

Council Decision – Revenue and Financing Policy and Rating Review

Context

Separate to the Long-term Plan consultation, Environment Southland also consulted on the **Revenue and Financing Policy and Rating Review 2024 Statement of Proposal**. The Statement of Proposal was consulted on from 28 March to 13 May 2024, alongside the Long-term Plan Consultation Document. The relevant documents can be sourced below:

[Draft Revenue and Financing Policy Statement of Proposal](#)

[Draft Revenue and Financing Policy](#)

[Draft Funding Needs Analysis](#)

The Revenue and Financing Policy determines, for at least the next three years, the funding sources Council will use and how it will use them. These can only be changed during that period by re-consulting and in some circumstances, through a Long-term Plan amendment.

While the whole policy was being consulted on, there were two substantive changes to the Revenue and Financing Policy that would change rates, and one substantive policy change on the use of borrowing – see below:

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.

The Statement of Proposal contained detailed information on each of the proposals. The proposals sought to re-allocate rates across the region. They did not raise or reduce the total amount of rates collected. Overall rates increases are a consequence of budget changes in the Long-term Plan (see draft Council Decision – Budgets).

The proposals were developed over a long period, responding to historic requests for review and included 14 workshops (including meeting with Catchment Liaison Committee representatives) and pre-consultation community engagement.

[Long-term plan 2024-34 workshops](#)

[LTP 2024-34 Pre-consultation Feedback - Summary](#)

The Statement of Proposal was supported by a brief Summary of the Proposals and was included in the Long-term Plan Consultation Document with a link to the Statement of Proposal. On the Environment Southland website, in addition to the statutory documents, a large amount of supporting documentation was provided, including detailed information from the workshops and pre-engagement, frequently asked questions and [Before the Deluge 2.0](#).

Submission themes

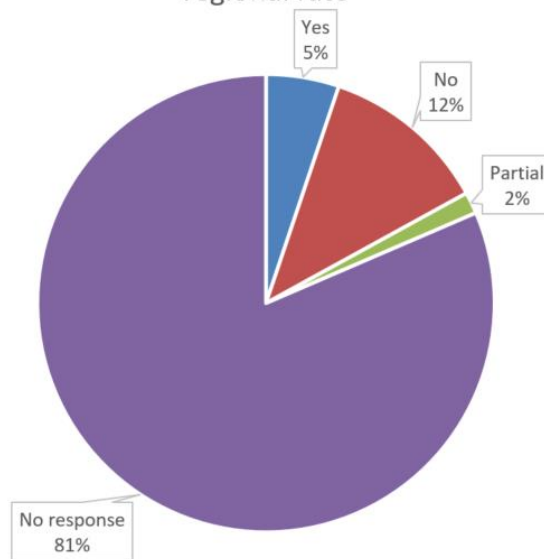
Key submission themes included:

- concern that funding does not align with benefit.
- affordability concern regarding higher rates increases for some where the re-allocation of costs meant that some groups paid more rates and others reduced.

- Waiau Catchment concerns around the relationship between the existing catchment, its targeted rating area, and funding obligations under an agreement with Meridian Energy Ltd.
- concern about the use of debt to fund infrastructure.
- concern over the consultation process for this consultation.
- requests to modify the proposal by introducing a differential.

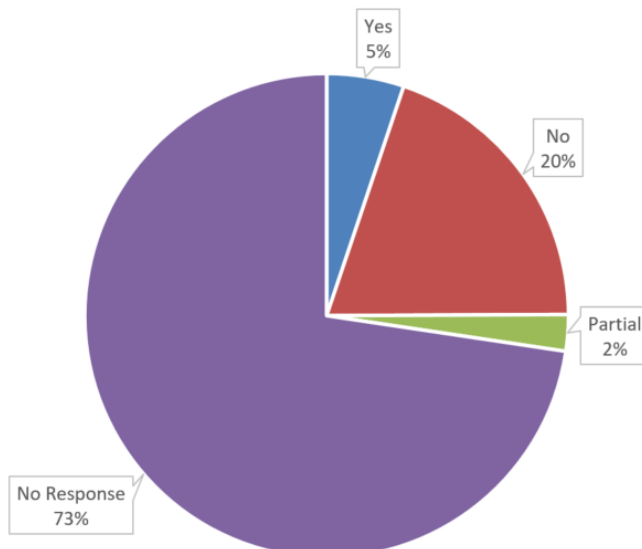
The following pie chart depicts the percentage of submitters supporting or opposing the proposal to create a single new Flood Protection Infrastructure rate to replace 140 catchment rates:

