Environment Southland
Revenue and Financing Policy update
and
rating review 2024
Statement of Proposal

Including the following substantive funding changes:

1. **Creating a new Flood Protection Infrastructure Rate based on capital value to replace 140 Catchment rates.**

2. **Moving the Biosecurity and Land Sustainability Rates (land value) into the General Rate (capital value).**

3. **All new flood protection infrastructure will be funded by borrowing with repayments paid for by all ratepayers across the region.**

WHY DO WE NEED A REVIEW

We have a massive land area, 3.1million hectares, 3,613 kms of coast, produce 4th highest GDP per capita, yet have only 36,500 unique ratepayers to fund the service of Council across the region.

Unlike other regional councils who have clearly different sub regions, Murihiku Southland is one region, crisscrossed by 4 large rivers.

Our 2024-2034 LTP focusses our activities into 3 groups healthy environment, resilient communities, thriving region. Our funding choices need reviewing to support the outcomes.

Much of our current funding is based on different longstanding considerations when how we managed was rurally based. Little consideration to the benefits and risks to the whole economy.

Recent years have seen a move to an integrated catchment management approach reflecting a mountains to the sea (ki uta ki tai) philosophy. Biosecurity and catchment integration are key components of integrated catchment management, alongside the other activities of council. All Southland ratepayers benefit from this type of approach, a healthy environment benefits all.

The integrated approach works best where the activities of council can work seamlessly together.

Funding for “Future focussed Climate Resilience solutions” requires the replacement of the current rating system with a simpler more broad-based system. Currently there is no rating basis to fund new infrastructure, this needs a “new rate” regardless of any change to maintenance rates.

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Disclaimer: This Statement of Proposal provides an indication of the proposed rating changes from July 2024. It is not your actual rates account. The rates invoice you receive from July 2024 will be based on the yet to be finalised Long-term Plan budgets and the Council's final decisions after this consultation. The amounts shown are based on the proposed 2024/2025 rates as discussed in the separate Long-term Plan Consultation Document. All rate amounts shown are inclusive of GST.

STATEMENT OF PROPOSAL

OVERVIEW OF THE PROPOSAL

We are proposing to amend the Revenue and Financing Policy to create a new region-wide Flood Infrastructure Rate to fund both capital and operational expenses associated with this activity; to change the basis for rating for our biosecurity and land sustainability activities from land value to capital value; and to fund flood infrastructure capital from borrowing and apply financing and debt reduction across the region to achieve intergenerational and region-wide equity benefit.

More information on our future flood protection investment requirements can be found in the Long-term Plan Consultation Document and supporting information, in particular the Council's Infrastructure Strategy.

The proposals provide for a better allocation of the costs of maintaining and improving our investment in protecting everyone in the region from the full impacts of flooding at a time when New Zealand is experiencing more severe and enduring weather events.

Maintaining our critical infrastructure (e.g. wastewater, roads, emergency services) is closely linked to our flood protection activity. Last year this was seen in parts of the North Island where the consequences spread well beyond the immediate river catchments to the wider region.

The proposed changes reallocate the budgeted costs to all ratepayers. Who pays and how much they pay would change, with some paying less and others paying more. These effects would be as a result of both creating a region-wide rate and the proposed move to capital value as the basis for rating.

We would not collect any more money from the proposed rate system changes. However, our need to invest more in flood protection and to account for high inflation would lead to higher rates, whether this rating system changes or not. More information on the inflationary budget increases can be found in the Council's Long-term Plan Consultation document and supporting information.

These proposed changes recognise our current catchment rating approach (nearly 40 years old) is no longer fit for purpose. All the community benefits from flood protection infrastructure and all our community need to contribute to ensure equity in our rating system, and to ensure our infrastructure is affordable both to maintain and to invest in. Future generations who would also benefit, would meet these costs as well. What is proposed aligns with the Council's priority to maintain a socially and economically resilient region that is spared the full impacts of flooding and can recover quickly from them.

There are two substantive changes to the Revenue and Financing Policy that would change rates and one substantive policy change on the use of borrowing:

1. Creating a single new Flood Protection Infrastructure Rate to replace 140 catchment rates.
2. Moving the Biosecurity and Land Sustainability Rates to the General Rate.
3. Paying for Flood Protection Infrastructure from borrowing with debt repayments paid for by all regional ratepayers as part of the Flood Protection Infrastructure Rate.

These changes would provide greater resilience to protect us all from adverse weather events, spread the costs more equitably and provide the financial resources to maintain and invest in flood protection infrastructure.

The draft Revenue and Financing Policy and draft Funding Needs Analysis are part of this Statement of Proposal. These documents cover the detailed requirements of the Local Government Act 2002, Local Government (Rating) Act 2002 and Biosecurity Act 1993 for our funding activities.

1. Creating one new Flood Protection Infrastructure Rate to replace 140 catchment rates

We propose to introduce a new Flood Protection Infrastructure Rate that would replace 140 existing rates to provide for greater investment in infrastructure and river management at a time when we are facing a changing climate. The rate would be a capital value rate for all ratepayers.

Planning for the impacts of a changing climate is an important lens we are applying across our work programmes and particularly with our flood protection infrastructure. These impacts will affect our livelihoods and regional economy, so our aim is to help build community resilience for Southland – environmentally, socially, culturally and economically.

This proposal supports our plans for integrated catchment planning, recognising that all things are connected in the natural world and need to be managed that way, leading to better operational and capital investment.

The current catchment rating system has its roots in the formation of the Catchment Liaison Committees established in 1979. We have 140 different catchment rates spread across 17 schemes under eight Catchment Liaison Committees. Not all properties are currently in a river catchment rating scheme.

The current Catchment Liaison Committees have boundaries based on decades-old direct flood analysis and perceived direct benefit assumptions. This methodology does not provide for up-stream solutions or downstream consequences. The proposed new rate would provide for greater flexibility of investment and be inclusive with all the region funding the investment.

The current flood management funding processes are narrowly focused and overly complex and are no longer fit for purpose.

2. Moving the Biosecurity and Land Sustainability Rates to the General Rate

We propose to move the Biosecurity and Land Sustainability Rates to the General Rate. In doing so the costs of these activities would be collected based on capital value.

Currently all ratepayers pay both the Biosecurity Rate and the Land Sustainability Rate. These rates are calculated based on land value.

