Otago Regional Council

Long-Term Plan 2027-37
Finance & Funding

Council Workshop 27 August 2026

Contents

- Overview of current funding
- Document review:
  - Financial Strategy
  - Revenue & Financing Policy
  - Other financial policies

Process / timeline recap

Otago Regional Council

LTP Financial Review Process

Series of 3 finance and funding workshops planned:

- 30-Jul Overview legislative requirements
  Provide current financial strategy and policies
- 27-Aug Overview of current funding
  – including ORC rates, RC rates
  Review key documents (Financial Strategy / Revenue & Financing Policy)
  – identify changes to consider
- 7-Oct Analysis on feedback from previous workshop
  Draft Financial Strategy / Revenue and Financing Policy

LTP financial estimates:

- 29-Oct Draft activity budgets and consolidated financial estimates
- 2-Dec Draft LTP (including full financial statements)

Current Funding Overview

Otago Regional Council

Summary LTP (2024-34), AP's Years 2 & 3

Otago Regional Council

OPERATING EXPENDITURE	AP 23/24	LTP1 24/25	LTP2 25/26	LTP3 26/27	LTP4 27/28	LTP5 28/29	LTP6 29/30	LTP7 30/31	LTP8 31/32	LTP9 32/33	LTP10 33/34
Governance & Community	8,649	13,343	15,165	15,187	15,323	16,239	16,196	16,061	17,212	17,223	17,089
Regional Planning	3,071	2,925	3,066	2,304	2,460	2,511	2,566	2,616	2,666	2,718	2,771
Regulatory	14,214	12,568	13,846	14,525	15,505	15,868	16,331	16,690	17,068	17,469	17,873
Regional Leadership	**25,934**	**28,836**	**32,077**	**32,017**	**33,289**	**34,619**	**35,093**	**35,366**	**36,946**	**37,410**	**37,732**
Land & Water	19,713	20,140	21,875	22,834	23,391	23,955	24,111	24,300	24,691	25,138	25,732
Biodiversity & Biosecurity	10,436	8,955	12,013	12,993	13,509	15,189	14,018	14,321	14,627	14,942	15,257
Air	894	1,377	1,792	1,808	1,862	1,919	1,983	2,043	2,105	2,186	2,237
Environment	**31,042**	**30,472**	**35,680**	**37,636**	**38,762**	**41,062**	**40,112**	**40,664**	**41,423**	**42,266**	**43,225**
Climate Change & Hazards	3,555	3,524	3,454	4,339	4,618	4,562	4,526	3,790	3,982	4,048	4,137
Emergency Mgt	3,497	3,730	4,018	4,076	4,128	4,091	4,175	4,252	4,334	4,390	4,502
Flood & Rivers	10,438	11,191	13,579	13,609	13,715	14,331	14,270	14,291	15,833	15,230	16,330
Safety & Resilience	**17,489**	**18,445**	**21,052**	**22,024**	**22,460**	**22,984**	**22,971**	**22,334**	**24,149**	**23,669**	**24,969**
Transport	**36,118**	**41,950**	**45,995**	**54,111**	**53,554**	**55,045**	**56,927**	**58,324**	**59,832**	**61,628**	**63,136**
Internal	**10,738**	**11,357**	**9,154**	**8,930**	**8,741**	**9,213**	**9,561**	**9,887**	**10,219**	**10,471**	**10,673**
TOTAL EXPENDITURE	**121,323**	**131,060**	**143,958**	**154,717**	**156,805**	**162,923**	**164,664**	**166,575**	**172,568**	**175,444**	**179,736**

OPERATING FUNDING - $	AP 23/24	LTP1 24/25	LTP2 25/26	LTP3 26/27	LTP4 27/28	LTP5 28/29	LTP6 29/30	LTP7 30/31	LTP8 31/32	LTP9 32/33	LTP10 33/34
General Rates	28,263	29,046	32,143	34,438	36,167	38,005	39,160	39,739	41,849	43,057	44,105
Targeted Rates	27,515	35,846	41,680	45,832	47,807	51,025	49,157	51,466	54,377	57,716	61,721
Total Rates	**55,778**	**64,893**	**73,823**	**80,269**	**83,974**	**89,031**	**88,317**	**91,205**	**96,226**	**100,772**	**105,826**
Grants	20,497	21,991	23,814	27,068	26,779	27,333	28,044	28,094	28,642	29,338	29,944
Fees & Charges	5,951	4,364	4,729	4,873	4,952	5,105	5,274	5,426	5,586	5,753	5,926
Bus Fares	6,100	6,969	7,541	9,608	9,993	10,551	11,208	11,666	12,224	12,782	13,240
Other Income	7,468	3,167	6,739	3,630	3,145	3,280	3,328	3,395	3,508	3,629	3,755
Dividends	15,000	18,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Interest & Other Gains	11,345	11,088	8,738	7,475	6,976	7,112	7,201	7,329	7,483	7,640	7,811
Reserves	(815)	588	(1,425)	1,794	986	511	1,293	(541)	(1,102)	(4,472)	(6,766)
Total Non Rates	**65,545**	**66,167**	**70,134**	**74,448**	**72,831**	**73,893**	**76,348**	**75,370**	**76,342**	**74,671**	**73,910**
TOTAL REVENUE	**121,323**	**131,060**	**143,958**	**154,717**	**156,805**	**162,923**	**164,664**	**166,575**	**172,568**	**175,444**	**179,736**

General Rates		2.8%	10.7%	7.1%	5.0%	5.1%	3.0%	1.5%	5.3%	2.9%	2.4%
Targeted Rates		30.3%	16.3%	10.0%	4.3%	6.7%	-3.7%	4.7%	5.7%	6.1%	6.9%
Total Rates		**16.3%**	**13.8%**	**8.7%**	**4.6%**	**6.0%**	**-0.8%**	**3.3%**	**5.5%**	**4.7%**	**5.0%**

