pressure on the rates revenue requirement at that time.

5.23 A 0% rates revenue increase in 2022/2023 would mean that the rates revenue increase calculation for 2023/2024 would be made on a lower base (than is proposed in our consultation document, or was anticipated in the Long-Term Plan 2021-2031). As a result, it is highly likely that the percentage rates revenue increase for 2023/2024 would be substantially higher - potentially 2 to 3 times the 4.04% forecast in the Long-Term Plan and would probably increase the 2024/2025 rates revenue requirement as well. The Long-Term Plan already forecasts a rates revenue increase of 6.98% in 2024/2025. Extraordinarily high rates revenue increases in future years are likely to receive an adverse public reaction.

6 Schedule of Fees and Charges

Waste management and minimisation fees and charges

- 6.1 In the draft schedule of fees and charges, the waste disposal charges are increasing by 20%. 15% of this increase relates to NTRLBU charges and the remainder to changes driven by the Council.
- 6.2 The NTRLBU changes are driven by higher operating costs as follows:
- increased Emissions Trading Scheme costs (2%);
 - increased waste levy (6%);
 - interest (1%);
 - capital expenditure, depreciation and changes in aftercare costs (4%); and
 - other operating costs (2%).
- 6.3 The component of the fee increase from the Council is to recover more of the costs from users (rather than through general rates). In the Long-Term Plan, we have budgeted for the general rate requirement for waste management activities to decrease by approximately \$285,000 in 2022/2023 and a further \$310,000 in 2023/2024.
- 6.4 The fee for small refuse bags is increasing by 60 cents in the draft Schedule and the fee for large bags is increasing by 30 cents. This is to correct a historic anomaly. In the past, we have been recovering more than we needed to on the large bags and have adjusted the fee to correct this.

Attachments

1. [↓](#) Article on Wairoa District Council court case on differential rating for forestry

9

WAIROA DISTRICT COUNCIL RATES REVIEW ENDORSED

In what has been described as a very significant decision, the High Court has upheld the comprehensive review of the Wairoa district rating system undertaken by Wairoa District Council.

In 2021, Wairoa District Council undertook a review of its entire rating system which sought to alter the allocation of the rates burden from potentially lower income residential properties to properties with higher capital values and greater potential for income generation. The review, commenced in 2020 using the special consultative procedure prescribed by the Local Government Act, sought to engage with the wider Wairoa community and bring all voices to the table. The process generated substantial interest from the Wairoa community but was opposed by members of the forestry sector who claimed that the new rating system would result in increased rates payable by forestry interests. The New Zealand Forest Owners Association Inc, an incorporated society representing seven very substantial forestry owning companies applied for a Judicial Review of Council's decision by the High Court and a hearing of the judicial review proceedings was held on 14 and 15 February 2022.

The application for judicial review sought to overturn council's decision on five separate causes of action. In a decision issued on 28 April 2022 the High Court rejected all five causes of action argued by the New Zealand Forest Owners Association Inc.

"I am absolutely delighted with the decision" Mayor Little said. "Undertaking a complete review of our rating system was a huge task. Not only is this decision a credit to all of the hard work by Council and Council staff in undertaking this rating review but it is an endorsement of Council's approach which sought to protect the interests of the Wairoa district community."

The rating review moved from a mix of capital and land value-based rates with a large number of fixed charges to a capital value-based rating process together with differentials to accommodate greater impact of some activities. An example of this is the impact on rural roads of forestry activities. "Forestry tracks have a huge impact on our rural roads. About 25% of Council's entire budget is spent maintaining rural roads and the additional impact on these roads from forestry traffic needs to be taken into account." Mayor Little said. These increased roading costs, together with the move to Capital value rates and the move away from fixed charges, have resulted in changes to the rates payable by high-value properties including the substantial forestry interests represented by the New Zealand Forest Owners Association Inc. The old rating system including the reliance on fixed charges saw residential properties paying the same fixed charges as multimillion dollar rural and forestry operations and resulted in a rating burden that was unaffordable for many low-income residential properties.

"This is not just a win for Wairoa District Council, it is a win for the whole Wairoa community. We have a large district and a small ratepayer base with median incomes that are below the national average. The Court has endorsed the Council's work in ensuring that rates are allocated fairly and are affordable for the community." Mayor Little said, this is not about being anti-forestry, it's about acting in the best interests of the Wairoa community. I hope we can continue to work constructively with our community and with the forestry sector for the best interests of the district."