He Arotakenga o te Kaupapa Here Moniwhiwhi me te Ahumoni

Statement of Proposal: Revenue and Financing Policy



MASTERTON
WHAKAORIORI
DISTRICT COUNCIL

Ihirangi

Contents

Introduction **2**

Background **3**

What is the Revenue and Financing Policy? 3

Why are we reviewing the Policy? 3

What is not being considered as part of this review? 4

Will my rates change? 4

What is the fairest way to share costs? 5

Which funding tools does Council use to divide up the rates required? 6

Why are changes to the Policy needed? 7

What are we asking you about? 8

Key proposed changes **10**

Proposal 1: Use updated population data to share costs between urban and rural rating areas 10

Proposal 2: Share Storm Damage Recovery funding using population to share costs 12

Proposal 3: Change the rating tool to CV for the rural share of Solid Waste costs 14

Proposal 4: Change the rating tool to CV for the rural share of Parks, Reserves and Cemeteries 16

Proposal 5: Better align urban/rural allocation of the rates portion of Animal Control funding with service demand 18

Funding of rural roading 21

Supporting information 21

Impacts of the proposed changes 22

Examples of overall changes to the Policy 23

How you can have your say **24**

Hearing 24

What happens next? 24

Draft Revenue and Financing Policy **25**

Kupu whakataki

Introduction

Our Revenue and Financing Policy is due for review. We are proposing some changes and would like your feedback to ensure the policy reflects the views of the community. **Consultation closes 4pm 12 November 2026.**

The Revenue and Financing Policy sets out how the Council pays for the services it provides and how the ratepayer share of those costs is allocated across the properties in our district.

The Council is proposing changes to how some costs are shared between urban and rural ratepayers and which rating tool is used for some services. These proposals do not change the services the Council delivers or the amount of rates collected.

We want to know whether you think the proposed changes create a fairer way of determining who pays for Council services.

The proposed policy is attached to this Statement of Proposal.

This Statement of Proposal has been prepared in accordance with section 83 of the Local Government Act 2002.

Background

What is the Revenue and Financing Policy?

The Revenue and Financing Policy (the Policy) sets out how we will:

- fund our activities outlined in Long-Term and Annual Plans, and
- share the costs across the community.

The funding tools we use include fees and charges, roading subsidies, targeted rates and targeted uniform and services charges. We seek external funding where users of a service can be charged and this reduces the overall rates impact.

This is one of a suite of financial policies required by the Local Government Act 2002 that support the Council's financial management framework. How much the Council plans to spend and fund each of its activities is included within the current Annual Plan.

Changes to the Policy will apply from the 2027/28 financial year.

Why are we reviewing the Policy?

The Council has reviewed the current Policy as part of preparation for the 2027-37 Long-Term Plan to make sure it reflects current legislation, recent changes to what we do (activities), and good practice.

As the mechanism we use to set rates and user charges, the Policy affects everyone in our community in one way or another.

The scope of the review has been impacted by two key updates:

- The transfer of water services to Waitī Waters Limited (Waitī Waters).
- Updated population estimates from Statistics New Zealand.

What is not being considered as part of this review?

The Policy review does not consider changes to service levels, levels of investment (amount of rates we may collect), or the services it provides. Rather, it relates to how costs are shared between users of services and ratepayers and then between different types of ratepayers. Some changes to the cost sharing are proposed.

Decisions about the services that the Council delivers, service levels, and the amount the Council spends on those services are made through the Annual Plan and Long-Term Plan processes.

The Council is currently developing its 2027-37 Long-Term Plan. Consultation to inform the Plan is scheduled for April 2027. That process will provide opportunities for the community to have a say on what services the Council should provide and the level of investment in those services.

The Council has received some advice about the tonnages of vehicle movements on our roads, linked to land use. The Council is considering the implications of the information but not proposing changes at this stage.

Will my rates change?

Yes, but there are a number of things that will influence the 2027/28 rates.

- New valuations dated 1 September 2026 are due to be received in December 2026 and will be used for the 2027/28 rating year. The new values will influence the amount of rates allocated to your property (up or down depending on your property's value change versus the average change).
- Any increase in Council's budgets will flow into the actual rates required for 2027/28. These budgets will be consulted on through the Long-Term Plan in April 2027.
- In 2027/28 the Council will no longer be including water, wastewater and stormwater services in property rates. The charges for those services will be collected by Waitī Waters.
- The Policy changes (as described in this document).

All figures in this document are based on property values at the time rates were set for 2026/27. These are used for comparative purposes to show the impact of the proposed policy changes.

Examples of how the changes will impact average properties and sample properties will help to show what the indicative impact on your rates will be. For this review, we have provided a rates breakdown on sample properties in the Supporting Information.

What is the fairest way to share costs?

There is no single "right" way to divide up the costs of Council services. Different activities provide benefits to different people and communities.

For some services, such as building consents and dog registration, the Council can recover costs directly from the people who use the service.

For other activities, such as libraries, parks, community facilities and local roads, the benefits are shared more widely across the community.

For some activities, although we can identify the people who use the service, charging for these would be difficult or add additional costs. In these cases, the most appropriate funding source is often rates.

When deciding how services should be funded, the Local Government Act 2002 requires the Council to consider:

- who benefits from the activity
- who contributes to the need for the activity
- how long the benefits are expected to last
- the costs and benefits of different funding options
- the impact of funding decisions on the community.

The Council also considers:

- affordability
- the use of fees and charges
- rates remission and postponement policies
- how costs should be shared between urban and rural communities
- whether rates should be based on property values, fixed charges, or a combination of both.

Which funding tools does Council use to divide up the rates required?

Council's use of the urban and rural rates allocations mean all rates are targeted to those two areas – there is no General Rate. After that allocation Council uses the funding tools below to share costs across the two areas, while complying with legislation.

The most appropriate tool has been selected based on who benefits from a service, who creates the need for it, and how costs can be shared fairly, taking into account a component of 'ability to pay'.