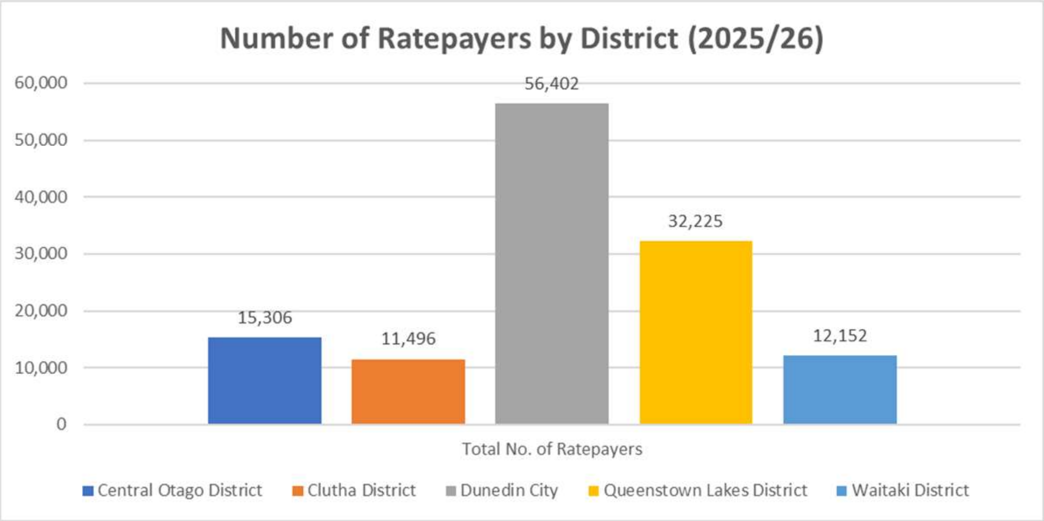
OPERATING EXPENDITURE	AP 25/26	AP 26/27
Governance & Community	15,518	15,246
Regional Planning	2,640	2,220
Regulatory	14,173	14,600
Regional Leadership	**32,331**	**32,066**
Land & Water	20,284	19,409
Biodiversity & Biosecurity	11,838	12,000
Air	1,769	1,226
Environment	**33,891**	**32,636**
Climate Change & Hazards	3,438	4,965
Emergency Management	4,000	4,114
Flood & Rivers	12,189	12,117
Safety & Resilience	**19,627**	**21,195**
Transport	**46,637**	**50,555**
Internal	**8,148**	**9,554**
TOTAL EXPENDITURE	**140,634**	**146,006**

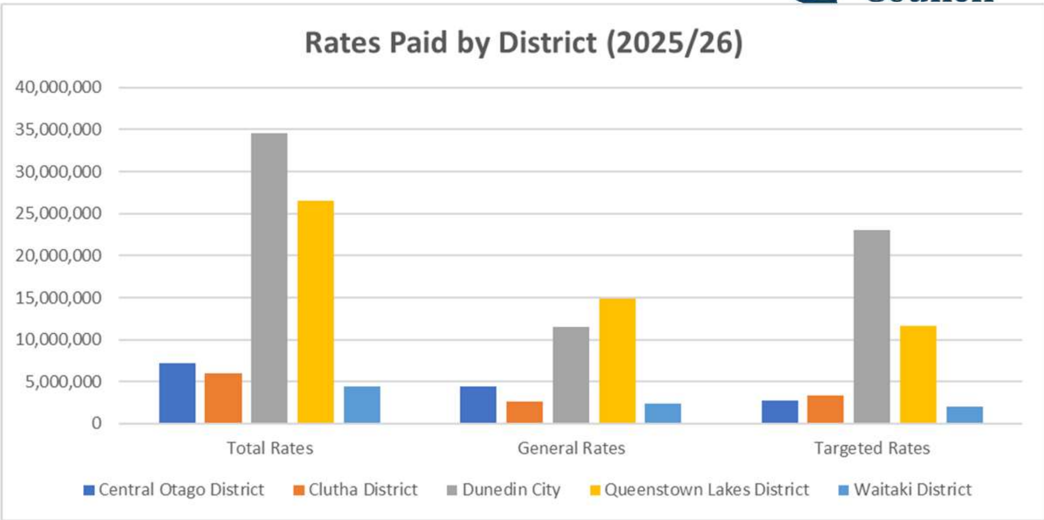
OPERATING FUNDING	AP 25/26	AP 26/27
General Rates	31,160	30,101
Targeted Rates	37,306	38,366
Total Rates	**68,467**	**68,467**
Grants	25,162	29,992
Fees & Charges	5,348	6,111
Bus Fares	8,274	9,736
Other Income	1,979	1,653
Dividends - Port	20,000	20,000
Investment Income	6,090	6,465
Lease Income	1,086	1,086
Reserves	4,228	2,496
Total Non Rates	**72,167**	**77,540**
TOTAL REVENUE	**140,634**	**146,006**

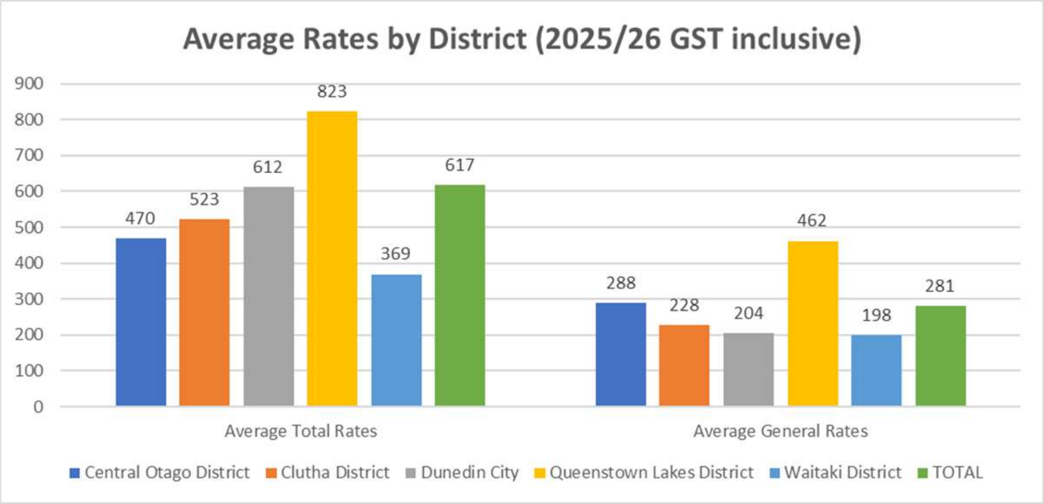
General Rates	7.3%	-3.4%
Targeted Rates	4.1%	2.8%
Total Rates	**5.5%**	**0.0%**

