

Finance Committee Agenda - 24 February 2021

Meeting is held in the Council Chamber, Level 2, Philip Laing House
144 Rattray Street, Dunedin



Members:

Cr Hilary Calvert, Co-Chair	Cr Gary Kelliher
Cr Kevin Malcolm, Co-Chair	Cr Michael Laws
Cr Michael Deaker	Cr Andrew Noone
Cr Alexa Forbes	Cr Gretchen Robertson
Hon. Marian Hobbs	Cr Bryan Scott
Cr Carmen Hope	Cr Kate Wilson

Senior Officer: Sarah Gardner, Chief Executive

Meeting Support: Liz Spector, Committee Secretary

24 February 2021 10:00 AM

Agenda Topic	Page
1. APOLOGIES No apologies were received prior to publication of the agenda.	
2. PUBLIC FORUM Requests to speak should be made to the Committee Secretary on 0800 474 082 or governance@orc.govt.nz at least 24 hours prior to the meeting; however, this requirement may be waived by the Chairperson. No requests have been received.	
3. CONFIRMATION OF AGENDA Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.	
4. CONFLICT OF INTEREST Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.	
5. PRESENTATIONS 5.1 Representatives of Port Otago Ltd will present their half-year report to the Committee.	
6. CONFIRMATION OF MINUTES Minutes of the Finance Committee meeting will be considered as a true and accurate record with or without corrections.	4
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	The Committee will review outstanding actions of resolutions of the Finance Committee.	
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	The purpose of this report is to report on operational performance by significant activity for the period ended 31 December 2020.	
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	To provide Council's Finance Report for quarter two 2021 which includes the preliminary financial result for the 6-month period ended 31 December 2020.	
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8.3	FINANCIAL STRATEGY	56
	This report proposes changes to the Financial Strategy and specific financial proposals to be included in the Consultation Document and consulted on with the community as part of the Long-Term Plan 2021-31 (LTP 21-31) process.	
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8.4	SIGNIFICANCE AND ENGAGEMENT POLICY	125
	This report provides information about the approval of Council's Significance and Engagement Policy as part of the Long-term Plan process and how that relates to a programmed review of that Policy.	
8.5	DRAFT RATES REMISSIONS AND POSTPONEMENTS POLICY	128
	This report requests approval of the revised Draft Rates Remissions and Postponement Policy framework for granting remissions and postponing rates payments.	
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9.	NOTICES OF MOTION	143
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	The Chief Executive has received a notice of motion from Cr Hilary Calvert related to funding of the Queenstown Business Case.	
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10.	RECOMMENDATIONS OF SUBCOMMITTEE MEETINGS	146
	Recommendations of previous subcommittee meetings are provided for consideration.	

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11.	CLOSURE	



Minutes of a meeting of the
Finance Committee held in the
Council Chamber on Wednesday 25 November 2020,
commencing at 10:00 AM

Membership

Cr Hilary Calvert (Co-Chairperson)
Cr Kevin Malcolm (Co-Chairperson)
Cr Michael Deaker
Cr Alexa Forbes
Hon Marian Hobbs
Cr Carmen Hope
Cr Gary Kelliher
Cr Michael Laws
Cr Andrew Noone
Cr Gretchen Robertson
Cr Bryan Scott
Cr Kate Wilson

Welcome

Cr Kevin Malcolm, Co-Chair Finance, welcomed Councillors, members of the public and staff to the meeting at 10:08 a.m.

Staff present included: Sarah Gardner (Chief Executive), Nick Donnelly (GM Corporate Services), Gwyneth Elsum (GM Strategy, Policy and Science), Gavin Palmer (GM Operations), Amanda Vercoe (Executive Advisor), Liz Spector (Committee Secretary), Mike Roesler (Manager Corporate Planning), Sean Geary (Management Accountant) and Sarah Munro (Manager Finance – Reporting).

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1. APOLOGIES

Resolution

That the apologies for Cr Deaker, Cr Hobbs be accepted.

Moved: Cr Wilson

Seconded: Cr Hope

CARRIED

Cr Forbes and Cr Laws were present via Zoom.

2. CONFIRMATION OF AGENDA

The agenda was confirmed as published.

3. CONFLICT OF INTEREST

No conflicts of interest were advised.

4. PUBLIC FORUM

No public forum was held.

5. CONFIRMATION OF MINUTES

Resolution

That the minutes of the meeting held on 25 August 2020 be received and confirmed as a true and accurate record.

Moved: Cr Calvert

Seconded: Cr Wilson

CARRIED

6. ACTIONS

Outstanding actions of resolutions of the Finance Committee were reviewed.

7. MATTERS FOR CONSIDERATION

7.1. Long Term Plan 2021-31: Communication and Engagement Approach

A *Communications and Engagement Plan LTP 2021-31* prepared by ORC staff was provided to inform Committee members about options for engagement in seeking feedback from partners, key stakeholders and the broader Otago community on ORC's proposed Long-term Plan. Mike Roesler (Manager Corporate Planning) and Nick Donnelly (GM Corporate Services) were present to speak to the report and respond to questions.

Several Councillors had reservations about using a postcard as suggested in Option 1 to initially engage with the community. Chief Executive Gardner said the postcard would be to publicise the consultation, provide a link to an electronic copy of the consultation document and articulate key messages and contact information for Councillors to allow more personal engagement with the community. Mrs Gardner also indicated that the postcard would detail how to contact the ORC for more personal feedback, including customer services and rural liaison staff, as well how to request a printed copy of the LTP consultation document.

Cr Robertson then moved the preferred staff recommendation, Option 1, which was seconded by Cr Noone. Cr Robertson said the key messaging to the community will need to be adapted, proactive and done in a constructive manner. Cr Noone said he had not fully appreciated that 90% of ORC ratepayers engage with the ORC online. He said he is comfortable with the concept and sees a more refined plan further down the track.

Cr Wilson foreshadowed a motion should the motion currently on the floor fail. She suggested Option 2 was the best way to effectively engage the community and several Councillors agreed with her. Cr Forbes said Option 2 was what had always been used, and she thinks the ORC needs to be clever in how they wish to engage the public going forward. She also suggested a printed copy of the document could be automatically delivered to residents in areas without reliable internet. After further discussion of the motion, Co-Chair Malcolm put the motion.

Resolution

That the Finance Committee:

- 1) **Notes** the progress to date on developing the Long-term Plan including the significant matters that have been discussed in Council workshops.
- 2) **Notes** the 'Communications and Engagement Plan Long-term Plan 2021-31 provided as attachment 1 to this report.
- 3) **Agrees** the preferred option 1 for the consultation and engagement approach as outlined in section [9] of this report.
- 4) **Notes** the Communications and Engagement Plan Long-term Plan 2021-31 will be updated to reflect this committee's decision on recommendation three and any other associated decisions.

Moved: Cr Robertson

Seconded: Cr Noone

FAILED

A Division was called by Cr Noone:

For: Cr Forbes, Cr Malcolm, Cr Noone, Cr Robertson

Against: Cr Calvert, Cr Hope, Cr Kelliher, Cr Laws, Cr Scott, Cr Wilson

Motion failed 4 – 6

As she had foreshadowed, Cr Wilson then moved:

Resolution

That the Council:

- 1) **Notes** the progress to date on developing the Long-term Plan including the significant matters that have been discussed in Council workshops.
- 2) **Notes** the Draft 'Communications and Engagement Plan Long-term Plan 2021-31 provided as attachment 1 to this report.
- 3) **Agrees** the preferred option 2 for the consultation and engagement approach as outlined in section [10] of this report.

- 4) **Notes** the Communications and Engagement Plan Long-term Plan 2021-31 will be updated to reflect this committee's decision on recommendation three and any other associated decisions.
- 5) **Asks** the community how they prefer to receive communications on the LTP 2021-31.

Moved: Cr Wilson
Seconded: Cr Calvert
CARRIED

7.2. Quarterly Report - September 2020

This report provided comparative quarterly financial and non-financial performance information for major aspects of service delivery as per the 2020-21 Annual Plan. Mike Roesler (Manager Corporate Planning) and Nick Donnelly (GM Corporate Services) were present to speak to the report and respond to questions.

Following a discussion of the report, Cr Noone moved:

Resolution

That the Finance Committee:

- 1) **Receives** the attached draft Activity Performance section of the Annual Report for the period 1 July 2019 to 30 June 2020.

Moved: Cr Noone
Seconded: Cr Calvert
CARRIED

*Cr Scott left the meeting at 11:12 am.
Cr Scott returned to the meeting at 11:14 am.*

7.3. Finance Report

This paper was provided to deliver Council's Finance Report for quarter one including the preliminary financial result for the 3-month period ended 30 September 2020. Sarah Munro (Manager Finance - Reporting) and Nick Donnelly (GM Corporate Services) were present to speak to the report and respond to questions. A general discussion was held about the report and Cr Wilson then moved:

Resolution

That the Finance Committee:

- 1) **Receives** this paper and the attached Finance Report September 2020.

Moved: Cr Wilson
Seconded: Cr Hope
CARRIED

7.4. Rates Strike, Collection 31 October, Penalties

This report provided an update on rates collection for the 2020/21 financial year. Nick Donnelly (GM Corporate Services) was present to speak to the report and respond to questions. After a general discussion of the report, Cr Wilson moved:

Resolution

That the Finance Committee:

- 1) Receives this report.**

Moved: Cr Wilson
 Seconded: Cr Calvert
 CARRIED

8. RECOMMENDATIONS OF MEETINGS

8.1. Recommendations of the 23 September 2020 Audit and Risk Subcommittee

Resolution

That the resolutions of the Audit & Risk Subcommittee meeting held on 23 September 2020 be adopted by the Finance Committee.

Moved: Cr Calvert
 Seconded: Cr Noone
 CARRIED

RESOLUTION TO EXCLUDE THE PUBLIC

Resolution

That the Council excludes the public from the following part of the proceedings of this meeting (pursuant to the provisions of the Local Government Official Information and Meetings Act 1987) namely:

1.1 Adoption of the recommendations of the public excluded portion of the Audit and Risk Subcommittee meeting held on 23 September 2020

Moved: Cr Noone
 Seconded: Cr Kelliher
 CARRIED

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Adoption of the recommendations of the public excluded portion	To protect information where the making available of the information— would be likely unreasonably to prejudice the commercial position of	Section 48(1)(a); that the public conduct of the whole or the relevant part of the proceedings of the meeting

<p>of the Audit and Risk Subcommittee meeting held on 23 September 2020</p>	<p>the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)</p> <p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i)</p> <p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— would be likely otherwise to damage the public interest – Section 7(2)(c)(ii)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p>	<p>would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
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10. CLOSURE

There was no further public business and Co-Chair Malcolm declared the meeting closed at 11:35 am.

Co-Chairperson

Date



Minutes of a public excluded meeting of the
Finance Committee held in the
Council Chamber on
Wednesday 25 November 2020

Membership

Cr Hilary Calvert	<i>(Co-Chairperson)</i>
Cr Kevin Malcolm	<i>(Co-Chairperson)</i>
Cr Michael Deaker	
Cr Alexa Forbes	
Cr Marian Hobbs	
Cr Carmen Hope	
Cr Gary Kelliher	
Cr Michael Laws	
Cr Andrew Noone	
Cr Gretchen Robertson	
Cr Bryan Scott	
Cr Kate Wilson	

Co-Chair Kevin Malcolm welcomed Councillors and staff to the public excluded meeting at 11:36 a.m.

Staff present included: Sarah Gardner (Chief Executive), Nick Donnelly (GM Corporate Services), Gwyneth Elsum (GM Strategy, Policy and Science), Gavin Palmer (GM Operations), Amanda Vercoe (Executive Advisor), Liz Spector (Committee Secretary).

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**1. RECOMMENDATIONS OF PUBLIC-EXCLUDED AUDIT AND RISK
SUBCOMMITTEE MEETINGS**

**1.1 Recommendations of the 23 September 2020 public-excluded Audit & Risk
Subcommittee meeting
Resolution**

*That the resolutions of the public-excluded Audit & Risk Subcommittee meeting held on 23
September 2020 be adopted by the Finance Committee.*

Moved: Cr Calvert
Seconded: Cr Noone
CARRIED

2. CLOSURE

There was no further public-excluded business and the meeting was declared closed at 11:37
am.

Co-Chairperson Date

ACTION REGISTER – OUTSTANDING RESOLUTIONS OF FINANCE COMMITTEE MEETINGS

Meeting Date	Item	Status	Action Required	Assignee/s	Action Taken	Due Date	Completed (Overdue)
03/06/2020	GOV1919 Annual Plan Deliberations and Recommendations	Completed	Prepare a report by Sept 2020 outlining opportunities to assist development of an integrated trail network throughout Otago to inform development of the LTP	General Manager Operations	<p>19/08/2020 Report is being prepared.</p> <p>19/10/2020 Crs Scott and Wilson briefed by Dr Palmer on 15 October 2020.</p> <p>1/12/2020 Integrated Otago Trail Network Investigation report was provided to the Strategy & Planning Committee meeting on 1 December 2020.</p>	31/12/2020	01/12/2020
03/06/2020	GOV1919 Annual Plan Deliberations and Recommendations	In Progress	Requests staff to report by February 2021 to inform cost considerations of including a Tomahawk Management Plan into the LTP.	General Manager Operations	19/08/2020 Work set to begin on this body of work.	28/02/2021	
03/06/2020	GOV1919 Annual Plan Deliberations and Recommendations	In Progress	Include the Wakatipu Travel Management Association (TMA) request for funding in LTP considerations.	General Manager Operations, Manager Transport	19/08/2020 Work underway.	28/02/2021	

Finance Committee Agenda - 24 February 2021 - ACTIONS

Meeting Date	Item	Status	Action Required	Assignee/s	Action Taken	Due Date	Completed (Overdue)
25/11/2020	GOV1955 Long Term Plan 2021-31: Communication and Engagement Approach	In Progress	Ask the Community how they would prefer to receive communications from ORC about the LTP.	General Manager Corporate Services and CFO, General Manager Regulatory	19/02/2021 Preferred methods of communication will be a topic covered in the upcoming community survey currently under development. While it will not be specific to the LTP, it will provide guidance for Council as to how the community would prefer to receive ORC communications.	12/11/2020	Will be completed with delivery of community survey.

8.1. Activity Review 2020-21, 1 July to 31 December 2020

Prepared for: Finance Committee
Report No. CS2101
Activity: Governance Report
Author: Jasmin Lamorie, Corporate Planning Business Partner
Endorsed by: Nick Donnelly, General Manager Corporate Services
Date: 15 February 2021

PURPOSE

To report on operational performance by significant activity for the period ended 31 December 2020.

RECOMMENDATION

That the Finance Committee:

- a) **Receives** the Council Activity Performance Report for the period 1 July to 31 December 2020 (Q2).

BACKGROUND

- [1] This report includes financial and non-financial performance information relating to the major aspects of service delivery as outlined in the 2020-21 Annual Plan. Progress over the 2020-21 financial year is reported to the Finance Committee on a quarterly basis.

OVERALL PERFORMANCE

- [2] The 2020-21 Annual Plan contains 25 Level of Service statements, 49 measures and 63 targets. All targets relate to activity to be delivered in the 2020-21 year.
- [3] For Q1 the majority of measured Level of Service (LoS) performance targets were reported on track. Measures not on track were identified at the 25 November meeting.
- [4] Results on performance targets for quarter two:
- 52 – on track to be achieved
 - 7 – not on track/may not be achieved
 - 3 – will not be achieved
 - 1 – delayed or not measured this quarter
- [5] As of 31 December 2020, Council had an operating deficit of \$6.33M compared to a budgeted deficit of \$6.86M, a positive variance of \$526k.
- [6] The \$526k variance is a result of spending \$2.44M (6%) less than budgeted and receiving \$1.91M (6%) less revenue than budgeted.
- [7] Although ORC's overall variance is not substantial there are significant variances against budget in a number of activities, most notably in Flood Protection and Consent Processing.

PERFORMANCE AGAINST LEVELS OF SERVICE

- [8] 52 targets are on track and expected to be achieved by the end of the financial year.
-

[9] Changes to performance results from quarter one:

- Grey to green:
 - o Biodiversity/Biosecurity: ECOFund report presented to council
 - o Regulatory: pollution incident/marine oil spill response training conducted
- Yellow to green:
 - o State of Environment Monitoring: data quality results are now on track
- Green to yellow:
 - o Natural Hazards & Climate Change: delays with low emissions transport study
 - o Transport: reliability of services has not yet been measured due to ongoing software implementation and trials, data analysis is yet to occur.
- Green to red:
 - o Air: the review of the Air Strategy implementation approach is being delayed for 2 years, as a result of Council reprioritisation.
 - o Flood Protection: review of the Taieri scheme will not be complete by 30 June, due to the magnitude of the programme.

FINANCIAL PERFORMANCE

[10] An overview of financial performance is provided in the attached report at significant activity level. The significant variances for the year to date include:

- Freshwater Implementation: \$378k variance, largely due to 34% lower expenditure than budgeted
- Biodiversity/Biosecurity: \$127k variance, comprised of \$452k (23%) lower expenditure and \$324k (20%) less revenue than budgeted.
- Regional Planning & Strategy: \$264k variance due to 10% lower expenditure than budgeted.
- Regulatory: \$1.2M variance, comprised of \$496k (11%) higher expenditure and \$718k (18%) lower revenue than budgeted.
- Flood Protection: \$1.72M variance, comprised of \$1.85M (39%) lower expenditure and 129k (5%) lower revenue than budgeted
- River Management: \$123k variance largely due to 14% higher expenditure than budgeted.
- Natural Hazards: \$429k variance due to 39% lower expenditure than budgeted
- Transport: \$607k variance comprised of \$310k (2%) lower expenditure and \$916k (7%) less revenue than budgeted

CONSIDERATIONS

Policy Considerations

[11] No considerations.

Financial Considerations

[12] For further financial context refer to the Financial Report for quarter two.

Significance and Engagement

[13] No considerations.

Legislative Considerations

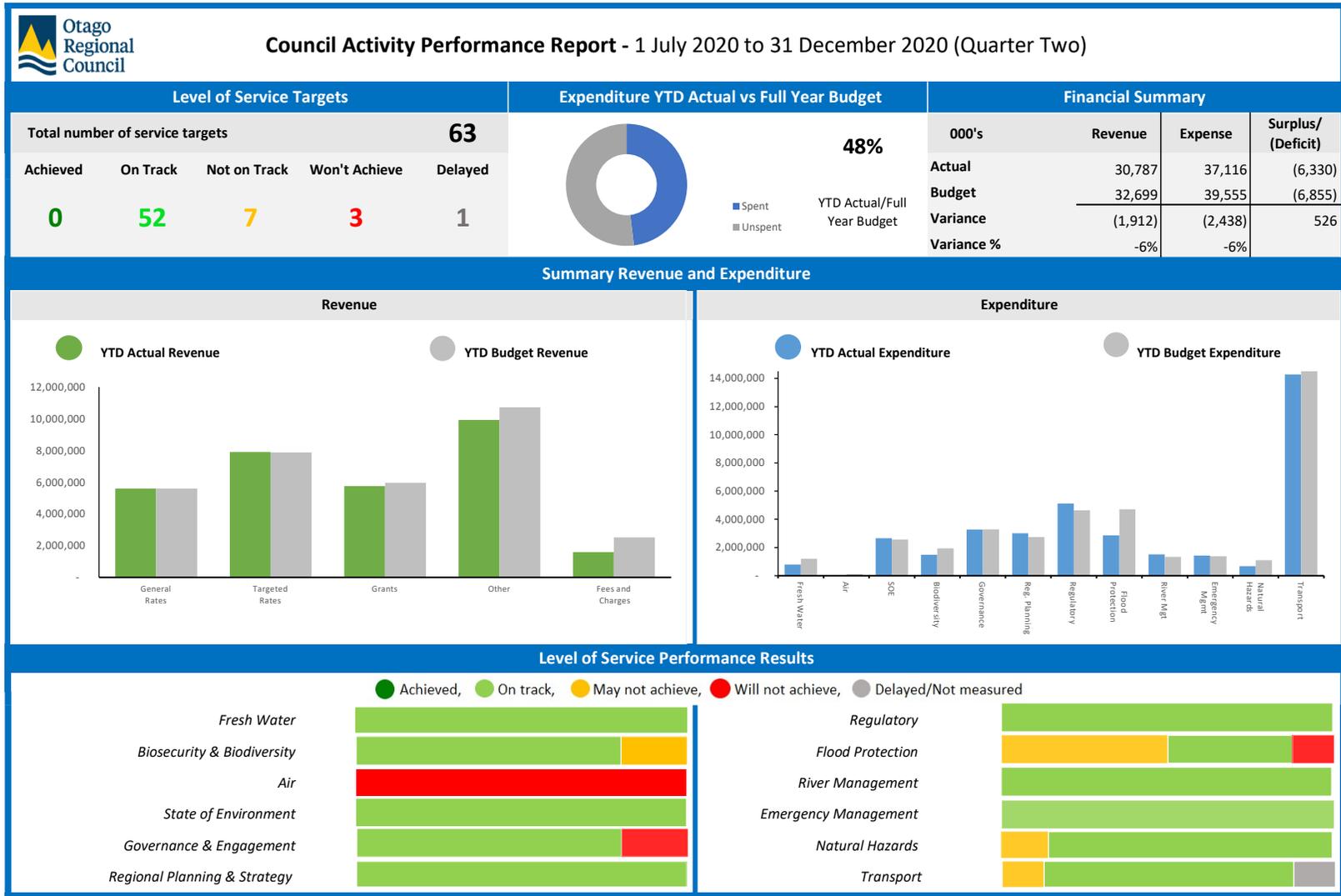
- [14] The Quarterly Activity Reports are part of the broader process of producing ORC's Annual Report which is a requirement under the Local Government Act.

Risk Considerations

- [15] Delivery risks in some areas where work programmes or projects are delayed.

ATTACHMENTS

1. Council Activity Performance Report - Quarter Two 2020-21 [8.1.1 - 29 pages]



2020-21 Performance Measures: Summary of Results for Quarter Two						
	Measures		Targets	Q1 Results	Q2 Results	
Environmental	Service Statement 1: Water quality across Otago is maintained and improved					
	Freshwater	Develop an integrated freshwater management unit (FMU) based research programme to inform the Land and Water Plan, and report progress.	1.1	Research programme is presented to committee by 30 June 2021		
		Water quality attributes are assessed by FMU annually.	1.2	Report annually against national standards, indicate trends and identify issues		
		The Catchment Advisory Group will adopt a position on how ORC will support groups.	1.3	The Catchment Advisory Group makes recommendations to Council by December 2020		
		Support Catchment Groups in Otago to deliver their environmental outcomes and objectives.	1.4	Areas of support are identified and progress reported		
		Work with Friends of Lake Hayes and other stakeholders to review the Lake Hayes Management Strategy and develop a programme of work for managing the water quality and flood hazard of Lake Hayes.	1.5	Complete the Review and prepare the programme no later than 31 March 2021		
		Water Plan/s Implementation Action Plan and National Direction is progressed.	1.6a	Implementation Plan is finalised in line with Plan Changes being made operative		
			1.6b	Actions are implemented according to approved timeframes once Water Plan/s are operative		
	Service statement 2: Collaborate with the regional community to potentially invest and fund environmental enhancement projects that deliver good environmental and social outcomes					
	Biodiversity and Biosecurity	The ECO Fund is administered to support community-led projects across Otago that protect and enhance the environment	2.1a	The agreed funding of \$250,000 for the 2020-21 year is fully allocated to approved projects		
			2.1b	Report to Council twice yearly on the allocation of the fund, status of fund recipients and summary of project outcomes		
		Service statement 3: Implement the Biodiversity Action Plan				
		Implement the Biodiversity Strategy and Action Plan and review actions as required.	2.2	Priority targets within the Biodiversity Strategy and Action plan are identified and achieved as scheduled		
	Service statement 4: Establish controls over animal and plant pests to maintain and enhance biodiversity, protect productive capacity and community health					
	Air	Implement the current Biosecurity Operational Plan.	2.3	All targets within the Biosecurity Operational Plan are achieved		
		Review the Biosecurity Operational Plan	2.4	Complete a review of the Biosecurity Operational Plan by 31 March 2021		
		Service statement 5: In targeted towns we work to reduce PM10 emissions for ambient air quality				
	State of the Environment Reporting	Review Air Strategy implementation approach.	3.1	Programme review reported to Committee by 30 June 2021		
		Service statement 6: Provide high quality and timely environmental information, indicators and advice to key decision makers and the community				
		Monitor air quality to assess compliance with the National Environmental Standard requirement of no more than one daily average reading of PM10 per annum to be higher than 50 micrograms per cubic metre.	4.1	Regulatory obligations met and annual report presented to committee by December 2020		
Data quality and data availability monitored through Quarterly Reports shows compliance to relevant standards for sites defined in the "Monitoring Schedule for 2018-29 Long Term Plan"		4.2	90% of data has a Quality Code of fair or better 95% of all data has been captured 95% of data shall be quality assured in three months of collection			
Changes and trend in natural resource availability and quality are analysed and reported to the Council as per the schedule entitled "Monitoring Schedule for 2018-28 Long-Term Plan"	4.3	Reports are provided to Council as per the schedule.				

Finance Committee Agenda - 24 February 2021 - MATTERS FOR CONSIDERATION

Regional Leadership	Governance and Community Engagement	Service statement 1: Governance support and process that enables a robust and transparent democratic practice for Council's elected members and the community				
		Percentage of official information requests responded to within statutory timeframes	5.1	100%		
		Percentage of council agendas that are publicly available two working days or more before a meeting	5.2	100%		
		Conduct meetings in accordance with Standing Orders and the Local Government Official Information and Meetings Act 1987	5.3	All meetings		
		Service statement 2: Council has clearly articulated policy, purpose and activity to encourage participation in decision-making by the community				
	Regional Planning & Urban Development Strategy	Council's Long-Term Plan, Annual Plans and Annual Reports are fit for purpose and accessible				
		Hosting Mayoral Forum secretariat to coordinate Triennial agreement between Otago Territorial Local Authority mayors and ORC chair	5.5	Four meetings per year		
		Service statement 3: Establish and maintain a robust, integrated and consistent environmental planning framework				
		Complete review of existing Regional Policy Statement (RPS) and notify the new one.	6.1	Ministerial target: November 2020. <i>Extended to: June 2021</i>		
		Deliver against the Land and Freshwater programme as agreed with the Minister for the Environment to implement the National Policy Statement for Freshwater Management.	6.2	Report to Committee on progress against work programme (adopted November 2019)		
Regulatory	Consenting, Monitoring, Investigations and Enforcement	Service statement 4: Develop with our key partners an Urban Development Strategy				
		Provide region-wide direction on urban development in conjunction with the Territorial Local Authorities.	6.3	Report to Committee on the preparation of an urban work programme		
		Service statement 1: Deliver consenting processes efficiently and effectively under the Resource Management Act 1991 to enable the lawful use of natural and physical resources				
		Percentage of resource consents application processed within Resource Management Act 1991 legislative timeframes	7.1	100%		
		Service statement 2: Administering and assessing performance monitoring data provided by consent holders				
		Percentage of performance monitoring returns received this year that will be assessed for compliance with consent conditions and rules within the year.	7.2	85%		
		Service statement 3: Acting on non-compliances identified through consent audit or performance monitoring returns				
		Percentage of significant non-compliance found that has been followed up by staff.	7.3	100%		
		Service statement 4: Investigations and response to notifications of non-compliance and incidents				
		Maintain 24-hour/7 day a week response for environmental incidents.	7.4	100%		
Facilitate/carry out appropriate response training for staff and contractors.	7.5a	Hold at least one pollution incident response training exercise for each of the following: <ul style="list-style-type: none"> desktop exercise a field exercise for pollution incident response an equipment training day 				
	7.5b	Hold at least one marine oil spill incident response training for each of the following: <ul style="list-style-type: none"> desktop exercise; a field exercise for marine oil incident response 				

Finance Committee Agenda - 24 February 2021 - MATTERS FOR CONSIDERATION

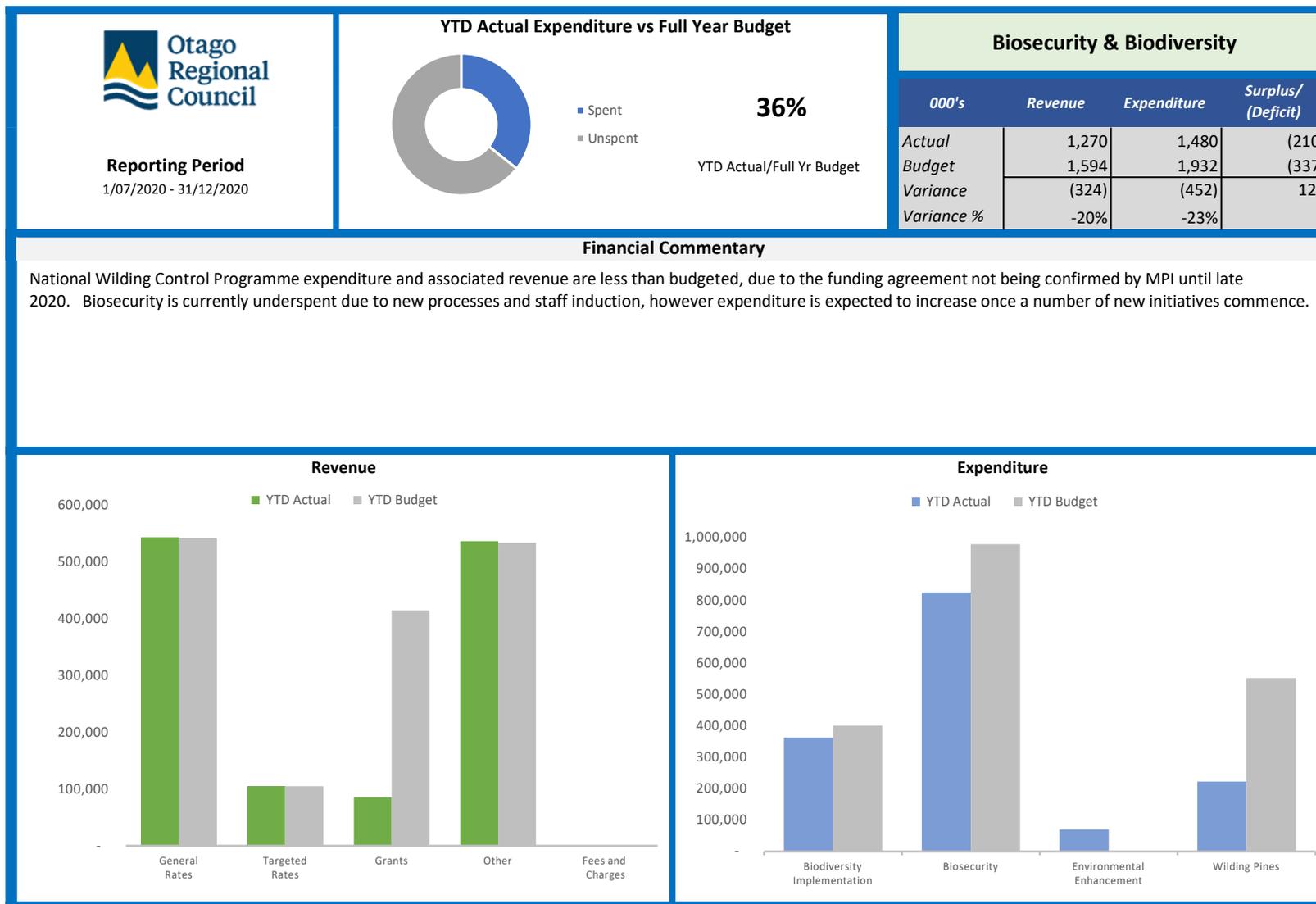
Regulatory	Consenting, Monitoring, Investigations and Enforcement	Service statement 5: Enable safe use and navigation for all users of Otago Harbour. Take appropriate action in response to notifications of non-compliance and incidents				
		Major incidents on Otago's harbours and waterways will be responded to promptly and appropriately.	7.6a	Average response time after notification is no more than one hour for Otago Harbour and within four hours for other locations		
			7.6b	Major incidents and Harbourmaster's response will be reported to council quarterly		
Flood Protection & River Management	Flood and Drainage Schemes	Service statement 1: Manage flood risk to people and property. Maintain, repair and renew drainage assets to maintain and improve the productive capacity of land				
		Flood protection, control works and assets are maintained, repaired and renewed in line with the Infrastructure Strategy and defined standards set out in the operations and maintenance manuals for each scheme and primary assets.	8.1a	Performance against defined standards of the flood protection schemes and primary scheme assets reported by 30 June 2021.		
			8.1b	Planned renewal works completed on programme and budget, and progress reported quarterly.		
			8.1c	Planned maintenance works completed on programme and budget, and progress reported quarterly.		
			8.1d	Complete review including recommendations on the performance of the Lower Taieri River and primary tributaries.		
			8.1e	The Shotover River delta is managed to ensure the surface profile of the river is consistent with the target profile for the delta		
		Drainage assets are maintained and renewed in line with defined standards set out in the operations and maintenance manuals for each asset.	8.2a	Performance against defined standards of the drainage schemes and primary scheme assets reported by 30 June 2021.		
			8.2b	Planned renewal works completed on programme and budget, and progress reported quarterly.		
			8.2c	Planned maintenance works completed on programme and budget, and progress reported quarterly.		
		River and Waterway Management	Service statement 2: Achieve a balance between maintaining channel capacity, channel stability and environmental outcomes in scheduled rivers and waterways			
Investigate all reported blockages and obstructions along scheduled rivers and waterways and determine appropriate action within 20 working days	9.1a		Report annual status of scheduled rivers and waterways by 30 June 2021			
	9.1b		100% of investigations have action determined within 20 days			
Safety and Hazards	Emergency Management	Service statement 1: Provide a region-wide coordinated response in the event of civil defence emergency to reduce the impacts on people				
		ORC has suitably trained staff available to respond for any activation of the Group Emergency Coordination Centre at the direction of the group controller in response to a civil defence event or emergency.	10.1a	At least one function manager trained in each of the six Coordinator Incident Management Systems (CIMS) areas at all times		
			10.1b	Group CDEM controller or alternate controller is available		
		CDEM is available to respond appropriately to foreseeable and sudden onset events.	10.2	Duty officer is on call 24 hours, 7 days a week, 365 days a year		
		Service statement 2: Prepare and implement robust integrated suite of issue focused and community-based plans and strategies				
		An operative Group CDEM Plan is reviewed within statutory timeframes and fully implemented	10.3	Achieved		
		Full suite of community plans across the region is in place and remain under continuous review	10.4	Status and progress on the plans are reported to the Coordinating Executive Group (CEG) and Council		
Region-wide issues plans in place and reviewed according to each plan. Status and progress reported to the CEG and Council on the following: <ul style="list-style-type: none"> •Regional Dam Failure Plan •Regional Animal Welfare Plan •South Island Alpine Fault Response Plan •Coastal Tsunami Plan 	10.5	Status and progress on the agreed issues plans are reported to the Coordinating Executive Group (CEG) and Council				