Our land sustainability work supports landowners and managers to have healthy soils and waterways, riparian plantings and good land management practices, including for waste/effluent, farm plans, grazing and more. The impacts of this work contribute to a healthy environment.

Our biosecurity work focuses on preventing new pests (plants and animals) and diseases from arriving and ensuring there are measures to control or eradicate those already impact our economy and pests can negatively affect flora, native species, stock, pasture, the wider environment and, in turn, our economy. It includes implementation of the Southland Regional Pest Management Plan and the Fiordland Marine Regional Pathway Management Plan.

Over time what we do and how we do it has changed, caused by changing government requirements, community preferences and priorities or technology.

We will continue to work managing biosecurity in conjunction with the Ministry for Primary Industries and the Department of Conservation and we will continue to support land sustainability.

Because our activities have a greater focus on protecting the economy of the region as a whole, moving to the capital value General Rate would be a more equitable allocation of cost across the region. A capital value rating basis allows our rating system to better reflect where the benefit lies. High value properties will pay more and lesser valued properties will pay a little less.

The change supports simplifying the rates process and provides Council with more flexibility to respond where it matters.

3. Flood protection infrastructure will be funded by borrowing with repayments paid for by all ratepayers across the region

We are proposing in the Long-term Plan Consultation document to invest more to maintain and improve our flood protection infrastructure.

The Revenue and Financing Policy provides for our preferred funding tools for capital infrastructure costs. This includes the grants and subsidies and borrowing. Grants and subsidies (primarily from government) is a preferred funding source. The Council is lobbying to receive some funding from the Government, as we did for the Covid-19 economic recovery climate resilience projects (shovel ready) in 2020. The portion of investment not funded from grants and subsidies would be funded locally. We propose the local share is funded from borrowing.

This policy will be applied to recent climate resilience (shovel ready) projects and future projects. Interest costs and debt repayments would be considered by Council when budgets are prepared and funded through the proposed new Flood Protection Infrastructure Rate.

OVERALL REASON FOR THE PROPOSAL

Every three years as part of the Long-term planning requirements, we review our activities and budgets and how we fund these. We are part way through that process.

In preparing all the Long-term planning information, we identified the need to make significant changes to the way we invest in flood protection. You are being asked your views on this in the Long-term Plan Consultation document.

This proposal addresses possible changes to how we share the rates contribution to funding the cost of activities. The outcome of this consultation will be incorporated in a revised Revenue and Financing Policy, which will be attached to the Long-term Plan 2024-34, in June 2024.

The law asks that Council decide what is the appropriate share of the rates allocation. This is a complex balance that involves considering a range of factors, including community outcomes, benefits received, the effects of individuals or groups' actions or inactions, transparency and community wellbeing.

Fundamentally, rates are a tax and not an exchange of money for a service. We are required to look at what all sectors pay and allocate an appropriate share of costs that recognise all the factors we are required to consider under the legislation.

OTHER OPTIONS CONSIDERED

In the overview section of the Statement of Proposal we have discussed Council's preferred option.

As well as our preferred option we considered other options including various mixes of catchment funding and regional rate funding with land value and capital value options. The options and variations on these options are summarised within this document for your consideration. In addition to these, not changing the rating system is an option.

SUPPORTING INFORMATION

This Statement of Proposal includes supporting information that provides further information to assist with understanding the proposal and the other options considered.

The supporting information is listed at the end of this Statement. The supporting information can be read and downloaded from our website www.es.govt.nz or requested from the Council's office.

OTHER CHANGES TO THE REVENUE AND FINANCE POLICY

There are no other substantive policy changes proposed.

The Revenue and Financing Policy looks a little different from the previous versions as we have made some administrative changes to better communicate the Policy. For example; we have renamed our activities to better align with our budget structure and make it more easily understood. This does not change what we do or how we fund our activities.

A change in the law requires the Revenue and Financing Policy to recognise the Preamble to Te Ture Whenua Māori Act 1993, which is recognised in the policy.

OTHER REVIEWS

This consultation is focused on the Revenue and Financing Policy and rates.

The Long-term Plan 2024-34 Consultation document should be read in conjunction with this document, polices and supporting information. They are closely linked.

ABOUT THE NUMBERS

Disclaimer: The rates numbers in this statement are GST inclusive. It does not represent your actual rates account. The rates invoice you receive from July 2024 will be based on the yet-to-be finalised 2024-2034 Long-term Plan budgets.

WE WANT YOUR FEEDBACK

Look it up

These proposals impact the rates on each property differently, some would increase, and some would decrease.

To see how this could impact you and find out more visit our consultation website.

We will be posting ratepayers with significant potential cost increases a letter about the proposal, and every mailbox in the region will receive a copy of our regular newsletter with information about the proposal.

Tell us what you think

If your rates are proposed to go down it’s just as important for you to tell us whether you agree with this or not, as it is for those whose rates go up.

You have until 5 pm 6 May 2024 to tell us.

If you wish to speak to the full Council, you can complete a submission form and you will be invited to speak at a hearing in May 2024.

Talk to us

We are giving everyone the opportunity to come and meet us at community meetings and informal sessions.
Have a korero with us, use our computer to see how the proposed changes could impact you, ask questions or tell us what you think about our proposed changes.

THE PROPOSAL

OVERALL IMPACTS

We are proposing significant changes to how we share our rates across the region and how we plan to fund Flood Protection Infrastructure investment.

To assist in deciding what is appropriate we must consider the statutory framework when making funding choices. We have considered:[1]

1. Creating a new Flood Protection Infrastructure Rate set on capital value to replace 140 Catchment rates.
2. Moving the Biosecurity and Land Sustainability Rates (land value) into the General Rate (capital value).
3. All new Flood Protection Infrastructure will be funded by debt with repayments paid for by all ratepayers across the region.

We are proposing to make two significant changes (1 and 2 above) that would affect who and how much everyone pays.

Overall impacts of all changes sector

This section shows the overall impact of the two proposed rating changes. The creation of a Flood Protection Infrastructure rate and moving the basis for rating for Biosecurity and Land Sustainability rates from land value to capital value.

Council considered many models before determining its preference for these proposed rating options. As part of the modelling, we looked at different scenarios for the Uniform Annual General Charge (UAGC). Under the policies 101(3)(b) considerations, Council has applied its discretion to modify the amount of the UAGC to reflect a change in benefit and to achieve better community outcomes or wellbeing. This is not a policy change but the application of the policy which would normally occur in the adoption of the Funding Impact Statement. Therefore, for the purpose of modelling, the UAGC has been reduced from $143 per rating unit in 2024/25 to $95 per rating unit in the modelling.

