



<b>Report</b>	<b>2018.24</b>
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<b>Committee</b>	<b>Council</b>
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## **Approval of the proposed revenue and financing policy and adoption of accompanying statement of proposal for consultation purposes**

### **1. Purpose**

To seek approval of the proposed revenue and financing policy and adoption of the accompanying statement of proposal for consultation purposes.

### **2. Background**

A full review of the current Revenue and Financing Policy (R&FP) has been an objective of GWRC for some time. In the 2015 Long-Term Plan, GWRC said it would review the policy at some stage in the next three years, to reflect concerns expressed by members of the community over the equity of the allocation model and upcoming changes to the operating model for public transport. GWRC has now undertaken a review of the funding for all activities.

A working group of Councillors, supported by officers, began the policy review last year and discussed and refined the principles and a number of models in a series of workshops. Detailed modelling and impact assessment was conducted and peer reviewed.

Under the Local Government Act 2002 (LGA), a local authority must, in order to provide predictability and certainty about sources and levels of funding, adopt a R&FP.

Section 103 of the Act sets out the required content of the policy. The policy must state policies in relation to the funding of operating expenses and capital expenditure from a number of possible funding sources, including: general rates; targeted rates; fees and charges; grants and subsidies.

The R&FP must be adopted prior to the adoption of a long term plan. Any changes to the proposed R&FP, as a result of consultation, must be considered, agreed and adopted before the long term plan.

### 3. Comment

#### Revenue and Financing Policy

The proposed R&FP has been revised to make it easier to navigate and understand. In addition, two significant policy changes are proposed. In considering how to fund flood protection and public transport, GWRC considered the factors in section 101(3)(a) and has chosen to advance proposals that particularly give weight to achieving funding decisions that are equitable across the region and reflect where the benefits fall.

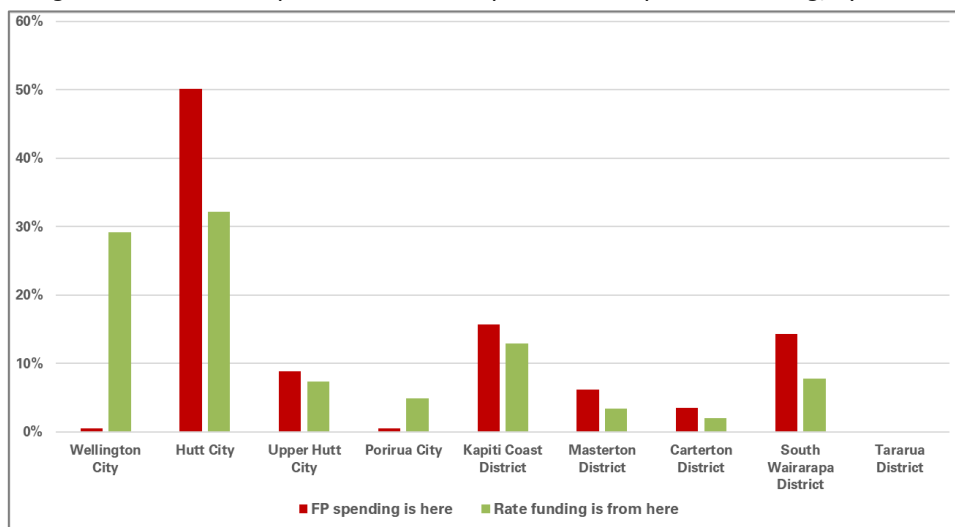
#### Flood Protection

GWRC invests a large amount in flood protection throughout the region. Our programme includes stop-banks on our main rivers, and barrage gates at Lake Wairarapa. It is estimated that flood protection work will cost over \$200 million over the next ten years. Some areas of our region require more significant flood protection work than others. The vast majority of our flood protection work takes place in three areas – the Hutt Valley, Wairarapa and Kāpiti.

The current funding policy for flood protection uses a mix of user charges, general and targeted rates. The current policy means ratepayers outside of the major flood catchments contribute a large portion of the funding for flood protection.

This graph shows the share of GWRC expenditure for flood protection in each district, compared to the share of funding each district provides. Figure 1 uses 2018/19 figures, excluding GST.

Figure 1 GWRC flood protection – total expenditure compared to funding, by district



For the purpose of public consultation, a preferred option has been identified to change the funding policy. Retaining the status quo is also an option. Both options are being presented to the public for feedback.

The preferred option for consultation proposes moving to a model where 70% of the cost of the work will be funded by a targeted rate in each of six catchments:

Wellington	Porirua	Kāpiti Coast
Lower Hutt	Upper Hutt	Wairarapa

Catchments are based on the boundaries of the city or district. In the Wairarapa, the Masterton, Carterton and South Wairarapa districts are combined for the purpose of this rate.

The remaining 30% of the funding requirement will be funded through a targeted rate, applying to across the region.

GWRC would continue the rate funding for river management and drainage schemes, so that there will be two flood protection rates for most properties, and three rates for those in approved schemes in the Wairarapa.