Safety and Hazards	Natural Hazards & Climate Change Adaptation	Service statement 3: Investigate and respond to priority natural hazard events			
		Natural hazards events and consequences are properly and timely investigated and reported on so that appropriate measures to reduce risk are taken.	11.1	All priority natural hazards events are investigated and reported	On track
		Service statement 4: Delivering information to the community and decision-makers about natural hazards			
		Natural hazard information is available to the public and to communities via an effective web-based Otago Natural Hazards Database.	11.2	Otago Natural Hazards Database is available 24 hours a day, 7 days a week	On track
		Service statement 5: Provide timely warnings of potential flood events			
		Accurate and reliable rainfall, lake levels, and river flow information is provided to potentially affected groups and communities and is provided in an efficient and timely fashion.	11.3	All flood warning that exceed trigger levels are published on Otago Regional Councils website when notified	On track
		Service statement 6: Assist communities to understand and adapt to the effects of climate change			
		Establishment of a Climate Change Adaptation Programme.	11.4	Progress on programme development is reported to council by 30 June 2021	On track
		Complete assessments of current CO2 emissions in Otago, which can inform communities and decision makers.	11.5a	Complete Otago region emissions footprint inventory and report to Council by 30 June 2021	On track
			11.5b	Complete ORC emissions footprint inventory and report to Council by 30 June 2021	On track
11.5c	Complete feasibility study of lower emission public transport and report to council by 30 June		May not achieve		
Transport	Transport Planning and Public Passenger Transport	Service statement 1: To provide efficient and reliable public transport services that meet community needs			
		Reliability of service – at least 95% of monitored services leave the terminus on time* (as defined by NZTA).	12.1	Average of at least 95% per month	May not achieve
		Vehicle quality - 100% of vehicle fleet complies with Regional Passenger Transport Vehicle quality standards at annual audit.	12.2	100%	On track
		Public Satisfaction – at least 85% of bus users surveyed annually for each network are satisfied with the overall standard of service.	12.3	85%	Delayed/Not measured
		Patronage recovery, post COVID-19 in Dunedin and Queenstown, will be reported to Council quarterly for 2020-21.	12.4	Reported quarterly	On track
		Implement a trial Lake Wakatipu Ferry service as per community consultation feedback and Council directive.	12.5	Trial commences in 2020-21 financial year	On track
		The Regional Public Transport Plan (RPTP) is prepared in accordance with the Land Transport Management Act 2003 and any guidance issued by the Waka Kotahi New Zealand Transport Agency (NZTA).	12.6	Regional Public Transport Plan (RPTP) completed and adopted by Council by 30 June 2021	On track
		Service statement 2: Facilitate and support prioritised investment in Otago's transport network by local and central government			
		The Regional Land Transport Plan (RLTP) is prepared and submitted in line with the Land Transport Management Act 2003 and any guidance issued by the New Zealand Transport Agency (NZTA)	12.7	Regional Land Transport Plan (RLTP) completed and adopted by Council by 30 June 2021	On track
		Collaborate with Environment Southland and other South Island local authorities to establish and deliver on pan-regional priorities for transport investment	12.8	Pan-regional priorities presented to government/NZTA	On track
<p style="text-align: center;"> ● Achieved, ● On track, ● May not achieve, ● Will not achieve, ● Delayed/Not measured </p>					

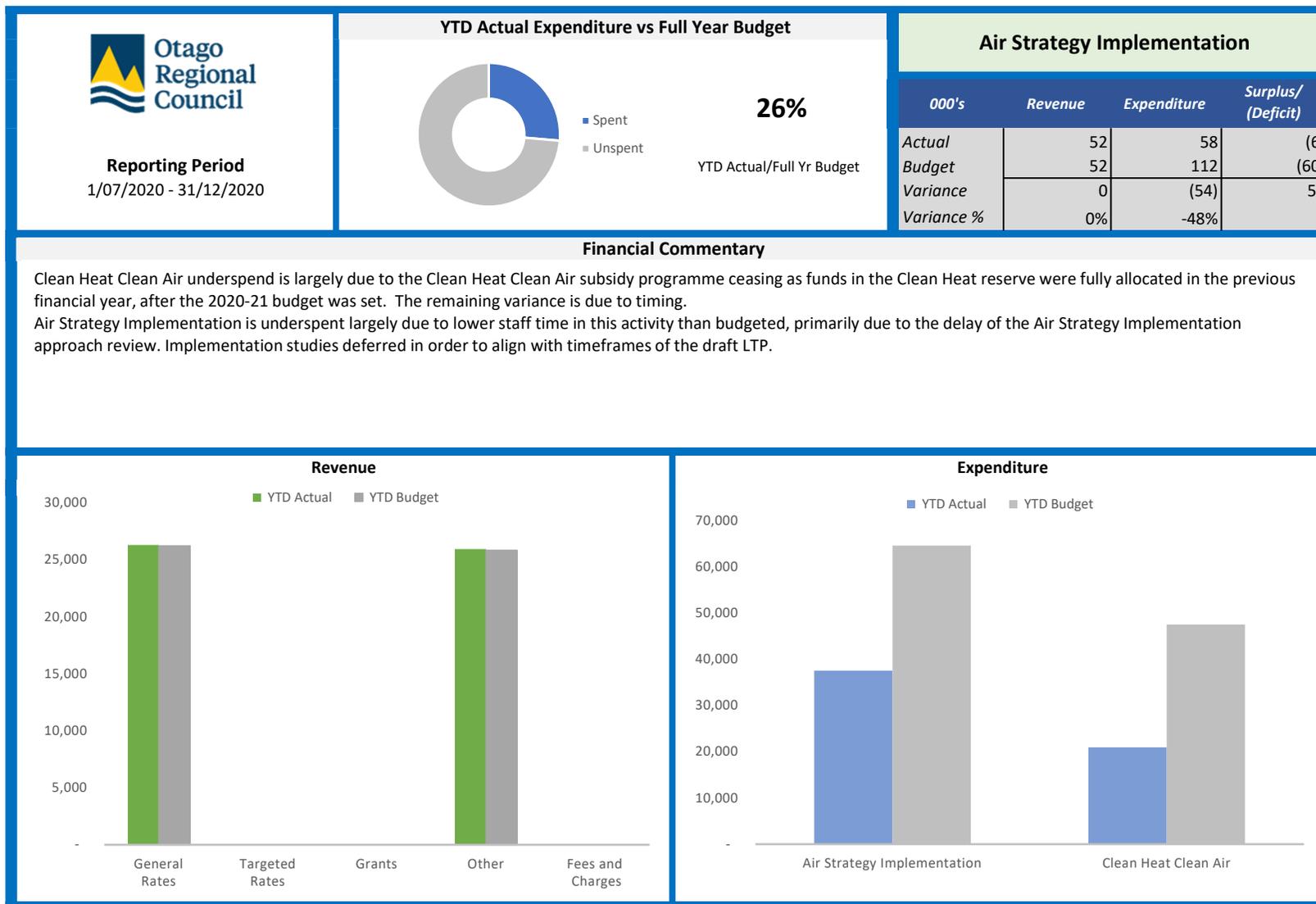
 <p>Otago Regional Council</p>	<h2>Freshwater Implementation</h2>		<p>Quarter 2 1/07/2020 - 31/12/2020</p>												
<p>Background This significant activity engages with ‘on the ground’ action to influence fresh water quality. This action is collectively captured under the Council’s ‘Good Water Programme’. The programme sits within the context of our:</p> <ul style="list-style-type: none"> • Fresh water planning approach • Our knowledge and understanding of the fresh water resource and what it supports • Role and relationships with individuals, groups and organisations with an interest in fresh water. <p>Improving these elements will better support ‘on the ground’ results achieved under the ‘Good Water Programme’.</p> <p><u>For 2020-21 the approach includes:</u></p> <ul style="list-style-type: none"> • Specific and targeted research and communications initiatives • Maintaining momentum for the Lake Hayes restoration programme • Developing a Council - catchment groups partnership 	<p>Performance results</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Total targets</td> <td>Achieved</td> <td>On track</td> <td>Off track</td> <td>Won't achieve</td> <td>Not measured</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p>Commentary on results</p> <ul style="list-style-type: none"> • Work on Freshwater Implementation is currently on track with implementation plans developed for Plan Change 8, Plan Change 1 and for Action for Health Waterways. Actions have progressed however some are pending awaiting outcome of the plan change process being managed by Environmental Protection Agency. • A review of the Lake Hayes Management Strategy is underway. Costs and activities to replace the SH6 culvert were identified. ORC has appointed a Project Delivery Specialist within the Biosecurity and Rural Liaison Team to oversee Council's Lake Hayes work programme. Staff met with Friends of Lake Hayes to discuss the strategy in December and a work programme is being developed. • Water quality monitoring programme runs from July to June and monitoring is ontrack. • The Regional Planning section of this report has further commentary on developing an FMU based research programme to inform the Land and Water Regional Plan. 			Total targets	Achieved	On track	Off track	Won't achieve	Not measured						
Total targets	Achieved	On track	Off track	Won't achieve	Not measured										
															
<p>Emerging issues Developments in government direction may impact on water implementation action planning.</p>	<p>Performance trends No change from Q1: On track to meet all targets</p>														



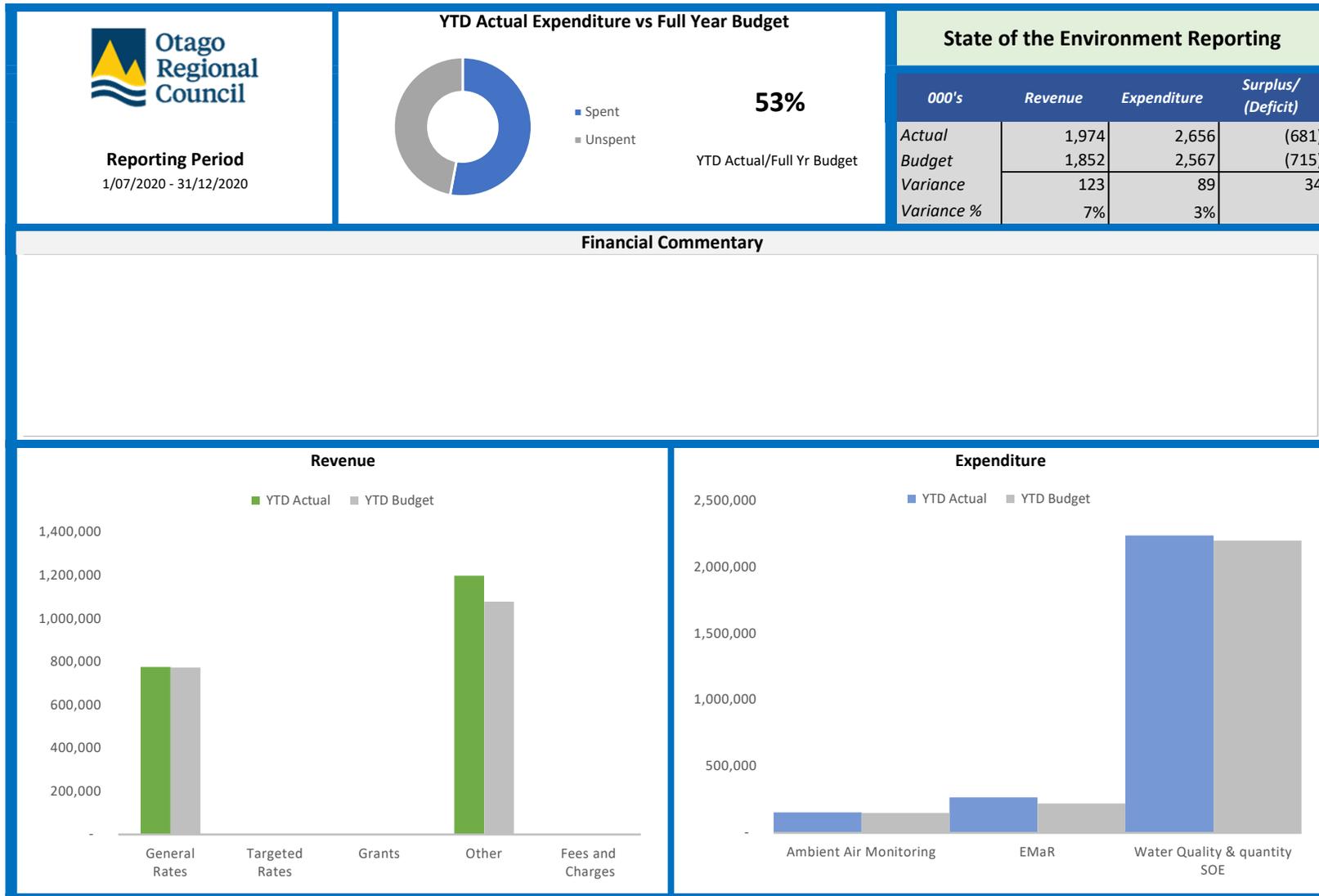
	<h2 style="margin: 0;">Biodiversity and Biosecurity</h2> <p style="text-align: right;">Quarter 2 1/07/2020 - 31/12/2020</p>												
<p>Background ORC currently delivers a substantive biosecurity programme that is directed by the Regional Pest Management Plan and Regional Pest Operational Plan. The work is focused on animal and plant pest control and provides benefits for agri-business productivity and biodiversity.</p> <p>Our biodiversity programme is in a developmental phase. 20-21 work includes:</p> <ul style="list-style-type: none"> • Prioritising mapped ecosystems • Developing a monitoring programme • Developing key partnerships and delivery • Preparatory work for informing costs of a Tomahawk Lagoon Management Plan <p>ORC also provides funding support to selected community-based organisations delivering biodiversity outcomes that align with our strategic objectives: Predator Free Dunedin, Yellow Eyed Penguin Trust, LINZ (Lagarosiphon control), Wakatipu and Central Otago Wilding Conifer Groups, and Eco Funding for various smaller groups.</p>	<p>Performance results</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <th style="background-color: #0056b3; color: white;">Total targets</th> <th style="background-color: #0056b3; color: white;">Achieved</th> <th style="background-color: #0056b3; color: white;">On track</th> <th style="background-color: #0056b3; color: white;">Off track</th> <th style="background-color: #0056b3; color: white;">Won't achieve</th> <th style="background-color: #0056b3; color: white;">Not measured</th> </tr> <tr> <td style="font-size: 2em; color: white;">5</td> <td style="font-size: 2em; color: white;">0</td> <td style="font-size: 2em; color: white;">4</td> <td style="font-size: 2em; color: white;">1</td> <td style="font-size: 2em; color: white;">0</td> <td style="font-size: 2em; color: white;">0</td> </tr> </table> <p>Commentary on results</p> <ul style="list-style-type: none"> • Actions outlined in the Biodiversity Strategy and Action plan are progressing well. The new Biodiversity Partnership Lead commenced in September. A review of the biodiversity actions will be undertaken as part of a broader strategy review proposed in the LTP. • ORC is implementing its obligations under the Regional Pest Management Plan, Biosecurity Strategy and the Regional Pest Operational Plan. A revised programme of compliance has been developed and is being implemented. A report on transformational activities completed or underway will be presented in March. • Progress is being made to deliver the Biosecurity Operational Plan and it is being actively implemented. In some areas the levels of service have been exceeded, however in some areas KPI's may not be met. The recent recruitment of 3 FTE will assist with delivery. • Review of the Biosecurity Operational Plan is underway and will be presented in March 2021. • In August ORC coordinated a collaborative rabbit control operation involving multiple landowners in Clyde. Follow up inspections by staff, backed by landowner feedback, has shown a significant reduction in rabbit numbers in the areas controlled. Monitoring will continue in the areas to determine longer-term impact. • The Council approved a significant increase in government funding for the wilding conifer and wallaby programmes. • The wallaby artificial intelligence camera was installed on the Aviemore dam by Meridian in early November and is now monitoring the dam. • The ECO Fund has two funding rounds per year. The October 2020 funding round received 30 applications seeking a total of \$534,877.30. Council approved funding for 10 applications totalling \$124,743 in November. The next funding round opens in March, with Council deciding on successful applications in April. 	Total targets	Achieved	On track	Off track	Won't achieve	Not measured	5	0	4	1	0	0
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
5	0	4	1	0	0								
<p>Emerging Issues</p>	<p>Performance trends Changes from Q1: Grey to green - A report on the ECO Fund was presented to Council in November.</p>												



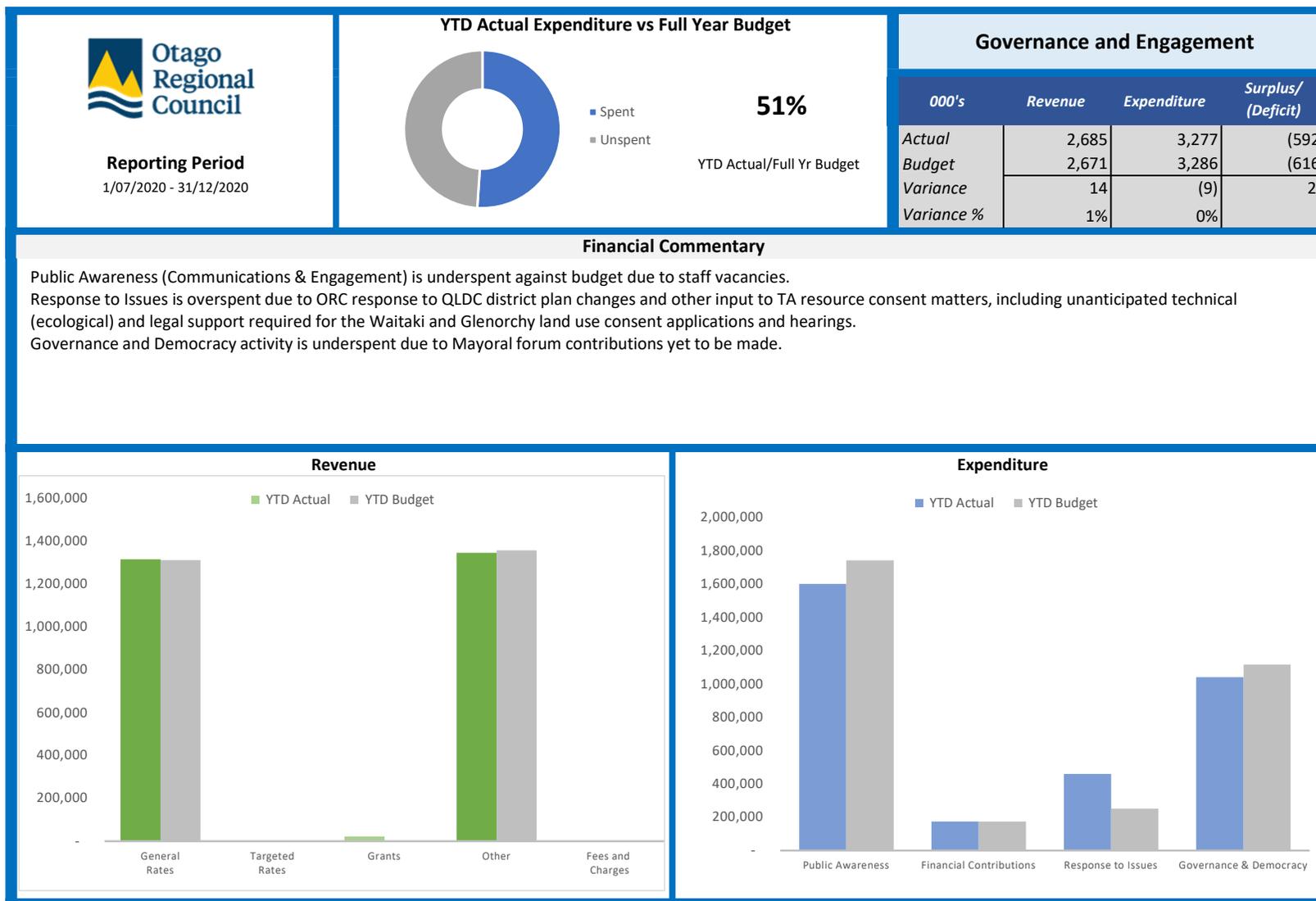
	<h2>Air Strategy Implementation</h2> <p style="text-align: right;">Quarter 2 1/07/2020 - 31/12/2020</p>												
<p>Background</p> <p>This significant activity implements the Air Quality Strategy that is underpinned by the Council's responsibility for achieving compliance with the National Environmental Standard for Air Quality. While emissions have dropped significantly over the last decade, various airsheds are still not compliant.</p> <p>The Council's 'Clean Heat Clean Air Programme' has encouraged householders to swap outdated burners for ultra-low emission heating appliances. Council acknowledged the need to reconsider the scope and associated funding of this programme.</p> <p>Other air implementation activity includes; education and promotion, complaint response, trialling of clean burning technologies, and pilot research work related to community engagement on 'Clean Heat Clean Air'.</p>	<p>Performance results</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Total targets</td> <td>Achieved</td> <td>On track</td> <td>Off track</td> <td>Won't achieve</td> <td>Not measured</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p>Commentary on results</p> <p>Air has been reprioritised based on Council decision. The active implementation of the Air Quality Strategy is likely to be delayed for two years and will be included in the 2021-31 LTP. As a result, ORC's review of the Air Strategy implementation approach has also been delayed to ensure continuity in stakeholder engagement.</p>	Total targets	Achieved	On track	Off track	Won't achieve	Not measured						
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
													
<p>Emerging Issues</p>	<p>Performance trends</p> <p>Changes from Q1: green to red – The review of the Air Strategy implementation approach will not be completed this financial year.</p>												



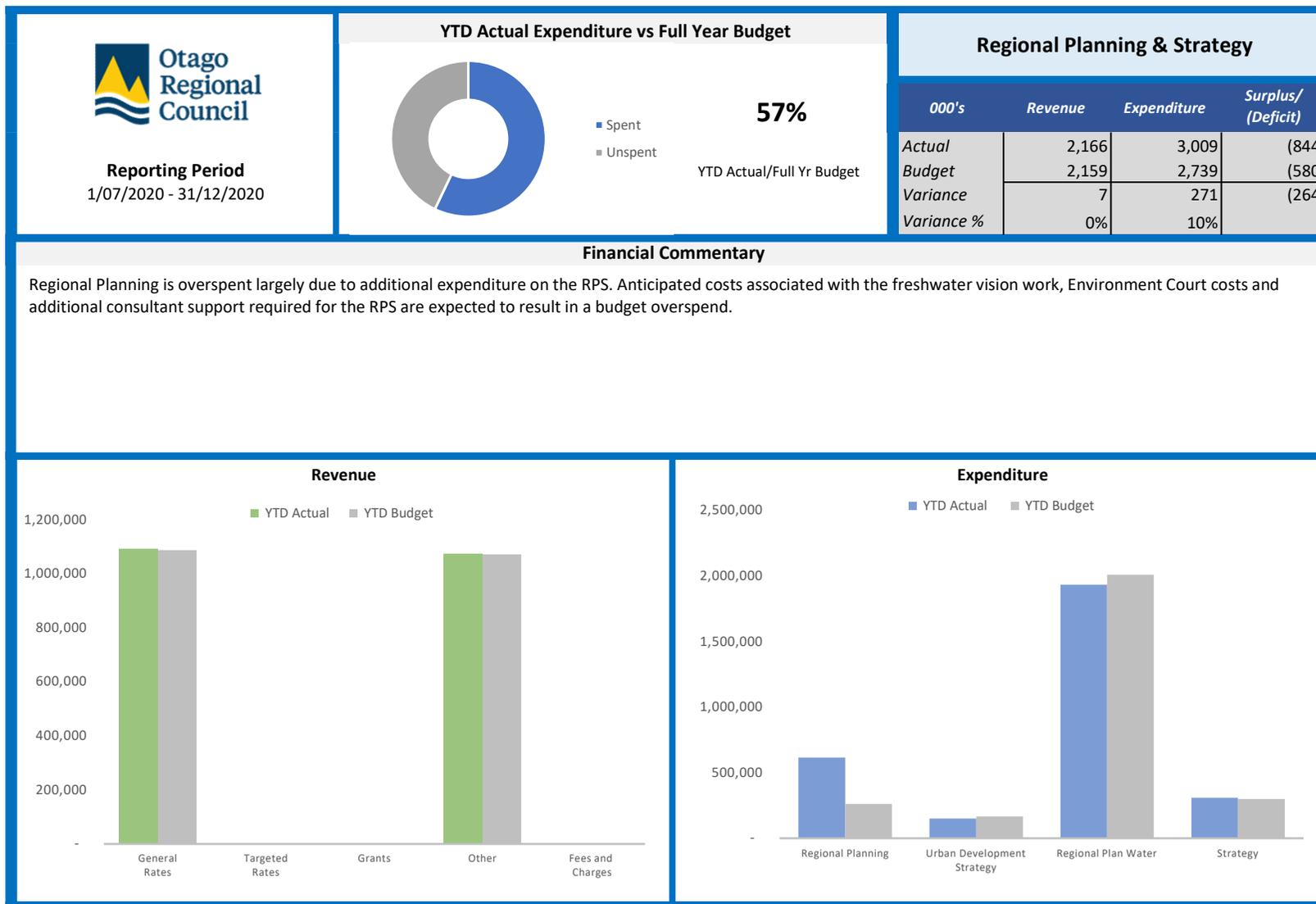
	State of the Environment Reporting Quarter 2 1/07/2020 - 31/12/2020												
<p>Background</p> <p>This significant activity implements the Council’s programme that monitors water quality and quantity, and air quality. This is required under the RMA and the National Policy Statement for Fresh Water and informs both national and internal policy, planning and reporting needs.</p> <p>In 20-21 we have increased our science resource to expand monitoring, analysis, reporting and issue identification capabilities, from Mountains to the Sea (ki uta ki tai).</p> <p>The NES for Air Quality requires full compliance with PM10 levels by 2020. We are ensuring our monitoring assets and programme is sufficient to meet NESAQ.</p> <p>Additionally, ORC administers the 'Environmental Monitoring and Reporting' (EMaR) project which co-ordinates the collection of information across New Zealand’s regional councils.</p>	<p>Performance results</p> <table border="1" data-bbox="779 405 1879 560"> <tr> <th>Total targets</th> <th>Achieved</th> <th>On track</th> <th>Off track</th> <th>Won't achieve</th> <th>Not measured</th> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">0</td> <td style="text-align: center;">3</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </table> <p>Commentary on results</p> <p>SOE network is performing as expected.</p> <ul style="list-style-type: none"> • There were some delays in the quality assurance process due to staff changes. The backlog validating data has been addressed and data is now up to date. • Air monitoring continues as required and NESAQ regulatory monitoring obligations will be met. • The Aquarius project is progressing with staff training completed and the first data migration undertaken and is now reaching the implementation stage with Go Live planned for late March. • Recruitment of staff to fill positions as a result of the Environmental Monitoring Team restructure is continuing. <p>Environmental Monitoring and Reporting (EMaR): Majority of work has been completed as planned and the 2020-21 programme is largely on track.</p>	Total targets	Achieved	On track	Off track	Won't achieve	Not measured	3	0	3	0	0	0
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
3	0	3	0	0	0								
<p>Emerging Issues</p>	<p>Performance trends</p> <p>Changes from Q1: Yellow to green – The delays in the quality assurance process have been addressed and data is now up to date.</p>												



	<h2>Governance and Community Engagement</h2>	<p>Quarter 2 1/07/2020 - 31/12/2020</p>											
<p>Background</p> <p>Our democratic decision-making process and the community-elected councillors ensure everyone’s voices around Otago are heard and that leadership is provided for the benefit of the region.</p> <p>Our work in this area includes:</p> <ul style="list-style-type: none"> • Governance and democracy work supporting the elected councillors, the running of meetings and providing information in a timely and accessible way. • Supporting the newly established Otago Mayoral Forum Secretariat • Public awareness through communication and engagement with communities across the region and the Council’s partners • Responding to external proposals - A regional perspective to TLA planning processes is expected and necessary, consequently we have increased our resourcing for this activity in 2020-21. 	<p>Performance results</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>Total targets</th> <th>Achieved</th> <th>On track</th> <th>Off track</th> <th>Won't achieve</th> <th>Not measured</th> </tr> </thead> <tbody> <tr> <td>5</td> <td>0</td> <td>4</td> <td>0</td> <td>1</td> <td>0</td> </tr> </tbody> </table> <p>Commentary on results</p> <p><u>Governance</u>: This quarter there were 3 Council meetings, 6 committee meetings and 1 Subcommittee meeting, plus 8 workshops. All were held in accordance with Standing Orders and LGOIMA. There were also two site visits, a Mana to Mana meeting and a closed meeting with Professor Skelton.</p> <p><u>Otago Mayoral Forum</u> was held in person in December. Discussions focussed on three waters reform, waste, and key priorities for 2021.</p> <p><u>Communication and engagement</u>:</p> <ul style="list-style-type: none"> • 70 official information requests were processed, 69 fulfilled statutory timeframe requirement (99% compliant) • Key ‘one-off’ communications: Freshwater Visions consultation (Otago-wide),, signage promoting LAWA and ‘safe to swim’ information at our summer recreation monitoring locations, promotion of SOE report 2015-20, and the Harbourmaster’s float in the Dunedin Santa Parade. • Initiatives: developed accessibility guidelines to ensure our LTP and AP information is accessible, established monthly newsletter to those in the Glenorchy community as part of long-term engagement about natural hazards in the area, finalised Orbus style guide and revised the rates invoice. <p><u>Response to external proposals</u>: Unanticipated technical (ecological) and legal support were required for the Waitaki and Glenorchy land use consent applications in Q1. In Q2 the consent work slowed slightly. Technical, planning, and legal support was provided for the Glenorchy land use consent hearing in December.</p> <p><u>Corporate Planning</u>: The 2019-20 Annual Report received an unmodified external audit report. The LTP project is progressing however the timeline has been deferred one month as a result of more time being required to decide the financial scope of the pre-draft estimates. Deferral will result in less time to manage the submission feedback and less time for Council to consider and manage any change that may result from the special consultative procedure. If new milestone dates are met, we anticipate meeting the 30 June adoption requirement.</p>	Total targets	Achieved	On track	Off track	Won't achieve	Not measured	5	0	4	0	1	0
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
5	0	4	0	1	0								
<p>Emerging Issues</p>	<p>Performance trends</p> <p>No changes from Q1.</p> <p>The LGOIMA 100% target is aspirational and the Q2 result is in line with the 98.5% result achieved in 2019-20.</p>												



	Quarter 2 1/07/2020 - 31/12/2020												
Regional Planning & Strategy													
<p>Background</p> <p>This significant activity includes the Regional Policy Statement (RPS), the Regional Plans, and an urban work programme. The natural resource areas include water (fresh water, land and coast), air, and waste. This activity also includes strategy and non-RMA plans, such as biodiversity strategies.</p> <p>The fresh water framework is currently a priority and includes:</p> <ul style="list-style-type: none"> • Ombus plan change • Full review of the Regional Water Plan and Regional Waste Plan, resulting in notification of a new Land and Water Regional Plan by December 2023. <p>Additional 2020-21 planning and strategy work includes:</p> <ul style="list-style-type: none"> • Review of the RPS (notified June 2021 & operative 1 April 2022). • Development of ORC strategic directions and planning for its implementation 	<p>Performance results</p> <table border="1" data-bbox="779 406 1877 558"> <thead> <tr> <th>Total targets</th> <th>Achieved</th> <th>On track</th> <th>Off track</th> <th>Won't achieve</th> <th>Not measured</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">0</td> <td style="text-align: center;">3</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table> <p>Commentary on results</p> <ul style="list-style-type: none"> • The Land and Freshwater planning programme is on track. Policy, monitoring and science work is continuing in priority FMU's. NIWA are engaged on the regional approach to setting limits for rivers and lakes. • Work to develop a freshwater management unit (FMU) based research programme to inform the Land and Water Regional Plan (LWRP) is underway. The approach must be capable of delivering scientifically robust background information across all of Otago within a three-year timeframe. An overview of the proposed precautionary approach was presented to the Strategy and Planning Committee in November. • Programmes for Wetland mapping and Fish passage are being established in line with NES-FW and NPS-FM. • ORC Science commissioned analysis to report on long term-trends and calculate water quality attribute states. • The freshwater visions have been drafted and will be used for the Manuherekia choices document, and included into the RPS when it is notified. • Work to support plan change 7 has slowed but will increase as submitters evidence is filed in early February. • Policy and Science teams have been supporting the Plan Changes being heard by the Environment Court. • The RPS review is progressing well and on track for June 2021 notification. The draft is expected to be out for the first phase of pre-notification consultation in February, following legal review. • The review of the Waste Plan is complete and the review of the Water Plan is significantly progressed. • A report for options to develop an urban work programme was approved by Council in September 2020. The urban team are also involved in the RPS review, supporting QLDC through their Future Development Strategy and assisting with potential zoning changes for DCC. • Strategy team work has included: Strategic Directions implementation planning, long-term plan contributions, Manuherekia economic modelling, regional GHG emissions inventory project, strategic engagement strategy. 	Total targets	Achieved	On track	Off track	Won't achieve	Not measured	3	0	3	0	0	0
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
3	0	3	0	0	0								
<p>Emerging Issues</p> <p>Proposed National Environmental Standards. RMA changes. Government's Climate change proposals.</p>	<p>Performance trends</p> <p>No changes from Q1. All targets are on track.</p>												

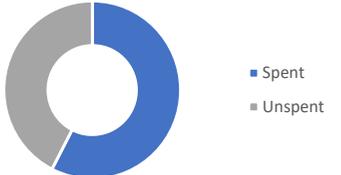


	Quarter 2 1/07/2020 - 31/12/2020												
<h2>Consenting, Monitoring and Enforcement</h2>													
<p>Background</p> <p>As a regulatory authority we provide services to ensure that activities in Otago are consistent with both national and regional rules. This significant activity gives effect to the Council’s Regional Plans under the RMA, and other specific requirements such as the regulation of ports. Our work in this area includes:</p> <ul style="list-style-type: none"> • Consent processing (including deemed permits, buildings) • Monitoring of compliance with consents • Incident response, investigations and enforcement • Contaminated sites • Harbours and waterway management <p>In 20-21 we are implementing improvements based on internal review recommendations including additional staffing for: consent processing, increasing compliance audits, input into plan changes and incident response coverage to better reflect the demand across the region.</p>	<p>Performance results</p> <table border="1" data-bbox="779 400 1836 550"> <tr> <th>Total targets</th> <th>Achieved</th> <th>On track</th> <th>Off track</th> <th>Won't achieve</th> <th>Not measured</th> </tr> <tr> <td style="text-align: center;">8</td> <td style="text-align: center;">0</td> <td style="text-align: center;">8</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </table> <p>Commentary on results</p> <p><u>Consents:</u> 100% of resource consent applications were processed within RMA timeframes. In the year to date there were 248 applications lodged; 289 applications in progress and decisions made on 177 applications. This compares to 255 applications lodged, 252 in progress and 195 decisions made in the same period last year.</p> <ul style="list-style-type: none"> • Regulatory Group staff have been involved in implementation of the NES-FW, included responding to public enquiries and attending community group meetings. <p><u>Compliance:</u> 2730 performance monitoring returns were graded in the year to date, an increase from 2,248 graded in the same period last year. Grading has been completed on 45.5% of the returns received this year.</p> <ul style="list-style-type: none"> • In the year to date there were 149 significant non-compliances spread across 52 consents held by 34 different consent holders. Non-compliance was identified through site audits or performance monitoring. • All moderate or significant non-compliances have been followed up by staff and either appropriate action has been taken, or investigations are continuing. • The Aquarius Project is proceeding on schedule, Data staff spent much of November training in the product. <p><u>Incident Response, Investigation and Enforcement:</u> Council continued to maintain a 24/7 pollution response system with 744 requests received in the YTD, in-line with the 715 received in the same period last year.</p> <ul style="list-style-type: none"> • Maritime NZ oil spill response training for staff and contractors took place in December. • Eight infringement notices and four abatement notices have been issued and one prosecution has been initiated this year. <p><u>Harbours and waterway management:</u> There were no major maritime incidents to report in this quarter.</p> <ul style="list-style-type: none"> • Harbour master has been involved in promoting the ‘No Excuses’ summer water safety campaign. • Harbourmaster and deputy completed regional on scene commander courses, enhancing ORC’s commitment in the oil spill response area. 	Total targets	Achieved	On track	Off track	Won't achieve	Not measured	8	0	8	0	0	0
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
8	0	8	0	0	0								
<p>Emerging Issues</p> <p>NES-FFW and other legislative changes will increase pressure on consent processing.</p> <p>Environment Court hearings and findings on PC7 will have an implication on deemed and water permit applications in process.</p>	<p>Performance trends</p> <p>Changes from Q1: Grey to green - Oil spill response and pollution training response measures are on track as training was conducted in December.</p>												



Reporting Period
1/07/2020 - 31/12/2020

YTD Actual Expenditure vs Full Year Budget



58%
YTD Actual/Full Yr Budget

Consenting, Monitoring & Enforcement

000's	Revenue	Expenditure	Surplus/ (Deficit)
<i>Actual</i>	3,333	5,123	(1,790)
<i>Budget</i>	4,051	4,627	(576)
<i>Variance</i>	(718)	496	(1,214)
<i>Variance %</i>	-18%	11%	

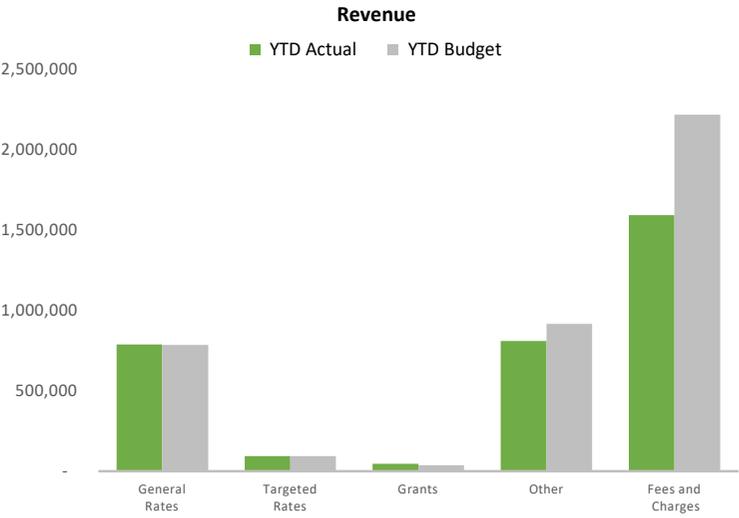
Financial Commentary

Consents Processing is overspent due to Council approved additional staff, training and unbudgeted work on Action Plan for Healthy Water. Consultant expenditure is also more than budget. Revenue for Consent Processing Fees and Charges is down because more staff time than budgeted on non-chargeable activity. The lower fees and charges recovery is expected to have a negative impact on general rates.