Tools	Description
Urban and Rural allocation	Council first decides how activity costs should be shared between urban and rural communities. Depending on the activity, this allocation may be based on population, access to a service, where expenditure occurs, or where residents live that receive the main benefit from the activity.
Capital Values (CV)	Capital Value is the value of the land and any improvements on it, such as buildings, as assessed by Quotable Value (QV). When rates are based on Capital Value, properties with higher values contribute a greater share of the cost.
Land Values (LV)	Land Value is the value of the land only, excluding buildings and other improvements. Council uses Land Value to allocate a proportion of roading costs because it better reflects the productive and economic potential of land, particularly in rural areas.
Targeted Uniform Charges (TUC)	A Targeted Uniform Charge is a fixed amount charged to each separately used portion of a property within a defined group (urban/rural). Every property (or separately used part) in the group pays the same amount regardless of value.
Targeted Services Charges (TSC)	A Targeted Services Charge is a fixed amount charged to properties that receive a particular service. For example, services such as recycling collection.

Why are changes to the Policy needed?

Water services are moving to Waitī Waters

From 1 July 2027 the Council will no longer collect rates to pay for water supply, wastewater treatment, or stormwater.

These activities are transitioning to Waitī Waters, which will be responsible for funding and charging for water services.

Some of the rates collected for water services currently contribute to Council-wide corporate and support costs . These costs (referred to as stranded overheads) will remain with Council after water services transfer to Waitī Waters and have been reallocated across Council's remaining activities for the purposes of the illustrative 2026/27 comparisons used in this Statement of Proposal.

In the 2027-37 Long-Term Plan the operating budgets will reflect the costs of delivering the remaining Council services, after the water activities are removed. The development of the Long-Term Plan will include fair and appropriate allocation of costs across the activities that remain the Council's responsibility.

The 30 percent legislative cap

Legislation[1] limits the amount of rates that can be collected through uniform charges to 30 percent.

Following the removal of water activities, but using the current policy, the proportion of total rates revenue represented by uniform charges increases to 32.2 percent, which exceeds the legislative limit.

The Council is therefore required to amend its rating policy to ensure compliance with the legislative limit and maintain an appropriate balance between uniform charges and value-based rates.

Updated population information

The Council uses population information to help decide how some costs are shared between urban and rural communities.

Population is used for allocating the cost of activities where the benefits are primarily received by people rather than simply property owners, and where property values are not a good measure of benefit. Examples include libraries, archives, community facilities, governance, and some regulatory services.

Since the current Policy was adopted, Statistics New Zealand has updated its estimated resident population figures. The updated data shows a small increase in the proportion of people living in rural areas of the district.

The Council proposes using the updated population figures when allocating costs between urban and rural communities.

[1] Local Government (Rating) Act 2002

What are we asking you about?

The Council is seeking feedback on five proposed changes on how services are shared.

Proposal 1

Use updated population data to share costs between urban and rural rating areas.

Proposal 2

Share Storm Damage Recovery funding using population to share costs.

Proposal 3

Change the rating tool to CV for the rural share of Solid Waste costs.

Proposal 4

Change the rating tool to CV for the rural share of Parks, Reserves and Cemeteries.

Proposal 5

Better align urban/rural allocation of the rates portion of Animal Control funding with service demand.

The Council has also proposed changes to the Policy to:

- **Make clear our position on when and how we use depreciation.**
- **Recognise the principles of Te Ture Whenua Māori Act 1993[2].**
- **Outline the relationship of this policy to our rates remission policies.**

The proposed changes primarily affect how rates are distributed across the District. In general:

- Rural properties are all paying targeted uniform charges, but the proportion is reducing, with more costs shifted to capital value (CV) based rates.
- Higher-value properties will contribute a larger share of funding as a greater proportion is allocated using the CV methodology.
- Rates for some activities will be allocated more closely to the communities that receive the greatest benefit or generate the greatest demand for the activity.
- The overall reliance on uniform charges will reduce.
- The Council's assessment is that the proposed changes improve the fairness and transparency of the rating system while ensuring compliance with legislative requirements.

An overview of the impacts of the proposed changes on rates can be found on pages 19 and 20 of this Statement of Proposal.

[2] As required by section 102 (3A) of the Local Government Act 2002

Ngā paponi matua kua tūtohua

Key proposed changes

Proposal 1

Use updated population data to share costs between urban and rural rating areas

Description of proposal	Reason for proposal
We propose using updated Statistics New Zealand population estimates when sharing costs between urban and rural communities.	The Policy should reflect the best available population information. The updated allocation more accurately reflects where people live within the District and ensures population -based funding allocations remain current.

Current Policy	Proposed Change
Population-based allocations use: • Urban: 79% • Rural: 21%	Use updated population estimates: • Urban: 78.3% • Rural: 21.7%

This change moves some $189,000 of costs into the rural rating area, out of urban. The change amounts to moving 0.42 percent of total rates (after Waters have been removed) and an average 1.22 percent increase in rates in the rural area.

How will this proposal impact rates?

The table below gives some examples of the impact on different property types from this proposed change. The table shows the change in rates payable due to the policy change that is proposed, using the 2026/27 rates and current policy as the base year[3]. Rates incidence is shifted from urban to rural properties.

Property type	Capital Value (CV)	Annual Change ($)	Percentage Change(%)
Urban residential	$380,000	-$13	-0.60%
	$550,000	-$16	-0.60%
	$760,000	-$21	-0.70%
Commercial (Queen Street shop)	$475,000	-$24	-0.60%
Beach	$850,000	+$38	+1.2%
Rural (lifestyle)	$1,180,000	+$45	+1.4%
Rural (hill country)	$6,840,000	+$175	+0.90%
Forestry	$2,340,000	+$67	+0.90%

Alternative option considered

Retain the existing 79 percent urban/21 percent rural allocation.

This option was not preferred by Council because it relies on outdated population information. Using current population data provides a more accurate basis for allocating costs between urban and rural communities.

[3] Less waters rates.

Proposal 2

Share Storm Damage Recovery funding using population to share costs

Description of proposal	Reason for proposal
The Council currently collects $500,000 plus GST annually to restore and build the Storm and Flood Damage Fund. This is currently allocated at 70 percent rural, 30 percent urban rates. We propose a change to now share this cost between urban and rural ratepayers based on population (78.3 percent urban and 21.7 percent rural). This recognises that a resilient transport network benefits all ratepayers and communities across the district. This proposal moves some $277,000 of rates from the rural rating area to the urban rating area, being 0.62 percent of total rates.	Historically, the allocation reflected the fact that a significant proportion of storm damage recovery expenditure occurred on rural roads. However, the benefits of maintaining a resilient transport network are shared across the district. A functioning roading network supports: • access to homes • access to schools and health services • emergency response • business activity • tourism/beaches • freight movement Funding storm recovery and resilience on a District-wide basis better reflects the wider benefits that accrue to the whole community of Masterton.