To clearly show the impact of the redistribution of the rates, the overall movement in rates we are using is the 2024/25 financial year rates for the comparison.

This comparison shows the redistribution of who pays with no change in the overall amount funded.

[1] The consideration of the statutory framework is included in the Supporting Information: Funding Needs Analysis

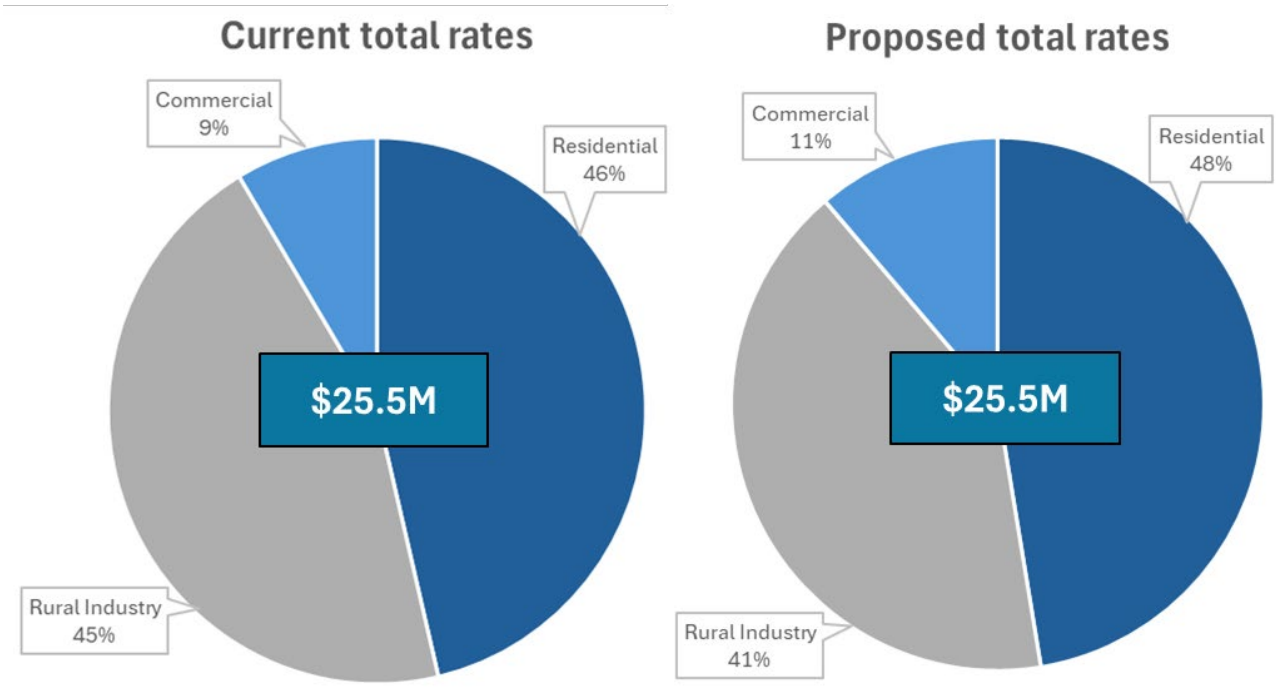


Figure 1: Overall movement of rates between rating categories showing the distribution of the 2023/24 rates as a result of this proposal.

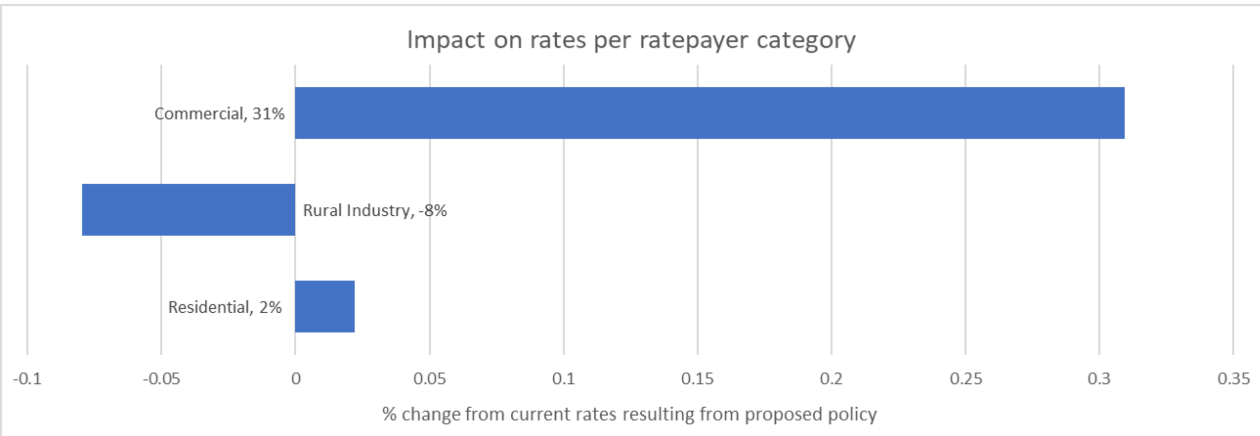


Figure 2: Overall changes to rates collected from residential, rural and commercial, relative to rates currently paid by each

Figure 1 shows the overall impact of implementing all three proposals. In both pie charts the total amount of rates collected remains the same.

These changes will change the share of the rating each of us currently pays. Remember the pie stays the same size ($25.5M) it is just shared differently.

Overall, the proposed changes to how we allocate the rates will reduce the share paid by the rural sector and increase the share paid by the residential and commercial sectors.