Compliance activity underspend is due to new staff training and staff vacancies. The compliance audit work is also less than budget as the compliance team has been involved in incident response activities which has impacted on their audit work programmes and associated expenditure.

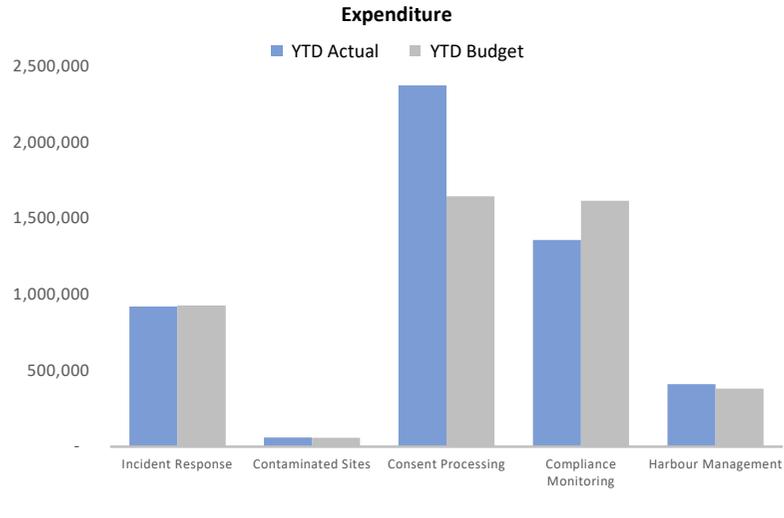
Incident Response, Investigation and Enforcement expenditure is currently on track, however additional legal costs for upcoming appeals, trials, prosecutions and enforcement orders are anticipated by year end.

Revenue



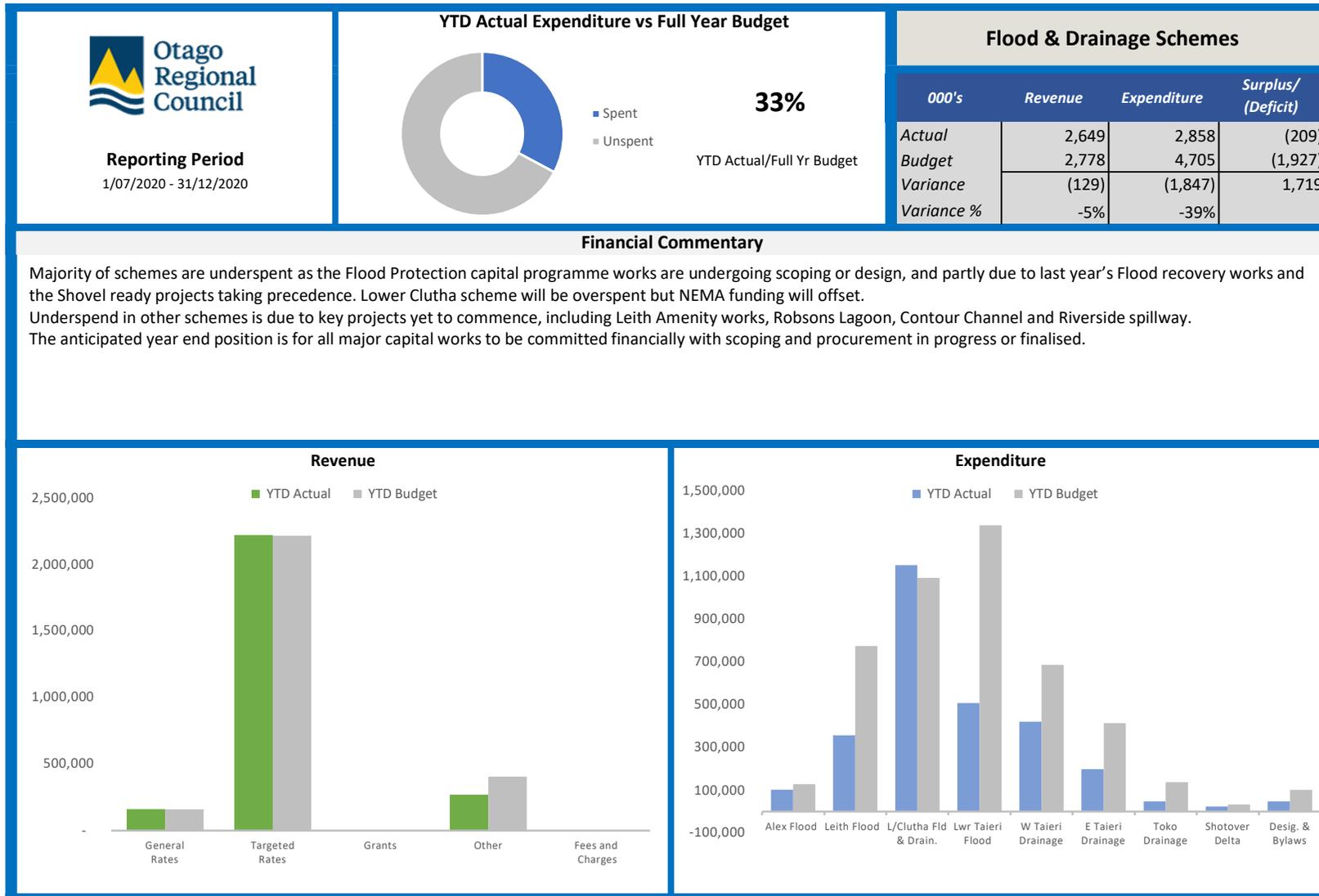
Category	YTD Actual	YTD Budget
General Rates	~800,000	~800,000
Targeted Rates	~100,000	~100,000
Grants	~50,000	~50,000
Other	~800,000	~900,000
Fees and Charges	~1,600,000	~2,200,000

Expenditure

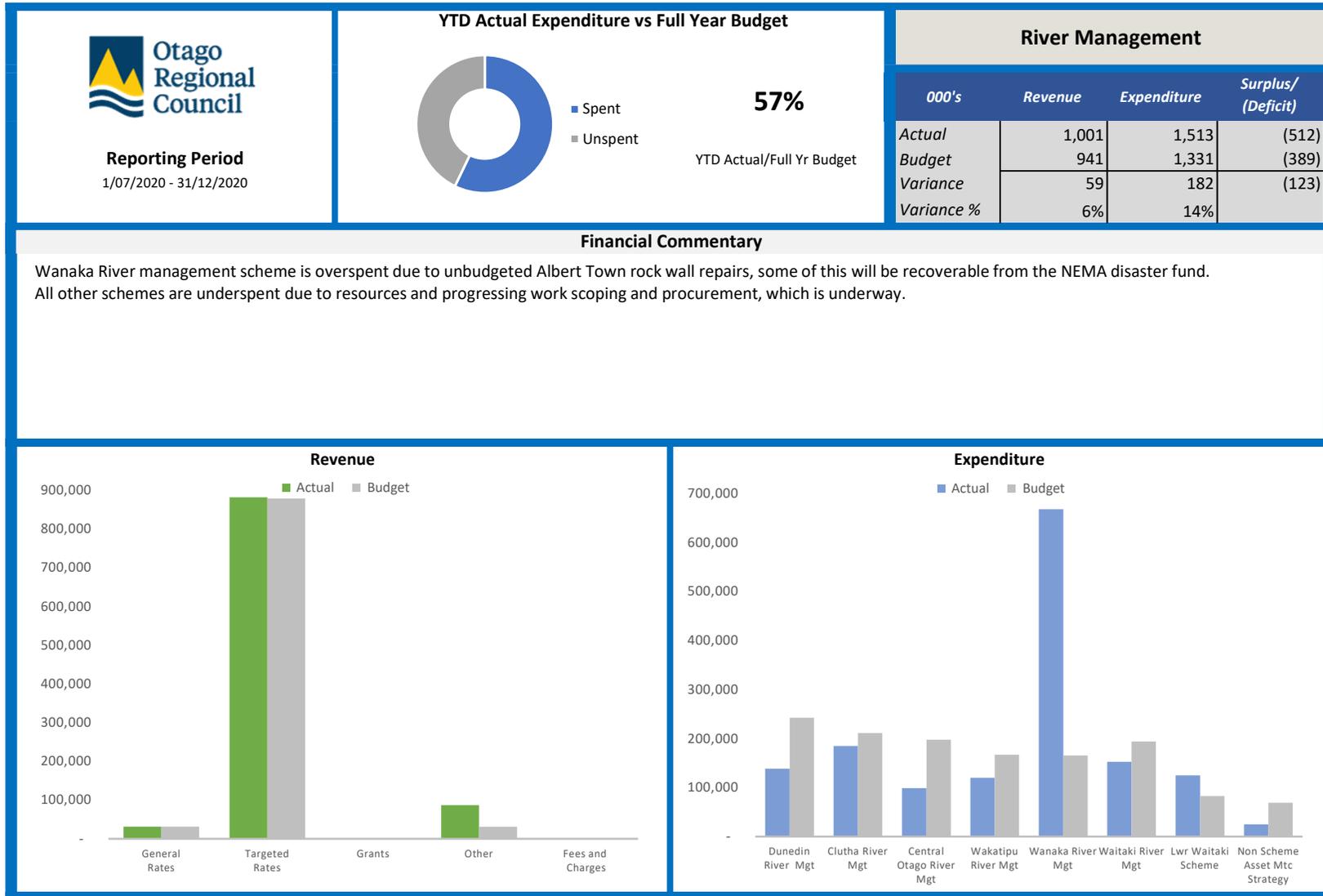


Category	YTD Actual	YTD Budget
Incident Response	~900,000	~900,000
Contaminated Sites	~50,000	~50,000
Consent Processing	~2,300,000	~1,600,000
Compliance Monitoring	~1,300,000	~1,600,000
Harbour Management	~400,000	~400,000

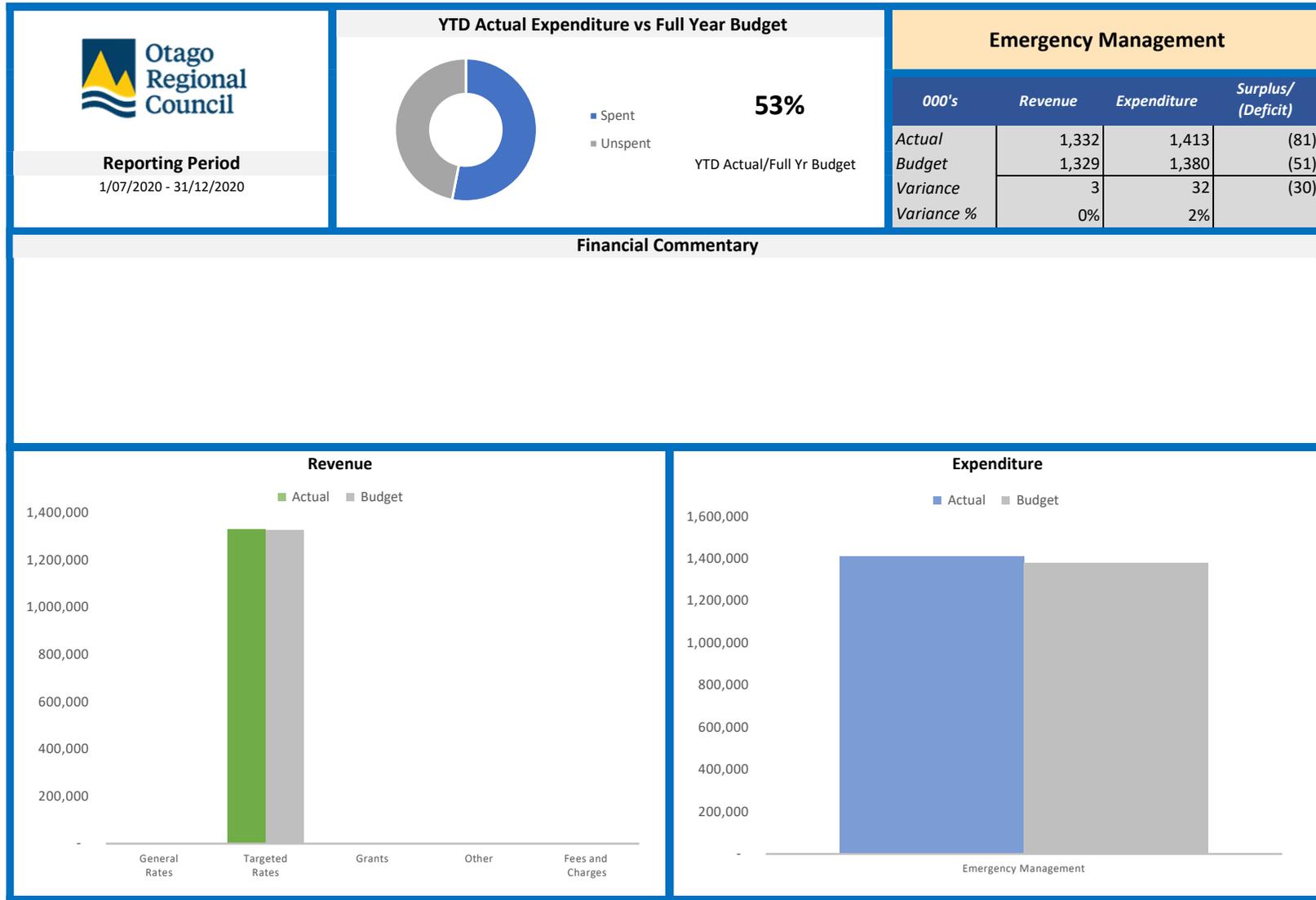
	<h2>Flood & Drainage Schemes</h2>		Quarter 2 1/07/2020 - 31/12/2020													
<p>Background</p> <p>This significant activity gives effect to Council's responsibilities under the Soil Conservation and Rivers Control Act 1941, and other requirements such as the management and maintenance of our flood protection and land drainage assets. The schemes protect 20,000Ha of land.</p> <p>ore functions include:</p> <ul style="list-style-type: none"> Scheduled maintenance of critical assets Development and renewal of critical infrastructure and amenity projects Operation of flood and drainage schemes during floods Bylaw processing and monitoring of technical compliance with bylaws <p><u>2020-21 work programme includes:</u></p> <ul style="list-style-type: none"> Completing the Taieri Scheme review Lower Clutha Flood Repairs Pump Station and drainage catchment reviews and technology assessments Consulting with communities on capital program of works across schemes Climate Resilience Program/Shovel Ready 	<p>Performance results</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Total targets</td> <td>Achieved</td> <td>On track</td> <td>Off track</td> <td>Won't achieve</td> <td>Not measured</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p>Commentary on results</p> <ul style="list-style-type: none"> Climate Resilience Program Agreement was signed in Nov 2020. The first milestone payment under the agreement has been claimed (\$735,000) in Dec 2020 and paid January 2021. Procurement is being finalised. Flood protection and drainage maintenance work programmes are progressing and expected to be on track for year end, with all flood schemes are expected to be performing to their level of service expectations by year end. Pump overhauls on the Lower Clutha, West Taieri, and East Taieri schemes are planned. Mill Creek pump station flood damage repair completed. Quarterly reports on planned renewal and maintenance works for flood schemes and drainage schemes are under development. General work includes inspections, monitoring of coastal mouths, spraying of scheduled drains, debris clearing, flood bank inspections and mechanical clean of drains. Planning work on improving the target profile and management plan for the Shotover Delta is continuing. The Performance Review of the Lower Taieri River is currently undergoing tender evaluation. The scheme review will commence this year and span years 1 and 2 in new LTP. Bylaw processing has been transferred from the Consents team to the Engineering team. A new Commercial and Regulatory Lead has been recruited to work on any existing and future bylaws. Repair work from the 2019-20 flood damage is ongoing and remedial works to the Lower Clutha Scheme are on track to be completed by June 2021. 				Total targets	Achieved	On track	Off track	Won't achieve	Not measured						
Total targets	Achieved	On track	Off track	Won't achieve	Not measured											
																
<p>Emerging Issues</p> <p>January 2021 flood will add unplanned expenditure and works.</p>	<p>Performance trends</p> <p>Changes from Q1:</p> <p>Green to red – Review of the Taieri scheme will not be completed by 30 June 2021. The magnitude of the review has been realised and it is now expected to span multiple years.</p>															



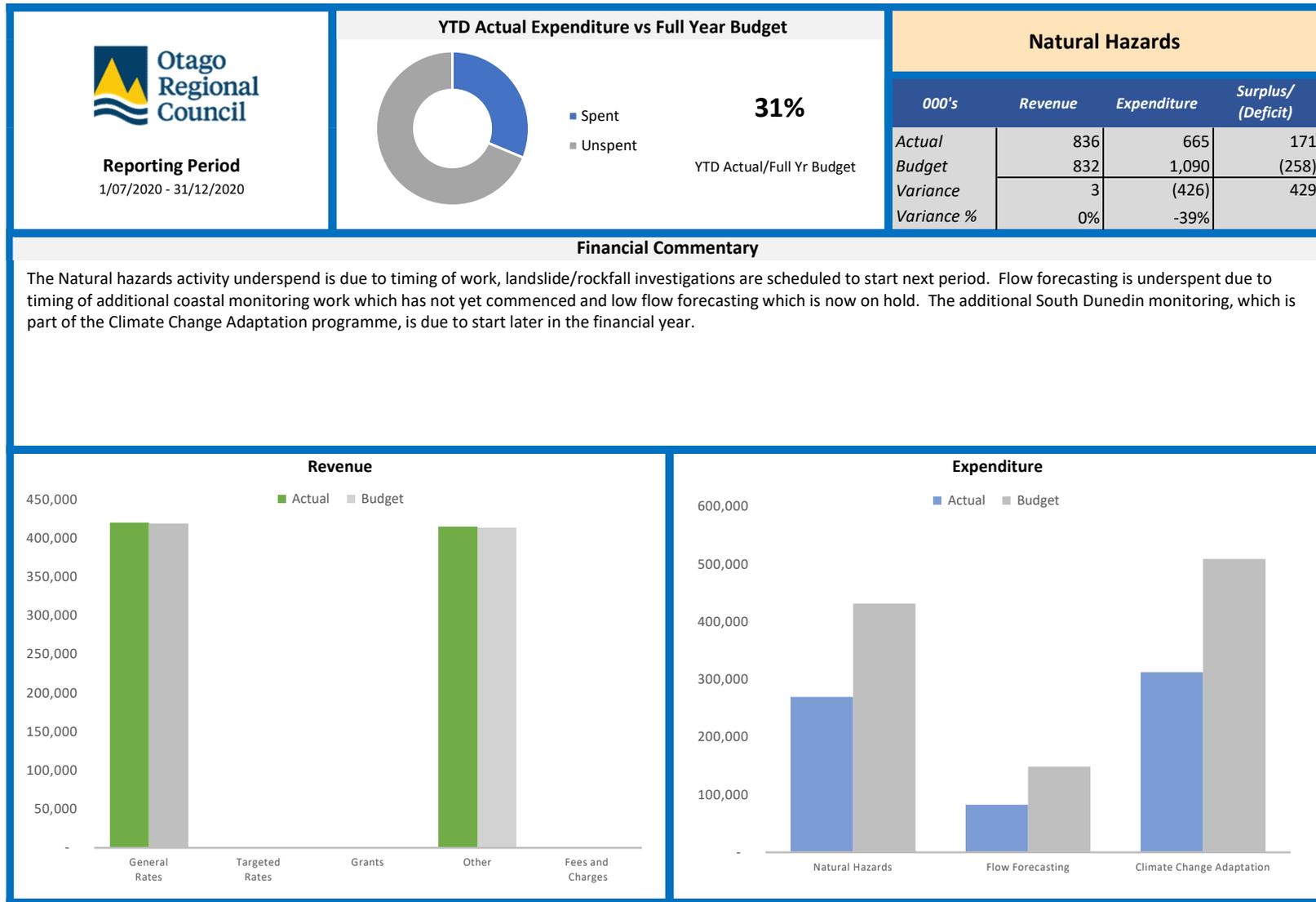
	Quarter 2 1/07/2020 - 31/12/2020												
<h2>River Management</h2>													
<p>Background</p> <p>This significant activity gives effect to Council’s responsibilities under the Soil Conservation and Rivers Control Act 1941, and the management and maintenance of Otago rivers.</p> <p>River and waterway management works are carried out to maintain river and stream channel capacity, channel stability and environmental outcomes in scheduled rivers and waterways.</p> <p>Core functions include:</p> <ul style="list-style-type: none"> • River management including the control of channel erosion, willow maintenance, vegetation control, removing obstructions, and repairing critical erosion works. • Management of gravel extraction through third party consents. • Processing of consents in conjunction with Council’s Natural Hazards activity where consent applications may affect flood protections assets and/or rivers. 	<p>Performance results</p> <table border="1" data-bbox="779 406 1877 558"> <thead> <tr> <th>Total targets</th> <th>Achieved</th> <th>On track</th> <th>Off track</th> <th>Won't achieve</th> <th>Not measured</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">0</td> <td style="text-align: center;">2</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table> <p>Commentary on results</p> <p>River management work programme is progressing. Weather events effect river management works directly.</p> <p>All reported blockages and obstructions along scheduled rivers & waterways were investigated and known blockages and obstructions have been removed.</p> <p>River Management works in quarter two included:</p> <ul style="list-style-type: none"> • Willow maintenance to help restore channel capacity, • Tree removals from multiple rivers including the Shag River, Water of Leith, Silver Stream, Waipori River, Pomahaka River, Clutha River, Cardrona River • Vegetation control works, • March Creek flood capacity restored Q1, January 2021 flooding also required reinstatement of March Creek. • Channel work completed on the Fraser River and Lauder Creek. • River surveys completed • Groyne repair contract awarded for Rees River structure however work is on hold pending new rock source • River mouth opening of Sawmill Creek, Drivers and Hawksbury Lagoon completed • Erosion works on the Cardrona River and Matukituki River • Albert Town bank repair is nearing completion 	Total targets	Achieved	On track	Off track	Won't achieve	Not measured	2	0	2	0	0	0
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
2	0	2	0	0	0								
<p>Emerging Issues</p>	<p>Performance trends</p> <p>No change from Q1 : All measures are on track.</p>												



	<h2>Emergency Management</h2>		Quarter 2 1/07/2020 - 31/12/2020												
<p>Background</p> <p>This significant activity is responsible for the co-ordination of hazard reduction, readiness, response and recovery for emergency events. It is provided in partnership with councils, emergency response organisations and other stakeholders of the Otago region.</p> <p>The work of the Otago CDEM Group is administered and co-ordinated by the Otago Regional Council, while governance and operations are overseen by the Coordinating Executive Group (CEG) and the Joint committee.</p> <p>2020-21 Annual Plan included additional funding of a fixed term increase in emergency management staffing in the Queenstown area in response to the COVID-19 pandemic.</p>	<p>Performance results</p> <table border="1" data-bbox="779 406 1877 558"> <thead> <tr> <th>Total targets</th> <th>Achieved</th> <th>On track</th> <th>Off track</th> <th>Won't achieve</th> <th>Not measured</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">6</td> <td style="text-align: center;">0</td> <td style="text-align: center;">6</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table> <p>Commentary on results</p> <ul style="list-style-type: none"> • CDEM is available to respond appropriately to foreseeable and sudden onset events; the CDEM duty phone remains in operation with a CDEM staff member available at all times. • There is coverage of at least two trained staff (as function lead) per CIMS function. Additional D4H and CIMS4 training has been undertaken with ECC personnel. • A CDEM group controller or alternate is always available and we have improved coverage in this area with six alternates available; however the availability of some alternates is dependent on external factors. • The Group Plan is fully implemented and due for review in 2021-22. • Region-wide issues plans are in place. Priority dams have plans in place. Larger district dams are encompassed with each respective community response plan. • The AF8 (Alpine Fault magnitude 8) implementation plan is incorporated into Group work plans and actions plans are currently being completed. • Community Response Plans are in place for all of the communities identified by each of the TLAs. A renewal policy for plans is under consideration. Community engagement continues across the region, including with local response groups. The districts are well engaged in this process. • The ORC annex building provides an effective Emergency Coordination Centre (ECC) with contingences around power and communication. 			Total targets	Achieved	On track	Off track	Won't achieve	Not measured	6	0	6	0	0	0
Total targets	Achieved	On track	Off track	Won't achieve	Not measured										
6	0	6	0	0	0										
<p>Emerging Issues</p>	<p>Performance trends</p> <p>No changes from Q1 – All measures are on track.</p>														



	<h2>Natural Hazards</h2> <p style="text-align: right;">Quarter 2 1/07/2020 - 31/12/2020</p>												
<p>Background</p> <p>This activity involves assessing the scale and significance of natural hazards in Otago. It includes risk assessment projects such as those relating to climate change adaptation, and also flow forecasting to understand and monitor flood events. This work is often done in collaboration with Otago councils and communities with an emphasis on access to quality timely information.</p> <p>Climate change adaptation work focuses on improving the understanding of risk and will provide information to assist local authorities, communities and others to make informed decisions about preparing for and adapting to the effects of climate change.</p>	<p>Performance results</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Total targets</td> <td>Achieved</td> <td>On track</td> <td>Off track</td> <td>Won't achieve</td> <td>Not measured</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p>Commentary on results</p> <p><u>Natural Hazards:</u></p> <ul style="list-style-type: none"> Otago natural hazard database and WaterInfo website operated to agreed service levels and was available to the public via 24hrs/7 days. Some features of the database were not functioning correctly and are being fixed. A 24-hour flood management and response system operated during the reporting period, although there were no notable weather events. Work on incorporating weather radar data is progressing well. Work on low flow forecasting is on hold and will be reconsidered for the 2021-31 LTP. <p><u>Climate Change Adaptation:</u></p> <ul style="list-style-type: none"> Otago climate change risk assessment (OCCRA) draft report was received in August 2020. Engagement with Iwi and final review is underway. The OCCRA will be presented to the Information and Data committee in March. Supporting work for the establishment of a Climate Change Adaptation Programme is underway. Further development of the programme will be included in the LTP and is not scheduled for completion by 30 June. <p><u>Climate Change Mitigation :</u></p> <ul style="list-style-type: none"> The project to complete Otago region emissions footprint inventory is progressing. A consultant has been appointed and arrangements made to collect data from TA's with some additional data also being procured. A report analysing ORC's Green House Gas (GHG) emissions in the 2018-19 financial year was presented to Council in November. The report included an action plan with a comprehensive list of potential actions. The PT team are part of a new TSIG (Transport Special Interest Group) Decarbonisation group which first met in October 2020. Collaboration is ongoing and funding is being sought for desktop research. The development of this TSIG will inform the ORC's Public Transport lower emissions feasibility study, which has commenced but may not be completed by 30 June. 	Total targets	Achieved	On track	Off track	Won't achieve	Not measured						
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
													
<p>Emerging Issues</p>	<p>Performance trends</p> <p>Green to yellow: Feasibility study of lower emission public transport has commenced but may not be completed by 30 June</p>												



	<h2>Transport</h2>	Quarter 2 1/07/2020 - 31/12/2020											
<p>Background</p> <p>Council is responsible for implementing the public transport provisions of the Land Transport Management Act 2003, and its amendments.</p> <p>This significant activity involves the delivery of public passenger transport in Dunedin and Queenstown, and the co-ordination of regional transport planning to enable a resilient, multi modal transport system for the efficient and effective movement of people and goods. An Otago-Southland Regional Transport Plan is central to this and is developed collaboratively.</p> <p><u>2020-21 work programme includes:</u></p> <ul style="list-style-type: none"> • Trialling a small passenger ferry service on Lake Wakatipu • Reviewing and trialling fare structures for Dunedin • Re-tendering of expiring contracts • Feasibility of moving to low emissions transport system • Review of the Regional Passenger Transport Plan (RPTP) • Preparation and completion of the Regional Land Transport Plan (RLTP) 	<p>Performance results</p> <table border="1" data-bbox="779 406 1870 558"> <thead> <tr> <th>Total targets</th> <th>Achieved</th> <th>On track</th> <th>Off track</th> <th>Won't achieve</th> <th>Not measured</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">8</td> <td style="text-align: center;">0</td> <td style="text-align: center;">6</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> </tr> </tbody> </table> <p>Commentary on results</p> <ul style="list-style-type: none"> • Patronage data generated by the new ticketing system indicates an overall patronage recovery, with Dunedin bus patronage increasing in the year to date and a significant drop in patronage for the Queenstown network, compared to the same period in 2019. Full reports will be provided to Council's Data and Information Committee. • The annual satisfaction survey is scheduled for Q3-Q4, to allow for recovery from the impacts of COVID-19 and for the introduction of the new ticketing system. • New vehicles entering the Otago fleet are undergoing quality inspections, these are due to be complete by March. • Reliability of services has not been measured as trials of real-time tracking software are still underway. Data analysis is yet to commence. • Transport staff are reviewing software that allows a direct realtime feed to be taken from the new Bee Card driver console - system is currently being developed and tested. • Work on the Otago/Southland RLTP is underway and it is on track for completion as scheduled. Q2 focus has included further refinement of the strategic section. • The RPTP review is underway and a Project Manager has been engaged to assist in developing the project plan and review scope. The development approach was endorsed by Council in December 2020. • The procurement approach for the Wakatipu Ferry service was approved by Council in December 2020 and registrations of interest for potential suppliers will begin in January. • Collaboration continues with South Island RTC - Chairs/Deputies met in August and October 2020. • Construction of a new STED in Tarras has been completed. 	Total targets	Achieved	On track	Off track	Won't achieve	Not measured	8	0	6	1	0	1
Total targets	Achieved	On track	Off track	Won't achieve	Not measured								
8	0	6	1	0	1								
<p>Emerging Issues</p>	<p>Performance trends & changes</p> <p>Change from Q1: Green to yellow – Reliability of service has not been measured due to new software trials being undertaken. Data analysis is yet to commence.</p>												



8.2. Finance Quarterly Report - December 2020

Prepared for:	Finance Committee
Report No.	CS2110
Activity:	Governance Report
Author:	Sarah Munro, Finance Manager - Reporting
Endorsed by:	Nick Donnelly, General Manager Corporate Services
Date:	15 February 2021

PURPOSE

- [1] To provide Council's Finance Report for quarter two 2021 which includes the preliminary financial result for the 6-month period ended 31 December 2020.

EXECUTIVE SUMMARY

- [2] The Finance Report is made up of the following sections:
- Statement of Comprehensive Revenue and Expenses for the 6-month period ended 31 December 2020.
 - Statement of Financial Position as at 31 December 2020.
 - Treasury Report – December 2020, which provides information on the management and performance of the Council's short-term deposits and managed fund for the period ended 30 December 2020.
 - Summary of Expenditure and Funding by Activity for quarter 2 6-month period ended 30 December 2020.
- [3] Commentary on the Finance Report, including variances to budget is included in the body of this paper.

RECOMMENDATION

That the Finance Committee:

- 1) **Receives** this paper and the attached Finance Report December 2020.

FINANCE REPORT COMMENTARY

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

- [4] The Statement of Comprehensive Revenue and Expenses shows a quarter 2 to date deficit of \$5,697,000 being \$2,780,000 higher than the budgeted deficit of \$2,917,000.
- [5] This variance is the net result of the following:
Revenue
- [6] Subsidies and grant revenue is \$216,000 below budget due to:

- A decrease of \$242,000 in engineering grant revenue from the NZTA due to decreased construction costs for the Tarras Stock Truck Effluent Disposal site (STED).
- Wilding pine eradication grants from the Ministry of Primary Industry is \$328,000 below budget due to a delay in the work. A contractor has been appointed in the Central Otago area and work is expected to be completed before year end.
- A \$400,000 increase in New Zealand Transport Authority (NZTA) grant revenue to cover increased operational costs. Bus operational costs have increased due to an increase in costs caused by COVID-19 free fares and cleaning costs which had been funded by NZTA. Bus fares were reinstated during September 2020.
- There were also smaller reductions in other subsidies and grant revenue which resulted in \$46,000 below budget grant revenue.

[7] Other Income is \$1,368,000 below budget due to the following:

- A \$690,000 reduction from budgeted fee revenue for compliance.
- A \$101,000 decrease in consents income from budget.
- A \$125,000 reduction from budget for engineering, due to an agreement not yet being reached for the recovery of Alexandra flood protection costs which caused a delay in billing from budgeted timing.
- A \$350,000 decrease in bus contract ticket revenue for Queenstown transport. This decrease has been caused by a drop in patronage numbers compared to pre-COVID-19 budgeted patronage numbers.
- A \$102,000 decrease in bus contract ticket revenue for Dunedin due to \$2 fares. The revenue lost in \$2 fares is being offset by NZTA COVID-19 recovery money however a \$102,000 decrease from budget still exists.

[8] Interest and investment income is \$392,000 less than budget due to:

- The reversal of a prior period over accrual of interest of \$96,000 and
- The remaining \$296,000 decrease was caused by two factors; a decrease in cash held in term deposits and the interest rate of term deposits being lower than budget due to a significant drop in term deposit rates.

Expenditure

[9] Employee Benefits expense is \$356,000 below budget due to the timing of hiring budgeted staff not being at the start of the 1st quarter which has been partially offset by the hiring of additional staff which were not budgeted. At December 2020 Council had hired more than the budget FTEs with 4.8 FTEs above budget.