How will this proposal impact rates?

The table below gives some examples of the impact on different property types from this proposed change. The table shows the change in rates payable due to the policy change that is proposed, using the 2026/27 rates and current policy as the base year[4]. Rates incidence is shifted from rural to urban rating area.

Property type	Capital Value (CV)	Annual Change ($)	Percentage Change(%)
Urban residential	$380,000	+$20	+1.00%
	$550,000	+$28	+1.10%
	$760,000	+$23	+0.80%
Commercial (Queen Street shop)	$475,000	+$47	+1.10%
Beach	$850,000	-$46	-1.5%
Rural (lifestyle)	$1,180,000	-$53	-1.60%
Rural (hill country)	$6,840,000	-$383	-2.00%
Forestry	$2,340,000	-$151	-2.00%

Alternative option considered

Retain the current 70 percent rural / 30 percent urban allocation.

This option was not preferred by Council because it places a greater proportion of costs on rural ratepayers, despite the benefits of a resilient and connected transport network being experienced across the District.

[4] Less waters rates.

Proposal 3

Change the rating tool to CV for the rural share of Solid Waste costs

Description of proposal	Reason for proposal
We propose allocating the rural share of solid waste costs using property values (CV), rather than allocated as part of a fixed (uniform) charge. The quantum of rates allocated in 2026/27 was $231,400 which was 1.5 percent of total rates collected in the rural area.	The proposal does not change the underlying assessment of who benefits from the service. It changes how the costs are distributed. The Council considers that a CV rate: • Reduces reliance on targeted uniform charges, bringing Council into alignment with the 30 percent cap for targeted uniform charges. • Improves consistency with urban funding share of solid waste costs (which uses CV).Better aligns funding contributions with property values rather than charging all properties the same amount, which can contribute to more equitable funding arrangements.

See rates comparison table for Proposals 3, 4 and 5 on page 16.

Alternative option considered

Continue funding the activity through a targeted uniform charge.

This option was not preferred by Council because it would continue Council's reliance on targeted uniform charges at a time when the removal of water services results in breaching the legislative 30 percent cap (without changing some other allocation). A CV rate provides a more appropriate and proportionate funding method while maintaining the existing assessment of benefits.



Proposal 4

Change the rating tool to CV for the rural share of Parks, Reserves and Cemeteries

Description of proposal	Reason for proposal
We propose funding the rural share of parks, reserves, and cemeteries through property values (CV), rather than being part of a fixed charge. This would create a more consistent approach to funding these services and reduce reliance on uniform charges. The quantum of rates allocated in 2026/27 was $1,071,000 which was 6.8 percent of total rates collected in the rural area.	The proposal does not change the underlying assessment of who benefits from the service. It changes how the costs are distributed. Council considers this approach: • Improves consistency between urban and rural funding methods. • Reduces reliance on targeted uniform charges to support compliance with the 30 percent legislative cap. • Provides a more balanced distribution of costs across properties, aligning with the ability to pay principle.

See rates comparison table for Proposals 3, 4 and 5 on page 16.

Alternative option considered

Continue funding the rural share through a targeted uniform charge.

This option was not preferred by Council because it would continue reliance on targeted uniform charges and maintain an inconsistent funding approach between urban and rural ratepayers. A CV rate provides a more consistent and equitable approach while maintaining the current assessment of benefits.



Proposal 5

Better align urban/rural allocation of the rates portion of Animal Control funding with service demand

Description of proposal	Reason for proposal
The Animal Control cost allocation between user pays (70 percent) and ratepayers (30 percent) would remain unchanged. We propose changing how the 30 rates-funded share is allocated between urban and rural ratepayers. Currently, the rates-funded share is allocated based on population (79 percent urban and 21 percent rural). The proposed allocation would be: • 90 percent urban • 10 percent rural This proposal will move some $41,000 of rates from rural rating area to urban rating area, which is 0.3 percent of rural rates.	Service request data shows that most demand for Animal Control occurs in urban areas. This includes: • complaints • education programmes • enforcement activity • public safety responses. The proposed allocation better reflects where demand for the service is generated while recognising that Animal Control continues to provide district-wide public safety benefits.

Alternative option considered

Continue using a population-based allocation.

Council considered retaining the current population-based allocation (79 percent urban / 21 percent rural).

This option was not preferred by Council because the population split does not reflect the level of demand for Animal Control services. Allocating a greater share of the rates contribution to urban areas better reflects where service requests, complaints, education activities and enforcement activity occur, while continuing to recognise the district-wide benefits of the service by maintaining a contribution from rural ratepayers.



How will proposals 3, 4 and 5 impact rates?

The table below gives some examples of the impact on different property types from this proposed change. The table shows the change in rates payable due to the policy change that is proposed, using the 2026/27 rates and current policy as the base year. Proposals 3 and 4 only impact rural properties and move more rates to be based on CV. This shifts rates from low value to high value properties. Proposal 5 (change in Animal Control rates share) has a low value impact at the per property level.

Property type	Capital Value (CV)	Annual Change ($)	Percentage Change(%)
Urban residential	$380,000	+$5	+0.20%
	$550,000	+$4	+0.10%
	$760,000	+$5	+0.20%
Commercial (Queen Street shop)	$475,000	+$5	+0.10%
Beach	$850,000	-$110	-3.6%
Rural (lifestyle)	$1,180,000	-$25	-0.80%
Rural (hill country)	$6,840,000	+$1,108	+5.80%
Forestry	$2,340,000	+$275	+3.70%

Funding of rural roading

As part of this review, the Council considered whether changes should be made to how rural roading costs are allocated across the District, including whether some land uses, such as forestry, should contribute a greater share of those costs. This reflected concerns about the impact that heavy vehicle movements associated with some activities can have on parts of the rural roading network.