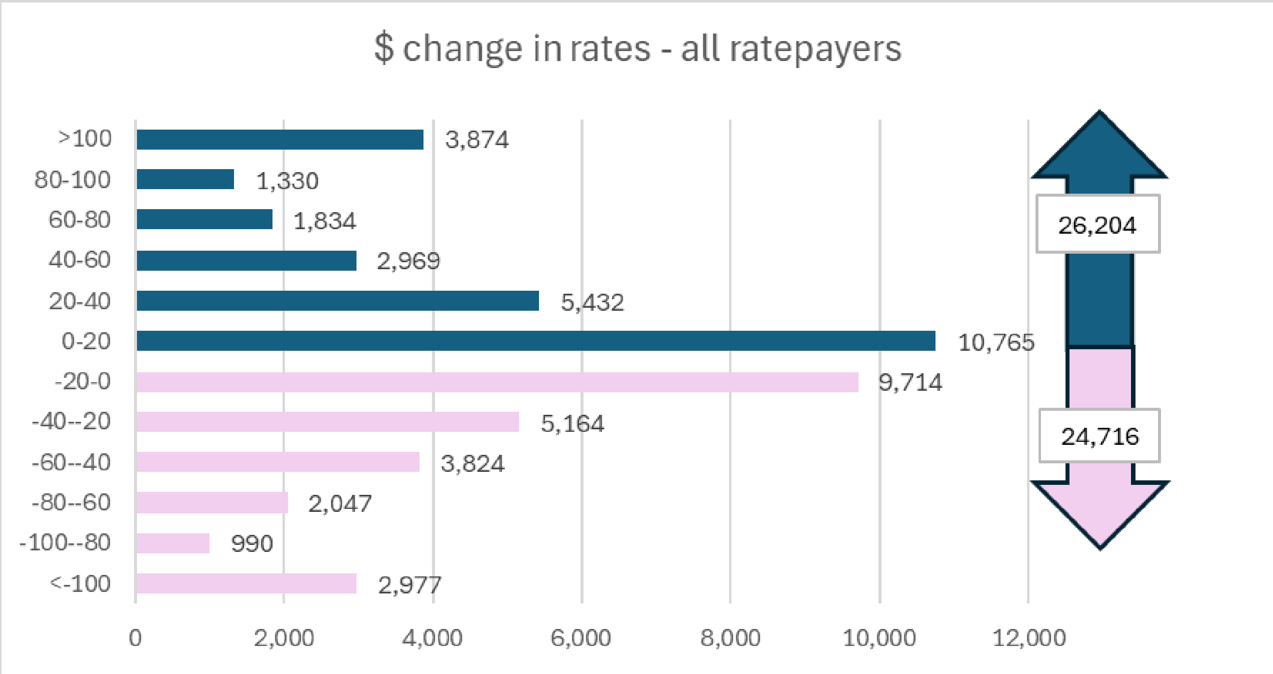
Figure 2 shows the overall impact of the proposed change on each of the three ratepayer categories. As a group of ratepayers, commercial ratepayers will pay 31% more in total rates, rural will pay 8% less, residential 2%.

We do not rate by the categories shown, we are using these categories to illustrate the impact the proposed rate changes would have on the different properties.

The location of a property and the ratio of land value and capital value will alter the potential changes in rates owing.

Further details on what that means for average ratepayers in each category are shown below.

Average change in rates for all ratepayers

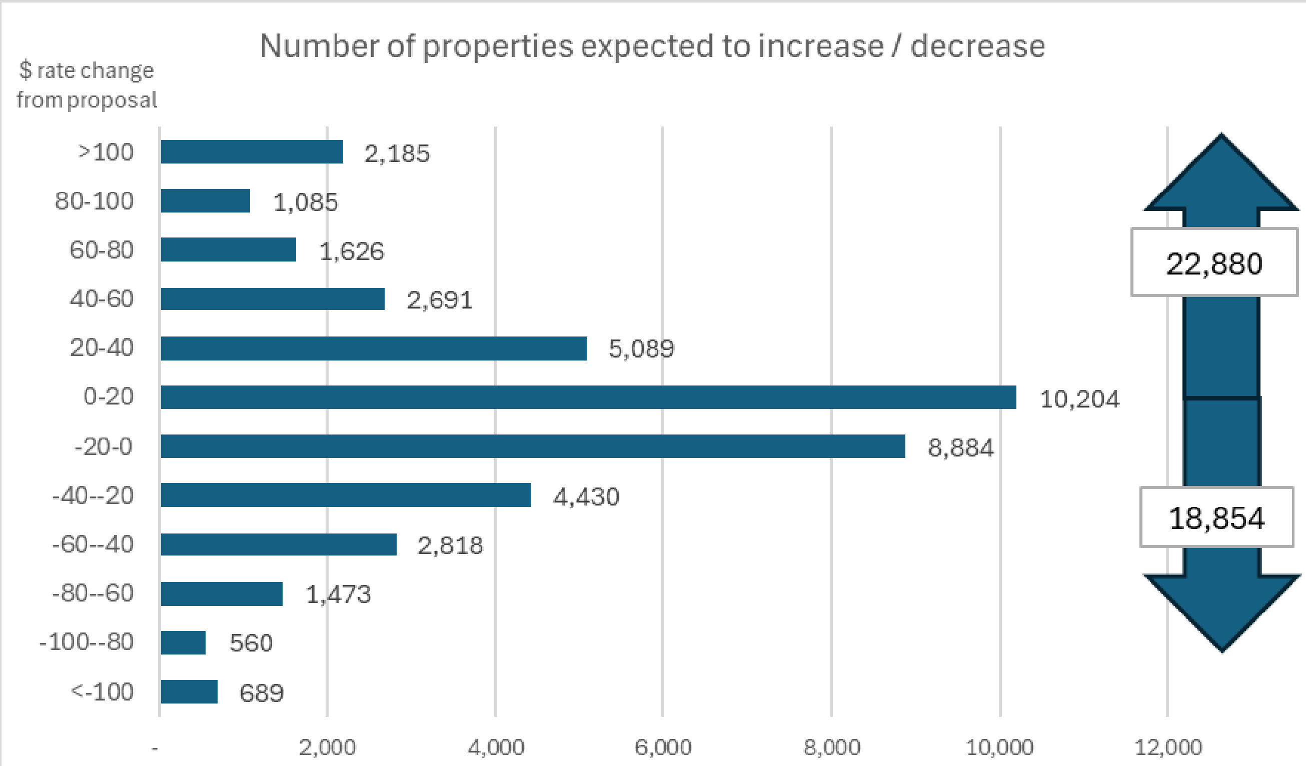


Overall, rates would decrease because of the proposed policy change for 24,716 of the total 50,929 ratepayers. Rate decreases would be mostly in the $0 - $40 range.

Rates would increase for 26,204 ratepayers, mostly in the $0 - $40 range.

Actual changes per property will depend on location, land and capital value.