[10] FTEs compared to the budget for each directorate is detailed below:

Directorate	20/21 FTE budget	December 2020 FTEs	Variance
CE	5	4.8	(0.2)
Corporate	42.6	39.3	(3.3)
Operations	62.1	63.3	1.3
People, Culture and Communications	26.8	25.4	(1.4)
Strategy, Policy and Science	52.4	53.3	0.9
Regulatory	54.9	62.4	7.5
Total	243.8	248.5	4.8

Note: The Regulatory budgeted FTEs in the table above does not include the 16 FTEs which were approved subsequent to the adoption of the Annual Plan.

[11] Other Expenses is \$1,214,000 above budget due to the following activities supplies and services:

- Consents is \$1,015,000 above budget due to increased costs to process consents. Legal costs were \$99,000 above budget and consultant costs \$916,000 above budget, the remaining \$53,000 above budgeted expenditure was over various other consent supplies and services.
- Information technology is \$339,000 overspent in subscription licenses and equipment due to addition staff from budget and additional costs to enable staff to work from home for flexible working arrangements and COVID-19 restrictions.
- General overhead costs were \$136,000 greater than budget due to increased subscriptions costs and insurance costs.
- Regional planning was \$234,000 over budget due to additional expenditure on consultants from what was budgeted in the annual plan.
- Water quality is \$265,000 over budget due to increase use of consultants.
- Climate change adaption activity was \$224,000 below budget due to a delay of the South Dunedin monitoring project. It is expected that this expenditure will be spent in quarter 3 and quarter 4 when the project is completed.
- Transport has below budget expenditure due to the following:
 - Dunedin infrastructure is \$250,000 under budget
 - Queenstown infrastructure is \$100,000 under budget
 - The Queenstown ferry trial has been delayed which has resulted in a \$230,000 under budget expenditure

In addition to the activities above there was a drop in courses and conferences expense for all of Council of \$116,000 due to the cancellation of training courses due to COVID-19. The remaining other expense variances of \$49,000 were due to minor over and under spends in other areas of Council.

- [12] Other gains/(losses) was \$2,742,000 above budget due to the following:
- A \$2,116,000 unrealised gain (budgeted gain was \$209,000) on the valuation of the managed fund due to market movements caused by the effect of COVID-19. The treasury report section later in this paper provides more detail and commentary on the managed fund.
 - A \$835,000 gain on the sale of fixed assets with the majority of this, \$807,000, being the profit made on the sale of Kuriwao land. Profit from Kuriwao land sales are for the sole benefit of the Lower Clutha District.

STATEMENT OF FINANCIAL POSITION

- [13] Cash and cash equivalents have increased by \$13,344,000 from the 30 June 2020 position of \$7,898,000. Details of the cash levels at Council for the last 18-month period is discussed in the Treasury section.
- [14] Trade receivables have increased by \$5,203,000 from the 30 June 2020 position of \$9,412,000 due to:
- \$1,200,000 of triannual rates outstanding. Instalments are due for these rates on 28th February 2021 and 30 June 2021.
 - \$4,000,000 increase in dividend receivable which is an accrual that is made for the Port Otago dividend that is expected to be received in February 2021.
- [15] Other financial assets are the managed fund asset held with JB Were. The managed fund has increased by \$1,257,000 from the 30 June 2020 position balance of \$23,436,000 due to a gain made in the investment fund as the share market recovers from the impact of COVID-19. Refer to the Treasury section for more detail on the managed fund.
- [16] Other current assets has increase by \$421,000 from the 30 June 2020 position of \$514,000 due to an increase in prepayments.
- [17] Property, plant and equipment is \$378,000 less than the prior year. This decrease is caused by:
- Additions of \$1,839,000
 - Disposals of \$1,001,000, with the majority being \$715,000 disposed of from Kuriwao endowment land.
 - Depreciation of \$1,216,000
- [18] Trade and other payables have increased by \$22,286,000 from the 30 June 2020 position. \$13,514,000 of this variance is due the liability caused by spreading of rates revenue. Rates revenue is spread evenly on a monthly basis as the revenue is earned. Included in the trade payables balance are rates receipts that are held as a liability and each month (1/12th of the rates revenue) and is released to the Statement of Comprehensive Income as it is earned. At the end of quarter 2, 6/12th of the rates revenue is a liability.
- The remaining \$8,772,000 variance is caused by:
- \$5,900,000 of unspent funding received in advance from central government departments for the wilding pines program, wallaby and climate change projects.

- The remaining variance of \$2,872,000 is caused by increased monthly creditor balances due to increased spending by Council.
- [19] Employee entitlements liability has increased by \$330,000 due to the timing of payroll at 31 December with a larger accrual for payroll needed at 31 December than at 30 June 2020.
- [20] Reserves have increased by \$494,000 from the 30 June 2020 position. This is due to:
- The Kuriwao endowment reserve increased by \$653,000 due to the profits received from the sale of Kuriwao endowment land. This is ring fenced to be spent for the Lower Clutha region.
 - The asset replacement reserve reduced by \$386,000 due to the purchase of fixed asset
 - The environmental enhancement reserve increased by \$125,000 due to increased funding from the general reserve which has not yet been allocated to grants.
 - The remaining reserves increase of \$102,000 was caused by interest earned on reserve balances.
- [21] Public Equity has decreased by \$3,184,000 from the 30 June 2020 position. The majority of this decrease was caused by funding the operating deficit of Council activities.

TREASURY REPORT

- [22] The treasury report provides information on the management and performance of the Council's short-term deposits and the managed fund held with JB Were.

Short Term Investments – Term Deposits

- [23] Short term investments held by Council are in the form of term deposits held with banking institutions and managed on the Council's behalf by a separate investment arm of the BNZ under a multi-bank arrangement.
- [24] The day-to-day working capital cash requirement of the Council, including forecasting cash movements in the short-term based on forecast revenues and expenditure, is managed by Finance staff.
- [25] Council's cash-flow, in terms of receipts and payments, fluctuates significantly during the year, particularly with significant revenue streams such as rates and dividends coming in at particular times, and large payments such as GST output tax collected on rates income, becoming payable at one time.
- [26] Funds surplus to immediate cash requirements are deposited into the term deposit portfolio. There were \$12,000,000 of term deposits at 31 December 2020.
- [27] Graph 1 shows the amount held at the end of each month during the 18 months to 31 December 2020, identifying the term deposit amount and the amount held on-demand with the BNZ.

Long Term Investments – Managed Fund

- [28] The Council's managed fund comprises a portfolio of financial instruments managed externally by JB Were.

- [29] The Asset Class Allocation (table 1) shows the valuation and the percentage of each asset class held compared to the asset allocation percentage specified in the Statement of Investment Policies and Objectives (SIPO).
- [30] Asset allocations remained within the ranges specified in the SIPO as at 31 December 2020.
- [31] The Portfolio performance (table 2) shows the performance of the management fund compared to quarter 1. The market value increased in quarter 2 to \$2,116,000 (budget \$209,000 gain) for the 6-month period to 31 December 2020. This increase was the recovery of some losses caused by COVID-19 on the investment market from March 2020.
- [32] During quarter 1, \$1,000,000 was withdrawn from the fund and put into Council operating cash to fund operations.

EXPENDITURE AND FUNDING BY ACTIVITY

- [33] This report provides information expenditure and funding by activity. Further information and commentary is provided in the Activity Report presented separately to this Committee meeting.
- [34] Note expenditure in this report includes operational and capital expenditure.

ATTACHMENTS

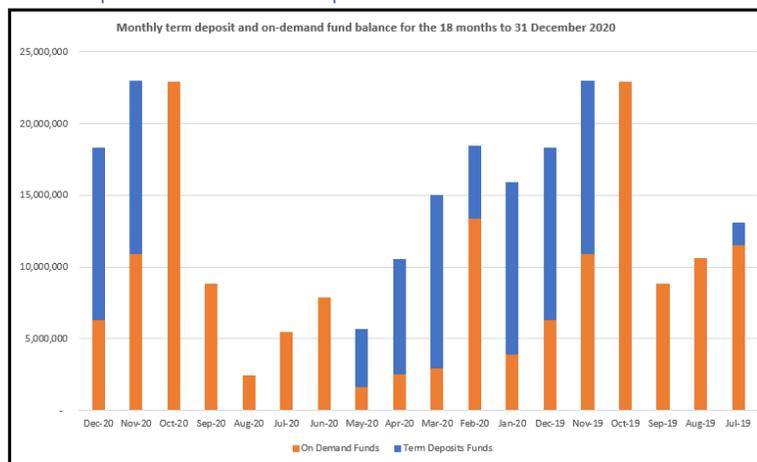
1. Statement of Comprehensive Revenue and Expenses for the quarter ended 31 December 2020 [**8.2.1** - 1 page]
2. Statement of Financial Position as at 31 December 2020 [**8.2.2** - 1 page]
3. Treasury Report [**8.2.3** - 1 page]
4. Activities Expenditure Report [**8.2.4** - 1 page]

Statement of Comprehensive Revenue and Expenses for quarter 2 ending 31 December 2020					
PY YTD		Actual YTD	Budget YTD	Variance	Annual Plan 2021
\$000		\$000	\$000	\$000	\$000
June 2020	Revenue	Dec 2020	Dec 2020		30 June 2021
26,501	Rate revenue	13,501	13,478	23	26,957
12,235	Subsidies and grant revenue	5,752	5,968	(216)	11,474
13,917	Other income	6,743	8,111	(1,368)	16,751
9,830	Dividends	5,201	5,200	1	10,100
563	Interest and investment income	(42)	350	(392)	1,000
63,046	Total Revenue	31,155	33,108	(1,952)	66,282
Expenditure					
(18,089)	Employee benefits expense	(11,015)	(11,371)	356	(22,743)
(2,841)	Depreciation and amortisation	(1,454)	(1,484)	30	(2,967)
-	Finance costs	(0)	(1)	1	(2)
(47,780)	Other expenses	(24,383)	(23,169)	(1,214)	(46,156)
(68,710)	Total Expenditure	(36,852)	(36,025)	(827)	(71,868)
(5,664)	Surplus/(deficit)	(5,697)	(2,917)	(2,780)	(5,586)
1,557	Other gains/(losses)	2,951	209	2,742	417
2,129	Revaluation gain/(loss)- shares of subsidia	-	-	-	7,000
101	Income tax benefit/(expense)	49	-	49	-
(1,877)	Surplus/(deficit) before tax	(2,697)	(2,708)	11	1,831

Statement of Financial Position as at 31 December 2020				
	Actual YTD	PY YTD	Variance	Budget YTD
	\$000	\$000	\$000	\$000
Current Assets	Dec 2020	June 2020		June 2021
Cash and cash equivalents	21,242	7,898	13,344	6,985
Trade receivables	14,615	9,412	5,203	9,591
Property intended for sale	-	-	-	-
Other financial assets	24,693	23,436	1,257	17,502
Other current assets	935	514	421	442
Total Current Assets	61,484	41,260	20,224	34,520
Non-current Assets				
Property, plant and equipment	92,567	92,945	(378)	98,254
Investment property	14,948	14,948	-	14,323
Shares in subsidiary	536,364	536,364	-	548,235
Deferred tax asset	147	98	49	98
Intangible assets	4,730	4,699	31	5,326
Total Non-current Assets	648,756	649,054	(298)	666,236
TOTAL ASSETS	710,240	690,314	19,926	700,756
Current Liabilities				
Trade and other payables	(32,604)	(10,318)	(22,286)	(12,503)
Borrowings (current)	-	-	-	-
Employee entitlements current	(2,145)	(1,815)	(330)	(1,639)
Total Current Liabilities	(34,749)	(12,133)	(22,616)	(14,142)
NET ASSETS	675,491	678,181	(2,690)	686,614
Equity				
Reserves	(558,144)	(557,650)	(494)	(569,244)
Public equity	(117,347)	(120,531)	3,184	(117,370)
Total Equity & Reserves	(675,491)	(678,181)	2,690	(686,614)

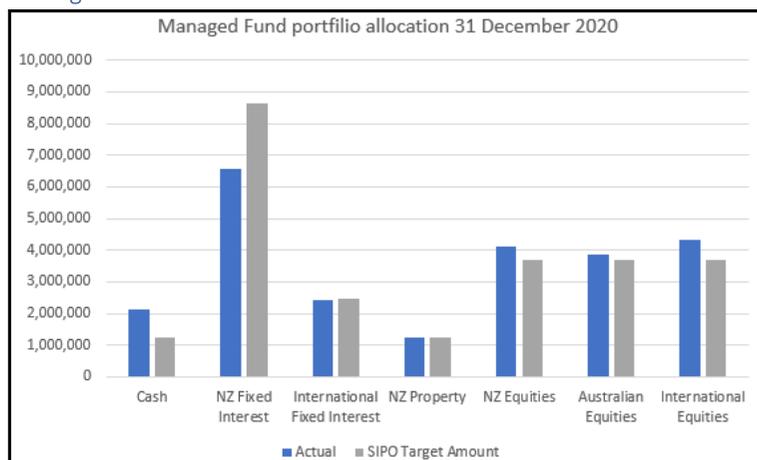
Treasury Report

Term Deposits - Portfolio Composition



(Graph 1)

Managed Fund – Portfolio Allocation



Finance Committee 2021.02.24

(Graph 2)

Asset Class Allocation - as at 31 December 2020

Asset Class	Actual	%	SIPO Target Amount	SIPO target	SIPO acceptable range	SIPO met
Cash	2,131,071	9%	1,233,614	5%	0% - 25%	Yes
NZ Fixed Interest	6,587,099	27%	8,635,299	35%	25% - 45%	Yes
International Fixed Interest	2,410,565	10%	2,467,228	10%	5% - 15%	Yes
Defensive Total	11,128,736	45%	12,336,142	50%	40% - 60%	Yes
NZ Property	1,253,156	5%	1,233,614	5%	2% - 8%	Yes
NZ Equities	4,128,139	17%	3,700,842	15%	10% - 20%	Yes
Australian Equities	3,855,535	16%	3,700,842	15%	10% - 20%	Yes
International Equities	4,306,718	17%	3,700,842	15%	10% - 20%	Yes
Growth Total	13,543,547	55%	6,771,774	50%	40% - 60%	Yes
Total	24,672,283					

(Table 1)

Portfolio Performance- for the year ended 31 December 2020

Managed Fund Income	Q2 2020 6 month period	Q1 2020 3 month period
Interest on managed fund	53,233	1,710
Dividends	150,874	47,425
Other	(63,014)	(31,507)
Market Value movement gain/(loss)	2,115,648	770,063
Withdrawal	(1,000,000)	(1,000,000)
Total increase/(decrease) in managed fund	1,256,741	(212,309)

(Table 2)

8.3. Financial Strategy

Prepared for:	Finance Committee
Report No.	CS2109
Activity:	Governance Report
Author:	Nick Donnelly, General Manager Corporate Services
Endorsed by:	Nick Donnelly, General Manager Corporate Services
Date:	15 February 2021

PURPOSE

- [1] To consider proposed changes to the Financial Strategy and specific financial proposals to be included in the Consultation Document and consulted on with the community as part of the Long-Term Plan 2021-31 (LTP 21-31) process.

EXECUTIVE SUMMARY

- [2] A revised Financial Strategy has been drafted and a copy of that is attached. The Financial Strategy outlines the financial issues and challenges Council faces in the 10-years of the LTP 21-31 and its approach to address those.
- [3] Estimates are still being finalised and the Financial Strategy attached has not been fully updated with revenue and expenditure numbers or graphs. It does include explanation on key financial initiatives being proposed for the LTP.
- [4] The Financial Strategy outlines a change in approach in several key areas:
- Use of external debt.
 - Use of reserves, including the building reserve.
 - Increased investment returns.
 - Introduction of new targeted rates for Biosecurity and Lake Hayes remediation.
 - Amended name and expanded use for River Management rates and reserves (proposed to be River and Water Management).
- [5] The new rates for Biosecurity and Lake Hayes remediation will be included as proposals for public feedback in the Consultation Document (CD). These rating proposals, including options and rate examples, are provided in this paper for this committee's consideration.

RECOMMENDATION

That the Finance Committee:

- 1) **Receives** this report.
- 2) **Endorses** the financial direction and key messaging outlined in the attached draft Financial Strategy.
- 3) **Approves** the establishment of a targeted rate for Biosecurity and the preferred option for funding this activity outlined in the 'Biosecurity' section of this paper to be included in the Long-Term Plan 2021-31 Consultation Document.

- 4) **Approves** the establishment of a targeted rate for Lake Hayes Remediation and the preferred option for funding this activity outlined in the 'Lake Hayes Remediation' section of this paper to be included in the Long-Term Plan 2021-31 Consultation Document.
- 5) **Notes** that the Financial Strategy will be finalised and represented to Council for approval alongside and as part of the Long-Term Plan 2021-31 Consultation Document at its 24 March 2021 meeting.

FINANCIAL STRATEGY

- [6] Under section 101A of the Local Government Act 2002 Council must, as part of its long-term plan, prepare and adopt a financial strategy.
- [7] Council faces a significant financial challenge in the 10-years of the LTP 21-31, especially in the first year due to the planned unfunded deficit and additional unbudgeted demands in the current 2020-21 financial year.
- [8] The financial strategy looks to address this issue and balance completing the mandatory work Council is required to do while attempting to keep rates increases sustainable and affordable.
- [9] Key changes outlined in the Financial Strategy are:
 - Use of external debt.
 - Use of reserves – including the use of the building reserve to fund the 2020-21 general rate offset.
 - Increased dividends from Port Otago.
 - Increase in cash reserves and a corresponding increase in the balance held in the managed fund.
 - Renaming and repurposing of river management rates to include other water implementation initiatives of an operational / non infrastructure nature.
- [10] Two new targeted rates are proposed, and they are outlined in detail below.

BIOSECURITY

- [11] A new targeted rate is proposed to fund Biosecurity activity. This is recommended in the Regional Pest Management Plan 2019-29 (RPMP 19-29). The funding section of the RPMP is attached. This recommended that funding of costs allocated to rural occupiers will be through targeted occupiers of rateable rural land.
- [12] The RPMP 19-29 stated the rating base should be land value, which reflects the potential effects of pests on land assets.
- [13] The RPMP 19-29 set out a funding formula based on funding that reflects economic efficiency and equity. The funding rationale adopts an activity-based approach which allows the incremental benefit from specific activities, as opposed to pest management generally, to be assessed.
- [14] Three funding options were considered and are detailed below. They range from a capital value (CV) based general rate, a land value (LV) based targeted rate, and a mix of the two. The use of a LV based rate increases the proportion of the rates payable by rural properties.

Option 1: General rate – regional (100%, CV based)

- [15] This is the status quo as to date biosecurity activity has been general rate funded.
- [16] A CV based rate increases the proportion of rates payable by properties with high improvement values relative to land size or value ie residential and commercial property in urban areas.
- [17] This doesn't align with the recommendation in the RPMP 19-29.

Option 2: Targeted rate – regional (100%, LV based)

- [18] A land value-based rate increases the proportion of rates payable by property with higher land value i.e. rural and lifestyle properties.
- [19] This partially aligns with the recommendation in the RPMP 19-29.
- [20] It does not fully allocate between rural landowners and the regional community as per the RPMP 19-29 but is a simple and efficient way to achieve that intention.
- [21] This is staff's preferred option.

Option 3: Targeted rate – rural and lifestyle (50%) and general rate – regional (50%)

- [22] This fully aligns with the RPMP but is not preferred as it is more complicated to administer.
- [23] To ensure fairness and accuracy it requires the general/targeted rate split to be recalculated annually with the rates year on year fluctuating reflecting changes in the type of activity, pests focused on and who benefits.
- [24] The activity funding calculation for biosecurity is attached. This shows that the activity-based allocation for year one of the LTP 21-31. The allocation is 49% rural and 51% regional. For simplicity in the options provided a 50/50 split has been used.

Rates examples

- [25] Under the three funding options the main difference in rates is driven by land use type and whether the property is rural or lifestyle which are the two land use types are charges the targeted rate under option 3 and whose rates increase under option 2 as they typically have higher average land values.

- [26] Comparison of rates payable by land use type – rural / lifestyle vs other:

CV/LV Examples	350,000	700,000	1,000,000	4,000,000	Average
CV Rural/Lifestyle	350,000	700,000	1,000,000	4,000,000	1,457,046
CV other	350,000	700,000	1,000,000	4,000,000	668,127
LV Rural/Lifestyle	212,286	380,549	573,493	2,980,000	1,045,120
LV Other	158,938	338,363	539,020	2,264,250	307,896

Rates Examples					
Regional GR (CV)					
Rural/Lifestyle	13.75	27.50	39.29	157.15	57.24
Other	13.75	27.50	39.29	157.15	26.25
Regional TR (LV) - Preferred					
Rural/Lifestyle	12.07	21.64	32.62	169.49	59.44
Other	9.04	19.24	30.66	128.78	17.51
GR 50% and TR 50%					
Rural/Lifestyle	22.59	41.58	61.84	303.45	107.23
Other	5.24	10.48	14.97	59.87	10.00

- [27] The examples above are based on CV examples ranging from low (\$350,000) to high (\$4,000,000). For each CV example the average land value (LV) applicable to that CV is also shown in the top box. The average CV's and LV's across the region are shown in the last column.
- [28] Under a CV based general rate the amounts paid by all ratepayer is the same for the 4 CV examples. The average amount payable by rural/lifestyle properties is approximately double other properties as their CV is greater.
- [29] Under the preferred regional LV based targeted rate the average amount payable by rural/lifestyle properties is approximately 3 times higher than other properties as the differential between land values is greater than the differential between capital values.
- [30] Under the 50/50 targeted / general option the amount payable by rural/lifestyle properties is more than 10 times the amount payable by other properties. This is because of the higher land values of rural/lifestyle properties and because the half of the total rate amount is applied to these properties.
- [31] Note that the targeted rate options use reserves to deficit fund some of the funding required but the general rate option fully funds the funding requirement.

[32] Median rates examples land use type:

Biosecurity Target Rates				
Median Rate Examples by District and Land Use Type				
District	Land Use Group	Status Quo GR Regional (CV)	Targeted Regional (LV)	Targeted on Rural/Lifestyle (LV) + GR (CV)
Central Otago District	Multi-Use	14.97	15.07	7.48
	Rural	43.70	51.76	97.83
	Lifestyle	19.46	22.75	43.60
	Transport	4.94	5.89	2.47
	Community Services	8.98	8.82	4.49
	Recreational	7.26	6.34	3.63
	Utility	9.13	3.98	4.56
	Industrial	19.76	19.34	9.88
	Commercial	13.77	12.80	6.88
	Residential	15.57	15.07	7.78
Central Otago District Total		16.16	16.49	8.98
Clutha District	Multi-Use	7.18	6.48	3.59
	Rural	36.82	58.58	103.48
	Lifestyle	6.44	5.69	11.92
	Transport	2.38	2.16	1.19
	Community Services	3.71	1.68	1.86
	Recreational	2.51	1.71	1.26
	Utility	1.06	0.48	0.53
	Industrial	3.14	3.01	1.57
	Commercial	4.37	2.90	2.19
	Residential	4.94	2.73	2.47
Clutha District Total		5.39	3.13	3.07
Dunedin City	Multi-Use	18.41	20.76	9.20
	Rural	14.97	21.90	40.17
	Lifestyle	21.85	19.62	39.29
	Transport	8.23	14.22	4.12
	Community Services	11.24	11.86	5.62
	Recreational	8.53	4.21	4.27
	Utility	5.09	2.39	2.54
	Industrial	14.22	14.79	7.11
	Commercial	17.66	16.21	8.83
	Residential	12.57	10.24	6.29
Dunedin City Total		12.72	10.81	6.44
Queenstown Lakes District	Multi-Use	34.21	40.10	17.11
	Rural	57.32	93.84	163.24
	Lifestyle	47.29	57.44	107.41
	Transport	44.00	65.41	22.00
	Community Services	41.70	42.09	20.85
	Recreational	24.84	30.14	12.42
	Utility	16.01	2.73	8.01
	Industrial	30.53	28.15	15.27
	Commercial	44.90	51.19	22.45
	Residential	24.84	23.89	12.42
Queenstown Lakes District Total		25.74	25.59	13.02
Waitaki District	Multi-Use	6.73	4.49	3.37
	Rural	29.04	39.81	70.12
	Lifestyle	12.12	11.37	22.26
	Transport	4.55	3.81	2.27
	Community Services	4.86	2.56	2.43
	Recreational	5.69	5.60	2.84
	Utility	2.29	0.45	1.14
	Industrial	7.33	6.37	3.67
	Commercial	7.78	4.38	3.89
	Residential	7.18	3.98	3.59
Waitaki District Total		7.63	4.83	4.12
Grand Total		13.62	12.23	7.18

LAKE HAYES REMEDIATION

[33] A new targeted rate is proposed to fund Lake Hayes remediation activity. The activity proposed for Lake Hayes includes infrastructure development and will have an ongoing maintenance cost. As such, a separate targeted rate and reserve is proposed which is similar those associated with flood and drainage schemes.

[34] Two funding options have been considered for this activity and are detailed below. Both options are targeted rate funded which has the benefit of allowing the initial upfront cost to be deficit funded and spread over the longer benefit timeframe of that work.

Option 1: Targeted rate based on scheme benefit zones

[35] This option is based on the findings of the Economic Assessment of Lake Hayes Remediation report produced by Castalia in November 2018. A copy of that report is.

[36] The Castalia review determined that the benefits from improvements to water quality are concentrated around Lake Hayes and nearby residents. The geographic distribution of benefits is defined in the Castalia report as follows:

Table 4.4: Geographic Distribution of Benefits of Improved Water Quality

Area	Proportion of Benefits
Lake Hayes	40 percent
Lake Hayes South (Lake Hayes Estate and Shotover Country)	30 percent
The District (Queenstown Lakes District residents)	15 percent
The Region (Otago residents)	7.5 percent
Outside of the Region (Including national and foreign tourists)	7.5 percent

Figure 4.3 shows a map of the where some of these areas are located surrounding the Lake.

Figure 4.3: Map of areas around Lake Hayes



- [37] This option is preferred as it is consistent with Council’s benefit-based approach to targeted rate activity especially infrastructure activity i.e., flood protection schemes.
- [38] The Castalia review determines that while most of the benefit is attributable to the immediate Lake Hayes and Lake Hayes South areas there are also benefit that accrue to the wider Queenstown Lakes district, the Otago region and outside the Otago region (including national and international tourists).
- [39] Council has no way of rating those outside Otago and has added that portion to the Queenstown Lake district allocation as they are considered the main beneficiaries of those tourists.
- [40] Under this option the summary of amounts payable by each benefit zone are:

Lake Hayes Targeted Rate					
		Total Rates	GST incl	Rate Units	Average
Targeted					
Lakes Hayes	40.0%	98,571	113,357	290	390.89
Lake Hayes South	30.0%	73,929	85,018	1,569	54.19
General					
District	15.0%				
Outside Region	7.5%				
QLDC	22.5%	55,446	63,763	27,239	2.34
Region	7.5%	18,482	21,254	119,389	0.18
Total	100.0%	246,429	283,393		

[41] The distribution of rates payable in the Lakes Hayes benefit zone is:

		Rate Range		Rate Units
Lakes Hayes		0	250	87
		250	500	136
		500	750	45
		750	1,000	17
		1,000	plus	5
				290
		Maximum	1,323	

[42] The distribution of rates payable in the Lakes Hayes South benefit zone is:

Lake Hayes South				
		0	50	557
		50	100	989
		100	150	18
		150	200	3
		200	250	0
		250	plus	2
				1,569
		Maximum	385	

Option2: River and water management rates (Wakatipu and Wanaka)

- [43] An alternative is to fund this activity from river and water management targeted rates.
- [44] This is consistent with the funding proposed for other remediation initiatives in other districts however that approach is only being considered for smaller one-off interventions of a non-infrastructure nature.
- [45] As a result, this approach is not preferred.
- [46] The smaller amounts intended to be funded via this approach do not justify the cost of a full economic benefit review so no allocation would be made to other districts or the wider region. Under this approach each district will fully fund the implementation initiatives in their own area.
- [47] For Lake Hayes the funding example under this approach is being allocated the entire Queenstown Lakes district and will include both the Wakatipu and Wanaka river and water management rating zones.
- [48] Under this option the average amount amounts across the 27,000 rateable units in the Queenstown Lakes District is \$10.40.

River and Water Management (Wakatipu and Wanaka)					
		Total Rates	GST incl	Rate Units	Average
Targeted					
QL District	100.0%	246,429	283,393	27,239	10.40

- [49] This option includes all properties in the Queenstown Lakes District. Another option would be to only fund via the Wakatipu river and water management targeted rate. This would reduce the number of rate units and increase the average amount payable.
- [50] This option as not been included as an alternative because funding via the river and water management rate is not preferred regardless of whether the rate is applied to Wakatipu and Wanaka or just Wakatipu.

CONSIDERATIONS**Policy Considerations**

- [51] The Financial Strategy is supported by the Revenue and Financing Policy with is also being reviewed at part of the LTP 21-31.
- [52] Council is required to adopt a Revenue and Financing Policy prior to adoption of the LTP 21-31. This will be finalised following consultation on the proposed new targeted rates.

Financial Considerations

- [53] Financial considerations are outlined in the Financial Strategy.

Significance and Engagement

- [54] The Financial Strategy forms part of the LTP 21-31 special consultative process.

- [55] Part of the Financial Strategy, including establishment of the new targeted rates, will be consultation items included in the LTP 21-31 Consultation Document.

Legislative Considerations

- [56] The Financial Strategy is required under section 101A of the Local Government Act 2002.

Risk Considerations

- [57] Risk considerations are outlined in the Financial Strategy.

NEXT STEPS

- [58] The next steps are:
- The LTP 2021-31 Consultation Document will be presented to Council for approval on 24 March 2020.
 - A final draft of the Financial Strategy will also be provided at that time.

ATTACHMENTS

1. Draft Financial Strategy 2021-31 [**8.3.1** - 15 pages]
2. Otago RPMP 2019-29 Funding Section [**8.3.2** - 3 pages]
3. Activity Funding Calculation for Biosecurity [**8.3.3** - 1 page]
4. Economic Assessment Lake Hayes Castalia Report Final Nov-2018 [**8.3.4** - 40 pages]

Financial Strategy

Purpose

This strategy sets out how the Otago Regional Council will manage its finances over the next 10 years. It outlines the financial direction Council wishes to take on matters such as levels of future rating, borrowings and investments and discusses factors that influence those areas. These matters have a significant influence on Council's ability to deliver on its strategic priorities including: aligning with national direction on fresh water reform; strengthening our leadership on strategic issues such as climate change, urban development and community wellbeing; and ensuring our operational response to maintaining and improving Otago's natural environment and public transport is appropriate. Delivering on these priorities must be done in consideration of what is affordable to the community and this Financial Strategy sets out a path for the prudent and sustainable funding of this LTP.

Executive Summary

Council faces a significant financial challenge in this Long-term Plan. Central government requirements have increased as have community expectations. In the 2020-21 Annual Plan Council was required to respond to external reviews and increased its work programme by \$10M. Council was cognisant of the unplanned rates increase this would create and decided to fund \$3.9M of this increase from general reserves with a view to reviewing and accessing how this could be funded when the Long-term Plan was prepared.

Subsequent to that decision Council also decided to reserve fund a further \$1M to reduce rates increases further in light of Covid-19. Since the 2020-21 Annual Plan was adopted further legislative requirements has meant further unbudgeted expenditure has been necessary in the current year as additional staff and resources are added in regulatory, planning and environmental monitoring areas to meet Councils increased statutory obligations.

These increases and the funding shortfall in the current year means Council is facing a significant increase in rates before any new activity is even contemplated in the Long-term Plan itself. On top of that many targeted rate reserves are already in deficit and increases as indicated in previous Long-term Plans remain necessary to ensure those deficits are repaid.

Over the next 10 years the key financial challenges and how Council is proposing to address them in this financial strategy are:

- There is a significant increase in planned and unplanned expenditure occurring in the current 2020-21 year and that requires a corresponding increase in funding in year 1 of the Long-term Plan. Where possible expenditure has been phased over the first 3 years, but a lot of the increase is required immediately meaning there will be a significant step up in expenditure in year 1.
- To reduce the rates increase, Port Otago dividends are forecast to increase from current levels and provide \$13M in year 1 rising to \$20M in year 10.
- There will also be an increased use of reserves over the life of this plan including using general reserves to permanently fund the 2020-21 general rates offset rather than adding that amount to the rate requirement.
- New targeted are rates being introduced for biosecurity and Lake Hayes restoration which will allow the increases or up-front expenditure in these activities to be deficit funded and funding increases smoothed over following years.
- Council is proposing to rename and repurpose river management targeted rates to include other water body activity. This will now include funding certain lake and water body remediation initiatives within each river and water management within each district.
- The use of external borrowing is proposed in this 10-year plan. This will reduce the interest cost for reserves that are in deficit and will allow cashflow to be managed efficiently as internal borrowing is forecast to exceed the level of Council's financial assets.

Background

For the 10 year period of this plan, work programmes and initiatives have been developed that will contribute to achieving Council's overall vision, ensuring the sustainable use of its natural resources, water, air and land, and to protect them now and future generations.

The process we used to develop our work programme was to firstly consider and review our core business programme of work and provide for the continuation of those activities. This work is all about maintaining our existing services and continuing funding on programmes already underway and committed to. To prioritise new expenditure, we undertook a review to identify any gaps in our work programme for activities that we must undertake as they are required under legislation and then we considered those activities that would be desirable to do to meet our community's expectations.

These programmes and initiatives come at a cost. Affordability for ratepayers is a key aspect of this strategy and Council is mindful of the potential burden on ratepayers to fund the proposed work programme. Council's Revenue and Financing Policy details how each of its activities should be funded, whether through rating, fees and charges, or some other funding tool and in doing so, has given consideration to who will benefit from each activity and how much they will benefit.

Council holds a number of investments and most of the income derived from those investments is used to contribute to the cost of our work. All ratepayers benefit from this income, as the contribution is used to reduce the general rate requirement each year. Council's Treasury Management Policy covers borrowing and investment terms, including a Statement of Investment Policy and Objectives for our financial investments.

Council has a strong balance sheet. Its aim is to use its balance sheet strategically to preserve the financial stability it currently enjoys. Historically Council has preferred to use internal borrowing, that is, to lend from its general reserves to fund certain activities, as the cost of internal borrowing has been lower to the ratepayers than if Council were to borrow externally. Over the next 10 years Council will use external borrowing where the cost of doing so is more cost effective and efficient than utilising internal borrowing.

Principles

This financial strategy and the associated Revenue and Financing Policy are based on the following financial principles:

- **Prudence**
Council will not take undue financial risks and aims to ensure spending and funding requirements are affordable and sustainable.
- **Fairness**
Council will ensure spending reflects the needs of the community and that those who enjoy the benefit of that spending or are responsible for that spending occurring pay a fair share to fund that spending. That includes providing for intergenerational and community equity in both expenditure and funding decisions.
- **Value for money**
Council will ensure that all expenditure provides the best possible value for money in terms of impact and effectiveness. That includes considering the lifetime cost and most efficient form of funding for that expenditure.
- **Transparency**
Council aims to provide clear information to the community on its financial direction and decision-making framework Council is undertaking around that financial direction.

Key issues that have a significant financial impact

There are key issues associated with the LTP 2021-31 that have significant financial impacts. They include:

- The tension between land use intensification, both rural and urban, and national direction to maintain and improve our fresh water resource.
- The need for a collaborative and inclusive approach for achieving acceptable environmental, economic and social outcomes in particular for land and water issues.

- Planning for and responding to the risk associated with providing flood protection and drainage schemes.
- Ensuring our operational response to maintaining and improving Otago's natural environment is appropriate.
- Meeting the need for effective public passenger transport services in Dunedin and the Wakatipu Basin.