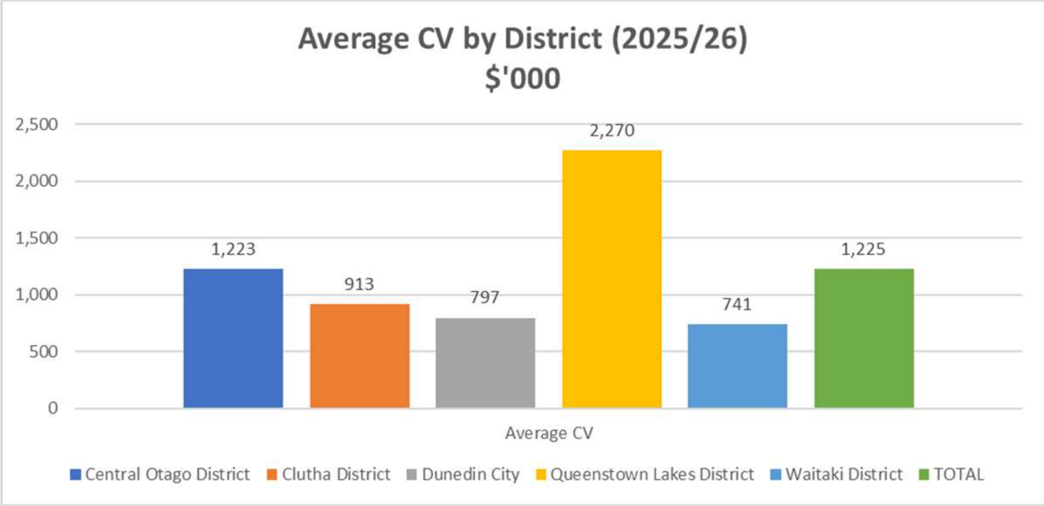
Current Rates 2025/26

Otago Regional Council

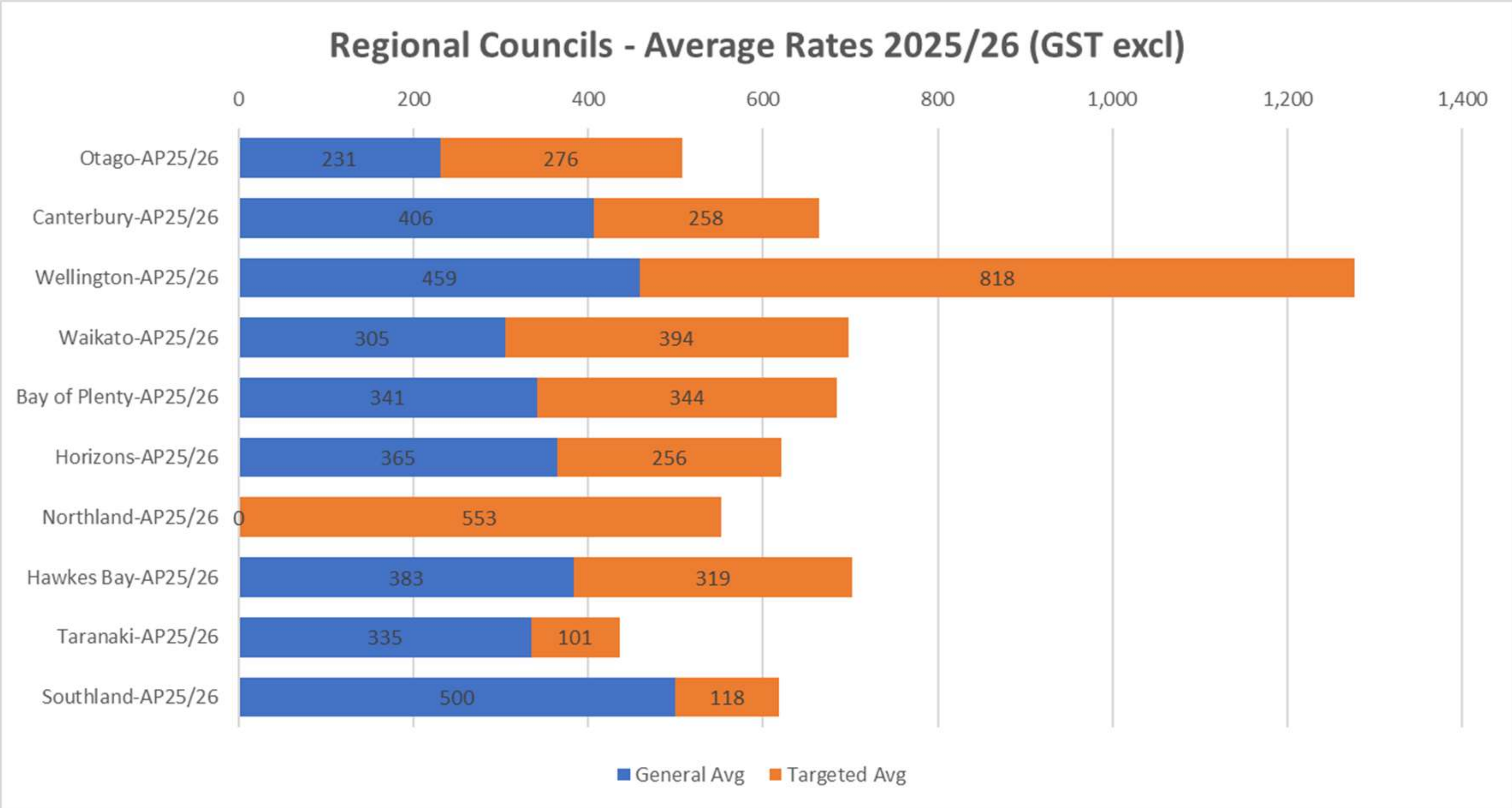








Regional Council Rates



- Annual Plan 2025/26 (GST exclusive)
- ORC is second smallest

- 8 Regional Councils set general rates on CV (includes Northland RC's Council Services targeted rate)
- 2 RC's use Land Value (BOP, HBRC)

Excludes West Coast Regional and unitary councils

Rates by Postal Address (2022/23)

District	Central Otago District		
Region	**Territory**	**Count**	
Otago	Central Otago District	9,781	66%
	Dunedin City	1,321	
	Queenstown-Lakes	1,189	
	Clutha District	126	
	Dunedin PO	125	
	Waitaki District	72	
Otago Total		**12,614**	85%
Southland		756	
Auckland		440	3%
Canterbury		439	3%
Wellington		186	
Overseas		170	1%
Grand Total		**14,859**	100%

District	Clutha District		
Region	**Territory**	**Count**	
Otago	Clutha District	8,160	72%
	Dunedin City	1,086	
	Central Otago District	438	
	Dunedin PO	170	
	Queenstown-Lakes	158	
	Waitaki District	29	
Otago Total		**10,041**	88%
Southland		638	
Canterbury		186	2%
Auckland		147	1%
Wellington		115	
Overseas		96	1%
Grand Total		**11,370**	100%