The Council investigated available modelling, local data and rating valuation approaches to assess whether a different funding approach could be justified. This included considering whether a land-use-specific rating approach could appropriately reflect demand on the roading network.

However, the Council concluded that there is not yet sufficient evidence or reliable data to support a fair and defensible land-use-specific rating approach. Key information gaps remain, including understanding the relationship between land use, heavy vehicle movements, road wear and the wider community benefits provided by the transport network. A recent report on this was not received in time for consideration in this Policy review.

For this reason, the Council is not proposing any changes to the allocation of the Roading rates as part of this Policy review. The Council intends to continue exploring this issue through the development of the 2027-37 Long-Term Plan and may consider future funding allocation options.

Supporting information

A range of information is available on the What's Up Whakaoriori website to help you understand the proposed changes to the Policy and the reasons for them.

Supporting information includes:

- The Council reports considered on 16 September 2026 and 7 October 2026, which outline the proposed policy changes and the rationale for those changes.
- The Funding Needs Analysis and Consideration of Appropriate Funding Sources Report, which assesses each Council activity and considers who benefits from the activity, who creates the need for the activity, and the most appropriate sources of funding.
- Information on the financial and rating impacts of the proposed changes, including examples of how funding arrangements may affect different groups of ratepayers.
- The current Revenue and Financing Policy (2023).

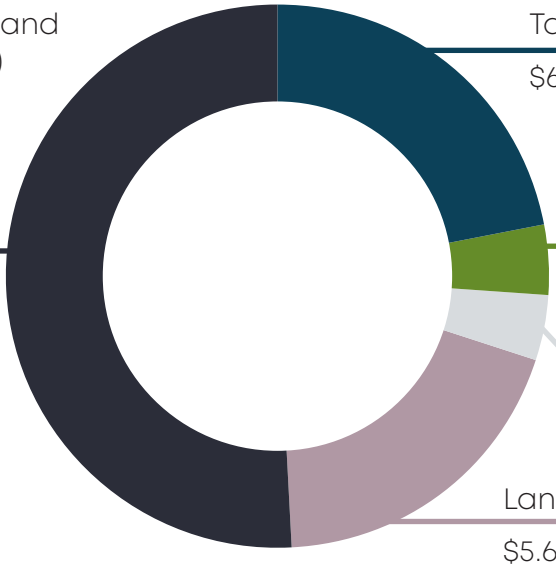
This supporting information is intended to assist submitters in understanding the proposal and developing informed feedback.

Impacts of the proposed changes

After combining the effects of all the proposed changes, the overall impact is no change to CV rates for urban properties (51 percent), but a nine percent increase for rural properties. For targeted uniform charges there is an eight percent reduction for rural properties and no change for urban properties (22 percent).

26/27 Urban Rates $28.9m

(with water removed and after policy changes)



Targeted Uniform Charge
$6.4m - 22%

Targeted Roading Charge
$1.2m - 4%

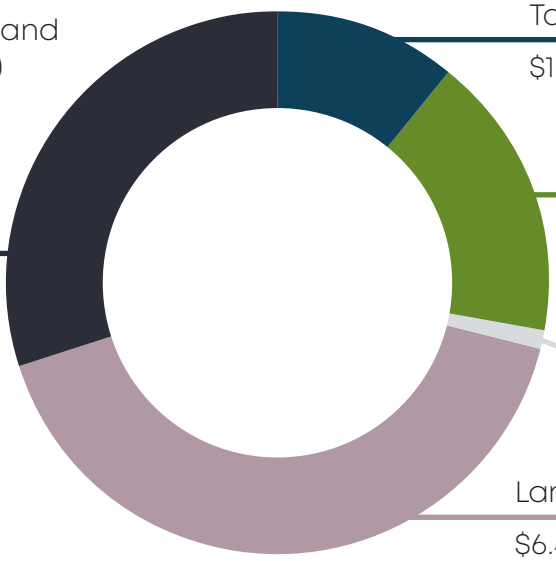
Targeted Recycling Collection Charge
$1m - 4%

Land Value (Roading) Rates
$5.6m - 19%

Capital Value Rates
$14.8m - 51%

26/27 Rural Rates $15.8m

(with water removed and after policy changes)



Targeted Uniform Charge
$1.7m - 11%

Targeted Roading Charge
$2.7m - 17%

Beach Services Charge
$0.2m - 1%

Land Value (Roading) Rates
$6.4m - 41%

Capital Value Rates
$4.7m - 30%

Examples of overall changes to the Policy

Below is a summary of property rate movements after combining the effects of all the proposed policy changes. The table shows the change in rates payable due to the policy change that is proposed, using the 2026/27 rates and current policy as the base year.

Property type	Capital Value (CV)	Current policy rates	Current policy rates (waters removed)	Proposed policy rates	Annual change ($)	Annual change (%)
Urban residential	$380,000	$3115	$2,018	$2,030	+$12	+0.60%
	$550,000	$3910	$2539	$2,555	+$16	+0.60%
	$760,000	$4,732	$2972	$2,979	+$7	+0.30%
Commercial (Queen Street shop)	$475,000	$6,118	$4,055	$4,082	+$27	+0.70%
Beach	$850,000	$3766	$3102	$2984	-$114	-3.5%
Rural (lifestyle)	$1,180,000	$3,139	$3,288*	$3,255	-$34	-1.00%
Rural (hill country)	$6,840,000	$18,154	$19,026*	$19,926	+$900	+4.70%
Forestry	$2,340,000	$7,078	$7,410*	$7,601	+$191	+2.60%

*Base year (without waters) includes provision for reallocation of stranded overheads to remaining Council activities, including roading (which impacts rural properties).

Te āhua o tō tuku kōrero

How you can have your say

We welcome your submissions on the proposed Revenue and Financing Policy. Please submit your feedback by **4pm Thursday 12 November 2026.**

You can make a submission in one of the following ways:



Complete our online submission form at: whatsup.mstn.govt.nz



Download a fillable pdf submission form from our website and email to: submissions@mstn.govt.nz.



Pick up a submission form from the Masterton District Library or Customer Service Centre at 161 Queen Street. You can also print out our printer-friendly form from the website above. Post it to Masterton District Council, Freepost 112477, PO Box 444, Masterton 5840, or drop it off to our Customer Service Centre.