Council is addressing these issues in the following ways:

- The Council's regional planning framework formed a critical component of a 2019 central government review of Council's approach to fresh water management. The recommendations of that review have already been acted on and this LTP further consolidates the provision for this on-going programme of work. It includes: Regional Policy Statement, Regional Land and Water Plan review, and increased capacity for consenting and consent monitoring activity. To support the delivery of the regional planning work this LTP makes further substantive provision for science and monitoring resource. This is largely staff who design, collect, manage, analyse and report information requirements for the planning process. A planning conversation that is based on relevant and quality science is more likely to result in a better result for the community.
- In conjunction with regional planning the Council is signalling support in this LTP for achieving desired results through working with community at a catchment level. While new funding provision is modest over years one to three, there is an expectation that over the medium-long term activity at the catchment level will increase.
- While the achievement of fresh water outcomes is the top priority for Council, this LTP also includes immediate and substantive increase in the provision of core Biosecurity services.
- The LTP currently does not include provision for any substantive Air implementation programme. There is an expectation that over the medium-longer term that this will need to be addressed. Given the scale of the issue substantive funding may be required.
- Council has the expectation that national direction on climate change will continue to strengthen and that transport will be a significant part of achieving desired outcomes. As such this LTP, despite the COVID impact on Queenstown patronage, is investing to grow patronage and provide quality public passenger transport services over the long term. Sufficient provision is made in years one to three to complete business case work that will inform decisions in the medium-long term on substantive service development in Queenstown. It is anticipated that during years 1-3 consideration and decisions on expenditure and funding will be required to achieve both service improvements and affordability for users and the community.

Other assumptions that have a financial impact

Population growth

Statistics New Zealand subnational population estimates (as at 30 June 2020) suggested that Otago's population in 2020 was 245,300. Between 2019 and 2020, Otago's population grew by 5,600 people or 2.4%, which was the third highest growth rate amongst New Zealand's regions and higher than New Zealand average of 2.1%.

In terms of population by age group, Otago's under-15 age group was estimated to be 15.8% of the total population, which was lower than the New Zealand average of 19% while Otago's over-65 age group was estimated to be 16.5% of total population, which was higher than the New Zealand average of 15.6%;

The annual peak numbers of visitors to the region in recent times has been estimated to be around 141,000, which is more than half of the resident population.

In the next 10 years (2020-2030), the region's population is projected to increase by 10% (24,590 people) to reach 264,855 residential population under the most likely growth scenarios provided by the district councils. Otago's districts are projected to continue to have different population growth rates. Queenstown-Lakes and Central Otago are projected to have the highest growth rates of 27% and 18% respectively; Clutha district is to have the lowest growth rate of 3%; while Waitaki and Dunedin's population are to grow by 7% and 5% respectively.

Currently there are approximately 120,000 ratepayers in Otago. The forecasted growth outlined above will translate into an increase in the ratepayer base. Over the ten period the population growth could translate to growth of the ratepayer

base of 10,000 to 12,000 (ie approx. 10%). This level of growth will impact on the level of activity undertaken by Council over the 10-year period, including in the areas of public passenger transport and urban development, and management of natural resources such as fresh water and land. This LTP makes provision for a programme of work that builds into the requirements of growth alongside other non-growth related issues. .

Natural Hazards

Over recent years the Otago region has experienced successive rainfall events that have resulted in serious flooding, debris flows resulting in property damage and loss of income. The scale and timing of these events are testing conventional views of the probability of flooding that are based on our historical records. We are entering into a period of greater uncertainty due to climate change and our work to date has been about getting a better understanding of risk and what we as community need to do. Our Infrastructure Strategy is an important component of deciding how Otago communities adapt and it signals a commitment to explore and communicate options relating to flood and drainage activity. Our understanding of climate related risk tells us that issues associated with low rainfall may possibly worsen in some areas.

Land use change

How land use may change in Otago is unknown. With population growth, there will be a need for more urban development, farming may change because of climate change effects, and there may a switch from intensive farming to more cropping. Whatever those changes may be, there will be likely impacts on the demand for water, and the need for greater efficiency in water use and changes in land use practice to achieve water quality objectives. . Future decisions by the community about protecting property and maintaining land productivity from flooding and inundation will also be an important factor

Covid-19

Council has been fortunate that Covid-19 has not had a material impact on its commercial revenue streams. Port Otago has been impacted but maintains diversified revenue streams and forecast dividends over the life of this plan are not expected to be impacted. Likewise, investment returns via the managed fund were impacted in the short term but have subsequently recovered and are not expected to be materially impacted in the financial forecasts.

Bus fare revenue was impacted in the short term however lost fare revenue was underwritten by NZTA. Decreased fare revenue is expected to continue in Queenstown in the early part of this 10-year plan. Council will maintain its existing levels of service and will continue to provide contracted public transport services. Any shortfall in fare revenue will be funded by increased NZTA grants and transport reserves.

Expenditure

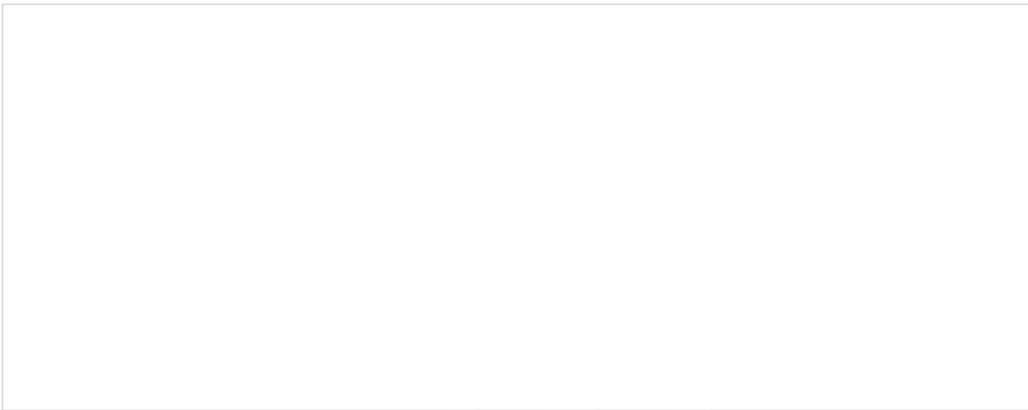
Operating expenditure

Council's strategy is that operating expenditure is to be funded from operating revenue, being rates, fees and charges, grants, investment and other income. Council's strategy is also that it will not use reserves to fund day to day, business as usual type operating costs, as this is not considered a prudent use of reserves. There are, however, special cases where Council's revenue policy does allow for operating expenditure to be funded from general reserves, for example, research and development costs, or specific one-off activities or projects and activities have benefits that continue over the following years.

In the 2020-21 Annual Plan Council decided to use general reserves to offset a significant increase in general rates with a view to recovering that amount over the early years in this 10-year plan. With significant additional expenditure now required in the next 10 years, Council has decided to fund the 2020-21 shortfall as a one-off from general reserves. Going forward over the next 10 years Council is not proposing to offset general rates in this way as the uncertainty that further expenditure increases may compound future year rates increases is too great.

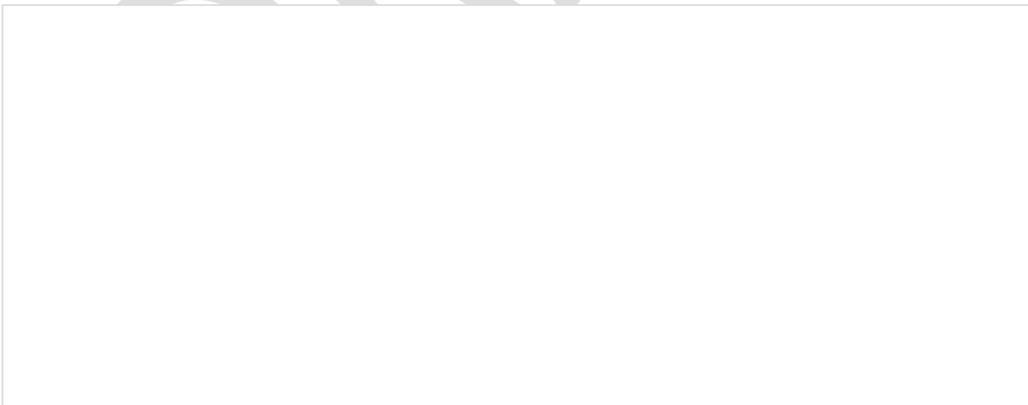
Council has a number of activities which are funded by targeted rates, such as public passenger transport, flood and drainage schemes, and river and water management. Reserves are maintained for activities funded by targeted rates. There are times when these reserves may be used to fund scheme operating costs, to allow certainty around the level of rates that are required from year to year. Expenditure in these activities can be volatile in nature, with some years spend being very high, and other years very low. Targeted rate reserves are used to help smooth the impacts of these variations in expenditure. Targeted rate reserve deficits may be internally or externally debt funded.

The graph below shows estimated operating expenditure over the 10-year period of the Long-term Plan, by significant activity.



Operating surplus and balancing the budget

Council is required to ensure that for each year, estimated revenue is sufficient to cover its estimated operating costs. Council is however allowed to set its revenue at a different level if it resolves that it is financially prudent to do so. It is estimated that in the first three years of this plan, the estimated revenue will not cover estimated operating costs.



The primary reason for the shortfall in revenue is that Council plans to use reserves to fund “one-off” operating expenditure. This has been planned for several activities of Council as follows:

- Eco Fund;
- Climate Change Adaptation; and

- FMU water modelling.

The 2020-21 Annual Plan deficit includes the use of a general rates offset. This amount is not being recovered via rates in the Long-term Plan and will be permanently funded from general reserves.

Capital expenditure

Most infrastructural assets, such as floodbanks, pumping stations and drains, belong to flood and drainage schemes. Ratepayers within these schemes fund the depreciation on these assets through targeted rates. Each scheme has its own reserves made up of funded depreciation, unspent targeted rates and interest earned on reserve balances. These reserves are used to fund capital expenditure. If there are insufficient reserves available to fund the capital expenditure, then either internal or external borrowing will be used.

The graph below shows estimated capital expenditure over the 10-year period of the Long-term Plan, by significant activity.



Scheme Infrastructure Asset Investment

Significant expenditure is required during the life of this plan on flood and drainage scheme infrastructure. Generally, capital works in established schemes are funded by the depreciation reserve built up for each of the schemes, and maintenance work is funded by targeted scheme rates. However, depreciation reserves are not always sufficient to cover capital investment, so increases in targeted rating have been planned where appropriate, along with the utilisation of internal and external borrowings.

The planned capital expenditure for each scheme over the 10-years is as follows:

	Increase in Levels of Service \$000s	Renew / Replace \$000s	Total 10-Years to 2031 \$000s
Alexandra Flood	0	41	41
Leith Flood Protection	0	1,823	1,823
West Taieri Drainage	3,405	4,581	7,986
East Taieri Drainage	1,729	2,327	4,056
Lower Taieri Flood Protection	0	7,915	7,915

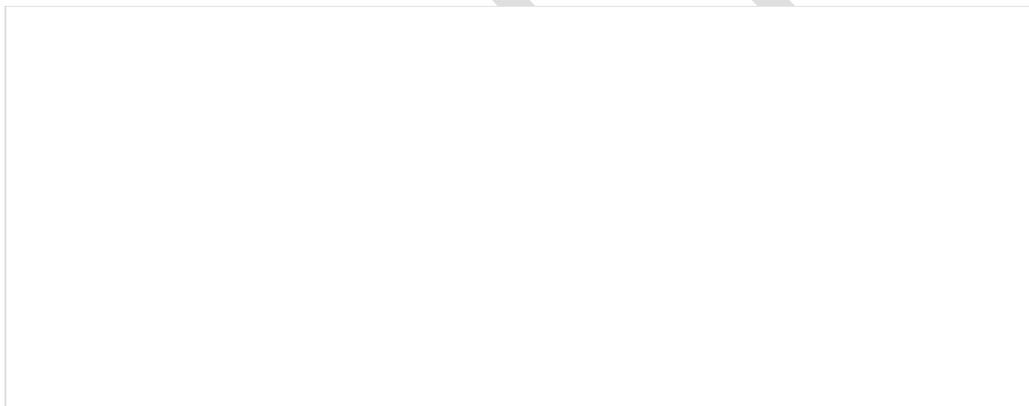
Lower Clutha Flood and Drainage	307	2,251	2,558
Tokomairiro	0	233	233
Total	5,441	19,170	24,611

Each scheme has its designed level of service (or protection). Climate change risk assessment work for the Taieri Plain, Clutha Delta and South Dunedin continues within this LTP. This work will influence future decisions on infrastructure and associated levels of service for existing flood and drainage schemes and non-scheme areas. The expansion of Mosgiel and Wingatui within the boundaries of the Taieri Scheme will result in a need to address and manage the stormwater/land drainage interface.

Other scheme works involves implementing an on-going and planned renewal and asset replacement to maintain the current levels of services. This work is outlined in the ORC Infrastructure Strategy.

Revenue

Council pays for its services through a variety of revenue sources. The graph below shows the mix of sources for each year of this 10-year plan.



General Rates

General rates are charged where there is a wider community benefit or where a defined benefit area or group cannot be determined, or it is uneconomic to separately rate or charge that area or group.

Each year general rates are subsidised by dividends received from Port Otago Limited, and by income earned on council's managed fund, cash balances and investment properties. Generally, investment income subsidies reduce the general rate requirement by around half of the gross rate requirement.

The amount of general rates we collect is low, currently contributing around 14% towards Council's total expenditure although this will increase over this 10-year plan to around 20% of total expenditure. This low general rate means that any general rate increases, whilst small in monetary terms, are generally high in percentage terms. A 1% increase in general rates equates to approximately \$112,000. This spread across 120,000 ratepayers, averages out to an increase of around \$0.93 per annum, per ratepayer.

Over the past few years, general rate increases have been higher than we have historically experienced. Council has recognised that with additional demands from central government and a growing work programme to meet community

expectations, we need to increase our general rates to a sustainable level. This will continue being done over the first three years of this Long-term Plan.

This plan provides for inflation each year of between 2.4% and 2.7% over the 10-year period on its expenses.

Of the total general rate to be collected each year, 25% is to be charged as a uniform annual general charge (UAGC).

If a specific project shows major fluctuations in the level of rate from year to year, council may smooth the impacts of those charges over a longer period of time, ensuring that the full contribution is achieved. It is not proposed to do this in the 10-years of this plan.

Targeted Rates

Targeted rates are used where there is a defined area of benefit, or a defined group benefiting from an activity.

Council has around 22 targeted rates established for emergency management, air quality, wilding tree control, rural water quality, dairy inspections, river management works, flood and drainage schemes and public transport services provided in Dunedin and the Wakatipu Basin.

Each targeted rate has its own reserve. So, any unspent rating is allocated to the appropriate reserve and used to fund expenditure applicable to that targeted rate in future years.

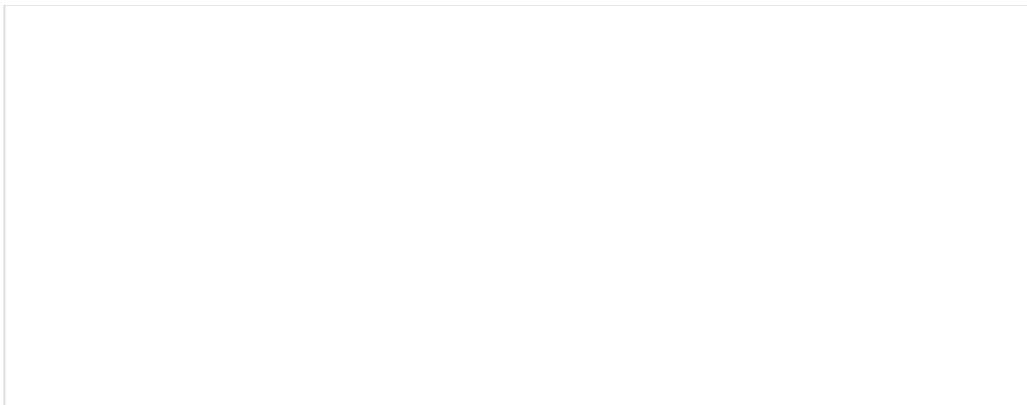
For river and water management, Council aims to have reserves in funds equating to approximately one year's worth of operating costs. This provides some financial security, should a flood event occur, so that additional work can be undertaken as necessary without the need for a significant rate increase in any one year.

In this Long-term Plan Council is renaming and repurposing the river management rate and reserve to utilise that as the funding mechanism for river and water management generally. This will now include funding certain lake and other water body remediation initiatives within each river and water management district.

Where significant capital expenditure is required on our flood and drainage schemes, Council will not support the repayment of scheme works over a period longer than 20 years. The interest expense associated with longer repayment terms is not considered justifiable in terms of future rate payments. The 20-year term however, appropriately recognises the spread in benefits to future generations.

Total Rates

Total rates to be charged over the 10-year period are as follows:



Rate Limits

To be completed.

Borrowing

External Borrowing

Council currently has no external borrowing however this is proposed to change from year one of this Long-term Plan.

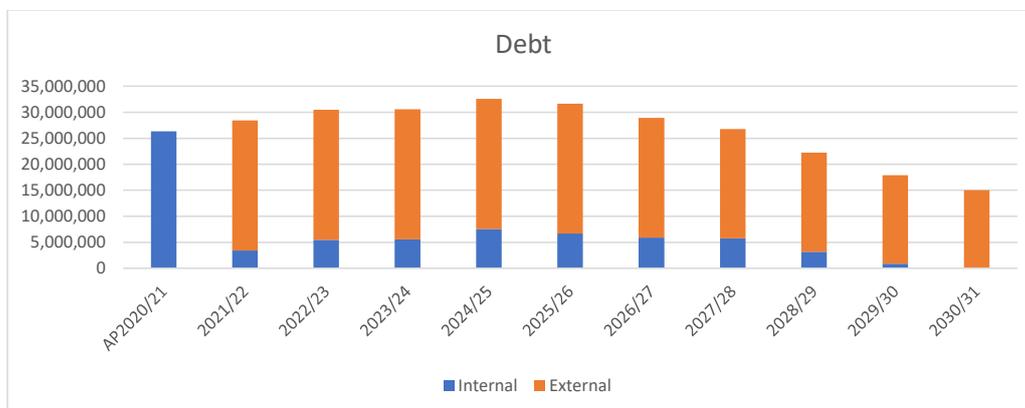
Council may borrow for the following primary purposes:

- To fund special one-off type projects.
- To fund expenditure for items of an intergenerational nature.
- Short term borrowing to manage timing differences between cash inflows and outflows.
- To replace an unexpected loss in dividend or investment income.

Borrowing limits are set as follows:

- Interest expense cannot exceed 20% of the total rates per annum.
- Interest expense shall not exceed 25% of total revenue.
- Debt shall not exceed 175% of total revenue.

Total graph below shows proposed external debt over the 10-year period of the Long-term Plan:



It is Council policy to offer security for any borrowing by way of a charge over its rates. In the normal course of business, Council policy is not to offer security over any of the other assets of the Council. However, in special circumstances and if it is considered appropriate, Council may resolve to offer such security on a case by case basis.

Internal Borrowing

When considered appropriate, Council uses accumulated reserves as a borrowing mechanism primarily for the flood and drainage and transport schemes, thereby reducing the level of external borrowings required. The following operational guidelines apply to the use of reserves for funding rather than external borrowings:

- Interest is charged on the month end loan balances.
- The interest rate charged is equivalent what Council would earn if it had been invested.
- Reserves available for internal borrowing are limited to 50% of total reserves.

The interest earned from internal borrowing is used in the same way as interest earned on investments, that is, to fund interest on reserve balances in funds and to subsidise general rates.

Investments

Council's primary objective when investing is to earn a return whilst protecting its initial investment. Accordingly, the risk profile of all investment portfolios must be conservative. Within approved credit limits, Council seeks to maximise investment returns, and manage potential capital losses due to interest rate movements, currency movements and price movements. Council's investments are discussed below.

Port Otago Limited

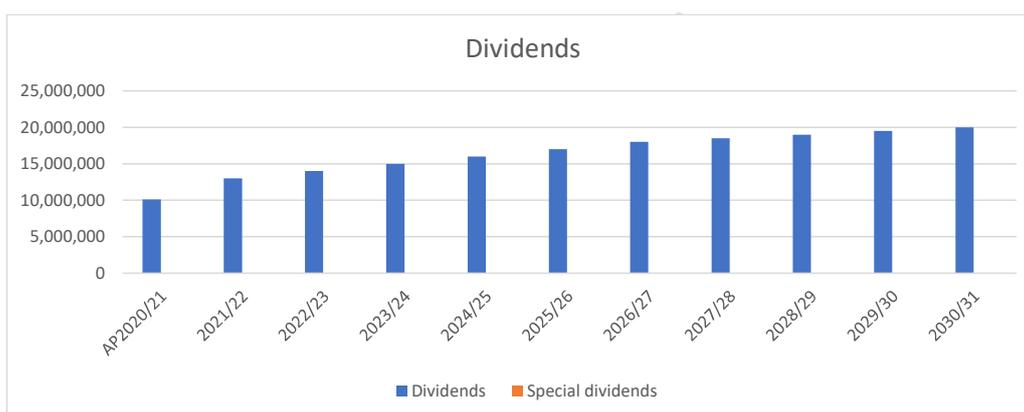
Council holds 100% ownership of Port Otago Limited. Each year, dividends are received from Port Otago Limited that significantly reduce the general rate requirement. Council is of the view that this is a strategic asset held on behalf of the Otago community and through subsidising general rates, every ratepayer enjoys the benefit of that ownership. Port Otago's dividend policy aims to provide a dividend of between 50-70% of normalised operating profit after tax. This allows Council to receive an acceptable and sustainable return while still allowing the Port to retain capital for reinvestment in the long-term future of the business.

Dividends are forecast to increase significantly in the next 10 years. This increases Council's funding reliance on the Port which comes with additional risk should the Port be unable to maintain this level of dividend. Over the 10-years of this

plan Council aims to mitigate this risk by holding sufficient financial reserves to cover an unexpected dividend shortfall. While this may reduce the rates impact of reduced dividends in the short term, it will impact other investment income and significant rates increases are likely to be required if dividend levels reduce.

From time to time, special dividends may be received from Port Otago Limited for specific purposes. Before requesting special dividends, Council will discuss with Port Otago its ability to pay such dividends, taking account of factors such as the company's own programme of capital expenditure. No special dividends are proposed in the 10 years of this Long-term Plan.

Over the next 10-years, dividends are estimated to be as follows:



Investment Property

Council doesn't generally invest in property but does own investment property within Dunedin City that was vested to it when Council was established. Some of this is land leased by the University of Otago and the Otago Polytechnic. Council also owns property on the Dunedin harbour basin, being the Custom House building and the Monarch building.

The return by way of rentals on all these properties is at commercial rates and is used to subsidise general rate funding each year.

Managed Funds

Council holds a long-term managed investment fund incorporating classes of cash, fixed interest bonds and equities (New Zealand and international). Council's primary investment objectives when investing in the managed fund are:

- To protect and maintain the purchasing power of the current investment assets and all future additions to the investment assets.
- To maximise investment returns within reasonable and prudent levels of risk.
- To maintain an appropriate asset allocation in order to make distributions as required while preserving the real value of the Council's capital from the effects of inflation.

Investment in the managed fund is based on an investment horizon of greater than seven years. Council is risk adverse in its investments and has a low willingness to accept risk but seeks to achieve return equivalent to inflation plus 2.3% to 3.1% (net of fees).

Based on Council's required return and risk appetite the managed fund incorporates an asset allocation that allows for 40% to 60% of the portfolio to be invested in growth assets. Accordingly, the aim is to achieve a 50% income assets, 50% growth assets split.

Our assumption in this plan is that the managed fund will achieve an overall return of 4.5% per annum. This income is used to pay interest on reserve balances that are in funds and the remaining balance is used to subsidise general rates.

Reserves

Restricted and Council Created Reserves

Restricted reserves are a component of public equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. These Council created reserves may be altered by Council without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

The majority of Council's reserves relate to the revaluation of assets and therefore do not represent cash reserves available for Council's use.

- **Available-for-Sale Revaluation Reserve**
The available-for-sale revaluation reserve arises on the revaluation of the shares in Council's subsidiary company, Port Otago Limited. This is an unrealised non-cash reserve.
- **Asset Revaluation Reserve**
This reserve arises on the revaluation of investment property. This is an unrealised non-cash reserve.
- **Kuriwao Endowment Reserve – Restricted**
This reserve represents the accumulation of sale proceeds and net income from Kuriwao Endowment land less any distribution of that income. The reserve is available to fund works for the benefit of the Lower Clutha District.
- **Asset Replacement Reserve**
This reserve represents funds held for the replacement of Council operational assets (excludes targeted rate scheme assets). It is funded by rating for depreciation on those operational assets.
- **Emergency Response Reserve**
This is a contingency reserve to enable Council to respond appropriately to emergency situations. It was initially established to provide funds for assets that Council is self-insuring its terms of use have been expanded to cover any emergency event.

The reserve was created from transfers from general reserves and accumulated interest income. If the reserve is used for any non-general rate activity it is expected that scheme will repay this reserve. If it is used for general rate funded activity, then it may be replenished through general rates or a transfer from general reserves.

- **Water Management Reserve**
The purpose of this reserve is to provide funding for water management initiatives in Otago.

This reserve was established to provide funding for water management investigations including irrigation scheme feasibility. It has also been used to fund water allocation work. In year 1 of this plan it will be used to fund FMU

water modelling work. This is expected to fully exhaust this reserve at which stage any remaining funds will be incorporated back into the general reserve and this this reserve will be closed.

- **Building Reserve**

The purpose of this reserve is to set aside funding for the development of a new head office for the Council.

Council has indicated it is unlikely to pursue investment in a new Council owned head office. Despite that the challenge of housing increasing levels of Council's staff both in Head Office and throughout the region remains. This financial strategy assumes Council will required to spend approximately half of the building reserve in year 3 to facilitate a move to new leased premises and or to redevelop and expand existing sites.

Setting aside this amount, the remainder of the reserve is being transferred back to general reserves where it will be used to fund the 2020-21 general rates offset and assist with funding other general rate activity.

- **Environmental Enhancement Reserve**

The purpose of this reserve is to provide funding for the maintenance or enhancement of areas of the natural environment within the Otago region.

- **General Reserve**

The balance of Council public equity after accounting for restricted reserves is the general reserve. This reserve can be used for the planned funding one-off activities. It also provides contingency funding for emergency events and a source of funding for essential unbudgeted expenditure.

The general reserve will be replenished in year 1 of the LTP as internal borrowing is repaid and replaced by external borrowing. Further funds will be added to the general reserve following relocation to a new head office when any other surplus operational property will be sold.

Targeted Rate Reserves

Reserves are maintained for each targeted rate. This allows any unspent rating expenditure to be allocated to the appropriate reserve and used to fund expenditure applicable to that targeted rate in future years. Expenditure in these activities can be volatile in nature, with some years spend being very high, and other years very low. Targeted rate reserves are used to help smooth the impacts of these variations in expenditure.

Targeted rate reserves may go into deficit to allow significant expenditure to occur immediately and rate funding to repay that expenditure over time. Where significant capital expenditure is required on flood and drainage schemes, Council will not support the repayment of scheme works over a period longer than 20 years.

Repay, of operation

- **River and Water Management Reserves**

Targeted rating has been used to fund river management works across the city and districts within Otago. In this Long-term Plan this reserve will be extended and also used for other water management implementation activities. That will include restoration and remediation initiatives of an operational nature including clearing, planting and smaller one-off works.

Council aims to maintain these reserves in surplus equating to approximately one year's worth of operating costs. This provides some financial security, should a flood event occur, so that additional work can be undertaken as necessary without the need for a significant rate increase in any one year.

- **Flood and Drainage Scheme Reserves**

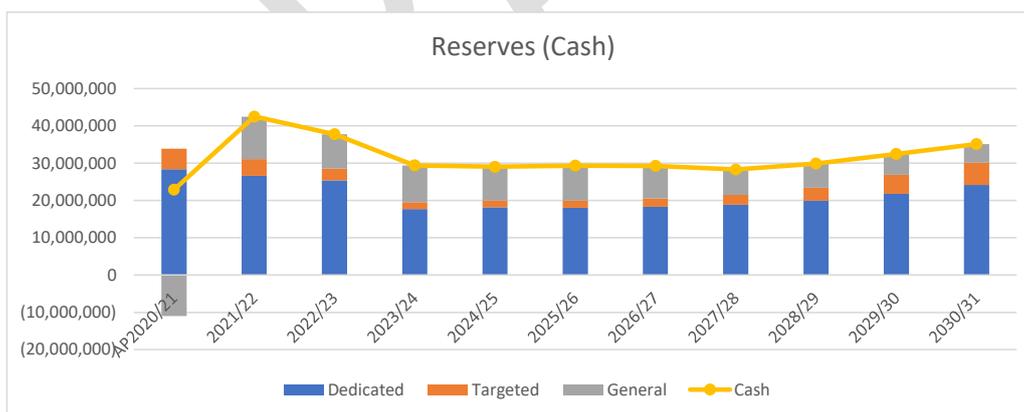
Targeted rating is used to fund the costs associated with maintaining the level of flood protection and drainage provided by these schemes. This includes funding both operating and capital expenditure.

- **Transport Reserves**

Targeted rating is used in Dunedin and Queenstown to fund the Council’s costs associated with the provision of public transport services including buses, ferries and the associated infrastructure.

- Clean Heat Clear Air Reserve**
 The purpose of this reserve is to fund costs associated with the provision of funding associated with the improvement of insulation and heating in homes located within the targeted rating district.
- Rural Water Quality Reserve**
 The purpose of this reserve is to fund costs associated with rural liaison and integrated catchment functions within the water quality implementation activity.
- Dairy Monitoring Reserve**
 This reserve is primarily used to smooth rates increases and reallocate any under or over spent funding to future years.
- Wilding Pines Reserve**
 This reserve is primarily used to smooth rates increases and reallocate any under or over spent funding to future years.
- Emergency Management Reserve**
 This reserve is primarily used to smooth rates increases and reallocate any under or over spent funding to future years.
- Lake Hayes Restoration Reserve**
 The purpose of this reserve is to fund costs associated with the restoration of Lake Hayes.

The graph below shows Councils reserves of the 10-years of the Long-term Plan. The General Reserve has been balanced to reflect the underlying reserve amount available in cash on hand an in the managed fund.



Insurance

Council holds comprehensive insurance through a range of policies to manage the financial risk of loss due to unforeseen events. Operational assets such as buildings, vehicles and plant are fully insured.

Infrastructure assets are not fully insured due to the nature of the assets and the low probability that all assets would be affected by a single event. These assets are either fully or partially self-insured. Included in self-insured assets are flood protection and drainage infrastructural assets including floodbanks, protection works and drains and culverts. Assets of this nature are constructions or excavations of natural materials on the land and have substantially the same characteristics of land.

Council does not maintain separate self-insurance funds and considers that the level of reserve funds held is sufficient for the purpose of self-insuring assets that are not covered by insurance contracts. Operational budgets also provide for repairs of a smaller scale and amount.

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9. Funding

9.1 Funding sources and reasons for funding

The Biosecurity Act 1993 and the Local Government (Rating) Act 2002 require that funding is sought from:

- people who have an interest in the Plan;
- those who benefit from the Plan; and
- those who contribute to the pest problem.

Funding must be sought in a way that reflects economic efficiency and equity. Those seeking funds should also target those funding the Plan and the costs of collecting funding.

The funding rationale incorporates the principle that those who fund the Plan should not pay for those measures outlined in Section 5.3 for which they receive no benefit or for which another party would normally consider is its role to fund. For instance, it is inequitable to fund the environmental education component of the Plan from a rate on rural land. The rationale, therefore, adopts an activity-based approach where funding shares are identified by Plan activity. An activity-based approach allows the incremental benefit from specific activities, as opposed to pest management generally, to be assessed.

The funding formulae for this is set out in the following table.

Table 31: Funding formula under the Plan

Funding formulae		
	Rural land owners and/or occupiers %	Regional community %
African feather grass, Chilean needle grass, false tamarisk, moth plant, egeria, hornwort, spiny broom, spartina		
Inspection and monitoring		100
Education and advocacy		100
Control		100
Bennett's wallaby		
Inspection and monitoring	40	60
Education and advocacy		100
Control	40	60
Rook		
Inspection and monitoring		100
Education and advocacy		100
Control	100	

Bur daisy, gorse, nassella tussock, nodding thistle, perennial nettle, rabbit, ragwort		
Inspection and monitoring	100	
Education and advocacy		100
Control	100	
African love grass, broom, wild Russell lupin		
Inspection and monitoring		
Production	100	
Biodiversity	50	50
Education and advocacy		100
Control		
Production	100	
Biodiversity	50	50
Bomarea, boneseed, cape ivy, old man's beard, wilding conifers, contorta, Corsican, Scots, mountain and dwarf mountain pines and larch		
Inspection and monitoring		100
Education and advocacy		100
Control	100 (prevent spread)	100 (initial control)
White-edged nightshade		
Inspection and monitoring	50	50
Education and advocacy		100
Control		100
Site-led programme pests		
Inspection and monitoring		100
Education and advocacy		100
Control	By agreement	
Other activities		
Enforcement	User payers wherever possible	General rate when it is not possible

The overall level of inspection, monitoring, advice and advocacy is determined by ORC independently of the pest problem on any particular property. On the other hand, control will vary with both the pest problem and the occupier's response to it on a particular property. It is important that occupiers bear the full consequences of their actions. This is likely to promote the best or optimal response from the point of view of the community as a whole.

The funding of costs allocated to rural occupiers will be through targeted rates applied to occupiers of rateable rural land. The rating base is land value, which reflects the potential

effects of pests on land assets. Land area is an alternative rating base but it is less equitable for larger properties in the region because much of the land is not affected by spill-over of pests from neighbouring properties.

ORC will continue to negotiate with Crown agencies to secure agreements to assist with the costs of implementing the Plan.

9.2 Anticipated costs of implementing the Plan

The anticipated costs of implementing the Plan reflect a best estimate of expenditure levels. Funding levels will be further examined and set during subsequent Long Term Plan and Annual Plan processes. While community funding is mainly sourced from rates, alternative funding sources will be sought by the ORC. Such funds will off-set rates or be used as a value-added component in appropriate circumstances.

The funding of the implementation of the Plan is from a region-wide general rate or targeted rate as applicable, set and assessed under the Local Government (Rating) Act 2002, and in determining this, the ORC has had regard to those matters outlined in section 100T of the Biosecurity Act.

Where the implementation of this Plan is to be funded by a targeted rate, the matters outlined in section 100T of the Biosecurity Act will be given specific regard to as part of the Annual Plan or Long Term Plan process.

It is anticipated that the estimated annual cost to the ORC for implementing the Plan will be **\$1,897,000**.

The costs listed in Table 26 are likely to rise in line with the New Zealand Consumers Price Index each year.

The costs in Table 26 are for implementing the programmes in the Plan. Additional costs will be incurred for implementing programmes in the Biosecurity Strategy and in establishing surveillance programmes for Organisms of Interest.

New incursions or unforeseen range expansions may require further funding. Any additional budget required will be outlined at the time any new incursion occurs.

Any changes to the anticipated costs listed above will be documented through the future Annual Plan process(s) and will not be updated in the Plan.

9.3 Funding limitations

There are no unusual administrative problems or costs expected in relation to recovering costs from any of the persons who are required to pay. It is recognised that there may be a need to recover enforcement costs for some exacerbators through the courts. In some cases, for example where not all exacerbators can be identified, full cost recovery will not be realised and a rating contribution will be required.