District	Dunedin City		
Region	**Territory**	**Count**	
Otago	Dunedin City	46,486	88%
	Dunedin PO	2,330	
	Queenstown-Lakes	621	
	Central Otago District	518	
	Waitaki District	282	
	Clutha District	264	
Otago Total		**50,501**	91%
Auckland		2,268	4%
Canterbury		905	2%
Overseas		538	1%
Wellington		482	
Southland		260	
Grand Total		**55,618**	100%

District	Queenstown Lakes District		
Region	**Territory**	**Count**	
Otago	Queenstown-Lakes	16,461	55%
	Dunedin City	1,235	
	Central Otago District	271	
	Dunedin PO	214	
	Clutha District	131	
	Waitaki District	122	
Otago Total		**18,434**	62%
Auckland		3,725	12%
Overseas		2,212	7%
Canterbury		2,168	7%
Southland		1,336	
Wellington		737	
Grand Total		**29,890**	100%

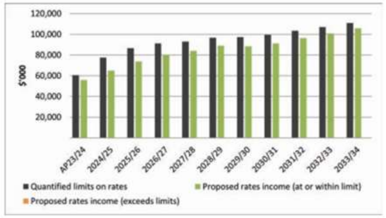
District	Waitaki District		
Region	**Territory**	**Count**	
Otago	Waitaki District	9,401	78%
	Dunedin City	501	
	Queenstown-Lakes	130	
	Central Otago District	99	
	Dunedin PO	34	
	Clutha District	16	
Otago Total		**10,181**	85%
Canterbury		1,182	10%
Auckland		276	2%
Overseas		124	1%
Wellington		78	
Waikato		40	
Grand Total		**12,033**	100%

Benchmarks – LTP 2024-34 (pages 99-101)

Otago Regional Council

Rates (Income) Affordability Benchmark

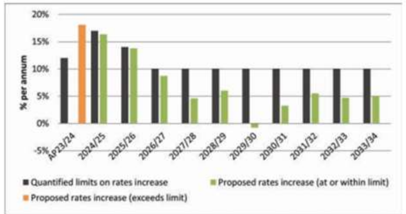
The following graph compares the Council's actual rate income with a quantified limit on rate contained in the financial strategy included in the Council's Long-Term Plan. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars.



Rates (increases) affordability

The following graph compares Council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this Long-Term Plan.

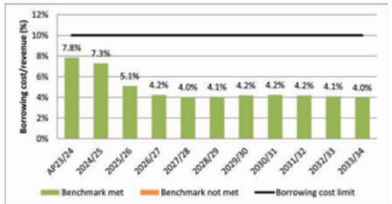
The quantified limit is 17% for 2024/25, 14% for 2025/26, 10% for 2026/27 and subsequently 10% in 2027/28 to 2033/34.



Debt servicing benchmark

The following graph displays council's planned borrowing costs as a proportion of planned revenue (excluding financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

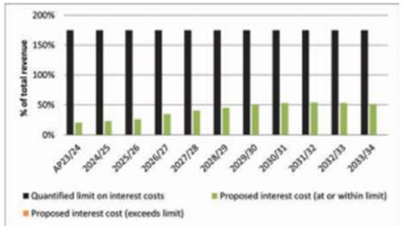
Because Statistics New Zealand projects Otago's population will grow more slowly that the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs are equal to or less than 10% of its planned revenue.



Debt affordability

Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing

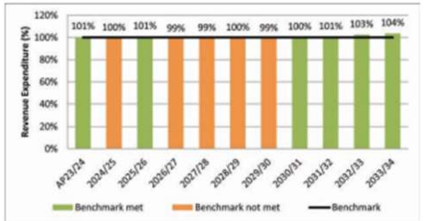
The following graph compares council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this Long-Term Plan. The quantified limit is that debt cannot exceed 175% of the total revenue.



Balanced budget benchmark

The following graph displays council's planned revenue (excluding financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluation of property, plant or equipment).

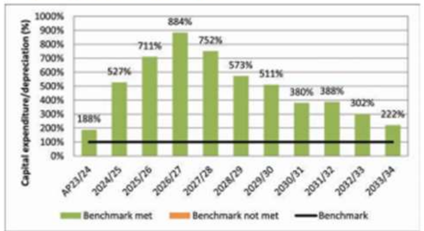
Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

The following graph displays council's planned capital expenditure on network services as a proportion of expected depreciation on network services. Council's network services comprise flood protection and control works.

Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Financial Strategy

- **Last workshop covered LGA requirements, purpose and what's included in a Financial Strategy**
- **Following slides cover key points included in ORC's current Financial Strategy**

Key Changes in LTP 2024/34

Otago Regional Council

- Debt repayment periods (Flood & Drainage)
  - Increased to fund capex over 30 years
- Balancing the budget (Transport)
  - Moved to fully fund each years opex in that year
  - RFP changed to include general rates (had proposed to increase targeted area and rate on uniform basis but those weren’t adopted)
  - Deficits at 30 June 2024 ringfenced and being repaid over 5* years on existing rates basis (100% targeted rates)
  - * Dunedin deficit was higher than forecast and will take longer than this