Percentage of submitters supporting, opposing, partially supporting, or with no response to the proposal to move the 140 catchment rates to one regional rate



The following pie chart depicts the percentage of submitters supporting or opposing the proposal to move the Biosecurity and Land Sustainability rates to the General rate:

Percentage of submitters supporting, opposing, partially supporting, or with no response to the proposal to move the land sus and biodiversity targeted rates from LV to CV



Council decision

A report prepared by staff responding to the matters raised by submitters was considered by Council during deliberations on 5 and 10 June 2024 (see Appendix 2 of [2024-34 Long-term Plan Deliberations Part 1](#))

This report put forward a number of options to respond to the matters raised by submitters, including an option to transition rating changes over two years to mitigate the impact of rates increases resulting from the change in rating policy.

Following consideration of the submissions and staff report, the Council confirmed it would amend the rating changes consulted on and transition these changes over a two-year period. This would enable a shift from status quo but not go as far as what was contained in the proposals for consultation until further consultation was undertaken.

The changes are:

- the removal of the proposed Flood Protection Infrastructure rate.
- moving the existing budgeted Catchment Planning activity to the general rate.
- developing a new River Management targeted rate.
- developing a new Flood Infrastructure Investment rate.
- moving the existing Biosecurity and Land Sustainability budgets to 100% general rate.

As a result of submissions, it was agreed there was a need to retain separate rates and charges for the Waiau Catchment and Drainage District to protect and maintain external revenue sources. To achieve this, the Waiau Catchment Planning charges and River Management rates will be separated from other catchments and will remain unchanged.

The detail of the transition arrangements are as follows:

- (i) Catchment Planning charges (excluding Waiau)**
Status Quo – currently sitting within the River Management activity
 1. Year one – 100% general rate (capital value)
 2. Year two – no change from year one
- (ii) River Management (excluding Waiau)**
Status Quo – 70% targeted rate (land value), 30% general rate (capital value)
 1. Year one – 50% targeted rate (land value), 50% general rate (capital value)
 2. Year two – 100% new targeted rate (capital value)
- (iii) Flood Infrastructure Investment**
New rate
 1. Year one – 100% new targeted rate (capital value)
 2. Year two – no change from year one
- (iv) Biosecurity and Land Sustainability**
Status quo: 100% targeted rate (land value)
 1. Year one – 50% targeted rate (land value), 50% general rate (capital value)
 2. Year two – 100% general rate (capital value)

It was agreed that this two-year transition period would enable further options to be considered and consulted on with the community including the funding of Freshwater Management Units and the Stead Street Pump Station, as well as consideration of differentials.

The move to capital value over the two years was confirmed (excluding the Waiau catchment rating district). Council indicated it wished to undertake further consultation regarding whether river management is regionally or locally funded over the long-term and differentially rated based on location.

Council directed that the Funding Needs Analysis be modified to:

- (a) reflect the separate activities of Catchment Planning, River Management, Flood Infrastructure and Land Drainage; and
- (b) support a flexible transition and to allow differentials on the general rate.

Council noted that the transition would set the Uniform Annual General Charge at \$143 for the 2024/25 year (the same as the 2023/24 year).

The Uniform Annual General Charge is essentially a fixed rate per household. Council is legislatively able to fund up to 30% of the total rates revenue via this charge. Environment Southland is not at this threshold (which would be over \$200) but it's custom and practice historically has been to increase the Uniform Annual General Charge in line with the overall rates increase annually.

The rating change proposal included a reduction of the charge to balance out the transfer of costs associated with a move to capital value.

Council noted some submitters opposed the reduction in the Uniform Annual General Charge and others sought that it be increased to the maximum of 30% of the rates revenue. It was noted that this would benefit those with high capital values, and disproportionately affect low to mid value properties.