Funding formula under the Plan	Rural	Regional	Total	Rural	Regional
African feather grass, Chilean needle grass, false tamarisk, moth plant, egeria, hornwort, spiny broom, spartina					
Inspection and monitoring	0%	100%	162,500	-	162,500
Education and advocacy	0%	100%	80,000	-	80,000
Control	0%	100%	162,500	-	162,500
Bennett's wallaby					
Inspection and monitoring	40%	60%	162,500	65,000	97,500
Education and advocacy	0%	100%	42,500	-	42,500
Control	40%	60%	87,500	35,000	52,500
Rook					
Inspection and monitoring	0%	100%	62,500	-	62,500
Education and advocacy	0%	100%	42,500	-	42,500
Control	100%	0%	187,500	187,500	-
Bur daisy, gorse, nassella tussock, nodding thistle, perennial nettle, rabbit, ragwort					
Inspection and monitoring	100%	0%	450,200	450,200	-
Education and advocacy	0%	100%	80,000	-	80,000
Control	100%	0%	162,500	162,500	-
African love grass, broom, wild Russell lupin					
Inspection and monitoring Production	100%	0%	162,500	162,500	-
Biodiversity	50%	50%	125,000	62,500	62,500
Education and advocacy	0%	100%	80,000	-	80,000
Control Production	100%	0%	125,000	125,000	-
Production	50%	50%	125,000	62,500	62,500
Bomarea, boneseed, cape ivy, old man's beard, wilding conifers, contorta, Corsican, Scots, mountain and dwarf mountain pines and larch					
Inspection and monitoring	0%	100%	137,500	-	137,500
Education and advocacy	0%	100%	117,500	-	117,500
Control (prevent spread)	100%	0%	250,000	250,000	-
Control (Initial spread)	0%	100%	100,000	-	100,000
White-edged nightshade					
Inspection and monitoring	50%	50%	112,500	56,250	56,250
Education and advocacy	0%	100%	42,500	-	42,500
Control	0%	100%	62,500	-	62,500
Site-led programme pests					
Inspection and monitoring	0%	100%	125,000	-	125,000
Education and advocacy	0%	100%	80,000	-	80,000
Control (by agreement)					
Enforcement					
User pays where possible, general rate when not possible					
Total			3,327,700	1,618,950	1,708,750
				49%	51%



Economic Assessment of Lake Hayes Remediation

Report to Otago Regional Council

**November
2018**

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Acronyms and Abbreviations

BCR	Benefit Cost Ratio
CBA	Cost Benefit Analyses
FoLH	Friends of Lake Hayes
LAWA	Land Air Water Aotearoa
NPV	Net Present Value
ORC	Otago Regional Council
PV	Present Value
QLDC	Queenstown Lakes District Council
TLI	Trophic Level Index

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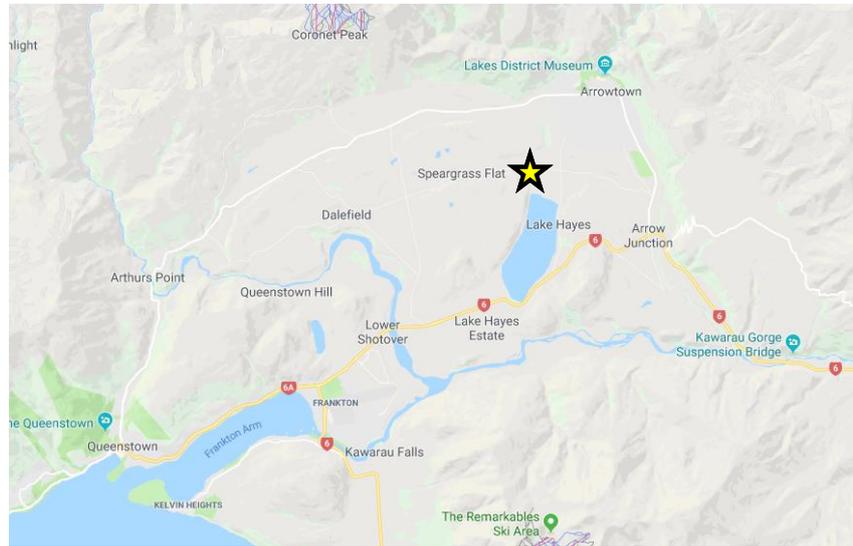
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Executive Summary

Lake Hayes (the Lake) is a small scenic lake, located in Central Otago, between Arrowtown and Queenstown, with views over the mountains in the Wakatipu Basin. It is a popular destination in the region for recreation, including walking, cycling and swimming.

Figure E.1: Map of the Lake Hayes Area



The Lake has experienced an accumulation of phosphorous in the lake bed, most of which is historical, which can be responsible for feeding algal blooms. Algal blooms can affect the colour of the Lake, turning it a brown or greenish colour, and cause scums on the surface. Under certain circumstances types of algae can produce toxins which can cause rashes, nausea and be potentially deadly for dogs to drink.

Otago Regional Council (ORC) has been investigating remediation options to inhibit algal growth in the Lake, and have identified three potential intervention options. Castalia have been engaged by ORC to conduct an economic assessment of the remediation options.

How did we go about undertaking this economic evaluation of remediation options?

Three key steps were undertaken in this economic evaluation. They were:

- Determine what is likely to happen to the Lake without any remediation intervention occurring
- Identify the costs and benefits that may occur if the remediation options are implemented, and identify which are economically significant enough to include in the cost benefit model
- Quantify all the significant costs and benefits for the next 30 years to determine the overall net benefits and the ratio of benefits to costs for each remediation option

Three options for remediation of the Lake have been identified

NIWA (2018) assessed three remediation options:

- Flushing
- Destratification
- Capping

Flushing involves increasing water inflow to improve the net balance of nutrients. Flushing is a medium-long-term option that creates additional water inflow, but has a lower certainty of impact. It does not impose any noticeable side effects. Costs are estimated at \$150k for implementation, with \$30k per annum ongoing costs.

Destratification involves intervening in the Lake to prevent layers forming. The option of destratification uses a bubble plume across the middle of the Lake, powered by a compressor, to prevent stratification and anoxic conditions developing in the Lake's bottom waters. The initial cost estimates for this option are in the range of \$300k with ongoing operational costs.

A Capping option involves chemicals being added to the Lake to cap the sediment layer for a period. Costs are highly uncertain for this option, ranging from \$90k-\$550k with longevity of 5-10 years. We used a high and low-cost scenario to understand the range of costs this option could impose.

The state of the Lake in the absence of remediation is uncertain

There is no clear scientific consensus on what will happen to the Lake without remediation. Some scientific opinions support a natural recovery, as the catchment is in balance in terms of nutrient loads and flushing. However, water clarity measurements are worsening. Consultation with local residents and businesspeople supports a counterview that measurement is inadequate, nutrient loads may not be in balance, and not all inflows are understood.

Understanding the water quality that is likely to occur in the Lake without any intervention is crucial, because only the benefits that occur over and above the condition the Lake would otherwise experience can be attributed to the remediation.

To account for the uncertainty in the expected condition of the Lake over time, we compare the remediation options against three potential no-intervention scenarios:

- **Stable** – the current state of water quality in the Lake remains the same. The current costs from poor water quality, such as cancelled triathlon, periods of no swimming, will continue on a cyclical basis.
- **Natural Recovery** – the Lake recovers naturally, and the water quality improves. The frequency of poor water quality events declines over time.
- **Deteriorates** – the state of water quality deteriorates further, and begins causing further costs, such as an increase in the days unable to swim. The water looks sludgy and loses all reflection and so on.

The remediation options are economically viable, with positive net present values when compared against all of the no-intervention scenarios except one

Net present values represent the sum of all benefits for the next 30 years, minus the sum of all costs, represented in today's terms. This is calculated using a discount rate which places a greater weighting on costs and benefits that accrue sooner.

Table E.1 shows the net present values of successful remediation for the options of flushing, destratification and low and high-cost capping, under the three no-intervention scenarios. This shows the predicted economic benefit of each option when compared against three potential future trajectories of the water quality in the Lake going forward.

The *Deteriorates* scenario appears to have the largest benefit value, because it measures the marked difference in recreational activity that can take place at the Lake, compared to if the water quality were to significantly decrease. The *Natural Recovery* scenario appears to have the smallest benefit value, because if the Lake water quality were to improve naturally, there would be a less marked difference, and people would still see an increase in recreational activity, even if it was slower and less significant than with an intervention.

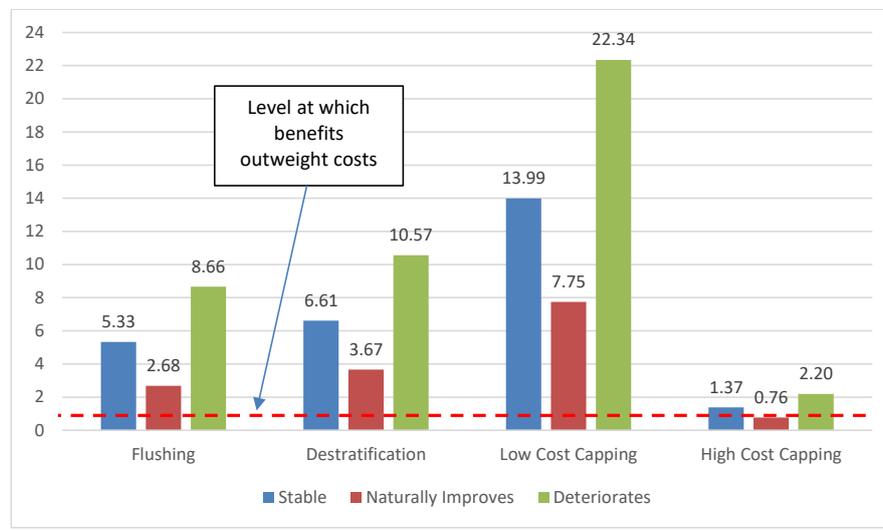
Table E.1: Net Present Value of Successful Remediation

	Flushing	Destratification	Low-Cost Capping	High-Cost Capping
Stable	\$1,612,000	\$2,105,000	\$2,302,000	\$681,000
Natural Recovery	\$625,000	\$1,001,000	\$1,197,000	-\$423,000
Deteriorates	\$2,848,000	\$3,585,000	\$3,782,000	\$2,161,000

A positive net present value implies a benefit cost ratio of greater than one, showing that the benefits outweigh the costs and the option is economically viable. Figure E.1 shows the benefit cost ratios related to the above net present values. The benefit cost ratios show that if capping is successful and able to be implemented with the lowest estimated costs, it is the most economically viable option, followed by destratification. This means that if there were no-intervention and the water quality of the Lake deteriorated, the costs of implementing a successful low-cost capping remediation option would be outweighed by the benefits by over 22 times. Even if the Lake were to naturally recover without intervention, low-cost capping benefits would outweigh the costs by nearly eight times, due to factors such as the water quality improving more quickly.

As shown in Figure E.2, the only remediation option that does not see the benefits outweigh the costs is high-cost capping, when compared against if the Lake were to naturally improve without any intervention. In that case, it would be more economical to let the Lake naturally improve over time.

Figure E.2: Benefit Cost Ratio of Successful Remediation



Remediation options have different side-effects and likelihoods of success that need to be considered

Flushing is predicted to have the least side-effects, but also the lowest chance of success. Destratification has been shown to be effective, but may create side-effects of noise, and visual impacts. Capping is potentially the most economically viable, but comes with important considerations about community views on adding non-natural chemical products to a freshwater lake.

There are four broad categories of activity that are impacted by water quality

- **Lake Based Recreation** – Water quality directly influences recreation activities at the Lake, such as swimming and sightseeing. This includes any regular scheduled events that take place at the Lake.
- **Local Business Sales**– Businesses sell products to Lake visitors and this will include local food and wine venues, accommodation and tours. There is reputational overlap with local businesses that could impact their sales.
- **Real Estate** – There is reputational overlap with property values, and this will include the effect that living near the Lake could have on the value of properties as well as developments using the name.
- **Tourism** – There is reputational overlap in the wider tourism market from any negative reputation of the Lake.

Recreational activities will see the greatest positive benefits of remediation

There is currently approximately \$1.34 million in economic value of recreational activities that can be attributed to the Lake annually. This includes sightseeing, swimming, walking, club rowing and biannual triathlons. These will all see benefits from an improvement in the Lake’s water quality.

The incremental changes to these recreational values from remediation will happen through two main effects:

- A reduction in no swim days that will increase the volume of recreational activities
- An increase in water quality that will improve the value of recreational activities

There are other potential benefits of remediation, but we have not considered them likely to significantly materialise unless the Lake deteriorates much further than what is plausible given the information that we have. For example, people are not likely to stop visiting the popular nearby vineyard because the Lake water quality moderately decreases.

The economic viability of most of the remediation options depends on some key assumptions

We tested several assumptions by varying them by +/- 50 percent of what was used in the model. The assumptions with the most significant impact on the outcomes of the analysis are:

- **The discount rate:** in the base model the discount rate is six percent. The discount rate effects the weighting that is given to present versus future benefits. A higher discount rate means that benefits occurring in the future are given less value, and therefore, the overall contribution they have to the benefit of remediation declines.
- **The effect that water quality has on the value of recreational activities:** in the base model the value placed on an activity increases five percent per degree of water quality improvement (measured by trophic level). Varying this has a significant effect on overall total benefits because it applies to all recreational activities occurring at the Lake.
- **The underlying visitor growth rate:** in the base model growth is two percent annually. Varying this has a significant effect because of the change in the number of people the improvements occurring in the Lake apply to.

The benefits from improvements to water quality are concentrated around the Lake and nearby residents

Residents of Lake Hayes and Lake Hayes South (comprising Lake Hayes Estate and Shotover Country) will see the most additional benefits of improved water quality at the Lake. However, a significant number of visitors from further afield, including all of Queenstown Lakes District, the rest of Otago, and tourists from outside of the region will also benefit from the remediation. This distribution of benefits is show in Table E.2.

Table E.2: Geographic Distribution of Benefits

Area	Proportion of Benefits
Lake Hayes	40 percent
Lake Hayes South	30 percent
The District (Queenstown Lakes District residents)	15 percent
The Region (Otago residents)	7.5 percent
Tourists from outside of the region	7.5 percent

1 What is the Problem at Lake Hayes and How Will It Be Assessed?

Lake Hayes (the Lake) is a small scenic lake, located in Central Otago, between Arrowtown and Queenstown, with views over the mountains in the Wakatipu Basin. It is a popular destination in the region for recreation, including walking, cycling and swimming.

The Lake has experienced an accumulation of phosphorous in the lake bed, which can be responsible for feeding algal blooms. Algal blooms can affect the colour of the Lake, turning it a brown or greenish colour and cause scums on the surface. Under certain circumstances certain types of algae can produce toxins which can cause rashes, nausea and be potentially deadly for dogs to drink.

Otago Regional Council (ORC) has been investigating remediation options to inhibit algal growth in the Lake, caused by the historic accumulation of phosphorous in Lake bed sediments, and has identified three potential intervention options. Castalia has been engaged by ORC to conduct an economic assessment of the remediation options.

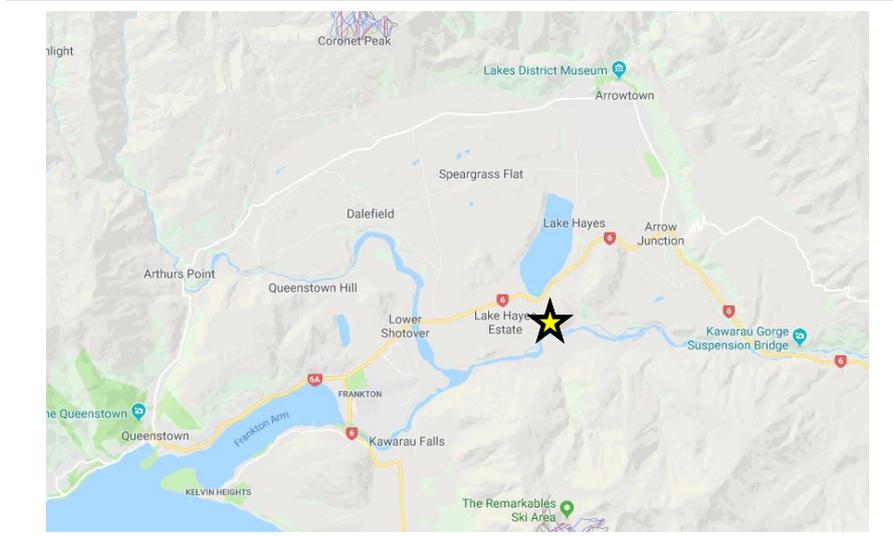
The purpose of this paper is to:

- Assess the benefits and economic value of improved water quality and a reduction in algal blooms at Lake Hayes
- Conduct an economic assessment of the three proposed remediation options
- Identify who the beneficiaries of improved water quality are, and how the benefits could be apportioned

1.1 What is the Current and Predicted State of Water Quality at the Lake?

Lake Hayes is 2.7km² in area, and lies approximately 10km east of Queenstown and 4km south of Arrowtown. Figure 1.1 shows a map of the Lake and surrounds.

Figure 1.1: Map of the Lake Hayes Area



The region has experienced significant growth, both in residency and tourism, over the last ten to twenty years. Queenstown Lakes District Council (QLDC) was the second fastest growing district in all of New Zealand between 2001 and 2013. In addition, Lake Hayes South was the fastest growing area in QLDC due to the development of several new housing estates. The population of the area is predicted to grow by 30 percent over the next ten years.¹

Tourism underpins Queenstown's economy, and experienced nearly one million passenger arrivals, both domestic (709,000) and international (281,000), in 2017.

The Lake has experienced a large surplus of nutrients in the past which are now stored in the sediment

The detailed history and condition of the Lake has been discussed in two recent papers, one commissioned by the Friends of Lake Hayes (FoLH) group written by Schallenberg & Schallenberg (2017), and the most recent a NIWA report (2018) commissioned by ORC.

The papers describe how the Lake catchment was likely deforested as far back as 1740, and served largely as agricultural land from the mid 1900's. Since this time significant amounts of superphosphates, and phosphorous have flowed into the lake and accelerated eutrophication. The Lake has seen a decline in water quality and begun experiencing algal blooms since the late 1960's.

Lake Hayes is now a eutrophic Lake

Lake Hayes has become a eutrophic lake, often with poor water clarity and regular algal blooms. Eutrophic is a term which refers to a lake having an abundant accumulation of nutrients that support high densities of algae, fish, and other aquatic organisms. As eutrophic lakes have so much biomass, there is a lot of decomposition occurring at the bottom of the lake which consumes oxygen causing the bottom of the lake to become anoxic (low in oxygen) in the summer. This summer (1 Dec 2017 to 31 March 2018) Lake Hayes was closed due to cyanobacteria (toxic algae) from the 12 February to the 26 February, and another high result closed the Lake from 7 March to the 19 March. High bacteria (*E. coli*) counts closed the Lake on the 5 March with signs taken down on the 12 March.² *E. coli* closures and occurrence are not the primary focus of the remediation efforts as they are caused by factors other than algae, and therefore will not be the main consideration of this paper.

Predictions of the future quality of water in Lake Hayes are uncertain

Both the Schallenberg & Schallenberg report and the NIWA report suggest that the Lake may be at a potential recovery tipping point.

Schallenberg & Schallenberg suggest that despite the algae ceratium blooms that have been experienced in most summers since 2006, recent developments, predominantly the increase in the flushing of phosphorous out of the Lake via the Lake Hayes creek, indicate that the Lake may be on a trajectory toward recovery from the high nutrient loads and eutrophication.

They suggest that appropriate restoration measures could result in stable improvements in summer water clarity and reductions in ceratium summer biomass and the re-oxygenation of the bottom waters of the Lake. However, the degree or timeframe are not given, and in general, the trajectory of the quality of the Lake appears unable to be confidently predicted.

¹ Queenstown Lakes District Growth Projection 2018-2058, (May 2017)

² Otago Regional Council

Regarding this economic assessment report, it is important to emphasise that this is not a scientific paper and it is not the role of this report to be making scientific assessments or judge the remediation options on their scientific basis. We can only assess the economic value of scenarios based on the scientific information available.

1.2 How is the Economic Assessment Being Approached?

Economic evaluations, such as the cost benefit analyses (CBA) method being used in this report, are powerful tools to evaluate planning decisions and compare the costs of a proposed activity against its potential benefits.

Economic evaluations require a complete assessment of all the costs and benefits measured over time, which in this assessment is considered for the next 30 years³

Costs and benefits must be measured in terms of the impacts on people, including the environmental benefits. It is not just a financial assessment, but rather an assessment that includes all the non-financial, public and private benefits and costs that could be impacted by water quality at Lake Hayes.

The costs and benefits are forward looking and must be related directly to the decision at hand, e.g. if they would occur anyway then they will not be included. Economic costs and benefits must be net changes and can only include the benefits over and above the status quo of the option being assessed.

There are three key steps in the assessment of costs and benefits:

- Determine the status quo, what is likely to happen if there is no remediation intervention?
- Qualitatively assess the costs and benefits that may occur if the remediation options are implemented, and identify which are economically significant enough to be quantitatively valued in the CBA model
- Quantify all the significant costs and benefits to determine overall net benefits and the ratio of benefits to costs

What will happen to Lake Hayes if there is no remediation?

The no-intervention scenario is the state of the world if no remediation option is implemented. This requires an estimation and projection of the likely state of the water quality in Lake Hayes if there is no intervention. Account must also be taken of the projected growth rates and trends in the area.

For this analysis we investigate three no-intervention scenarios, to account for the uncertainty regarding what might happen to the Lake:

- **Stable** – the quality of water at the Lake remains the same. The current costs from poor water quality, e.g. cancelled triathlon and periods of no swimming will continue. The frequency of these events will be projected into the future in the cyclical nature that the Lake has been experiencing.
- **Natural Recovery** – The Lake recovers naturally, and the frequency of poor water quality events declines over time.
- **Deteriorates** – the state of water quality deteriorates further and begins causing further costs, e.g. an increase in the days unable to swim. The water looks sludgy and loses all reflection etc.

³ 30 years is the recommended CBA time-period from NZ Treasury

What are the impacts on people if a remediation occurs?

The qualitative assessment will consider and discuss which of the potential activities related to the Lake are strongly influenced by the water quality.

The assessment will be broken up into a rating of negligible, low, moderate and high. These are defined in Table 1.1. Impacts assessed as moderate or high will go on to the next stage and be quantified.

Table 1.1: Description of Scale of Impact Rating

Rating	Description
Negligible	Water quality has no impact
Low	Water quality may have a minor impact, but only if it was an extreme change or highly unlikely to occur (e.g., turned to a sludge pit)
Moderate	Water quality is related and would have a noticeable impact on some factors with a medium level of change in lake quality. Even infrequent bad water quality events have an impact, in proportion to their frequency
High	Water quality in the Lake is significantly related and will have a large impact. Small changes will be noticeable, and large changes would have significant effects beyond the immediate period of the event

What is the value of the costs and benefits?

Impacts that were assessed as 'moderate' or 'high' will then be quantified. This involves calculating:

- **Activity volume** – Determines the volume of activity and events related to the Lake (e.g. visitor numbers)
- **Activity value** – Research and determine an appropriate method and value to assign to each of the activities⁴
- **Activity variation** – Estimate the level of changes in the volume and values projected over the next thirty years that are likely to occur if remediation occurs, over and above the no-intervention scenarios
- **Costs** – the projected costs of each of the proposed remediation options will be assessed

The volume, value and variation figures are used to calculate the total benefit and costs of remediation for the next 30 years. A discount rate is applied to future values to ensure that benefits that occur sooner are given a greater weight than benefits further in the future. This is then used to sum all of the benefits and all of the costs for the next 30 years into a single value, referred to as the present value (PV). The PV of costs is taken away from the PV of benefits to reach the net present value (NPV). A positive NPV means that the benefits outweigh the costs, and the value indicates the total financial value that can be attributed to the intervention.

⁴ Value is measured by willingness-to-pay. This can be identified through methods such as willingness-to-accept, travel cost, or revealed preferences. This includes applying these methods and values from other comparable research and literature.

The benefit cost ratio (BCR) is the PV of benefits divided by the PV of costs. Any option with a BCR of greater than one shows that the options' benefits outweigh its costs. For example, a BCR of 2 means that the benefits are two times greater than the costs.

A sensitivity analysis is conducted to show effects of uncertainty, and to determine the critical assumptions that the analysis is dependent upon.

2 Who is Impacted by the Water Quality at Lake Hayes?

The standard of water quality at Lake Hayes has important implications both locally and further afield, such as visitors from around New Zealand and even internationally. Recently the Lake has experienced serious issues to do with bad water quality which give an insight into what, how and who this can impact.

There are two main causes of bad water quality at the Lake⁵:

- **Blue/green algae (cyanobacteria)** – The development and proliferation of algal blooms is due to a combination of environmental factors including an increased concentration of certain nutrients, deoxygenation, temperature, and sunlight amongst others. This is the issue that the remediation options are looking to inhibit and prevent.
- **E-Coli** – E-Coli is caused by different sources, such as human or animal faeces. This is not specifically the water quality issue that the remediation options are intended to solve

2.1 What Activities are Impacted by Water Quality at the Lake?

Below we describe the major categories of impacts that we have identified. There are four categories of impact:

- **Lake Based Recreation** – Water quality directly influences recreation activities at the Lake, such as swimming and sightseeing. This will include any regular scheduled events that take place at the Lake.
- **Local Business Sales**– Businesses sell products to lake visitors and this will include local food and wine venues, accommodation and tours. There is reputational overlap with local businesses that will impact their sales.
- **Real Estate** – There is reputational overlap with property values and this will include the effect that living near the Lake could have on the value of properties, as well as developments using the name.
- **Tourism** – There is reputational overlap in the wider tourism market from any negative reputation of the Lake.

2.2 How Material Are the Impacts of Water Quality on These Activities?

In the following section we consider each category, and assess the significance of the impact that water quality at Lake Hayes may have on it. Factors assessed as significant and having the potential to have a moderate or high impact on the CBA, will be taken to the next level of analysis to assess their volume and values.

⁵ <https://www.lawa.org.nz/learn/factsheets/coastal-and-freshwater-recreation-monitoring/>

Table 2.1 considers the recreational activities and regular events that occur in and around the Lake and assesses how these activities could be affected by water quality.

Table 2.1: Lake Based Recreation Significance Assessment

Activity	Assessment	Reasoning
Sightseeing /photography	High	<ul style="list-style-type: none"> ▪ Significantly affected if the Lake water quality continues to deteriorate. Affects the colour and clarity, making the Lake less picturesque and impacting flora and fauna. ▪ May result in less people wanting to visit to sightsee, take pictures etc.
Swimming	High	<ul style="list-style-type: none"> ▪ Swimming will be the most significantly affected activity of bad water quality. When the Lake has a toxic algal bloom (as in summer of 17/18) no swimming can occur at all as it causes rashes, nausea, etc. ▪ Even if there are no specific toxic algal bloom, the more common blue/green algae and state of eutrophication make the water quality less clear which may make people less inclined to swim. ▪ Although there are other lakes in the region (such as Wakatipu) Lake Hayes is particularly popular with swimmers as it is significantly warmer to swim in.
Walking/ running	Moderate	<ul style="list-style-type: none"> ▪ Walking and running around the Lake are not directly affected by the water quality, but people may be less inclined to visit the Lake when there is bad water quality, resulting in a reduction in the total number of people walking or running around the Lake. ▪ A toxic algal bloom could have serious effects on dog walkers, as dogs can get seriously sick if they drink the water.
Cycling	Moderate	<ul style="list-style-type: none"> ▪ As with walking, the ability to cycle around the Lake is not directly affected by water quality, but may be impacted by a general decline in visits, particularly if cyclists hear they would not be able to subsequently swim to cool off etc.
Kayaking / paddle boarding	High	<ul style="list-style-type: none"> ▪ Recreational activities such as kayaking, and paddle boarding are significantly impacted by water quality, and will be almost 100 percent affected by no-swim-days
Fishing	High	<ul style="list-style-type: none"> ▪ The number of people choosing to fish in the Lake is significantly affected by the water quality. Incidences of stunted and dead fish have been witnessed, and water clarity will influence how appealing the Lake is to fish in.
Rowing	Moderate	<ul style="list-style-type: none"> ▪ It is still possible to participate in club rowing when the water quality in the Lake is bad, (e.g., no illness or rashes were reported during-no-swim-days in 17/18) but the appeal of joining the rowing club may decline, and if it deteriorated significantly the rowing club may consider relocating⁶

⁶ Head Coach, Wakatipu Rowing Club

Activity	Assessment	Reasoning
Lake Hayes Triathlon	High	<ul style="list-style-type: none"> ▪ There are two Lake Hayes triathlons, Christmas and Easter. ▪ The triathlons would be significantly affected by bad water quality, so much so that the Easter event had to be cancelled in 2018 due to the bad water quality resulting in less than 30 registrations.
Lake Hayes Annual A&P Show	Low	<ul style="list-style-type: none"> ▪ The show is held on the second Saturday in January, and has approximately 5,000 people attend, 75 – 80 percent local. ▪ The show is not directly related to water quality and would still be hosted even when water quality is bad.⁷
Queenstown International Marathon	Low	<ul style="list-style-type: none"> ▪ The Queenstown marathon route has gone past the Lake in the past, but the marathon is not specifically designed around Lake Hayes and there are other routes available, so Lake Hayes water quality would not be likely to affect the event being held or the number of people participating

Table 2.2 considers which type of businesses and in which locations could be impacted by water quality in the Lake.

Table 2.2: Local Businesses Significance Assessment

Type	Impact Assessment	Reasoning
Directly on the Lake, e.g. Amisfield, Stoneridge	Low (Note exception)	<ul style="list-style-type: none"> ▪ There are not a significant number of businesses located directly on or overlooking Lake Hayes. The businesses of Amisfield and Stoneridge are currently very popular, and may only experience a very small effect from less people visiting the Lake, or if there was a serious deterioration in lake quality beyond what has been predicted (e.g., there were significant Lake quality issues in 17/18 summer but no reports of negative effects on business) ▪ There is considerable reputational overlap, of Amisfield in particular, with Lake Hayes. Under the status quo conditions of water quality remaining stable or improving we do not feel that material damage will be done. However, a significant 'deteriorates' scenario (e.g., the Lake becoming permanently unswimable) could have significant reputational damage for Lake Hayes branding at Amisfield.
Commercial accommodation	Low	<ul style="list-style-type: none"> ▪ There is not a significant amount of local accommodation, and effects are only likely to be experienced once there has been a serious and widespread effect of the reputation of the Lake due to a severely deteriorates scenario.
Local tours	Low	<ul style="list-style-type: none"> ▪ There are local tourist tours in the region to Arrowtown and nearby vineyards that go past or stop at Lake Hayes.

⁷ Chairman and secretary, Lake Hayes A&P society

		However, the Lake is not the only or ultimate destination for any tours from Queenstown. Therefore, the individual effect of changes in water quality on these tours is likely to be low.
Business & accommodation in the wider area, e.g. cafés, or dairies in Arrowtown	Low	<ul style="list-style-type: none"> The area surrounding Lake Hayes is popular and busy for many reasons other than the Lake itself, so it is unlikely that they would be noticeably affected by a potential reduction in visitors to the Lake.

Table 2.3 considers how the financial value of real estate in the area could be affected by the water quality in the Lake.

Table 2.3: Real Estate Significance Assessment

Type	Impact Assessment	Reasoning
Lake view properties	Moderate (note double counting concern)	<ul style="list-style-type: none"> The properties directly overlooking Lake Hayes already have significantly greater land value than properties in the vicinity without lake views. There is various literature investigating the effect that water quality can have on housing value. A specific review assessed over 40 studies investigating housing and water quality and found that over all the studies, water quality in the local vicinity had a statistically significant relationship to house price ⁸ However, there is a double counting concern with our methodology in that we have counted the recreational value directly and we do not wish to include the indirect effect that this has on house prices again. E.g., house prices are affected by the quality of nearby recreation.
Lake Hayes South subdivision estates: <ul style="list-style-type: none"> Lake Hayes Estate Bridesdale Hayes Creek Estate 	Low	<ul style="list-style-type: none"> The quality of the Lake will have effects on the value of the recreation of local residents, but the effect on the total value of real estate is likely to be low (or double counted as above). The subdivisions are already completely sold and in high demand given the relative lack of available housing in the region.
Wider Queenstown and the Wakatipu Region	Low	<ul style="list-style-type: none"> Similar to above, the water quality of the Lake may affect resident recreation, but is unlikely to have a significant or measurable impact on housing value in the wider Queenstown region An exception to this is a total deterioration of the Lake which impacts the reputation of the area.

⁸ Nicholls & Crompton (2018) A Comprehensive Review of the Evidence of the Impact of Surface Water Quality on Property Values

Table 2.4 considers the possible effect that water quality in Lake Hayes could have on the wider tourism industry of Queenstown and New Zealand.

Table 2.4: Tourism Significance Assessment

Type	Impact Assessment	Reasoning
Reputation effects for tourism in Queenstown and New Zealand	Low / Unquantifiable (but note the risk)	<ul style="list-style-type: none"> ▪ Tourism is critical to New Zealand and the largest driver of the Queenstown economy, which is experiencing significant growth rates. ▪ Reputation is important to this, and Lake Hayes is a contributor, especially given the fact that it is highly visible on the flight path in to Queenstown. However, there are such a wide variety of other scenic locations and tourist activities in the region, that the water quality in Lake Hayes on its own is unlikely to have a significant or measurable effect on total tourist numbers. ▪ Freshwater quality standards across the whole country are an important factor in the overseas reputation of New Zealand, but Lake Hayes is only a small contributor to this overall image. ▪ The exception to this is if a serious, prolonged deterioration occurs on the Lake and its water quality. This could become a reputational drag on the entire industry in the area.

2.3 What Measures Can be Used to Value Impacts?

In this section we consider the factors that could be used as effective indicators to assess and predict the water quality of the Lake. Table 2.5 describes the measures:

Table 2.5: Effectiveness of Measures as Indicators of Lake Water Quality

Measure	Relationship with Lake Water Quality	Reason
No-swim-days	Significant	<ul style="list-style-type: none"> ▪ No-swim-days warnings are posted to warn people of the dangers of swimming ▪ No-swim-days make a good measure of remediation benefits as they are clearly observable and allow specific assumptions to be made. ▪ As well as the official no-swim-days there are the spill-over effects that would happen when people are not up-to-date with the warnings being cancelled etc.
Event Cancellations	Significant	<ul style="list-style-type: none"> ▪ Occasionally events are cancelled due to the risk that there could be a no swim notice or other impacts affecting the event ▪ Event cancellations are a direct effect of water quality and provide a specific valuation to be made.
Angler Days	Significant	<ul style="list-style-type: none"> ▪ There are surveys the count the number of angler days on the Lake

Measure	Relationship with Lake Water Quality	Reason
		<ul style="list-style-type: none"> Angler days in the Lake have dropped significantly over the last 20 years. Any increase or decrease in this would be an effective measure of an improvement of water quality in the Lake.
Trophic Level	Significant	<ul style="list-style-type: none"> Water quality level can be measured directly through 'trophic level' measures, which define the overall health of New Zealand Lakes. Table 2.6 gives a description of the Trophic Level Index used by Land Air Water Aotearoa Changes in trophic level of the Lake would be an effective measure of how water quality has increased or decreased, but has difficulties associated with using it as a specific measure of the value of the Lake

Table 2.6 gives a summary of the Land Air Water Aotearoa (LAWA) trophic levels and how they are used as a measure and describe water quality.