FS Sections – Introduction

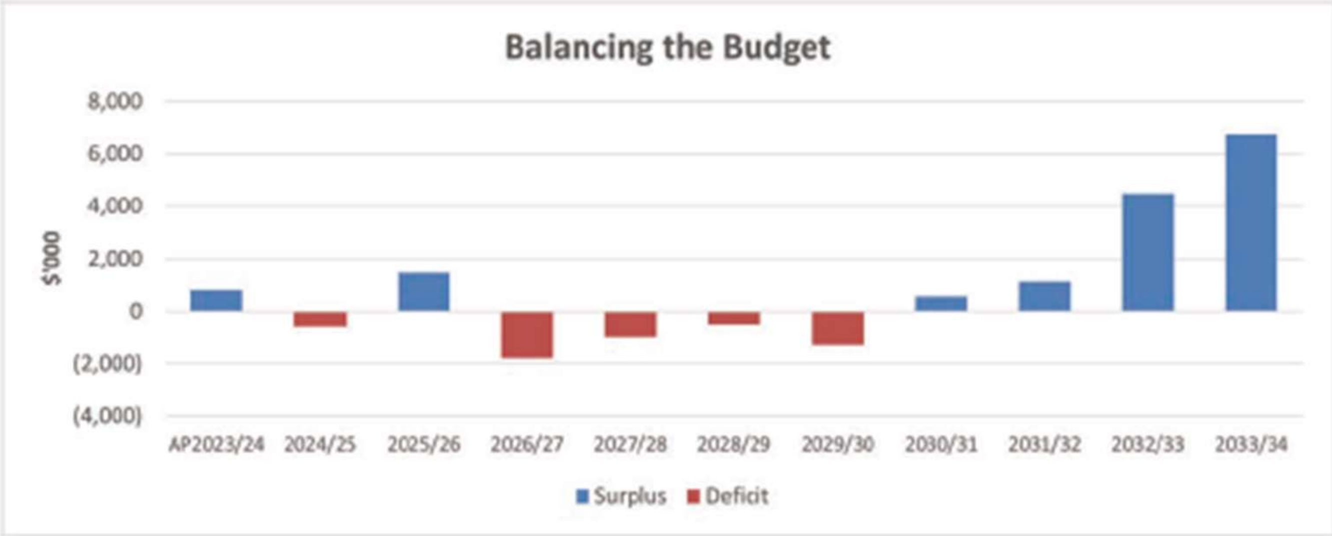
- Purpose – path for prudent / sustainable funding for the LTP
- Executive Summary
  - Less reliance on reserves with aim to balance the budget
  - Significant increase in infrastructure and transport spending
  - Increase use of external debt to fund capex and repay of 30 years
  - RFP review has resulted in a number of rate changes
- Background – outlines the process followed for setting the work programme
- Principles – prudence, fairness, value for money, transparency
- Key Issues – climate change, policy direction, environmental degradation, land use intensification, economic conditions
- Assumptions – population growth, economy / employment / technology, role of Council, natural hazards / climate

Expenditure

- Operating expenditure
  - Strategy is to fully fund operating expenditure from operating revenue (balanced budget)
  - Reserves not used to fund day to day, BAU (not prudent)
  - But can be used in special cases ie specific one-offs and activities were benefits continue over future years
  - Targeted rate activities may use reserves to smooth rates and provide certainty
- Operating surplus and balancing the budget
  - Shows small deficits in years 1, 3-6

Expenditure (cont'd)

Otago Regional Council



Capital Expenditure

- Capital expenditure
  - Mainly flood and drainage (year 1 includes Whare Rūnaka)
  - Infrastructure assets belong to schemes
  - Funded through targeted rates
  - Each scheme has a reserve – made up of funded depreciation, unspent rates and interest earned / paid
  - Scheme reserves are used to fund capex
  - Borrowing (internal or external) used if reserves are insufficient
- Infrastructure asset investment
  - Summary of planned scheme capex
  - Shows significant increase in LTP 2024/34 vs previous LTP

Capital Expenditure (cont'd)

	LTP 2021-31			LTP 2024-34			Change
	Inc in Level of Service $'000s	Renew /Replace $'000s	Total 10-Years $'000s	Inc in Level of Service $'000s	Renew /Replace $'000s	Total 10-Years $'000s	Total 10-Years $'000s
Alexandra Flood	-	41	41	-	-	-	(41)
Leith Flood Protection	-	1,823	1,823	-	4,582	4,582	2,760
Lower Clutha Flood & Drainage	307	2,251	2,558	684	13,017	13,701	11,143
Lower Taieri Flood Protection	-	7,915	7,915	-	22,397	22,397	14,483
West Taieri Drainage	3,405	4,581	7,986	-	5,033	5,033	(2,953)
East Taieri Drainage	1,729	2,327	4,056	-	4,693	4,693	637
Tokomairiro Drainage	-	233	233	-	2,000	2,000	1,767
Total	**5,441**	**19,170**	**24,611**	**684**	**51,723**	**52,407**	**27,795**

Revenue – Rates

- General Rates
  - Used where there is wider community benefit or a defined benefit area or group can’t be determined
  - Subsidised by investment income – Port dividend and managed fund
- Targeted Rates
  - Used for defined benefit area or group
  - 18 targeted rates used
  - Each targeted rate has its own reserve
    - Retains unspent funding and smooths rates
    - River management aims to hold 1 year’s opex
  - Significant capex repaid over maximum of 20 years (due to interest cost of longer term funding)

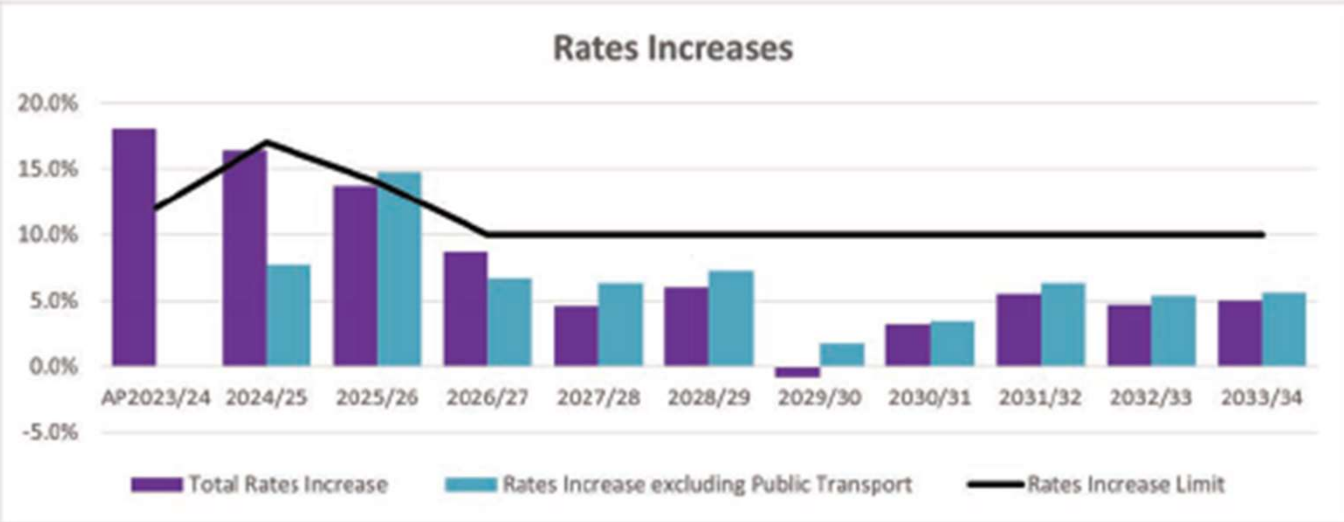
Revenue

- A mix of funding sources is used to pay for activities

Revenue – Rates

- Total rates
  - Shows amounts / trend over the LTP 10 years
- Rates limits
  - States % increases over the 10 years
  - Determined once LTP estimates and funding requirements were completed
    - Could set limits now ie % pa or years 1-3 and 4+
  - Same as limits as used in prudence benchmark graphs
    - Last LTP reinstated a separate $ limit on rates
      - $ rates limit was based on 60% of total revenue
      - Will add this to the Financial Strategy