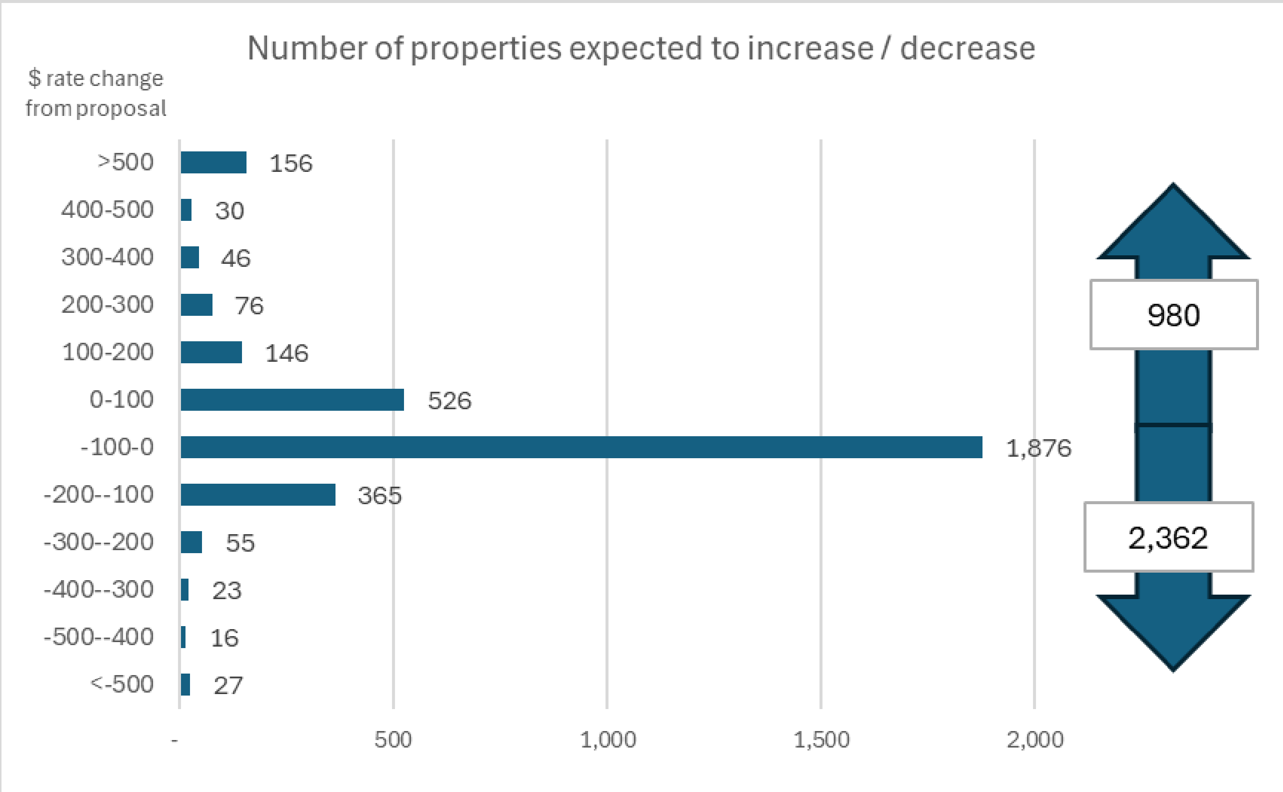
Residential ratepayers



Residential ratepayers will pay a larger share of total rates, moving from 46% of total rates to 48% of total rates. The impact on residential ratepayers will vary dependent on location and the value of the property. The increased share is spread over 41,734 ratepayers.

Rates will decrease for 18,854 residential ratepayers under the proposal, most by $0 - $40 per annum. Rates will increase for 22,880 ratepayers, mostly by $0 - $40 per annum. The average increase will be $7or 13 cents per week.

Commercial ratepayers

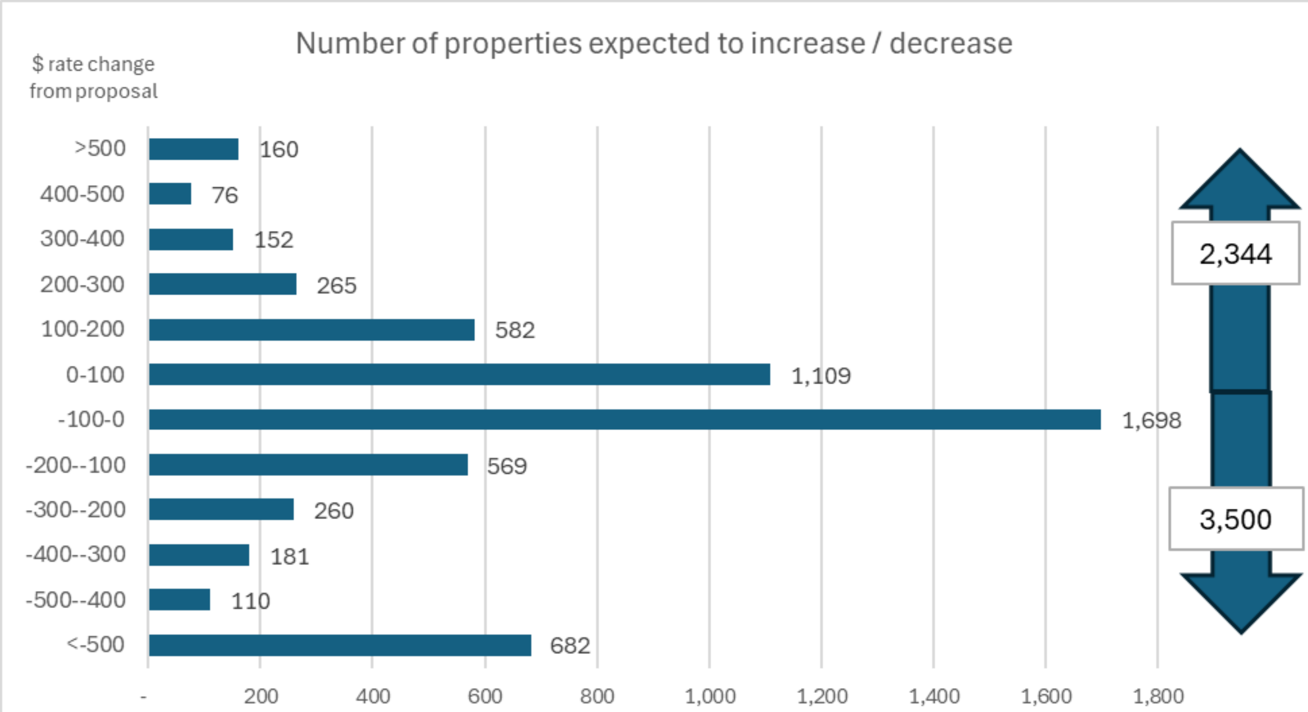


Commercial ratepayers will pay a larger share of the total rates, moving from 9% to 11% of total rates received by council. The impact on commercial ratepayers will vary quite considerably dependent on location and the capital value of the property relative to the land value. Rates will decrease for 2,362 ratepayers, mostly by $0 - $100 per annum. Rates will increase for 980 ratepayers, mostly by $0 - $100 per annum.