Phone the Policy Team on 06 370 6300 between 9am and 4pm Monday to Friday (excluding public holidays) and tell us what you think.

Hearing

For those wanting to present their views to the Council, a hearing will be held on the morning of Wednesday 9 December 2026. You will need to indicate on your submission form that you would like to participate in the hearing.

What happens next?

Following the consultation period, a hearing and deliberations meeting will be held **the morning of 9 December 2026.** Following the deliberation meeting, the Council will meet to finalise the policy in **February 2027.**

Kaupapa Here Moniwhiwhi me te Ahumoni

Revenue and Financing Policy



MASTERTON
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Contents

Purpose 3
Scope 3
Revenue and Financing Framework 3
How we determine funding 4
Funding sources 5
Rating Policy 7
Rating Valuations 9
Review of Policy 9
Definitions 9
Related Documents 9
References 10
Version Control 10
List of Schedules 10
Schedule 1 – Masterton District Council Activity Funding Allocations 11
Schedule 2 Summary of 101 (3) Analysis- Activity Funding Summary Matrix 13
Schedule 3 – Rating Base 18

Policy Reference: MDC003	
First Adopted	The policy was first adopted (as the Funding Policy) following public consultation in 1997. It has been reviewed, refined and revised by the Council every three years since then (apart from in 2021).
Latest Version	X
Adopted by:	Council
Review Date	X

Purpose

This policy outlines the revenue sources used to fund the range of services the Masterton District Council (the Council) provides. It also sets out the factors that Council must consider when determining its funding sources in accordance with section 101(3) of the Local Government Act 2002.

This policy has been developed pursuant to the requirements of sections 101, 102 and 103 of the Local Government Act 2002.

Scope

This policy covers sources of funding for the operating and capital expenditure of the Council. The funding sources include, but are not limited to, external revenue, including roading subsidies, user fees and charges, financial contributions and local authority rating.

The policy outlines where the revenue will come from to pay for services but does not determine the costs of providing each service. Council budgets for the costs of the services it provides in the Long-Term and Annual Plans.

Revenue and Financing Framework

In making this policy, the Council has considered the funding of each activity in accordance with section 101(3) of the Local Government Act 2002. A summary of this analysis is provided in Schedule 2.

Te Ture Whenua Māori Act 1993

The Council recognises the principles set out in the Preamble to Te Ture Whenua Māori Act 1993, including the special relationship between Māori and their land, the importance of retaining Māori land in the hands of its owners, whānau and hapū, and the need to facilitate the occupation, development and utilisation of Māori land.

In developing this policy, the Council has had regard to these principles and recognises the significance of Māori freehold land as a taonga tuku iho (cultural property/ heritage). This approach is supported by the Council's rates remission and postponement policies, which provide mechanisms to reduce rates-related barriers to the retention, occupation, development and utilisation of Māori freehold land.

Related strategies and policies

Council strategies and policies that relate to this Policy include:

- *Financial Strategy:* The Financial Strategy supports prudent financial management and provides transparency about the impacts of funding and expenditure decisions on Council services, rates, debt and investments.
- *Development and Financial Contributions Policy*: The Local Government Act 2002 (section 106) enables Council to require development contributions to help fund growth-related infrastructure and community facilities. The Resource Management Act 1991, and any successor legislation, may also provide for contributions through planning and resource consent processes, subject to applicable legislative and transitional arrangements. These contributions are a

source of funding for Council and may only be applied for the purposes authorised by legislation.

- *Rates Remission and Postponement Policies and Policy on Rates Remissions and Postponements on Māori freehold land:* these policies detail the circumstances under which the Council will consider the remission or postponement of rates on properties.
- *Schedule of Fees and Charges:* The Schedule outlines the fees and charges the Council has set to recover the costs or partial costs of the Council's services, usually where there is some private benefit received.

How we determine funding

The Council determines how each activity should be funded using the framework set out in section 101(3) of the Local Government Act 2002. This requires Council to consider who benefits from an activity, the period over which benefits are received, who contributes to the need for the activity, and the costs and benefits of different funding methods. A summary of this analysis is provided in Schedule 2.

First Step Considerations

The first step requires consideration of the following principles at each activity level:

- the community outcomes to which the activity primarily contributes;
- the distribution of benefits between the community as a whole and individuals or groups (user pays principle);
- the period of time in which benefits are expected to occur (intergenerational equity principle);
- the extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity (exacerbator pays principle); and
- the costs and benefits of funding the activity distinctly.

This process seeks to align the costs of a service with those who benefit from, use, or create the need for that service, while recognising that broader community considerations may justify a different funding approach.

Where services provide a direct benefit to identifiable users, and it is practicable to do so, user charges may be used to recover all or part of the costs from those users.

Where Council incurs costs as a result of the actions or inactions of an individual or group (known as exacerbators), Council considers whether those costs can be recovered from the exacerbator.

Second Step Considerations

A second step is then applied. This involves Council considering the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community.

Council completes this step by considering the effect of applying the funding principles identified through the first step and may modify the resulting allocation where necessary to ensure the outcome is fair, practical, lawful, and consistent with the wider interests of the community.

Funding sources

The following sections outline the Council's approach to each funding source.

User Pays

Where a service provides a direct benefit to an individual or group of individuals, user-pays is the preferred initial funding source. This means those who receive or benefit from the service contribute directly towards all or part of its cost through fees and charges.

The Council seeks to maximise the proportion of costs recovered through user fees and charges where this is practical and appropriate. Fees and charges are set to reflect the benefits provided and the costs incurred in delivering the service. Setting lower fees than market rates may be justified where wider benefits can be identified.

Other revenue

The Council seeks to maximise other sources of revenue, including central government funding, subsidies, levies, grants and contributions from external organisations.

Examples include NZ Transport Agency Waka Kotahi roading subsidies, the waste levy, local grant funding, and cost recoveries for services provided to other local authorities and organisations.

Rates

Under this Policy, after user charges and other sources of revenue have been considered, the Council may rely on property rates under the Local Government (Rating) Act 2002 to fund the remaining costs of its activities and services. Rates are particularly important for services that provide a broad community benefit or where it is not practical or equitable to recover costs directly from individual users.