This package of targeted rates reflects the different levels of benefit applying to communities from flood protection work.

### **Public transport**

Historically, Public Transport was funded from fare revenue (approximately 45 to 50%) and a subsidy from NZTA (approximately around 25%), with the remaining costs (approximately 25%) funded through rates.

Report 18.71 (considered separately) proposes amendments to make it consistent with the new Public Transport operating model, when all fare revenue will come direct to GWRC and to reflect the introduction of a package of student and off-peak discounts.

In line with a stronger understanding of the benefits of public transport, GWRC has developed a new rating approach. The proposal is to:

- Allocate rates for public transport as one network.
- Apply a weighting, called a rating differential, to recognise the different levels of benefit that different categories of ratepayers get from the network.

As a result, most residential ratepayers will pay the same rate for public transport on an equalised capital value basis. Residential ratepayers in the Wairarapa will pay half the rate paid by ratepayers in other areas of the region. Wellington CBD businesses have the highest rating differential, and rural properties have the lowest, taking account of the levels of benefit that different rating groups receive from public transport.

## **Transition policy**

GWRC proposes transitioning changes to the new rates allocations in the R&F over three years, so the policy is completely implemented from 1 July 2021.

## **4. Consultation process**

The changes in the proposed R&FP relate to the funding of two of GWRC largest areas of work, and they are considered significant due to the level of public interest we expect.

Changes to the R&FP will be consulted on concurrently with the Consultation Document (CD): 'Investing in Our Extraordinary Region' (see Report 18.23). The consultation document includes a summary of the proposed changes to the policy and a reference to the consultation process.

The allocation of rates within the region is significant and impacts some of the key aspects of the consultation document and financial strategy including affordability and fairness. It should be noted that the information on the allocation of rates in the CD has been prepared on the basis of the proposed changes to the policy. The inclusion of R& FP changes in the CD is consistent with requirements of section 93C(2)(d) of the LGA.

Section 83A of the LGA allows for combined or concurrent consultation where a local authority is required to use or adopt the special consultative procedure (SCP). We are required to use the SCP to consult on the CD.

It is recommended that the SCP and the process outlined in section 83 also be used for the RF&P. This requires the preparation of a Statement of Proposal (SOP). This approach is appropriate given the significance of the proposed changes, the potential impacts on parts of the community and the level of public interest. This is consistent with our Significance and Engagement Policy. Use of SCP will also ensure compliance with sections 82 & 82A of the Act.

The proposed R&FP is attached in **Attachment 1** and the Statement of Proposal is attached in **Attachment 2**.

Submissions responding to the statement of proposal on the proposed R&FP will be considered at the hearings being held for the 10 Year Plan and has been incorporated into the Hearing Committee's terms of reference (Report 18.23).

## **5. Engagement**

The proposed changes to the R&FP are significant and likely to be of considerable interest to the community. As such a comprehensive engagement approach will be utilised in conjunction with the engagement on the 10 Year Plan.

A number of key messages have been developed and will be used throughout the engagement process.

A Summary of Information (**Attachment 3**) has been prepared as the basis for public consultation, in accordance with sections 83 and 83AA of the Act. A set of Q & As to support public consultation are being prepared and will be made available on the GWRC website.

Consultation and engagement will follow the approach for the 10 Year Plan outlined in Report 18.23.

## **6. Consideration of climate change**

The matter requiring decision in this report has been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide. There are not direct climate changes impacts of the proposed policies as they relate to funding mechanisms, rather than activities themselves.

## **7. The decision-making process and significance**

Officers recognise that the matters referenced in this report may have a high degree of importance to affected or interested parties.

The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

### **7.1 Significance of the decision**

The subject matter of this report is part of a decision-making process that will lead to the Council making a decision of high significance within the meaning of the Local Government Act 2002, being the adoption of the R&FP. The immediate decision required by this report has a low to medium level of significance.

## **8. Recommendations**

*That the Council:*

- 1. **Receives** the report.*
- 2. **Notes** the content of the report.*
- 3. **Agrees** that the special consultative procedure be used to consult on the proposed changes to the Revenue and Financing Policy, and that this approach meets the requirements of sections 78, 82 and 82A of the Local Government Act 2002.*
- 4. **Agrees** that the consultations on the 10 Year Plan and the proposed Revenue and Financing Policy shall be concurrent.*
- 5. **Approves** the proposed Revenue and Financing Policy, as set out in Attachment 1, for the purposes of consultation.*
- 6. **Adopts** the statement of proposal and summary of information for the proposed Revenue and Financing Policy, as set out in Attachments 2 and 3.*

7. *Endorses the engagement approach outlined in section 5 of this report.*
8. *Authorises the Council Chair to make editorial changes to the proposed Revenue and Financing policy and accompanying documents to correct errors and improve public understanding.*

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**Attachment 1:** Proposed revenue and financing policy

**Attachment 2:** Statement of proposal - proposed revenue and financing policy

**Attachment 3:** Summary of information – proposed revenue and financing policy