Revenue – Rates (cont'd)



LTP Rates increases

- Year 1: 16.3%
- Year 2: 13.8%...AP 2025/26: 5.5%
- Year 3: 8.7%...AP 2026/27: 0%

Borrowing

Otago Regional Council

- Introduced external borrowing through the Local Government Funding Agency in 2022
- Borrowing limits set in TMP (s3.5) and align to LGFA covenants
  - Net Debt <= 175% of total revenue
  - Net Interest expense <= 20% of total rates revenue
  - Net Interest expense <= 25% of total revenue rates
  - Liquidity >=110%
- Provide LGFA on-lending to Port – agreement for up to $150M
  - Port net debt and net interest are zero
    - Net debt deducts liquid financial assets and investments (which includes Port on-lending)
    - Net interest is interest expense less interest income (Port net interest is zero)
- Liquidity calculation includes Port gross debt

Borrowing (cont'd)

- Security
  - Charge over rates
  - Will not offer security over any other assets (but can consider in special circumstances)
- Internal borrowing
  - Interest charged (rates set in LTP/AP)
  - Limited to 50% of reserves (excluding revaluation reserves)

Investments

- Objective – to earn a return whilst protecting initial investment
- Risk profile is conservative
- Within approved credit limits, Council seeks to
  - Maximise investment returns
  - Manage potential capital losses due to interest rate, currency and price movements
  - Maintain the real value of investment assets in perpetuity *
  - Ensure that the real value of distributions can be maintained *
  - Maintain intergenerational equity between current and future ratepayers of Otago Regional Council *

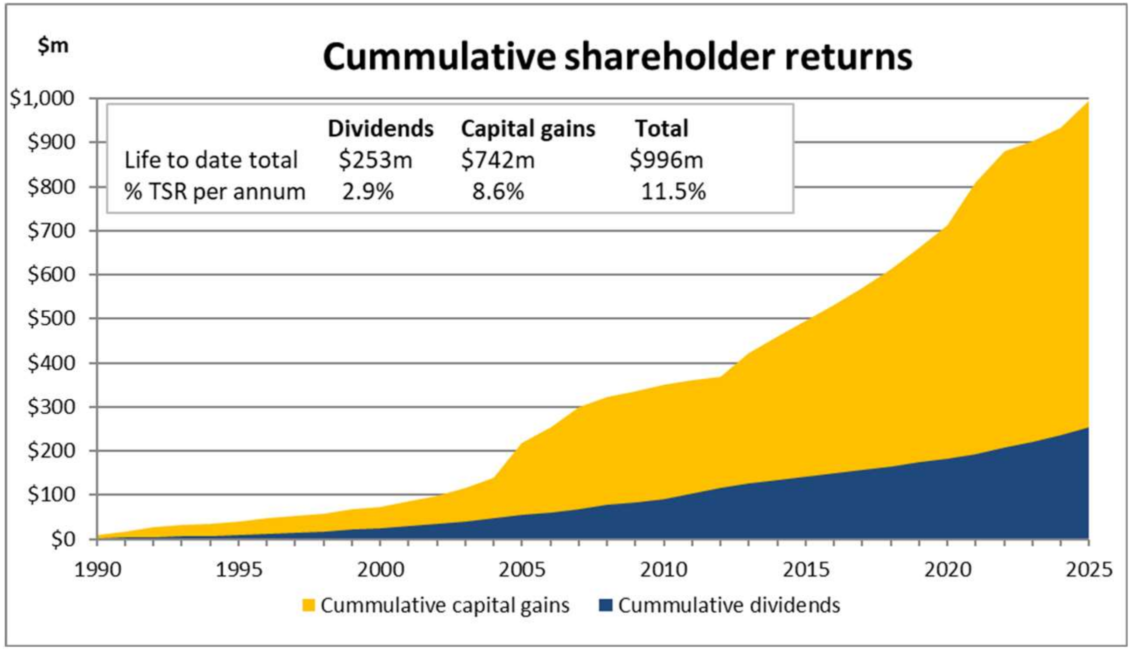
** last 3 are not in financial strategy – from TMP s4.1 which has all 5*

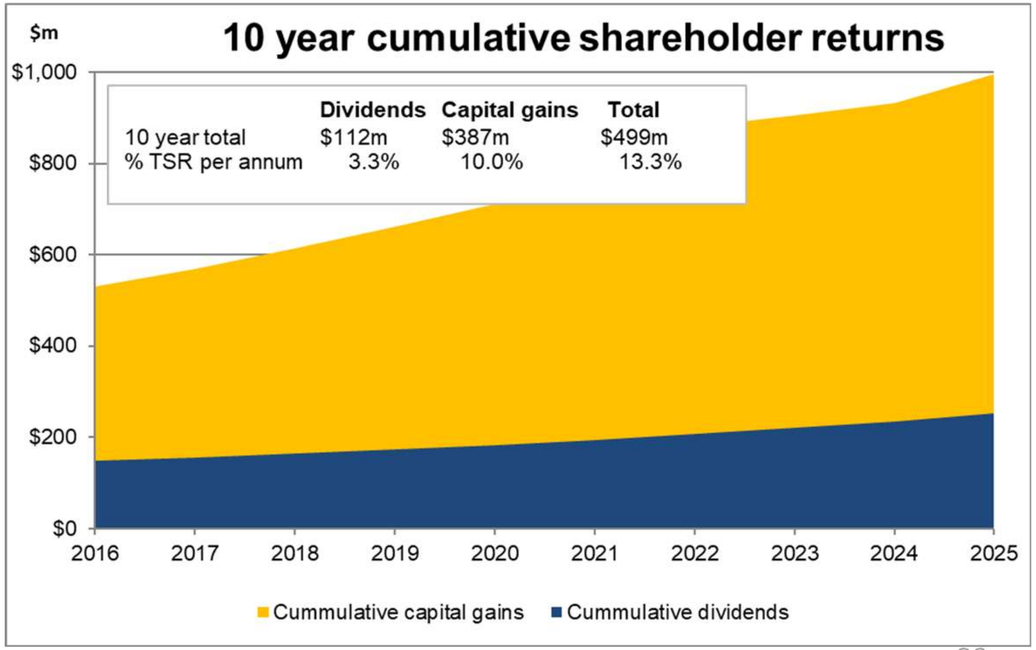
Port Otago

- Council owns 100%
- Dividends significantly reduce general rates so every ratepayer benefits from ownership
  - Policy 50-70% of normalised operating profit after tax
  - Aims to balances sustainable return with reinvestment in the long-term future of the business
- Dividends increased over the LTP 2024/34
  - Increased from $15.0M (23/24) to $18M in year 1 (24/25), then $20M years 2-10
- Financial Strategy notes risk of increase reliance on Port dividends
- Special dividends may be received / requested
- Statement of Corporate Intent updates dividend expectations annually and aligns with LTP / Annual Plans (not noted in Financial Strategy)