The Council aims to distribute rates as equitably as possible through the use of targeted rates and charges. This includes:

- targeting rates to properties that receive or have access to particular services;
- recognising areas where the costs of providing services are higher; and
- recognising that value-based rates provide a broad indication of ability to pay.

The Council does not use a General Rate. Instead, targeted rates and targeted uniform charges are used to fund the costs of services allocated to urban and rural areas. In addition, targeted service charges are used to fund specific services provided to, or available to, particular properties.

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Funding of Capital Expenditure

The Council's policy, with regard to the funding of capital expenditure, is to:

- Fund roading network renewal expenditure from NZ Transport Agency Waka Kotahi subsidies (expected to be 55 percent on subsidised work from 2027/28) and the balance from annual rates;
- There are exceptions to the above:
    - Bridges, where the Council's share is from depreciation reserves.
    - Non-subsidised asset renewals (e.g. footbridges, street furniture) which are funded from depreciation reserves that are built up from annual rates.
- Fund other replacement assets from depreciation reserve funds to the extent that those funds are available. Where depreciation reserves are insufficient, loan funding may be used
- Fund assets which increase levels of service by borrowing/loans
- Fund assets needed because of growth, from developers, either by the developer providing the infrastructure or by them making financial contributions at the outset of the development.

Depreciation

Managing depreciation ensures we have funds in the future to replace assets when they reach the end of their life. Depreciation is based on an estimate of the average wearing out, consumption, or other loss of value of an asset.

Spreading the replacement cost of a long-life asset over the expected life of that asset means that its current and future users contribute towards its eventual replacement, rather than just those paying rates at the time the asset needs replacing or major renewal.

Council raises cash through rates and charges to pay for current operating expenses which include depreciation. The cash raised for depreciation is invested when not needed or used to purchase replacement assets or repay loans within that activity.

There are assets where Council does not intend to build replacement funds or is not expected to be fully responsible for funding their replacement in the future. It therefore does not set revenue to fund all depreciation on these assets, such as housing for the elderly and rural halls.

Borrowing and Reserves

The Council uses borrowing to fund specific capital projects that result in upgraded levels of service, while depreciation reserves funding is applied to fund asset renewals.

Reserve funds are built up for specific purposes and are used for those purposes. Reserve funds may be used to meet operating costs if the expenditure is consistent with the purpose of the fund.

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Rating Policy

The rating policy is based on the following principles:

- The rates required for each activity are first allocated between urban and rural rating areas based on the distribution of benefits and the location of service delivery.
- Targeted rates are set in the urban and rural areas. No 'General Rate' is applied across all properties in the district.
- For those costs that are charged across the whole district, an effective differential is achieved using the urban/rural allocations.
- Allocation bases include the current population split, the targeted area in which the service is available and (for subsidised roading) the locality of programmed expenditure.

Schedule 3 sets out the Rating Base used. It includes population (urban and rural), property and valuation figures of the Masterton district. These are key to the way the rates required are divided up amongst properties.

Basis for Allocating Costs Between Urban and Rural Rating Areas

As outlined above, the rates required for each service are first allocated between the urban and rural rating areas. Schedule 1 summarises both the urban/rural allocation of costs and the rate types used to fund each activity.

The allocation between urban and rural rating areas is set at 100 percent / 0 percent where the benefits of a service are confined to a particular rating area or to those properties receiving the service.

Services that provide benefits across the district are allocated between urban and rural areas using a population-based criterion, a location-based criterion, or another assessment of where the benefits of the service are received.

The Council's approach is intended to reflect the distribution of benefits received from, and access to, Council services.

Population-based allocation

For services where benefits are primarily related to people rather than property, and where costs are not recovered through user charges, the urban/rural allocation is based on the population ratio set out in Schedule 3.

Urban/Rural Allocations

This section outlines the funding approach for the allocation of costs between urban and rural properties to achieve targeted rates.

- Population 78.3% urban: 21.7% rural: used to allocate those services where there are people-related benefits and all residents have access to and derive benefit from the services.
- Land Value (44:56 urban:rural) and Capital Value (53:47 urban:rural): no district-wide services are currently allocated using district-wide land value or capital value proportions. These ratios are provided for comparison with the allocation methodologies adopted by the Council.

- Subsidised Roading Allocation 30:70 urban:rural: This allocation reflects where subsidised roading expenditure is expected to occur over the next three years. The proportion may be adjusted through future Annual Plans if expenditure differs from that forecast in the Long-term Plan.
- Rural Solid Waste Allocation: 10:90 urban: rural: This allocation applies to the costs of rural transfer stations. It recognises that these services are available principally to rural residents. The targeted rate on beach properties also reduces the share borne by other rural properties.
- Rural Halls Allocation: 5:95 urban: rural: This allocation applies to the costs of rural halls and recognises a small degree of district-wide benefit arising from the provision of these facilities.

Targeted Rates, Uniform and Services Charges

The Council uses targeted rates, targeted uniform charges and targeted service charges to recover the costs of specific services from the properties that receive, benefit from, or have access to those services. This reduces the proportion of rates that would otherwise need to be recovered through land value or capital value-based rates across a wider group of properties.

Although the Council does not levy a Uniform Annual General Charge, the targeted uniform and roading charges operate in a similar way because they are applied on a uniform basis to properties within the relevant rating area.

The Local Government (Rating) Act 2002 limits the total revenue from Uniform Annual General Charges and charges treated as equivalent to 30 percent of total rates revenue. The Council complies with this requirement when setting its rates.

Table 1: Targeted Rates, Uniform and Service Charges

	Urban	Rural
Targeted Rates (differentiated between urban/rural properties based on cost allocations)		
Targeted Land Value (roading) rate	✓	✓
Targeted Capital Value rates	✓	✓
Targeted Uniform Charges (differentiated between urban/rural properties based on cost allocations)		
Targeted Uniform Charge (urban & rural)	✓	✓
Targeted Roading Charge (urban & rural)	✓	✓
Other Targeted Services Charges		
Recycling Collection Charge	✓	✓ *
Beach (Refuse & Recycling) Collections Charge		✓

** Charged in the rural periphery where the Council is prepared to offer the collection service.*

Urban Differential – Non-Residential

Differentials are a multiplier or percentage discount applied to the rates set on targeted properties. They are targeted to reflect differences in the costs of the services provided as well as recognising variations in ability to pay.