While 68% of commercial ratepayers will have a decrease in rates resulting from the proposed policy change, the average will increase by $231.

Rates will increase by more than $500 per annum for 156 ratepayers.

Rural ratepayers



Rural ratepayers will pay a lesser share of the total rates, moving from 45% to 41% of total rates received by council. The impact on rural ratepayers will vary quite considerably dependent on location and the land value of the property. Rates will decrease for 3,500 ratepayers, mostly by $0 - $200 per annum though 682 ratepayers will see decreases greater than $500 per annum.

Rates will increase for 2,344 ratepayers, mostly by $0 - $200 per annum. Rate increases over $500 are forecast for 160 rural properties. The average change will be a decrease of $186.

The Detail

PROPOSED OPTIONS

We are proposing significant changes to the Revenue and Financing Policy. There are three parts to the proposal:

1. Creating a new Flood Protection Infrastructure Rate to replace 140 Catchment rates.
2. Moving the Biosecurity and Land Sustainability Rates (land value) into the General Rate (capital value).
3. All new Flood Protection Infrastructure will be funded by borrowing with repayments paid for by all ratepayers across the region, with interest and debt repayments funded in the proposed new Flood Protection Infrastructure Rate.

The following sections describe the three changes in detail and outline the advantages and disadvantages of each proposed change.

1. Creating a new Flood Protection Infrastructure Rate to replace 140 Catchment rates (capital value).

We propose to introduce a new Flood Protection Infrastructure Rate which would replace 140 existing rates and would provide for better management of our rivers and minimise the impacts and better prepare them for the consequences of adverse weather events of the whole region.

This proposal would place the funding equitability across the region to remove funding obstacles, inadvertently a consequence of the current catchment rating system, and allow everyone in the region to invest in flood protection infrastructure to manage the risks we all face in the event of adverse weather.

Reason for choosing to create a new Flood Protection Infrastructure Rate to replace 140 Catchment rates.

The current catchment rating system has its roots in the formation of the Catchment Liaison Committees established in 1979. We have 140 different catchment rates spread across 17 schemes under eight Catchment Liaison Committees. Not all properties are in a river catchment.

In the past, the prevailing belief was that those nearest the rivers were the ones who benefitted from flood protection infrastructure, because it protected their properties. The current Catchment Liaison Committees have boundaries based on decades old direct flood analysis and perceived direct benefit assumptions. This methodology does not provide for up-stream solutions or downstream consequences. The proposed new rate would provide for greater flexibility of investment and inclusion of all the region to funding this investment.

The current flood management funding processes are overly complex and are no longer fit for purpose.

How all Southlanders benefit from flood protection

Southland's flood defences have been repeatedly tested over recent decades and they have stood up well.

However, our flood protection infrastructure network is older now (30+ years) and it is coming under increasing pressure due to more enduring and severe weather.

Most of our flood protection infrastructure was built and upgraded after the 1984 floods; 40 years ago. We live differently to the way we did back then when everything was more localised. Now, we have a strong reliance on critical infrastructure, such as roads, utilities, telecommunications and the airport to do business and for our daily lives.

Planning for the impacts of a changing climate is an important lens we are increasingly applying across our work programmes and particularly with our flood protection infrastructure. The impacts will affect all areas of our work and people's lives and our aim is to help build community resilience for Southland – environmentally, socially, culturally and economically.

Critical infrastructure

Critical infrastructure, sometimes referred to as critical services includes all those key assets and services that are essential to the way we live. These include energy, communications, water and transportation.

Most businesses and communities cannot be well sustained without critical infrastructure. Electricity, telecommunications, drinking water, wastewater and stormwater systems are all essential.

Our roading network is key to our economy. It brings goods in to fill our supermarket shelves and shifts products, with milk tankers on our roads daily, stock and product movements. We need our roads to get freight from and to our port and airport, and to support the tourism sector.

Our roads allow us to fulfil our responsibilities and interests, professionally and personally, and to come together as families and as a community. They give quick passage for emergency services and for us to get to hospitals and to travel.

Southland's flood protection infrastructure reduces the impact of flooding on these assets, protecting our livelihoods and regional economy, as well as Southlanders and properties.

Flood protection infrastructure substantially reduces the impact of flooding on our critical infrastructure, properties and people. This is important for all of us, not only people who live near rivers and it's time to acknowledge that we all benefit – socially and economically.

Changing the rates

We are proposing critical changes to how we rate for Flood Protection Infrastructure so that investment can be made more efficiently, effectively and equitably.

This is achieved by ensuring everyone is contributing to the Flood Protection Infrastructure rates (currently not the case).

We are also proposing these new rates will be collected on the capital value of properties. This is our preferred approach after evaluating the different options for rating.

Land value is an alternative option for the new rate. This is not preferred as it does not align with the benefit of the region's $7 billion economy.

Figures 3 and 4

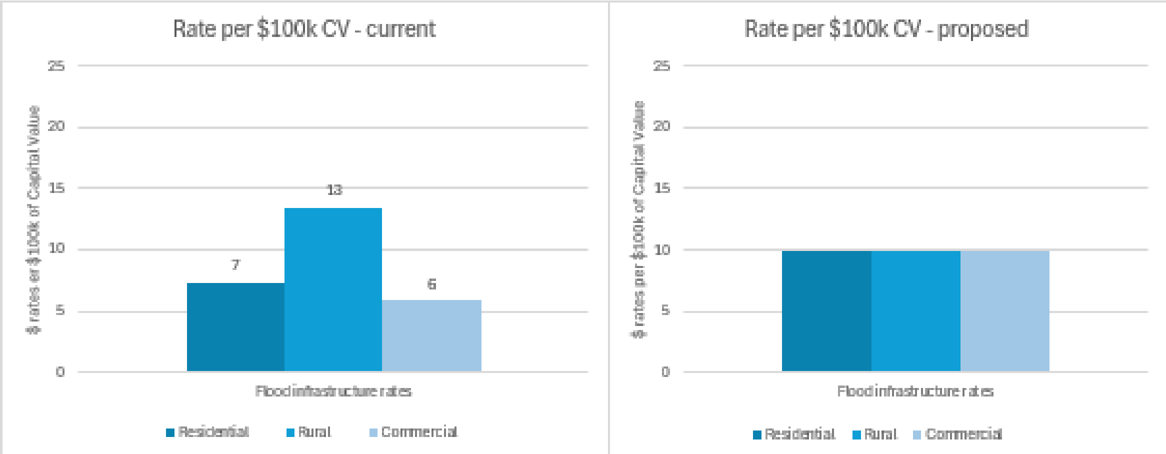


Figure 3 and 4 shows how the capital value rate leads to a more equitable distribution of the rates for the proposed rates changes for Flood Protection Infrastructure.