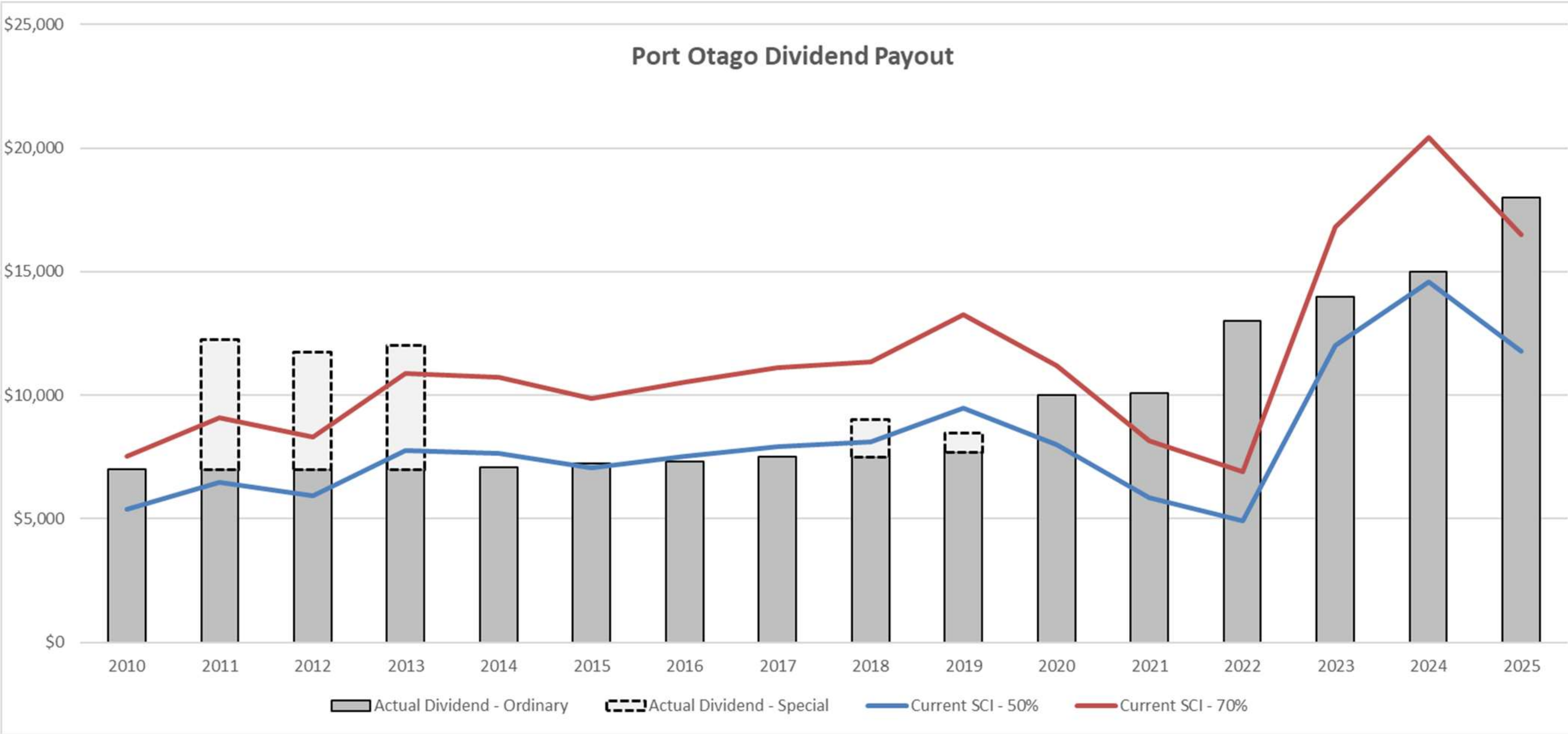
Port Otago – Returns

- Valuation 30 June 2025 $788M
- Cumulative dividends $253M (last 10 years $112M)
- Cumulative return 11.5%





Port Otago – Dividend Payout



Investment Property

- Don’t actively invest but own historic investment property
- Rental income used to offset general rates
- University (College of Education) 135-183 Union Street
  Polytech 47-51 Harbour Terrace
  - Ground leases – valued annually at 30 June
  - Union St – $14.1M, annual rent $578k (at 30-Jun-2026)
  - Harbour Tce – $3.725M, annual rent $170k (at 30-Jun-2026)
  - Rent reviews every 7 – next reviews April 2028 / 2031

Other Property

- ORC owns other property
  (not investments and not included in the financial strategy)
  - Kuriwao (1 remaining to freehold)
    - Rent / sales proceeds go to Kuriwao reserve
  - Operational lease on flood scheme land (grazing leases)
    - Rental income goes to applicable scheme reserve and offsets rates requirement
  - Own depots at Taieri, Balclutha, Cromwell, Wanaka

Managed Fund

- Balance at 30 June 2026 = $33.6M
- Managed by JB Were – equities, bonds and cash
- Statement of Investment Policy and Objectives (SIPO) is the framework for managing the fund
  - Reviewed in 2023 – introduced responsible investment policy and ESG (environmental, social, governance) criteria
  - Reviewed in 2025 – amended strategic asset allocations and removed separate property allocation
- Key objectives:
  - Protect and maintain current investments
  - Maximise returns within prudent levels of risk
  - Maintain appropriate asset allocation
- Risk tolerance drives investment
  - Council is risk adverse

Risk Measure	Level of Risk
Capacity to accept risk	Medium to High
Willingness to accept risk	Low to Medium
Required rate of return	Inflation plus 2.3% - 3.1% (net)

Estimated Rate of Return (net of fees) Inflation plus:	Estimated Gross Return	Level of Investment Risk	Growth Asset Strategy
1.5% - 2.3%	6.0% - 6.5%	Low	20% to 40%
2.3% - 3.1%	6.5% - 7.2%	Low to medium	40% to 60%
3.1% - 3.8%	7.2% - 7.8%	Medium to high	60% to 80%
3.8% - 4.3%	7.8% - 8.1%	High	80% to 90%