Table 2.6: LAWA Trophic Level Descriptions

Trophic Level	Status	Condition
0-2	Very Good	Microtrophic: A trophic level of less than 2 meaning the water quality is very good. The Lake is clear and blue with very low levels of nutrients and algae.
2-3	Good	Oligotrophic: A term often used to describe the characteristic of a lake. Oligotrophic lakes are relatively poor in plant nutrients, leading to sparse growth of algae and other organisms, and have a high oxygen content owing to the low organic content (compare with eutrophic). The Lake is clear and blue, with very low levels of nutrients and algae.
3-4	Average	Mesotrophic: A trophic level of 3-4 meaning the water quality is average. The Lake has moderate levels of nutrients and algae.
4-5	Poor Quality	Eutrophic: Term used to characterise a lake. This refers to a lake having an abundant accumulation of nutrients that support a dense growth of algae and other organisms, the decay of which depletes the shallow waters of oxygen in summer which can result in death of animal life. (Compare with Oligotrophic). In LAWA a trophic level of 4-5 meaning the water quality is poor. The Lake is green and murky, with higher amounts of nutrients and algae.
Greater than 5	Very Poor	Supertrophic: A trophic level greater than 5 meaning the water quality is very poor. The Lake is fertile and saturated in phosphorus and nitrogen, often associated with poor water clarity.

Land Air Water Aotearoa - Trophic Level Index

2.4 Who is Impacted By Water Quality?

As well as the categories of impacts, this report seeks to determine the key groups who are affected by the costs and benefits. Benefits will be apportioned in to the categories shown in Table 2.7.

Table 2.7: Categories of Beneficiaries of Water Quality at the Lake

Area	Included	Description
Lake Hayes Residents	<ul style="list-style-type: none"> Approximately 210 dwellings, 370 population 	<ul style="list-style-type: none"> Residents surrounding the Lake are highly invested in the water quality that they look over every day. They are also impacted by factors such as smell, noise and wildlife. These residents have the benefit of being able to use the Lake for recreational purposes whenever they wish, and can easily keep track of when there are any significant water quality issues impacting swimability.
Lake Hayes South Residents	<ul style="list-style-type: none"> Approximately 920 dwellings, 3,000 population. 	<ul style="list-style-type: none"> For residents of Lake Hayes South, including Lake Hayes Estate and Shotover Country, the Lake is their primary recreational location. They can easily visit the Lake before or after work or school via a short 5-minute drive.
Queenstown Lakes District	<ul style="list-style-type: none"> Approx. 18,000 dwellings, 35,000 population (excluding above) 	<ul style="list-style-type: none"> Other Queenstown Lakes District residents are involved with the Lake to varying degrees. From downtown Queenstown the Lake is approximately a 20-30-minute drive, and can easily be used for recreation on weekends, however, there are also many other outdoor recreation locations to choose from. Queenstown Lakes District residents further away, such as in the Wanaka ward, would not regularly use the Lake for recreation, but would still be familiar with the Lake, and likely drive past it relatively regularly, such as when visiting Queenstown.
The Region (Otago)	<ul style="list-style-type: none"> Approx. 170,000 population (excluding above) 	<ul style="list-style-type: none"> Otago residents outside of the Queenstown Lakes District are invested in the Lake to the degree that it impacts the reputation and popularity of the region, and the fact they are more likely to be regular visitors to the area than other parts of NZ.
Outside of Region	<ul style="list-style-type: none"> All other visitors 	<ul style="list-style-type: none"> All other visitors from outside of Otago benefit from the Lake when they are tourists to the area, which is unlikely to be on a regular or consistent basis.⁹

⁹ For the purposes of this study we have not distinguished between visitors from New Zealand and overseas

3 What are the Economic Benefits of Remediation of the Lake?

The economic factors identified in Section Two can be quantified, and a value assigned to each of the activities, including the costs, to obtain a current value for remediation.

For economic goods and services that are not traded, market prices cannot be observed. In this situation non-market valuation techniques must be used. For this study we use inferred willingness-to-pay based on non-market studies conducted for similar things as no new studies were undertaken within the scope or budget of this report, except for informal consultation.

This section will begin by examining the current volumes, trends and unit values that can be associated with the Lake, and then calculating an approximate total economic value of activities impacted by water quality.

We will then calculate the benefits that can be attributed specifically to remediation, by estimating the level of activity that would occur if the water quality were to improve. This is measured for 30 years into the future and then summed up to reach to a single present value (PV) figure. The PV uses a discount rate to give less weighting to benefits further in the future, for example, only 18 percent of the total value of 30th year is included in the PV when using a six percent discount rate. Finally, the estimated costs of the remediation options will be discussed.

3.1 What is the Total Volume and Value of Recreational Activity at the Lake?

Table 3.1 shows a summary of the approximate total current annual value of recreational activities (impacted by the water quality) of the Lake.

Table 3.1: Annual Value of Recreational Activity at Lake Hayes

Activity	Annual Volume	Single Value	Overall Value
Sightseeing / photography	70,080	\$5	\$350,400
Swimming	17,520	\$20	\$350,400
Walking/running	30,800	\$10	\$310,000
Cycling	5,600	\$10	\$56,000
Kayaking / paddle boarding / windsurfing	3,500	\$30	\$105,000
Club Rowing	95 (members)	\$850 membership	\$80,750
Fishing	180	\$20	\$3,600
Triathlon	Two scheduled triathlons scheduled, with approximately 250 participants	\$100	\$50,000
Annual Lake Recreation Value			\$1.3m

Table 3.2 discusses the assumptions and analysis behind the above values and results.

Table 3.2: Willingness to Pay for Recreational Activities

Activity	Discussion
Sightseeing	<ul style="list-style-type: none"> ▪ For the purpose of this study, all daily visitors to the Lake will be considered ‘sightseers’ (despite the fact that this ignores a significant number of people who drive by and are not recorded as visitors). ▪ QLDC figures estimate the daily average visitors to be 192, (ranging to a peak day of 500), resulting in an annual volume of 70,080. ▪ Sightseeing is quantified based on it being the least intensive and possibly shortest duration of the recreational activities undertaken. This is half the value given to walking and cycling of \$5.00.
Swimming	<ul style="list-style-type: none"> ▪ The annual swimming volume is based on research conducted by MPI in 2016, which found that an average of 25 percent of visitors to a lake in New Zealand were likely to go swimming, resulting in an annual figure of 17,520.¹⁰ ▪ Transport cost methods are one way of assuming a visitor’s willingness-to-pay, based on how much they spend to travel to the activity. For example, an estimate could be made based on an average distance of travelling to and from downtown Queenstown, of approximately 30km, at ten litres per 100km, and \$2.20 a litre, equating to \$6.60. However, this only considers locals in the area, or tourists staying in Queenstown, and does not take into account consumer surplus, or the fact this may not represent the total value of what people would be willing-to-pay. ▪ Another method may be comparing it to people’s willingness-to-pay for similar activities. For example, the price of a swimming at the nearby Alpine Aqualand is \$8, or lakes in Europe frequently have admittance fees, of up to €10 euro (\$16.72 NZD). ▪ Contingent valuation is another method in which people are directly asked how much they would be willing-to-pay for an activity or product. For example, a 2004 study investigated improving water quality freshwater rivers in New Zealand, and found a range of between \$17 and \$27 for the ability to swim.¹¹ in clean water. ▪ From a combination of the above rationale, and casual interviews conducted around the Lake, we have based the value of a swim in the Lake as \$20.00 for the central scenario.
Walking/ Running	<ul style="list-style-type: none"> ▪ The annual walking numbers are based on the figures that DOC provided from the Lake Hayes walkway pad counter.¹² Figures ranged from 5,277 in January 2018, to 1,428 in July 2017 with an average of 100 people a day on data going back to 2015, or 36,500 annually. ▪ The counter is also triggered by cyclists, so an estimate of 85 percent will be assigned to walking (or 44 percent of total average visitors); 31,025 ▪ There are several methods that can be used to calculate the economic value of a walk around the Lake, such as comparing it to willingness-to-pay for similar activities. An example in New Zealand is that hikers regularly pay for a return shuttle bus to walk the Tongariro track which costs \$30. However, this has limitations because this is considered one of New Zealand ‘great’ walks and is considerably longer.

¹⁰ Non-market valuation of improvements in freshwater quality for New Zealand residents, from changes in stock exclusion policy, Ministry for Primary Industries (July 2016)

¹¹ Instream Water Values: Canterbury’s Rakaia and Waimakariri Rivers (2004), Lincoln University.

¹² Department of Conservation Lake Hayes Walkway Pad Counter (2010-2017)

Activity	Discussion
	<ul style="list-style-type: none"> The cycling value is being calculated based on a willingness-to-pay for a hire bike in the vicinity. A walk around the Lake is estimated to have a similar utility value as a cycle around the Lake, and is therefore being assigned the same value of \$10.00
Cycling	<ul style="list-style-type: none"> The Lake Hayes Circuit is a central part of the Queenstown Trail one of New Zealand's most popular cycle rides The cyclist numbers are based on the DOC walkway pad counter of 36,500 annually and an assumption of 15 percent of total traffic, 5,475 The value of a bike ride is based on a quarter of the average cost to hire a bike for four hours in the region of \$40¹³ (given the Lake Hayes circuit would only be a portion of the entire distance of the cycle). This value is \$10.00
Club Rowing	<ul style="list-style-type: none"> The Wakatipu rowing club has been located on Lake Hayes for decades The club has 90-100 active members—95 has been used. The Wakatipu Rowing Club confirmed that their membership fees per season are \$800-900—\$850 has been used.
Kayaking, Paddle boarding	<ul style="list-style-type: none"> The number of visitors engaging in activities such as kayaking, or paddle boarding is taken from same 2016 MPI report as used for swimming, which gives an estimation of five percent of year-round visitors, equating to an average of 9.6 per day and an annual figure of 3,504 There are several recreational hire shops in Queenstown that rent kayaks and recommend Lake Hayes as a destination The willingness-to-pay value is based on an average cost to hire a kayak for two hours from a rental business in Queenstown of \$30.00¹⁴
Fishing	<ul style="list-style-type: none"> Fishing has been an activity associated with Lake Hayes since trout were introduced to the Lake in 1870 Estimated fishing (angler) days were provided by Otago Fish and Game. 17/18 numbers were not available, but 14/15 numbers were reported to be 180±90¹⁵ The value of a one-day fishing licence issued by Otago Fish & Game is \$20.00
Triathlons	<ul style="list-style-type: none"> Lake Hayes has two triathlon events scheduled every year at Christmas and Easter with approximately 250 participants.¹⁶ Participants in events will be counted as additional on top of the average visitor figures. The registration fees are approximately \$100¹⁷

3.2 What are the Benefits of Remediation of Lake Hayes Water Quality

The benefits of remediation, such as increased recreational use, must be measured by the projected changes that remediation will bring compared to the no-intervention scenarios. There is considerable uncertainty in the trajectory of water quality at Lake Hayes without

¹³ \$45 from: <https://www.queenstownbiketours.co.nz/trail-rides/lake-hayes-loop/>

¹⁴ <http://www.whatsupqueenstown.co.nz/prices/> <https://www.bookme.co.nz/>

¹⁵ Otago Fish and Game

¹⁶ Taken from 2017 Christmas results

¹⁷ Could not get directly in touch with Lake Hayes triathlon coordinator.

remediation. This has been simplified and standardised into three possible no-intervention scenarios and one successful remediation outcome. We will assess uncertainty in the success rate and timeframe of remediation in sensitivity testing.

Table 3.3 shows the projected assumptions that will be used to calculate the benefits of remediation.

Table 3.3: Possible Outcomes for Lake Hayes Water Quality

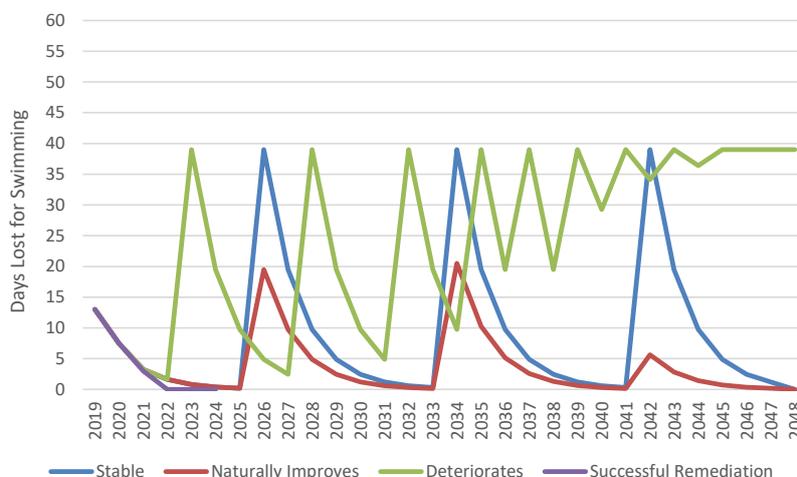
Scenario	Events
Stable	<ul style="list-style-type: none"> ▪ 26 days no swim days every eight years with 50 percent spillover days ▪ One triathlon event cancellation every eight years ▪ No increase in angler days from 180 ▪ Trophic level stays between 4-5
Natural Recovery	<ul style="list-style-type: none"> ▪ Reduction in no swim days: halving in number every eight years until less than one ▪ One triathlon event cancellation every ten years ▪ Increase in angler days from 180 of 2.5 percent per annum ▪ Trophic level slowly decreases to between 3-4
Deteriorates	<ul style="list-style-type: none"> ▪ Increase in frequency of no swim days ▪ two event triathlons every 5 years ▪ Decrease in angler days from 180 of 5 percent every year ▪ Trophic level increase to over five
Successful Remediation	<ul style="list-style-type: none"> ▪ Complete reduction in no swim days by year five ▪ No further event cancellations ▪ Increase in angler days from 180 of 5 percent per annum ▪ Trophic level declines to between 2-3

The benefits of reduced no-swim-days has a direct effect and a spillover effect

There were 26 no-swim-days in the summer of 17/18. These no swim-days will also have a spillover effect. When discussing the Lake with people in the area, it showed that even when the Lake was officially open again, many people may not have heard water quality had improved, and continued not to visit for a period. We use an assumption that this could also have a flow on effect to subsequent seasons, e.g., there will be less people visiting the Lake next summer because of hearing about the no-swim-days this summer, but that this would continue to decline in the following seasons if there were no further events.

The frequency of no-swim-days used reflects the cyclical condition of the Lake, which is significantly worse in certain years due to warm weather conditions etc. Figure 3.1 shows the number of no-swim-days that have been used to calculate benefits for each scenario.

Figure 3.1: Number of No-Swim-Days for Each Scenario



The effect that the no-swim-days have on other Lake recreational activities is another factor that will drive the benefit value of remediation. Swimming and kayaking are calculated as losing 100 percent of their value on no-swim-days, whilst the other recreational activities of sightseeing, walking and cycling assume losing 50 percent of their value or utility.

Table 3.4 summarises the present value of the activity costs compared against the no-intervention scenarios. This is the sum of all the benefits over the next 30 years summarised to a single value, by applying a discount rate to future benefits.

Table 3.4: Value Generated by Reducing No- Swim- Days

No-intervention Scenario	Present Value of Benefits Over 30 Years
Stable	\$305,000
Natural Recovery	\$141,000
Deterioration	\$808,000

There are benefits from reduced event cancellations

In 2018 there was a cancellation of the Easter triathlon. The assumptions of event cancellations were based on the fact that the condition of the Lake is cyclical, and unlikely to affect every year continuously unless there was a serious decline in condition.

Table 3.5: Value Generated by Reducing Event Cancellations

No-intervention Scenario	Present Value of Benefits Over 30 Years
Stable	\$61,000
Natural Recovery	\$35,000
Deterioration	\$122,000

There are benefits from increased angler days

The condition of the Lake and the effect it will have on water clarity, and potentially fish population, will be represented by angler days in the Lake. It is assumed that angler days will increase for the naturally improving and remediation scenarios, whilst in the deterioration scenario angler days decline to less than 50 over the next 20 years.

Table 3.6: Value from Increasing Angler Days

No-intervention Scenario	Present Value of Benefits Over 30 Years
Stable	\$44,000
Natural Recovery	\$27,000
Deterioration	\$64,000

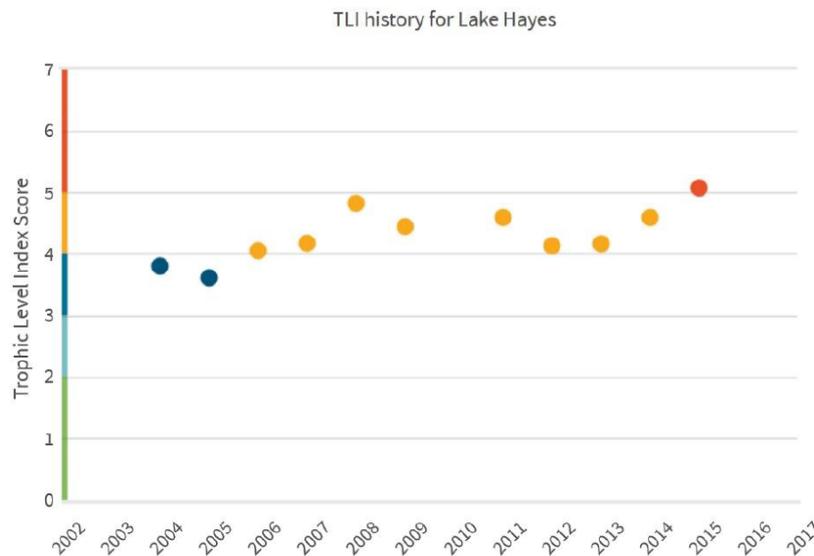
There are benefits from an improved trophic level

Trophic level is an effective measure of the clarity of the Lake (described in detail in Table 2.6). High trophic levels indicate poor water quality, and low trophic levels indicate good water quality. Trophic level impacts the quality and utility value of recreational experience outside of no-swim-day impacts, such as by enhancing the overall recreational experience by engaging with a more attractive lake.

Other lakes in the vicinity of Lake Hayes have relatively low trophic levels, such as Wakatipu (1.6), Hawea (1.6), Wanaka (2.1) and Te Anau (1.5).

Since 2005 Lake Hayes has had a Trophic Level Index of 4-5 putting it in the category of poor water quality. Figure 3.2 shows a history of the Trophic Level Index (TLI) in Lake Hayes

Figure 3.2: Trophic Level Index History for Lake Hayes



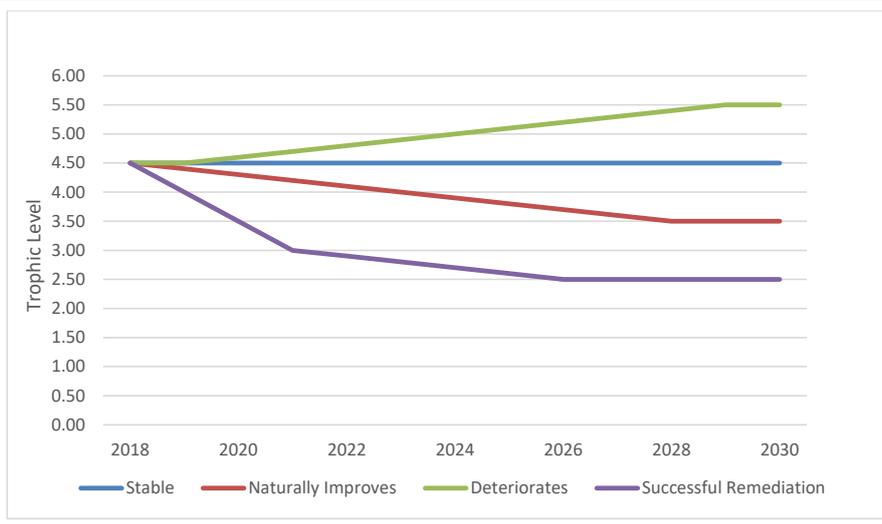
LAWA TLI History

The effect of trophic level on overall lake valuation is uncertain and will be tested in sensitivity. For the proposed remediation scenario our assessment is based on American literature that found that people had a willingness-to-pay of ten percent extra on their expenditure based on a one-meter improvement in water clarity.¹⁸

For this study we will apply a 0.5% increase (or decrease) to the value of recreational activities at the Lake for every 0.1 change in trophic level. This equates to a ten percent increase if the Lake falls two levels, from ‘poor quality’ to ‘good quality’.

Figure 3.3 shows the assumptions made about Trophic level for each scenario

Figure 3.3: Scenarios for Change of Trophic Level



The resulting changes in value due to trophic level are shown in Table 3.7.

Table 3.7: Value of Remediation Improving Trophic Level

No-intervention Scenario	Present Value of Benefits Over 30 Years
Stable	\$2,061,000
Natural Recovery	\$1,168,000
Deterioration	\$3,016,000

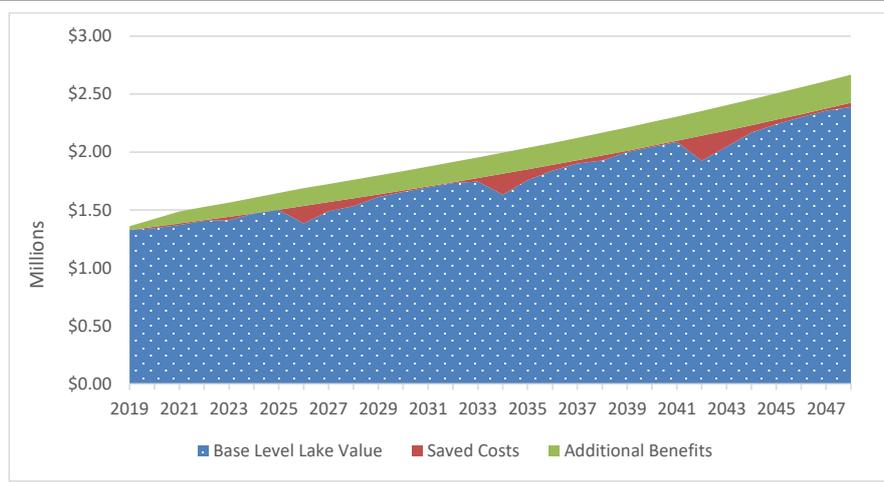
The effect of improving trophic level has a comparatively large effect to the other benefit measures because it applies to all activities that occur at the Lake, including sightseeing, and therefore impacts 100 percent of visitors (over 70,000 a year). It assumes that all activities receive an increase in their appreciated value as water quality in the Lake improves. Effectively this means that people have a higher willingness to pay to visit the Lake when the water quality is high, the water is clear, and it has its trademark reflective qualities, than when it is discoloured with low clarity.

¹⁸ An Assessment of the Economic Value of Clean Water in Lake Champlain (2015) Prepared for the Lake Champlain Basin Program.

Although the potential benefits of remediation are large, they represent only a small proportion of the entire recreational value of the Lake.

Figure 3.4 demonstrates the value of remediation of the Lake if the water quality stays stable, compared to the total recreational value over the next 30 years. This shows that even at the current level of water quality, the Lake is responsible for a significant economic value that will increase over time due to population and visitor growth levels. The benefits that can be attributed to remediation are in addition to this, and also increase overtime because the increased water quality level, and the value this adds to recreational activities, applies to an increasing number of people.

Figure 3.4: Total Recreational Value of Lake Hayes Including Remediation (Stable No-Intervention Scenario)



3.3 How Much Would Remediation Cost?

The costs of remediation are based on the 2018 NIWA report which assessed three primary remediation options:

- Flushing
- Destratification
- Capping

From an economic perspective the difference in the options are relevant only in terms of:

- Their relative implementation and ongoing costs
- The relative likelihood of success
- The value of additional side effects that each option may impose

Flushing involves increasing water inflow to improve the net balance of nutrients

Flushing is a medium-long-term option that has the potential to transfer additional inflow, providing sufficient oxygen to prevent deoxygenation. It has the benefit of being a natural process, but has a lower certainty of success as it is highly dependent on climate patterns. It does not impose any noticeable side effects, and could be used tandem with other remediation processes.

The provided costs are an initial implementation of \$100-\$200k, and an ongoing cost of \$30k per annum that would have to be run over a period of years to see a positive impact on water quality. For the purpose of this analysis we will use \$150k capex, and \$30k opex per year for a period of ten years, with benefits not beginning to be felt until year five.

Destratification involves intervening in the Lake to prevent layers forming

The option of destratification uses a bubble plume across the middle of the Lake, powered by a compressor, to prevent stratification and eutrophication of the lower layers. Capital costs were estimated at \$250-\$350k plus an annual running, monitoring and maintenance fee that was not provided. For this analysis we will estimate \$10k per year for the first ten years.

There are international precedents showing it to be an effective remediation approach, but there are risks associated with the timing of when it is turned on and off, or that the compressor or power supply could fail, and if this occurred at the wrong time it could trigger an algal bloom. The effect of this risk will be shown in sensitivity testing.

Side effects include the potential sound of the power supply / compressor, and visual impacts of the bubble curtain disturbing the Lake’s reflective surface.

Chemicals can be applied to cap the sediment layer for a period of time

Capping involves sediment capping and phosphorous binding agents. Costs are highly uncertain for this option, the costs are estimated at \$90k-\$550k if implemented as a single dose with longevity of 5-10 years, or lower initial cost, but ongoing, if drip fed.

For the purpose of this analysis we have used two scenarios for capping, one with the lowest estimated costs of \$90k every ten years, and the other with the highest estimated costs of \$550k every five years. This can be used to see the effect that this large range of estimated costs has on the analysis.

This option could be used with flushing, but not destratification. There is a low risk of failure with this option as it is tried and tested with a reliable impact.

Side effects include visual side effects, such as a colouring of the sediment in the Lake. There are also the social considerations associated with adding further non-natural products to the Lake and the community opinions around this.

Table 3.8: Cost Assumptions of Remediation Options

Remediation Option	Initial Cost	Ongoing Cost	Present Value of Costs over 30 years
Flushing	\$150,000	\$30,000 per year for ten years	\$371,000
Destratification	\$300,000	\$10,000 per year for ten years	\$374,000
Low-Cost Capping	\$90,000	\$90,000 every ten years	\$177,000
High-Cost Capping	\$550,000	\$550,000 every five years	\$1,797,000

4 What is the Net Value of Remediation?

The present values (PV) of costs and benefits of the remediation options can now be used to calculate the overall net present value (NPV) of remediation options, and the associated benefit cost ratios (BCR).

The NPV is the result of the total PV of benefits minus the total PV of costs. The result is the overall value of the remediation option over the next 30 years measured on today's terms. The total benefits divided by total costs gives you the BCR. A BCR ratio of higher than one shows that the option is economically beneficial.

A sensitivity analysis is undertaken to test key assumptions within plausible ranges to see how important they are to the analysis and what a realistic range of possible outcomes might be.

4.1 What is the Net Present Value and Benefit Cost Ratios of Remediation?

Table 4.1 shows the NPV of (successful) remediation for the options of flushing, destratification, low and high-cost capping under the three no-intervention scenarios. A positive NPV show that the option is economically viable.

As an example, we will describe how these figures were reached for the flushing remediation option compared against the stable no-intervention scenario.

The PV of benefits were calculated in section 3.2., i.e., the sum of annual benefits of remediation for the next 30 years, with a discount rate applied to future years so that benefits that occur sooner are given a greater weighting. For the flushing remediation option, benefits were assumed to only apply from year five onwards. The total PV of benefits from year five onwards were calculated to be:

- Value of reduced no swim days: \$286,000
- Value of reduced event cancellations: \$43,000
- Value of increased angler days: \$41,000
- Value of improved trophic level across all Lake activities: \$1,613,000
- Total Benefits: **\$1,983,000**

The estimated PV of the costs of flushing as calculated in section 3.3 (\$371,000) is then taken away from the total benefits to reach the NPV value of **\$1,612,000**.

Table 4.1: NPV of Successful Remediation

	Flushing	Destratification	Low-Cost Capping	High-Cost Capping
Stable	\$1,612,000	\$2,105,000	\$2,302,000	\$681,000
Natural Recovery	\$625,000	\$1,001,000	\$1,197,000	-\$423,000
Deteriorates	\$2,848,000	\$3,585,000	\$3,782,000	\$2,161,000

The results show that a successful low-cost-capping remediation compared against a no-intervention scenario in which the Lake quality deteriorates, produces the largest economic

benefit of \$3.78m. This is a result of the marked difference in recreational activity that can occur at the Lake.

If a high-cost-capping option is implemented, and the Lake would have recovered naturally without any remediation intervention, there is an economic loss of \$423k, because the Lake would see an improvement in recreational activity without having to spend the high-cost on remediation.

Benefit cost ratios are positive for most options and potential outcomes

BCRs are calculated by dividing the total benefits by total costs. Any ratio of greater than one indicates that the option is economically viable. The highest BCR indicates the most cost-effective option.

To calculate the BCR of the flushing remediation option against a stable no-intervention scenario, \$1,983,000 is divided by the costs, \$371,000, and reach a result of 5.3¹⁹, i.e., the benefits are over five times greater than the costs.

Table 4.2 shows that successful flushing, destratification and low-cost-capping remediation options are all economically viable when compared against all the no-intervention scenarios. High-cost-capping is viable except when compared against the natural recovery no-intervention scenario.

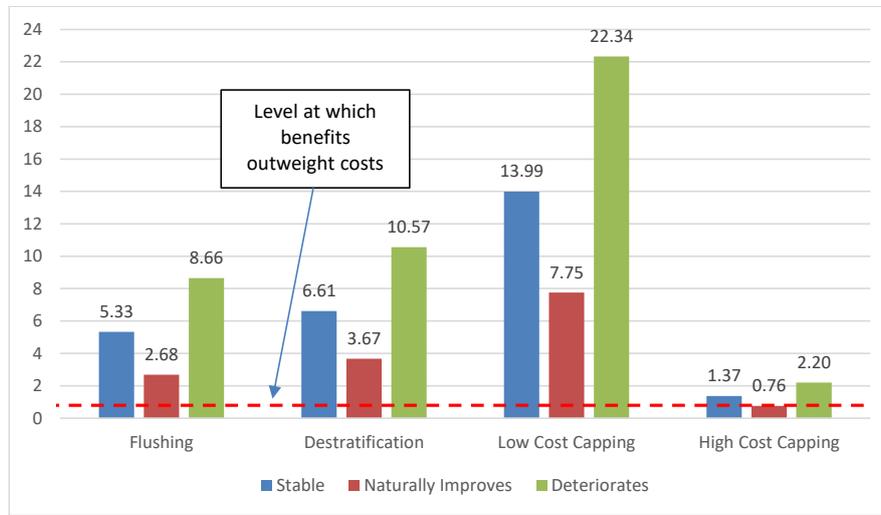
Table 4.2: BCR of Successful Remediation

	Flushing	Destratification	Low-Cost Capping	High-Cost Capping
Stable	5.33	6.61	13.99	1.37
Natural Recovery	2.68	3.67	7.75	0.76
Deteriorates	8.66	10.57	22.34	2.20

Figure 4.1 shows the above BCR ratios visually. The red line represents a BCR of one, under which the option is not economically viable.

¹⁹ Any difference in decimals due to rounding

Figure 4.1: BCR of Successful Remediation



The likelihood of success and the potential side-effects of each option still need to be taken into consideration

The above results consider the viability of each option based on a 100 percent success rate, and without putting a financial value on any potential side-effects. However, these are important factors to consider.

The flushing option has the benefit of being the augmentation of a natural process with limited side effects, but comes with a lower likelihood of success, since it is highly dependent on weather conditions.

Destratification has proven to be effective in other similar scenarios internationally, but still has a risk of failure related to if the timing is not appropriately managed, or the compressor or power supply fail. Side effect costs could be the sound of the compressor, or the impact that the bubble curtain has on the visual value of the Lake.

Based on the NIWA report, the capping option appears to have the highest likelihood of success. However, there are significant community considerations surrounding the concept of remediating a natural lake through the addition of non-natural products (or “chemicals”). This could result in some members of the local community choosing to no-longer use the Lake for swimming (e.g., families with young children).

Table 4.3 shows the effect that hypothetical risk and side-effect costs could have on the NPV of each option.

For the example of flushing compared against the stable no-intervention scenario, the total benefits of \$1,983,000 are multiplied by the likelihood rate of 50 percent to reach \$992,000. The costs of \$371,000 are then taken away from this to reach an NPV of \$620,000. The figure in brackets represents the value lost from the original NPV based on a 100 percent success rate with no side-effects.

Table 4.3: NPV with Potential Risk and Side Effect Costs

	Flushing	Destratification	Low-Cost Capping	High-Cost Capping
Estimated Success rate	50%	85%	75%	95%
Side Effect Costs	Nil	50% reduction in value of sightseeing	10% reduction in swimming	10% reduction in swimming
Effect on NPV				
Stable	\$620,000 (-\$992,000)	\$1,469,000 (-\$636,000)	\$1,631,000 (-\$671,000)	\$492,000 (-\$189,000)
Natural Recovery	\$127,000 (-\$498,000)	\$648,000 (-\$353,000)	\$826,000 (-\$371,000)	-\$527,000 (-\$104,000)
Deteriorates	\$1,238,000 (-\$1,610,000)	\$2,579,000 (-\$1,006,000)	\$2,707,000 (-\$1,075,000)	\$1,855,000 (-\$306,000)

Including some hypothetical estimates of risk and potential side-effect costs reduces the overall NPV of the options, however, the economic viability does not significantly change, with no further options becoming unviable.

Further analysis shows that even under the most conservative no-intervention scenario of natural recovery, flushing remains economically viable (i.e., a BCR of greater than 1) as long as it has a greater than 38 percent chance of being successful, destratification a greater than 31 percent chance, and low-cost capping a greater than 13 percent chance.

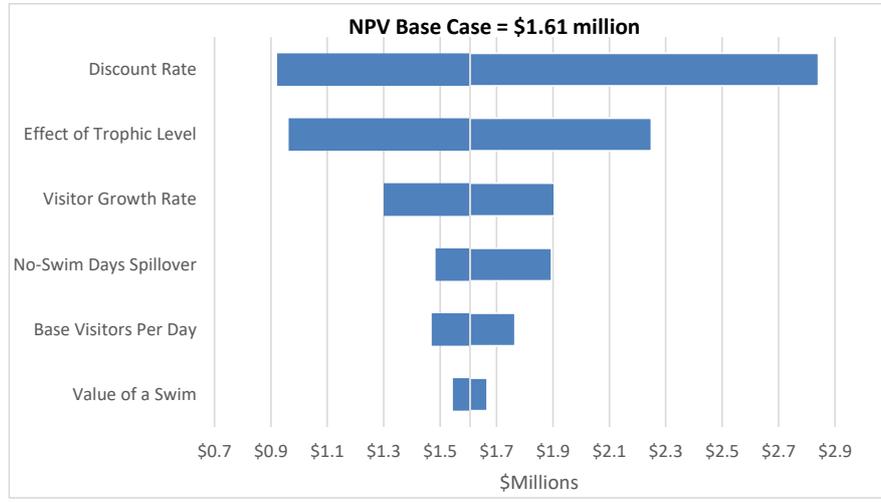
4.2 How are Sensitive are the Results to Key Assumptions?

This study had uncertainty in many of the assumptions necessary to obtain an NPV for the Lake's remediation. These included:

- Economic model variables including the discount rate
- The values of the willingness-to-pay for recreational variables
- The volumes and growth rate of the recreational activities occurring at the Lake
- The additional value that improvement of water quality would add to recreational activities at the Lake.

Figure 4.2 below shows a visual representation of how some of the results are impacted when assumptions are varied by plus or minus 50 percent. It uses the example of the effect on the NPV of flushing remediation compared against the stable no-intervention scenario.

Figure 4.2: Impact on NPV Benefits of Different Assumptions (flushing compared against stable no-intervention)



The graph shows that discount rate is the variable that has the greatest overall effect on NPV. The model uses a discount rate of 6 percent, as recommended by the New Zealand Treasury. When this is reduced to 3 percent, the NPV significantly increases, as benefits in the future are given more weighting, e.g., 42 percent of the value of benefits in year 30 contributes to the NPV, compared to just 17 percent with using a 6 percent discount rate.