As the New Flood Protection Infrastructure rate replaces the current 140 catchment rates we will cease collecting these rates. Funds held in reserves for these areas will still be applied to this area. Catchment Liaison Committees will still continue and will work closely with our team on asset management planning to ensure the best outcomes for their communities are achieved. More information about the increased investment in Flood Protection Infrastructure is available in the Long-term Plan Consultation document on Council's website.

Advantages of creating a new Flood Protection Infrastructure Rate to replace 140 Catchment rates. (capital value)

- The proposed new rates would be paid by every ratepayer recognising the risks and benefits the whole region faces in the event of adverse weather.
- Whole of region rating increases the rating base for flood protection and enables investment outside of a targeted catchment area.
- The rate supports the Long-term Plan Flood Protection Infrastructure investment proposal, providing a funding tool for investment decisions.
- The proposed capital value rate results in a more equitable distribution of the rates due to the protection of higher value assets and lifelines to these.
- The rate is significantly simpler to understand and administer.

Disadvantages of creating a new Flood Protection Infrastructure Rate to replace 140 Catchment rates. (capital value).

- Catchment Committees and rating are long established and have been successful in protecting rural land and supporting the rural economy. We are proposing a big change as our view on risk and consequence has evolved with society. Changing a successful model carries risk. We will work closely with Catchment Liaison Committees to manage the risks associated with change.

- Communities not directly affected by water inundation may fail to see the benefit of paying towards flood infrastructure maintenance and investment.

Also see the Other Options Considered section of this Statement of Proposal.

2. Moving the Biosecurity and Land Sustainability Rates (land value) into the General Rate (capital value).

We propose to move from land value rating to capital value rating. This means the current targeted rates become part of the General Rate.

This does not change what we do, or our budgets. It just changes who pays.

Reason for moving the Biosecurity and Land Sustainability Rates (land value) into the General Rate (capital value).

The current rating of these activities is in two region wide targeted rates based on land value. These rates established 30 years ago are built on the assumption the Biosecurity and Land Sustainability is largely a rural matter where the programmes related to "production" increases like rabbit culling and preventative erosion on hill country.

Our land sustainability work supports landowners and managers to have healthy soils and waterways, riparian plantings and good land management practices, including for waste/effluent, farm plans, grazing and more. The impacts of this work contribute to a healthy environment.

Our biosecurity work focuses on preventing new pests (plants and animals) and diseases from arriving and ensuring there are measures to control or eradicate those already impact our economy and pests can negatively affect flora, native species, stock, pasture, the wider environment and, in turn, our economy. It includes implementation of the Southland Regional Pest Management Plan and the Fiordland Marine Regional Pathway Management Plan.

Over time what we do and how we do it has changed, caused by changing government requirements, community preferences and priorities or technology. For both activities our programmes have evolved and are much more regionally focused, policy driven for biosecurity and education driven for land sustainability.

All ratepayers benefit from a healthy environment and economically we are all connected. No longer are the largest landowners the main beneficiaries.

While the Regional Pest Management Plan states that targeted rates create action from targeted ratepayers, that hasn't turned out to be the case. General rates with direct fees change behaviour. Targeted rating has not changed behaviour.

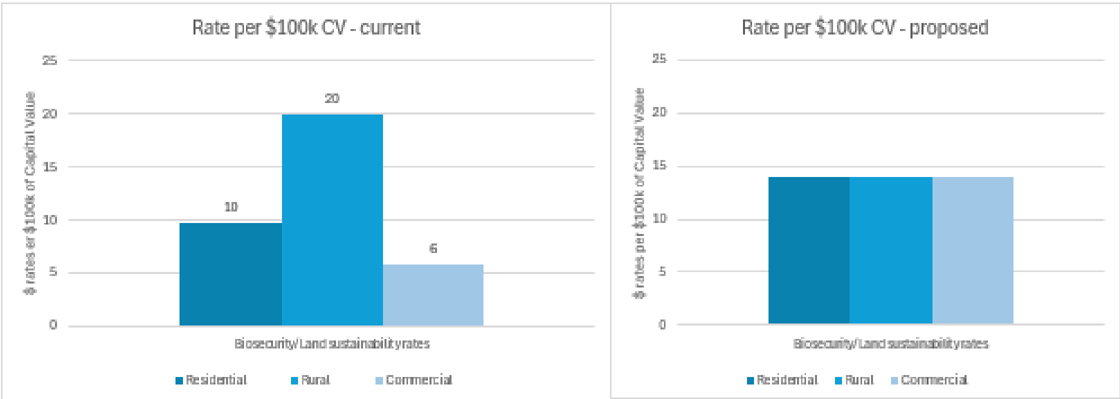
Our indicators are that in the event of failure to manage our biosecurity and promote sustainable land use will have consequences for the whole region. For example, unsustainable land practices could lead to adverse water quality impacts downstream to towns and businesses. Outbreaks of plant or animal pests or diseases could lead to our regional exports being rejected or quarantined. Undesirable outcomes from these examples would flow into our $7b economy. Targeted rating has not changed behaviour or reduced risk for the region.

Southland has a small, narrow-based economy focused on its primary sectors, particularly agriculture, its related manufacturing sectors and tourism. The economy is almost completely reliant on the use of natural resources, either directly or indirectly. A general rate and capital value rating better allocated the share of the rates to those that carry that benefit the most for a healthy environment and economic prosperity.