The Council has determined that, in general, public services provide more benefits to the urban non-residential sector (i.e. commercial-use properties) than to residential-use properties. The effect of the high percentage of uniform and services charges is recognised as regressive - it reduces the impact on higher valued properties. A differential or multiplier of 2.0 is applied to non-residential properties (U2) on each of the urban targeted rates that use land and capital values.

Rating Valuations

The rating policy results in approximately 70 percent of the rates required being allocated based on property values (land value and capital value). The values are assessed by Quotable Value NZ Limited, and a revaluation process is completed every three years. The revaluation is subject to audit by the Office of the Valuer General. The balance of the rates is allocated via targeted charges.

New rating valuations are applied following each district-wide revaluation undertaken by Quotable Value New Zealand Limited and approved by the Office of the Valuer-General. Changes in property valuations may affect the share of rates paid by individual properties, and the impact will vary depending on the relative change in value compared with other properties in the district.

Review of Policy

This policy will be reviewed every three years as part of the Long-Term Plan process.

Definitions

Capital Values (CV): these are market values at a point in time, provided by Quotable Value (QV). Using CV as the basis to charge means properties with a higher CV (land plus improvements like buildings) pay proportionately more rates than those with a lower CV.

Land Values (LV): The value of land alone based on QV valuations. Land values reflect market pricing at a point in time.

Targeted Service Charges (TSC): the same dollar amount is charged to all properties receiving services such as recycling collection.

Targeted Uniform Charges (TUC): the same dollar amount is charged to each property. The amount varies between urban and rural areas e.g. all urban properties are charged the same TUC, a different TUC is charged on rural properties.

Related Documents

Masterton District Council Long-Term and Annual Plans

- Funding and Financial Policies
- Development and Contributions Policy
- Treasury Management Policy

- Rates Remission Policy
- Rates Postponement Policy
- Rates Remission and Postponement on Māori Freehold Land Policy

References

- Local Government Act 2002
- Local Government (Rating) Act 2002
- Te Ture Whenua Māori Act 1993

Version Control

Version	Date	Summary of Amendments	Approved By
1.0	03/04/2024	Reviewed as part of 2024-34 LTP. Refer to Schedule 5.	Masterton District Council
2.0	2026	Reviewed as part of 2027-37 LTP. Updates to funding / rates allocations and content of the policy to include interrelated policies, Te Ture Whenua Māori Act 1993 considerations, and approach to depreciation.	TBC

List of Schedules

- Schedule 1 – Masterton District Council Activity Funding Allocations
- Schedule 2 – Summary of 101 (3) Analysis- Activity Funding Summary Matrix
- Schedule 3 – Rating Base

Schedule 1 – Masterton District Council Activity Funding Allocations

Activity	User Pays Allocation		Urban/Rural Allocation		Rating Tools	
	Community	User	Urban	Rural	Urban	Rural
Airport/Hood	40%	60%	78.3%	21.7%	CV	CV
Animal Control	30%	70%	90.0%	10.0%	TUC	TUC
Archive	95%	5%	78.3%	21.7%	TUC	TUC
Arts and Culture	100%	0%	78.3%	21.7%	CV	CV
Building Services	20%	80%	78.3%	21.7%	CV	CV
Cemeteries	35%	65%	78.3%	21.7%	CV	CV
Community Development	85%	15%	78.3%	21.7%	TUC	TUC
District Buildings	35%	65%	78.3%	21.7%	CV	CV
Economic Development	100%	0%	78.3%	21.7%	CV	CV
Emergency Management	72%	28%	78.3%	21.7%	CV	CV
Environmental Health	50%	50%	78.3%	21.7%	CV	CV
Environmental Initiatives	100%	0%	78.3%	21.7%	CV	CV
Forestry	40%	60%	78.3%	21.7%	TUC	TUC
Housing for Elderly	10%	63%	78.3%	21.7%	CV	CV
Library	95%	5%	78.3%	21.7%	TUC	TUC
Mawley Park	20%	80%	78.3%	21.7%	CV	CV
Other Property	35%	65%	78.3%	21.7%	CV	CV
Other Rural Water Services[1]	85%	15%	0.0%	100.0%	n/a	CV
Parking Control	0%	100%	n/a	n/a	n/a	n/a
Parks, Reserves, Sportsfields	95%	5%	78.3%	21.7%	CV	CV
Public Toilets	100%	0%	78.3%	21.7%	CV	CV
Recreation Centre	80%	7%	78.3%	21.7%	TUC	TUC

[1] This includes Ōpaki Water Race, rural school water testing and aspects of water services that are not currently transferring to Waitī Waters.

Activity	User Pays Allocation		Urban/Rural Allocation		Rating Tools	
	Community	User	Urban	Rural	Urban	Rural
Recycling and Composting	35%	65%	78.3%	21.7%	CV	CV
Recycling Kerbside Collection	100%	0%	100.0%	0.0%	TUC	n/a
Refuse Collection	30%	70%	100.0%	0.0%	CV	CV
Refuse Disposal	0%	100%	78.3%	21.7%	CV	CV
Resource Consents & Planning	70%	30%	78.3%	21.7%	CV	CV
Roading – storm damage	25%	75%	78.3%	21.7%	30% TUC, 70% LV	30% TUC 70% LV
Roading – subsidised	45%	55%	30.0%	70.0%	30% TUC, 70% LV	30% TUC 70% LV
Roading – non-subsidised rural	100%	0%	0.0%	100.0%	n/a	30% TUC 70% LV
Roading – non-subsidised urban	100%	0%	100.0%	0.0%	100% LV	n/a
Rural Halls	99%	1%	5.0%	95.0%	CV	CV
Rural Refuse	85%	15%	10.0%	90.0%	CV	CV (rural) TUC (beach)
Representation	100%	0%	78.3%	21.7%	CV	CV

Schedule 2 Summary of 101 (3) Analysis- Activity Funding Summary Matrix

The following summary matrix provides a high-level overview of the funding approach adopted for each activity.