The effect that trophic level has on the value of recreational activities also has a significant effect

The model assumes that for every 0.1 drop in trophic level, the value of recreational activities at the Lake increases by 0.5%. When this reduces to an increase of 0.25%, the NPV decreases from \$1.61m to \$0.96m. The reason that this seemingly small variable has such a large effect is that it is working off such a large base, i.e., the total value of recreation at the Lake was determined to be \$1.3m per year, and NPV is calculated over a 30-year period.

Other variables that appear to be changing to a greater degree can have a relatively small impact, such as varying the value of a swim from \$20 to \$10 only decreases the NPV from \$1.61m to \$1.54.

The other variables represented in the graph show the effect of varying the base number of estimated visitors in 2018 from 192, varying the visitor growth rate from 2.1% and varying the spillover effect of no-swim days from 50%.

The full results of the sensitivity tests across all remediation options are available in Appendix A.

4.3 What is the Geographic Distribution of Beneficiaries?

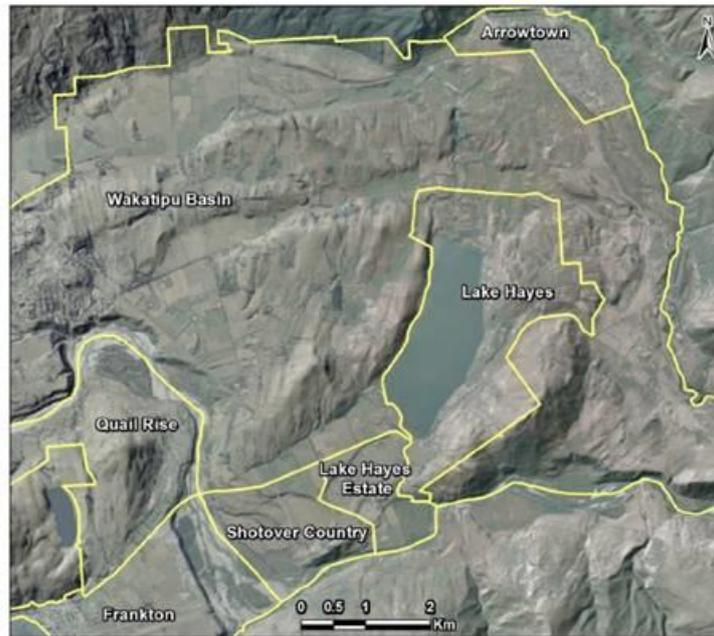
Section 2.4 detailed the range of groups that will experience benefits from improvement of water quality at the Lake. Table 4.4 provides a breakdown of how these benefits can be apportioned geographically.

Table 4.4: Geographic Distribution of Benefits of Improved Water Quality

Area	Proportion of Benefits
Lake Hayes	40 percent
Lake Hayes South (Lake Hayes Estate and Shotover Country)	30 percent
The District (Queenstown Lakes District residents)	15 percent
The Region (Otago residents)	7.5 percent
Outside of the Region (Including national and foreign tourists)	7.5 percent

Figure 4.3 shows a map of the where some of these areas are located surrounding the Lake.

Figure 4.3: Map of areas around Lake Hayes



Percentages are based on the 2018 QLDC population figures that gave a breakdown of the population of Lake Hayes on an average day, including ‘usually resident’ population and ‘visitors’. Usually resident population were estimated as being 40 percent of the total in the area. This estimation was supported by consultation with residents of the local area.

Visitor numbers were broken down by:

- Visitors in commercial accommodation
- Visitors in private residences
- Day visitors

These are not able to be assigned into the geographic categories, so some reasonable assumptions were made.

Visitors in private residences were assigned to the Lake Hayes South category, comprising Lake Hayes Estate, and Shotover Country. This group can easily visit the Lake via a short 5-minute drive or an approximately 20-minute walk (an hour to the main swimming site).

Day visitors were 22 percent of visitors, (13 percent of people in the area). These are the visitors within driving distance, e.g., within the Queenstown Lakes District.

The remainder of visitors were classified as staying in commercial accommodation, i.e., tourists. This would equate to approximately 115 people on a peak day. This figure would include residents of Otago as those who live outside of the Queenstown Lakes District are predominantly not within easy driving distance for a daily visit, so would be staying in accommodation if they were visiting.

Appendix A Sensitivity Testing Results

The following Tables show the results of sensitivity testing of various variables on each remediation option, compared to the stable no-intervention scenario.

Table A.1: Effect on NPV of Discount Rate (used 6 percent)

	9 percent	3 percent	Percentage Change
Flushing	\$923,000	\$2,841,000	208%
Destratification	\$1,344,000	\$3,416,000	154%
Low-cost-capping	\$1,556,000	\$3,588,000	131%
High-cost-capping	\$256,000	\$1,447,000	466%

Table A.2: Effect on NPV of Base Average Visitors Per Day²⁰ (used 192)

	96 Visitors	288 Visitors	Percentage Change
Flushing	\$1,470,000	\$1,765,000	20%
Destratification	\$1,953,000	\$2,268,000	16%
Low-cost-capping	\$2,150,000	\$2,464,000	15%
High-cost-capping	\$529,000	\$844,000	59%

Table A.3: Effect on NPV of Visitor Growth Rate (used 2.1%)

	1.05% per annum	3.15 % per annum	Percentage Change
Flushing	\$1,300,000	\$1,905,000	47%
Destratification	\$1,772,000	\$2,413,000	36%
Low-cost-capping	\$1,969,000	\$2,610,000	33%
High-cost-capping	\$349,000	\$990,000	184%

Table A.4: Effect on NPV of Value of a Swim (used \$20.00)

	\$10 per swim	\$30 per swim	Percentage Change
Flushing	\$1,545,000	\$1,667,000	8%
Destratification	\$2,032,000	\$2,163,000	6%
Low-cost-capping	\$2,229,000	\$2,360,000	6%
High-cost-capping	\$609,000	\$739,000	21%

²⁰ I.e., the number first used as a base 2018 figure, that is then increased by a growth rate over the next 30 years.

Table A.5: Effect on NPV of No-Swim Days Spillover of (used 50%)

	25%	75%	Percentage Change
Flushing	\$1,483,000	\$1,895,000	28%
Destratification	\$1,964,000	\$2,433,000	24%
Low-cost-capping	\$2,161,000	\$2,629,000	22%
High-cost-capping	\$540,000	\$1,009,000	87%

Table A.6: Effect on NPV of the Effect of Trophic Level on Recreational Value (used 0.5% increase (or decrease) for every 0.1 change in Trophic Level)

	0.25% per 0.1	0.75% per 0.1	Percentage Change
Flushing	\$963,00	\$2,249,000	134%
Destratification	\$1,273,000	\$2,922,000	129%
Low-cost-capping	\$1,470,000	\$3,119,000	112%
High-cost-capping	-\$150,000	\$1,498,000	N/A ²¹

²¹ Percentage change not applicable to negative NPV



8.4. Significance & Engagement Policy

Prepared for:	Finance Committee
Report No.	CS2113
Activity:	Governance
Authors:	Mike Roesler, Manager Corporate Planning David Cooper, Principle Engagement Advisor
Endorsed by:	Richard Saunders, General Manager Regulatory
Date:	15 February 2021

PURPOSE

- [1] To provide information about the approval of Council's Significance and Engagement Policy as part of the Long-term Plan process and how that relates to a programmed review of that Policy.

RECOMMENDATION

That the Finance Committee:

- 1) **Receives** this report.
- 2) **Notes** that the current ORC Significance and Engagement Policy will be included in the Long-term Plan 2021-31.
- 3) **Notes** that Council have programmed a review of the current ORC Significance and Engagement Policy as reported to 10 February 2021 Governance, Communications and Engagement Committee.
- 4) **Notes** the programmed a review of the current ORC Significance and Engagement Policy will be consulted upon and approved following the adoption of the Long-term Plan in June 2021.

BACKGROUND

- [2] Councils are required to have a Significance and Engagement Policy (SEP) under the Local Government Act 2002 (LGA). This Policy is part of the legislation that encourages good decision-making practice. The relevant LGA framework includes:
- a. Principles on consultation
 - b. Procedures for decision-making - deciding what's significant
 - c. Requirements of decision-making - identifying and assessing options, and consideration of iwi interests
 - d. Consideration of community views
 - e. Special Consultative Procedure – prescriptive approach for important decisions
- [3] The SEP relates to point (b) above where it provides some guidance to Council about the significance of a decision and consequently what is required in terms of information and process (ie (c), (d), (e) above).
- [4] Council uses its discretion or makes a judgment about how to achieve compliance with the decision-making provisions of the LGA, and importantly responds in way that is in proportion to the significance of the matter(s) being decided on.
-

- [5] The SEP and Council policy on developing Māori capacity to contribute to decision-making processes is required for inclusion in Council's Long-term Plan 2021-31. It is usual practice to fully review the SEP as part of that process, being every 3 years.
- [6] A staff report to the 10 February 2021 Governance, Communications and Engagement Committee outlined a planned review of the SEP, including the reasons and timing. In brief it signalled the current SEP would be aligned to 'refreshed' thinking about Council's communication and engagement, including policy on engagement with Māori, and that this would be reported to Council in May 2021 with a view to community consultation.

DISCUSSION

- [7] The above May 2021 date means that the timing of consultation and decision-making for a reviewed SEP will occur after and separately to Council consultation and approval of the Long-term Plan 2021-31.
- [8] In practice this timing will assist with improving the result of the programmed SEP review. From a process perspective it will not create any negative issues for either the Council or community.
- [9] In the meantime, to ensure Council complies with the LTP legal requirements, the current SEP will be included in the Long-term Plan 2021-31 (LTP). It will also include Council's Maori Participation Policy that has been updated to reflect current practice. The LTP will be amended following its adoption in June 2021 to reflect the new SEP.

CONSIDERATIONS

Policy Considerations

- [10] The SEP and Council policy on developing Māori capacity to contribute to decision-making processes is a required under the LGA.

Financial Considerations

- [11] No financial considerations.

Significance and Engagement

- [12] This report flags a procedural compliance requirement that will result in the current SEP being included in the LTP for approval. The SEP is programmed for review following the LTP process.

Legislative Considerations

- [13] The Council will comply with the LGA02 through the inclusion of the SEP in its draft LTP 2021-31.

Risk Considerations

- [14] No risk considerations.

NEXT STEPS

- [15] The next steps are:
 - a. The Council will approve the LTP proposal for community consultation on 24 March and it will include the current SEP.

- b. The Council will consider a reviewed SEP in May 2021 and consult on it with the community.
- c. Council will decide the new SEP following consultation and the LTP 2021-31 will be amended. There is no fixed time for this step, but it is likely to be late 2021 depending on the feedback from consultation.

ATTACHMENTS

Nil

8.5. Draft Rates Remissions and Postponements Policy

Prepared for:	Finance Committee
Report No.	CS2115
Activity:	Governance Report
Author:	Sarah Harrisson, Manager Finance Revenue
Endorsed by:	Nick Donnelly, General Manager Corporate Services
Date:	17 February 2021

PURPOSE

- [1] To approve the revised Draft Rates Remissions and Postponement Policy framework for granting remissions and postponing the payment of rates.

EXECUTIVE SUMMARY

- [2] This revised Rates Remissions and Postponement Policy is being updated for release in conjunction with the Long-Term Plan 2021-2031. The updated policy provides additional clarity in regard to the objectives for each remission or postponement type along with improved clarity regarding the conditions and criteria under which rates may be remitted or postponed.
- [3] The aim of the policy update has been to ensure that there is improved transparency of the Otago Regional Council's rate remissions policies for the main remission types.
- [4] The revised policy now includes the following rates remission types:
- a. Rates Remission: Rating units in common ownership
 - b. Rate Remission: Extreme financial hardship
 - c. Rate Remission: Community, sporting and other organisations
 - d. Rate Remission: Land used for natural, historic or cultural conservation purposes
- [5] Further details for each of these remission types can be found in the attached policy. The policy outlines the objectives as well as the conditions and criteria which must be achieved to support consideration for rates remission.
- [6] The revised policy also includes details for Remission and Postponement of Rates on Maori Freehold Land. Details are provided in the attached policy document.

RECOMMENDATION

That the Finance Committee:

- 1) **Approves** the attached Rates Remission and Postponement Policy.

CONSIDERATIONS

Policy Considerations

- [7] There are no Policy considerations.

Financial Considerations

- [8] There are no financial considerations. It is estimated the changes will not make any material difference to the amount of rates revenue collected.

Significance and Engagement

- [9] Under the Significance and Engagement Policy, the changes are not significant and do not require consultation. The revised Rates Remission and Postponement Policy will be included in supporting documents available as part of the LTP 2021-31 consultation process and feedback may be submitted as part of that process.

Legislative Considerations

- [10] The Otago Regional Council carries out its rating function in accordance with the requirements of the Local Government (Rating) Act 2002, and the Local Government Act 2002. Rates may be remitted or postponed in accordance with a rates policy as set out by Section 85 and Section 87 of the Local Government (Rating) Act 2002 and Sections 102, 109 and 110 of the Local Government Act 2002.
- [11] Under Section 102(2) of the Local Government Act 2002 Council must have a policy on the remission and postponement of rates on Maori freehold land.
- [12] Under Section 102(3) Council may adopt either or both of a rates remission policy and a rates postponement policy.
- [13] If a rates remission and/or postponement policy is adopted Section 109 outlines what that policy must state.
- [14] The policy in accordance with the Local Government Act 2002, must be reviewed at least once every 6 years using a consultation process that gives effect to the requirements of section 82.

Risk Considerations

- [15] There are no risk considerations.

NEXT STEPS

- [16] The next steps are to include the revised policy in the supporting documentation for the consultation process of the Long-Term Plan 2021-31.

ATTACHMENTS

1. Draft Rates Remission and Postponement Policy [**8.5.1** - 13 pages]



Otago Regional Council

Rates Remissions and Postponements Policy

March 2021

	Document Name: Rates Remissions and Postponements Policy
	Document Owner: General Manager Corporate
	Authorised By: Chief Executive
	Implementation Date: March 2021
	Review Period: Triennially
	Last Reviewed: N/A
Next Review: March 2024	

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1. PURPOSE

The Otago Regional Council carries out its rating function in accordance with the requirements of the Local Government (Rating) Act 2002, and the Local Government Act 2002.

This document provides the policy framework for granting remissions and postponing the payment of rates.

2. REMISSIONS POLICY

2.1. Application for Remission of Rates

Remission of rates will be considered on receipt of an application (on the prescribed form), for remission the application should include the following documentation as appropriate:

- Information on activities
- Financial information, e.g. financial statements
- Details of membership

2.2. Delegated Authority

The General Manager Corporate Services and the Finance Manager (severally) have delegated authority to consider and decide upon all applications received for remission of rates, and to determine the amount of remission that may be granted.

Council's functions under this policy may be carried out by the General Manager Corporate Services and the Finance Manager (severally).

2.3. Rate Remission: Rates - Late payment and arrears penalties

Penalties of 10% are charged to all unpaid rate account balances twice a year. Circumstances may arise where it is fair and appropriate to remit some, or all of the penalties charged to a ratepayers account.

Objective

Council charges penalties for late payment of rates and for rates arrears, in accordance with sections 57 and 58 of the Local Government (Rating) Act 2002.

The objective of this remission is to enable Council to be fair and reasonable in considering all circumstance that may give rise to non-payment of penalties that have been charged to a ratepayers account and to encourage ratepayers to clear arrears and keep their payments up to date.

Conditions and criteria

Council will consider remitting late payment penalties in the following circumstances:

- a. One-off ratepayer error (including timing differences arising from payments via regular bank transactions).
 - i. This may only be applied once in any three-year period.

- ii. Applications must state the reason for late payment, and deliberate non-payment will not qualify for remission.
 - iii. Applications must be in writing using the prescribed form.
 - iv. Payment of all outstanding rates (other than the penalties to be remitted) is required prior to the remission being granted.
- b. Inability to pay (including illness, accident, bereavement, financial hardship):
- i. Penalties imposed in the last two-year period may be remitted, where this would facilitate immediate payment of all outstanding rates (remission of penalties over a longer time period may be considered, if the amount of arrears is large).

Where an acceptable arrangement to pay arrears and future rates over an agreed time period is to be implemented, providing the arrangements are complied with, then any penalties that would otherwise have been imposed over this time period may be remitted.

Applications must be in writing using the prescribed form.

Remissions of penalties for circumstances other than those mentioned above, where it is considered fair and equitable for the remission to be applied (for example: council error, property sale) may be granted at the sole discretion of the Finance Manager.

2.4. Rates Remission: Rating units in common ownership

Section 20 of the Local Government (Rating) Act 2002 provides for two or more rating units to be treated as 1 unit for setting a rate if those units are:

- a. owned by the same person or persons; and
- b. used jointly as a single unit; and
- c. contiguous or separated only by a road, railway, drain, water race, river or stream.

However, sub-divided land owned by a developer while contiguous is not held for the same purpose as each lot can be sold separately to a different purchaser.

Objective

To provide for relief from uniform charges on land held or what was formerly a single property but is now treated as two or more properties and properties to which the ratepayer is the same.

Conditions and criteria

Rating units that meet the criteria above under this policy may qualify for a remission of uniform annual general charges and any targeted rate set on the basis of a fixed dollar charge per rating unit. The ratepayer will remain liable for at least one set of each type of charge.

The rating units on which remission is made must to all intents and purposes have the same ratepayer as the owner. Only one of the units may have any residential dwelling situated on the rating unit.

A remission will apply from no later than the beginning of the next rating year commencing 1st July from which the application is made until the ratepayer who is the occupier no longer meets the criteria above. Applications will not be backdated.

Applications must be in writing using the prescribed form.

2.5. Rate Remission: Extreme Financial Hardship

Objective

To assist ratepayers experiencing extreme financial hardship which affects their ability to pay rates and it is considered that the Postponement Policy for the same purpose is not appropriate.

Conditions and criteria

Remissions of rates in part or in whole may be given in cases of extreme financial hardship where it is considered by Council that the Postponement Policy for the same purpose is not appropriate.

The rating unit which is the subject of the application must be the ratepayers domestic residence owned and occupied by them, and the ratepayer must not own (or have any interest in) any other property.

The ratepayer does not have the financial capacity to pay their rates or the payment of the rates instalment would create extreme financial hardship for the ratepayer.

The remission will apply for the rating year in which the application is made.

The ratepayer must not be arrears from a previous rating year.

Applications must be in writing using the prescribed form.

2.6. Rate Remission: Community, Sporting and Other Organisations

Objective

Certain types of land use are classified as “non-rateable” under Section 8 of the Local Government (Rating) Act 2002, including schools, churches, and land used for some conservation or recreational purposes. Such land may be either fully or 50% “non-rateable”.

The objective of this remission is to provide relief to Otago community-based organisations (including some that may be classified as non-rateable under section 8), to support the benefit they provide to the wellbeing of Otago residents.

Conditions and criteria

For non-profit community-based organisations (including charitable groups and non-profit sporting organisations) which the Council considers deliver a predominant community benefit:

- A. Where the organisation occupies Council land under lease, up to 100% remission of all rates.

- B. Where the organisation owns and occupies other land:
 - i. Up to 100% remission on general rates (including the uniform annual general charge),
 - ii. Up to 50% remission of the other rates that would be payable if they were fully rateable

Organisations must operate on a non-commercial basis.

Organisations making application should include the following documents in support of their application:

- a. statement of objectives,
- b. full financial accounts,
- c. details of any leases (where applicable),
- d. information on activities and programmes, and
- e. details of membership or clients.

The ratepayer may apply in writing (using the prescribed form) for the remission of rates by the 30th June for it to be applied to the next rating year.

Remission applies to

Any community-based not-for-profit organisation whose activities, in the opinion of the Council, provide significant public good as a result of its occupation of the property.

The remission may (at Council's absolute discretion) include property over which a liquor licence is held, provided this is incidental to the primary purpose of occupancy. This inclusion may also apply to those organisations classified as "non-rateable" under Section 8 of the Local Government (Rating) Act 2002.

The remission is not available to property owned or used by chartered clubs, political parties, trade unions (and associated entities), dog or horse racing clubs, or any other entity where the benefits are restricted to a class or group of persons and not available to the public generally.

Any remission will only apply to the portion of the property used for the purpose for which the remission is granted.

2.7. Rate Remission: Land used for natural, historic or cultural conservation purposes

Objective

To preserve and promote natural resources and heritage to encourage the protection of land for natural, historic or cultural purposes.

Conditions and criteria

Ratepayers who own rating units which have some feature of cultural, natural or historic heritage which are voluntarily protected may qualify for remission of rates under this part of the policy.

Land that is non-rateable under section 8 of the Local Government (Rating) Act will not qualify for remission under this part of the policy.

Applications must be made in writing using the prescribed form. Applications should be supported by documentary evidence of the protected status of the rating unit, for example a copy of the Covenant or other legal mechanism.

In considering any application for remission of rates under this part of the policy, Council will consider the following criteria:

- a. the extent to which the preservation or natural, cultural or historic heritage will be promoted by granting remission of rates on the rating unit
- b. the degree to which features of natural, cultural or historic heritage are present on the land
- c. the degree to which features of natural, cultural or historic heritage inhibit the economic utilisation of the land

Council will decide what amount of rates will be remitted on a case by case basis and will review no longer than every three years.

If an application is approved, the Council may direct its valuation service provider to inspect the rating unit and prepare a valuation that will take into account any restrictions on the use that may be made of the land imposed by the protection mechanism. Ratepayers should note that the valuation service provider's decision is final.

In granting remissions under this part of the policy, Council may specify certain conditions before remission will be granted. Applicants will be required to agree in writing to these conditions and to pay any remitted rates if any of the conditions are breached. Non-compliance with any condition will result in remissions being stopped.

The land must not be used for grazing, farming, residential or commercial purposes and must have discernible natural, historical or cultural features.

Remissions will not be granted retrospectively.

Note: Where the rating unit is owned or used by and for the purposes of the Queen Elizabeth the Second National Trust it is non-rateable under the Local Government (Rating) Act 2002

2.8. Review of Remissions

All remissions will be reviewed to ensure that the circumstances under which the remissions were granted continues to exist.

Notification of any change in the circumstances of a rating unit, e.g. change of ownership, will also give rise to the review of any remissions applying to that rating unit, at the time of notification of the change.

3. POSTPONEMENT POLICY

3.1. Review of Postponement of Rates

All postponements of rates will be reviewed on a six-monthly basis, to ensure that the conditions under which any postponement of rates were granted, are being complied with.

3.2. Delegated Authority

The General Manager Corporate Services and the Finance Manager (severally) have the delegated authority to consider and decide upon all applications received for postponement of rates.

3.3. Postponement for Financial Hardship

Objective

The objective of this part of the policy is to assist ratepayers who are experiencing extreme financial hardship, which temporarily affects their ability to pay rates.

Conditions and Criteria

The rating unit which is the subject of the application must be the residence owned and occupied by the ratepayer who must not have any other interest in any other property.

The postponement will apply for the rating year in which the application is made.

The ratepayer must not be in arrears from a previous rating year.

The ratepayer will be required to apply in writing for the postponement of rates, on the prescribed form.

When considering whether extreme financial circumstances exist, all of the ratepayer's personal circumstances will be relevant including the following factors:

- a. assets and liabilities
- b. income and expenditure
- c. age
- d. physical or mental disability
- e. injury
- f. illness
- g. family circumstances

Where Council decides to postpone rates the ratepayer must first make acceptable arrangements for payment of future rates, for example by setting up a system for regular payments.

Any postponed rates will be paid if any of the following events:

- The death of the ratepayer
- The ratepayer ceases to be the owner or occupier of the rating unit

- The ratepayer no longer uses the rating unit as his or her residence;
 - The ratepayer recovers the ability to pay
 - a date specified by the Council at the time of granting the postponement
- OR
- Some other time as determined by the General Manager Corporate Services.

A postponement will apply from the beginning of the rating year in which the application is made, and will end at the conclusion of the rating year.

Penalties will not be applied or will be remitted for any rates that have been postponed.

The Council may require a ratepayer to make an application each year for continued postponement.

A postponement fee to cover administration and financial costs may be charged on postponed rates, in accordance with Section 88 of the Local Government (Rating) Act 2002.

The ratepayer agrees to meet any Council costs associated with granting the postponement.

Postponed rates will be registered as a statutory land charge on the rating unit title. This means that the Council will have first call on the proceeds of any revenue from the sale or lease of the rating unit. All costs associated with the statutory land charge, including but not limited to preparation and registration of the statutory land charge, will be met by the ratepayer.

POLICY ON REMISSION AND POSTPONEMENT OF RATES ON MĀORI FREEHOLD LAND

1. PURPOSE

The Council has recognized that certain Maori freehold land have particular conditions, ownership structures or other circumstances which make it appropriate to remit or postpone rates for defined periods of time.

The Council and the community benefit through more efficient use of staff time and the removal of that rates debt which is considered noncollectable.

The Council is required to consider every application for remission and/or postponement of rates on Maori freehold land pursuant to Section 108 of the Local Government Act 2002 and will then consider the most appropriate tool, if any, either remission or postponement to assist in making ownership and occupancy of the land feasible.

2. REMISSIONS OF RATES ON MĀORI FREEHOLD LAND

Objective

The matters that the local authority must consider under section 108(4) are:

- a) the desirability and importance within the district of each of the Objectives listed below ; and
- b) whether, and to what extent, the attainment of any of those objectives could be prejudicially affected if there is no remission of rates or postponement of the requirement to pay rates on Māori freehold land; and
- c) whether, and to what extent, the attainment of those objectives is likely to be facilitated by the remission of rates or postponement of the requirement to pay rates on Māori freehold land; and
- d) the extent to which different criteria and conditions for rates relief may contribute to different objectives.

The Objectives (referred to in the above paragraph) are:

- a) supporting the use of the land by the owners for traditional purposes:
- b) recognising and supporting the relationship of Māori and their culture and traditions with their ancestral lands:
- c) avoiding further alienation of Māori freehold land:
- d) facilitating any wish of the owners to develop the land for economic use:
- e) recognising and taking account of the presence of waahi tapu that may affect the use of the land for other purposes:
- f) recognising and taking account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere):

- g) recognising and taking account of the importance of the land for community goals relating to—
 - (i) the preservation of the natural character of the coastal environment:
 - (ii) the protection of outstanding natural features:
 - (iii) the protection of significant indigenous vegetation and significant habitats of indigenous fauna:
- h) recognising the level of community services provided to the land and its occupiers:
 - (i) recognising matters related to the physical accessibility of the land.

Conditions and criteria

This policy applies only to land whose beneficial ownership has been determined by the Maori Land Court by freehold order and is either:

- i. non-income producing
 - ii. in its natural state or undeveloped state
 - iii. not occupied
 - iv. in multi ownership
-
- a. Council will have the sole discretion on whether or not to grant the remission and may seek such additional information as may be required before making its final decision.
 - b. If the status of the land changes so that it no longer complies with the criteria then remission ceases unless further relief is granted in accordance with this policy below.
 - c. Any rating relief will be temporary and each application will be limited to a term of three years. However the Council may consider renewing the rate relief upon the receipt of further applications from the ratepayer. Council may also, at its sole discretion, renew the rating relief without application.
 - d. In the event that subsequent applications for rating relief are made by only one or a minority of the owners who are the ratepayers, Council may require that these are signed or supported by such greater proportion of owners as may be required from time to time.
 - e. The ratepayer will be required to apply in writing for consideration of remission by 30th June each year.
 - f. Remission will be applied annually to those properties where remission has been previously granted, until the applicable criteria is no longer met. 'Use' of land will be continually monitored.
 - g. If any part of the land is or becomes used or occupied that portion may be demarcated and treated as a rating unit for the purpose of assessing rates.
 - h. Applications must be written using the prescribed form.

Delegated Authority

The General Manager Corporate Services has the delegated authority to consider and decide upon all applications received for remission of rates for Maori freehold land, and to determine the amount of remission that may be granted.

Council's functions under this policy may be carried out by the General Manager Corporate Services.

3. POSTPONEMENT OF RATES ON MĀORI FREEHOLD LAND

Objective

To facilitate the development and use of the Maori freehold land for economic use where Council considers utilisation would be uneconomic if full rates are required during the years of development and establishment of pasture or crop.

Conditions and criteria

Council will consider postponement of rates where previously unoccupied land is subject to clearing, development, and the growing of crops.

Application should be made prior to commencement of the clearing, development and the growing of crops. Applications made after the commencement of the development may be accepted at the discretion of Council.

Applications must be in writing, using the prescribed form, by the 30th June for it to be applied to the next rating year.

Applications should include the following information in their applications:

- a. details of the property
- b. the objectives that will be achieved by providing postponement
- c. details of the proposed development

Council will consider postponement for each individual application according to the circumstances of that application.

Council may also, at its discretion, partially remit rates that are otherwise subject to postponement.

Where Council decides to postpone rates the ratepayer must first make acceptable arrangements for payment of future rates, for example by setting up a system for regular payments.

Any postponed rates will be paid if any of the following events:

- The death of the ratepayer
- The ratepayer ceases to be the owner or occupier of the rating unit
- The ratepayer no longer uses the rating unit as his or her residence;
- The ratepayer recovers the ability to pay
- a date specified by the Council at the time of granting the postponement

OR

- Some other time as determined by the General Manager Corporate Services.

A postponement will apply from the beginning of the rating year in which the application is made, and will end at the conclusion of the rating year.

Penalties will not be applied or will be remitted for any rates that have been postponed.

The Council may require a ratepayer to make an application each year for continued postponement.

A postponement fee to cover administration and financial costs may be charged on postponed rates, in accordance with Section 88 of the Local Government (Rating) Act 2002.

The ratepayer agrees to meet any Council costs associated with granting the postponement.

Postponed rates will be registered as a statutory land charge on the rating unit title. This means that the Council will have first call on the proceeds of any revenue from the sale or lease of the rating unit. All costs associated with the statutory land charge, including but not limited to preparation and registration of the statutory land charge, will be met by the ratepayer.

Delegated Authority

The General Manager Corporate Services has been given the delegated authority to consider and decide upon all applications received for postponement of rates for Maori freehold land, and to determine the terms under which the postponement may be granted.

Council's functions under this policy may be carried out by the General Manager Corporate Services.

Notice of Motion

Cr Calvert, received 15 Feb 2021

Prepared for: Finance Committee

Date: 24 February 2021

EXECUTIVE SUMMARY

In accordance with Standing Order 27.1, the attached Notice of Motion has been received from Councillor Hilary Calvert for inclusion on the agenda for the Finance Committee meeting being held Wednesday, 24 February 2021:

RECOMMENDATION

That the Committee:

- 1) Considers the Notice of Motion.**

ATTACHMENTS

1. Notice of Motion – Cr Calvert 2021.02.15

**NOTICE OF MOTION
COUNCILLOR CALVERT
15 February 2021**

That Committee:

- 1) **Acknowledges** the Queenstown Business Case (QBC) work to date and the need for the public transport portion to be further developed.
- 2) **Supports** the need for the Council to work alongside Waka Kotahi in other pieces of the transport network.
- 3) **Notes** that the work required will be substantial burden to a small number of ratepayers, many substantially affected by COVID restrictions.
- 4) **Requests** that the Chair write to the relevant Minister(s) to seek Government support for the balance of the cost of the next step of the QBC, to the effect that the Government would fully fund the next step.

Signed



Councillor Calvert
15th February 2021

Background to Notice of Motion as supplied by Cr Calvert:

The Government Policy Statement on Land Transport Funding (safety, Better Travel Options, Improving Freight Connections and Climate Change) provides both a vision and an imperative to reduce personal vehicle travel while encouraging use of public transport and active travel.

Waka Kotahi has produced, with the help and support of QLDC and the ORC through the Way to Go collaboration, an initial document which outlines a preferred programme and infrastructure interventions known as The Queenstown Business Case (QBC).

The next step in carrying out this programme for the ORC is a more detailed business case with a particular focus on public transport improvements.

The above were all on task for the next step when COVID hit.

The next step proposal has been endorsed by QLDC and is expected to be accepted by Waka Kotahi within the next week.

However, Queenstown is one of the hardest hit areas in New Zealand for COVID as a result of its reliance on tourism. Minister Nash has cautioned suggestions of a tourism recovery any time soon.

The Team of 5 million has been protected from the rest of the world allowing us to continue in much of New Zealand as we were without the virus.

In short Queenstown has taken the hit on behalf of all of us.

Meanwhile the Climate Commission has released its report with the stark message that we need to reduce our carbon emissions urgently. The Prime Minister has declared a climate emergency.

Against this backdrop it would be appropriate to request that the Government pay for the next step, an investment of an extra \$750,000 since Waka Kotahi will already pay for half.

There are compelling reasons for the Government to support this proposal.

- The urgent work towards reduced carbon from more use of public transport could happen earlier.
- It would show compassion from the Government for Queenstown since they have taken the hit for the rest of us.
- It would allow some breathing space for Queenstown residents to recover while the detailed business case is done without requesting that they put their hands in their increasingly bare pockets to fund this in the next 2 years.
- If the Government takes responsibility for all of this next stage business case the document achieved be more likely to appropriately take into consideration any changes the Government wishes to make in public transport during the life of the programme.

10.1. Recommendations of the 17 February 2021 Audit and Risk Subcommittee Meeting Resolutions of the 17 February 2021 (public) Audit and Risk Subcommittee

Resolution

That the Finance Committee:

- 1) **Adopts** the resolutions of the (public) 10 February 2021 Audit and Risk Subcommittee.

7.1 Safety and Wellbeing

Resolution

That the Committee:

- 1) **Receives** this report.

Moved: Cr Wilson
Seconded: Cr Malcolm
CARRIED

7.2 Legislative Compliance

Resolution

That the Audit and Risk Subcommittee:

- 1) **Receives** this report.

Moved: Cr Wilson
Seconded: Cr Malcolm
CARRIED

7.3 Audit Management Letter Response - Follow Up

Resolution

That the Audit and Risk Subcommittee:

- 1) **Receives** this report.
- 2) **Acknowledges and understands** the progress that has been made towards reduction of the annual leave liability balance and appreciates the difficulty in progressing the reduction.

Moved: Cr Wilson
Seconded: Cr Malcolm
CARRIED

7.4 Audit and Risk Work Programme

Resolution

That the Audit and Risk Subcommittee:

- 1) **Receives** this report.
- 2) **Endorses** the proposed work programme for the 2021 calendar year.

Moved: Cr Wilson
Seconded: Cr Malcolm
CARRIED

7.5 Local Government Funding Agency Membership Proposal

Resolution

That the Audit and Risk Subcommittee:

- 1) Receives** this report and the attached LGFA Presentation to the Audit and Risk Committee from Bancorp Treasury Services.
- 2) Recommends to Council that** staff commence the process of joining the LGFA including preparing a statement of proposal, amending the Treasury Management Policy and preparing a consultation plan and documentation to undertake a special consultative process (SCP).
- 3) Notes** that Bancorp Treasury Services will assist Council with this process.

Moved: Cr Wilson
Seconded: Cr Noone
CARRIED

10.2. Recommendations of the 17 February 2021 Public-excluded Audit and Risk Subcommittee

Resolution

That the Finance Committee:

- 1) **Adopts** the resolutions of the 17 February 2021 public-excluded Audit and Risk Subcommittee.

3.1 Managed Fund Report

Resolution

That the Audit and Risk Subcommittee:

- 1) **Receives** this report and the attached JB Were Premium Custody Report.

Moved: Cr Calvert

Seconded: Cr Noone

CARRIED

3.2 Risk Report

Resolution

That the Audit and Risk Subcommittee:

- 2) **Receives** this report.
- 3) **Requests** an update on the current Risk Register to be presented by ELT at the 13 May 2021 Audit and Risk Subcommittee Meeting.
- 4) **Anticipates** the revised Risk Register completed under a new framework by the 22 September 2021 Audit and Risk Subcommittee Meeting.

Moved: Cr Wilson

Seconded: Andrew Douglas

CARRIED