Moving to the capital value General Rate would be a more equitable allocation of cost across the region. Our activities have a greater focus on protecting the economy of the region as a whole. A capital value rating basis allows our rating system to better reflect where the benefit lies. High value properties will pay more and lesser valued properties will pay a little less.

The change supports simplifying the rates process and provides Council with more flexibility to respond where it matters.

Figures 5 and 6



Figures 5 and 6 show how the proposed change to capital value rate for Biosecurity and Land Sustainability leads to a more equitable distribution of rates for these activities.

Advantages of moving the Biosecurity and Land Sustainability Rates (land value) into the General Rate (capital value)

- A regional capital value rate supports the Regional Pest Management Plan and Pathway Plan.
- The proposal produces a more equitable allocation of the rate with those with the most to gain contributing more.
- What we do does not change.
- The rate is significantly simpler to understand and administer.

Disadvantages of moving the Biosecurity and Land Sustainability Rates (land value) into the General Rate (capital value)

- Possible perceptions that removing the current targeted rate reduces accountability. We don't measure success by how we collect rates but by what we do. We monitor what we do and collect data that measure the success of these programmes.

Also see the Other Options Considered section of this Statement of Proposal.

3. All new Flood Protection Infrastructure will be funded by borrowing with repayments paid for by all ratepayers across the region.

We are proposing greater clarity on how we intend to fund flood infrastructure. The funding tool was already available to us, but we wanted to be sure that the community are clear on our plans.

We will fund the local share of Flood Protection Infrastructure from borrowing, where there are future benefits (intergenerational equity).

In 2020 the government supported an $18.7m Flood Protection Infrastructure investment by funding 75% of the project costs. The remaining 25% ($4.8 m) was funded locally. The Long-term Plan Consultation document highlights the assumption that future capital projects will be being funded this same way.

By funding the costs from borrowing, Council's debt will grow. There are limits to how much we can borrow, including consideration of the impact debt has for future generations. Interest costs on debt and debt repayment would be funded from the Flood Protection Infrastructure rate.

More information about the increased investment in Flood Protection Infrastructure and the impacts this has on debt and rates is available in the Long-term Plan Consultation document on Council's website.

Reason for all new Flood Protection Infrastructure being funded by borrowing with repayments paid for by all ratepayers across the region

Our preferred option is to borrow to fund our investment in Flood Protection Infrastructure is to from debt.

By doing this we can continue investing and equity in who pays by spreading the cost over time (intergenerational equity).

The alternative options (see below) do not allow for timely investment and put the community significantly at risk if the investment is stopped or delayed.

Advantages of all new Flood Protection Infrastructure being funded by borrowing with repayments paid for by all ratepayers across the region.

- The proposal to borrow allows us to continue investing in Flood Protection Infrastructure.
- Investment will reduce the risks arising from adverse weather events.
- Council historically has had little debt and as such has debt capacity to invest.
- Current and future generations share in the costs and benefits.
- Rates are less than if Council had to fund the initial investment from rates only.

Disadvantages of all new Flood Protection Infrastructure being funded by borrowing with repayments paid for by all ratepayers across the region.

- Borrowing can be considered easy money and therefore investment decisions would not be subject to the same scrutiny than raising the funds first.
- Debt results in interest costs which are outside of Council's control.
- Future generations may perceive they are left with a debt burden.

Other Options Considered Rather than Borrowing

Other options would be:

- To fund the annual investment from rates. This is not reasonably practical as the increase in rates would be unaffordable, and the law requires us to consider sharing costs over time when the benefit extends to future generations.
- To fund the investment in advance by collecting funds each year in rates and placing it in a reserve fund until such time as sufficient funds are available to undertake investment. This is not reasonably practical as investment would not happen in a timely manner.

Not taking advantage now of the benefits that increased investment in this infrastructure will have comes at a cost to the community.

How much to invest on Flood Protection Infrastructure is a matter for the Long-term Plan. More information on this can be found in the Long-term Plan Consultation Document.

OTHER OPTIONS CONSIDERED

As well as our preferred option we considered other options. This included different funding methods and different allocations between rating types.

The following represent the themes considered. Some of these themes have multiple versions modelled.

The matters below are reasonably practical alternatives to the proposed options in this Statement of Proposal.

Other Options for Flood Protection Infrastructure

We considered the catchment-based rating system (the 140 rates) its merits and weaknesses. For a number of years, many of those involved in catchment management as professionals and ratepayers have called for a review.

Many meetings have been had with those involved with catchment management.

We believe that it is generally agreed the current funding is not a reasonably practicable option for our future investment in Flood Protection Infrastructure.

The reasonable practicably options Council considered were degrees of catchment funding and regional rate funding with land value and capital value options. Many versions of these were modelled.

Council also considered whether there should be a targeted rate or the whole of region capital value rate could be absorbed into the general rate. For transparency reasons and given the significance of the investment and risk that a targeted rate would provide better transparency.

There may be other options that could be considered, and Council is open to considering all reasonably practicable options.

Advantages of Other Options for Flood Protection Infrastructure

- Leaving some funding in the catchments continues a legacy of catchment committees having a funding leverage.

Disadvantages of Other Option for Flood Protection Infrastructure

- Funding retained by catchments may reduce funding for more critical investment.
- Not all ratepayers are within current Catchment boundaries. Catchment boundaries would need to be reviewed and changed. Reviewing and reallocating catchment boundaries would have the potential to delay change beyond this LTP process.
- Not having a 100% region wide rate could prevent council from developing a fully regional approach to investment in flood infrastructure. Smaller communities may not be able to fund the investment they need.

Other Options for Biosecurity and Land Sustainability Rates

Another option for Biosecurity and Land Sustainability rates was to move either one or the other to capital value, rather than both at the same time. These options were modelled and compared to the overall impact of the rates changes proposed.

Overall, the proposal to change either but not both, did show a benefit to rates allocation sufficient to delay the change for both.

Advantages of Other Options Biosecurity and Land Sustainability Rates

- Some ratepayers would benefit from the delay in moving both to capital value

Disadvantages of Other Option Biosecurity and Land Sustainability Rates

- Making the change over several years would make the process complex and difficult to achieve a balanced outcome.

Supporting Information

The Statement of Proposal for the Revenue and Financial Policy and rating review 2024 includes additional information that would assist in the understanding of the matters in the proposal. These are not attached but are easily accessed from our website.

Draft Revenue and Finance Policy

Draft Funding Needs Analysis

Workshop Presentations and notes

Links to Research

Engagement summaries

Rates calculator