Category	Description
Public Good Activity	Primary funding from rates because benefits are widely shared across the community.
Shared Benefit Activity	Combination of user charges and rates because both users and the wider community benefit.
User-Pays Activity	Primary funding from identifiable users through fees and charges.
Exacerbator-Pays Activity	Costs recovered from those creating the need for expenditure where practical.
Intergenerational Asset	Long-life assets where borrowing may be used so future beneficiaries contribute to costs.

Activity	Primary Beneficiaries	Funding Philosophy	Rates Funding	User / Other Revenue	Primary Funding Tool
Airport	Airport users, businesses and wider community	Users pay where identifiable; rates recognise regional connectivity, economic development and emergency service benefits	40%	60%	Fees, leases, targeted rate
Animal Control	Dog owners and community	Dog owners fund most costs; rates recognise wider public safety and nuisance reduction benefits	30%	70%	Registration fees, fines, TUC

Activity	Primary Beneficiaries	Funding Philosophy	Rates Funding	User / Other Revenue	Primary Funding Tool
Archive	Entire community and future generations	Heritage preservation, education and community identity provide significant public benefit	95%	5%	TUC
Arts & Culture	Entire community and facility users	Cultural participation, wellbeing and heritage outcomes justify rates funding	100%	0%	CV rate
Building Services	Property owners and community	Users contribute through consent fees; rates fund wider public safety and regulatory outcomes	20%	80%	Consent fees, CV rate
Cemeteries	Families and wider community	Shared private, heritage and community benefit	35%	65%	Fees and CV rates
Community Development	Entire community	Community wellbeing, participation and social outcomes justify rates funding	85%	15%	TUC
District Buildings	Facility users and Council activities	Internal users contribute; rates fund public service delivery benefits	35%	65%	Internal rentals, CV rate
Economic Development	Businesses and wider community	District-wide economic benefits justify rates funding; business differential recognises additional commercial benefit	100%	0%	CV rate with business differential
Civil Defence & Emergency Management	Entire community	Essential public service providing district-wide resilience and emergency preparedness	72%	28%	CV rate

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Activity	Primary Beneficiaries	Funding Philosophy	Rates Funding	User / Other Revenue	Primary Funding Tool
Environmental Services	Businesses, residents and community	User fees applied where practical; rates fund public health, safety and environmental outcomes	50%	50%	Fees, CV rate
Environmental Initiatives	Entire community	Long-term environmental stewardship and sustainability outcomes justify rates funding	100%	0%	CV rate
Forestry	Community	Commercial income offsets costs; residual costs funded from rates	40%	60%	Internal allocation to Roading, TUC
Housing for the Elderly	Tenants and community	Rental income is primary source; rates recognise wider social wellbeing benefits	10%	63%	Rents, rates support, unfunded
Library	Entire community	Educational, cultural and social outcomes justify high levels of rates funding	95%	5%	Grants, TUC
Other Property	Property tenants and community	Commercial returns expected where practical; rates support strategic community assets	35%	65%	Rental income, CV rate
Parking	Motorists, businesses and visitors	Users and offenders fund activity where practical	0%	100%	Parking fees and infringements
Parks & Reserves	Entire community	Strong public-good recreation, wellbeing, environmental and amenity service	95%	5%	CV rates

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Activity	Primary Beneficiaries	Funding Philosophy	Rates Funding	User / Other Revenue	Primary Funding Tool
Sports Fields	Sports participants, clubs and community	Club contributions supported; broad recreation and wellbeing benefits justify rates funding	95%	5%	Leases, CV rates
Public Conveniences	Residents and visitors	Charging users is impractical; public health and amenity benefits justify rates funding	100%	0%	CV rates
Recreation Centre	Users and community	Affordability and participation goals justify reduced cost recovery	80%	7%	User fees (to operator), Rates as TUC
Waste Minimisation	Waste generators and community	Pricing supports desired behaviours; rates recognise wider environmental benefits	35%	65%	Fees, waste levy and CV rate
Kerbside Recycling	Service users and community	Direct service funded through targeted charges	100%	0%	Targeted rate
Refuse Collection	Waste generators and community	User pays encouraged through bag charges and waste minimisation incentives	30%	70%	Bag sales and rates
Urban Transfer Station	Waste generators	Users should meet most disposal costs	0%	100%	Gate fees
Resource Management & Planning	Developers and community	Applicants contribute; rates fund wider planning and environmental outcomes	70%	30%	Consent fees and CV rate

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Activity	Primary Beneficiaries	Funding Philosophy	Rates Funding	User / Other Revenue	Primary Funding Tool
Roading – Storm Damage	Entire community	District-wide resilience and recovery benefits justify shared funding	24%	76%	Rates (TUC, LV), reserves and external funding
Roading – Subsidised	Residents, businesses and visitors	Shared funding from transport users, Government and ratepayers.	45%	55%	Subsidies, LV rates and roading charge
Roading – Non-Subsidised Rural	Rural properties and road users	Costs allocated primarily to rural beneficiaries	100%	0%	LV rates and roading charge
Roading – Non-Subsidised Urban	Urban properties and road users	Costs allocated primarily to urban beneficiaries	100%	0%	LV rates
Rural Halls	Rural communities	Community service with limited ability to recover costs from users	99%	1%	CV rate
Rural Refuse	Rural communities and users	User charges supplemented by Targeted User Charges for beach properties, and Capital Value-based rates for other rural and urban properties.	85%	15%	Fees and CV rates, TUC
Representation	Entire community	Democratic governance and leadership benefit the entire community	100%	0%	CV rate

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Schedule 3 – Rating Base

Listed below are the population, property and valuation figures of the Masterton District. These are key to the way the rates required are divided up amongst properties.

Masterton land area

Area	Hectares (ha)	Percent (%)
Rural	227,704 ha	92%
Urban	1,796 ha	8%
Total	229,500 ha	100%

Masterton Population (2026)

Based on estimated resident population

Area	Number	Percent (%)
Rural	6,280	21.72%
Urban	22,630	78.28%
Total	28,910	100%

Rating Valuation Totals June 2026

Area	$million (2026)	$million (2026)
	Land Value	Capital Value
Rural	$3,262 million	$5,039 million
Urban	$2,550 million	$5,803 million
Total	$5,812 million	$10,843 million

Masterton Separately Ratable Units 2026

Area	Number
Rural	4,105
Urban	10,474
Total	14,579

Phone

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