Managed Fund (cont'd)

- Investment horizon is long term (greater than seven years)
- Strategic asset allocation target – 50% income / 50% growth

Asset Class	Target Allocation	Acceptable Range	
		Minimum	Maximum
Cash	5%	0%	25%
NZ Fixed Interest	22.5%	17.5%	27.5%
International Fixed Interest	22.5%	17.5%	27.5%
Defensive Total	**50%**	**40%**	**60%**
NZ Equities	16.7%	11%	22%
Australian Equities	16.7%	11%	22%
International Equities	16.7%	11%	22%
Growth Total	**50%**	**40%**	**60%**
Total	**100%**		

- Returns – last 10 years

Managed Fund		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Avg
YE Balance	$M	19.0	19.9	21.3	22.5	23.4	25.3	23.4	25.3	27.3	29.9	
Capital Gain	$'000	157	-16	655	550	416	2,458	-2,412	1,124	1,147	1,781	
		0.83%	*-0.08%*	*3.18%*	*2.51%*	*1.81%*	*10.08%*	*-9.90%*	*4.62%*	*4.37%*	*6.23%*	*2.37%*
Income	$'000	894	952	873	694	643	545	659	840	1,008	951	
		4.74%	*4.90%*	*4.24%*	*3.17%*	*2.80%*	*2.24%*	*2.70%*	*3.45%*	*3.84%*	*3.33%*	*3.54%*
Total Return	$'000	1,050	936	1,528	1,244	1,059	3,003	-1,753	1,964	2,155	2,733	
		5.57%	*4.82%*	*7.43%*	*5.68%*	*4.61%*	*12.32%*	*-7.19%*	*8.07%*	*8.20%*	*9.56%*	*5.91%*

Reserves

- Two types – public equity and restricted / Council created
- Restricted and Council created reserves
  - Port share revaluation reserve – Port revaluation
  - Asset revaluation reserve – investment property revaluation
  - Asset replacement reserve – non scheme assets
  - Building reserve – Dunedin head office
  - Emergency response reserve – contingency fund
  - Kuriwao endowment reserve (restricted) – Kuriwao land sales and rental income

Reserves (cont'd)

- Public equity
  - Targeted reserves
    - River and waterway management – 5 (one for each district)
    - Flood and drainage schemes – 7
    - Transport – Dunedin and Queenstown (show the historic deficits from pre 1 July 2024 separately)
    - Other targeted rates – Catchment Management, Biosecurity, Wilding Pines, Emergency Management, Navigational Safety
  - General reserve – balance of public equity

Summary of Reserves

AS AT 30 June 2026 $'000	Opening Balance 1-Jul-2025	Transfers In	Transfers Out	Closing Balance 30-Jun-2026
GENERAL RESERVES				
General Reserve	69,226	99,681	(84,617)	84,290
Asset Replacement Reserve	8,112	2,358	(6,855)	3,615
Building Reserve	7,515	162	(4,654)	3,023
Emergency Response Reserve	4,925	127		5,052
Kuirwao Endowment Reserve	6,617	191	(433)	6,375
Asset Revaluation Reserve	16,029	825		16,854
Port Share Revaluation Reserve	768,120			768,120
Total General Reserves	**880,544**	**103,344**	**(96,559)**	**887,329**
TARGETED RESERVES				
River Management				
River Management Central	119	411	(611)	(81)
River Management Clutha	(767)	486	(831)	(1,112)
River Management Dunedin	240	266	(901)	(395)
River Management Queenstown Lakes	461	580	(565)	476
River Management Waitaki	1,137	687	(816)	1,008
Flood & Drainage				
Alexandra Flood	132	335	(221)	246
Leith Flood	(10,370)	1,530	(594)	(9,434)
Lower Clutha Flood & Drainage	(4,461)	3,401	(4,067)	(5,127)
Lower Taieri Flood	(49)	2,405	(3,022)	(666)
West Taieri Drainage	(1,947)	817	(1,075)	(2,205)
East Taieri Drainage	(460)	763	(1,049)	(746)
Tokomairiro Drainage	(68)	192	(297)	(173)
Transport				
Dunedin Transport	(360)	29,725	(28,042)	1,323
Dunedin Transport - Historic Balance	(10,445)	1,816	(238)	(8,867)
Queenstown Transport	532	13,847	(13,877)	502
Queenstown Transport - Historic Balance	(1,821)	463	(40)	(1,398)
Oamaru Transport	51	1	(52)	-
Other				
Catchment Management	960	4,679	(5,348)	291
Biosecurity	(955)	7,772	(7,875)	(1,058)
Wilding Pines	(817)	1,073	(256)	-
Emergency Management	(7)	6,299	(6,120)	172
Navigational Safety	(88)	885	(999)	(202)
Dairy Monitoring	(12)	12	-	()
Infrastructure Assets Reserve	73,892	3,688	(1,120)	76,460
Total Targeted Reserves	**44,897**	**82,133**	**(78,016)**	**49,014**
TOTAL RESERVES	**925,440**	**185,477**	**(174,575)**	**936,342**

Otago Regional Council

Insurance

- Operational assets fully insured
- Infrastructure assets are not fully insured
  - Floodbanks, drains and culverts are self insured
  - Rationale – low probability of complete loss , assets are excavation / construction of natural materials and have similar characteristics as land (which can’t be insured)
  - Scheme reserves are effectively the self insurer

Revenue & Financing Policy

Review – LTP 2024/34

- Wider first principles approach as multiple rates were reviewed
- Strategy led rather than legislation led (important but don't want this to constrain thinking)
- Legislation tends to lead to a benefits/exacerbator focus, review balanced this with outcomes / wellbeings
- Focus was on flood and drainage schemes and transport (areas with large reserve deficits and large increases in forecast expenditure)
- Some principles naturally conflict so still subjectivity / judgement involved
- Important to apply judgement consistently across all activities
- RFP determines allocation – doesn't reduce the overall level of rates
- Any reallocation will naturally create winners and losers

Principles

Workable:

- Simple
- Efficient
- Transparent and accountable

Fair:

- Equitable
- Linked to benefit
- Consistent
- Incentivised

Sustainable:

- Meet needs of today while maintaining future affordability
- Intergenerational equity
- Certainty

Use of the Principles

- Used them to guide the FNA and changes ie
  - General rate allocations – simplify and make consistent (all flood the same and vs transport), apply wider benefit consideration to include / increase general rate allocation
  - Less benefit zones – simplify, apply a wider integrated benefit approach rather than purely technical
  - Remove or merge rates where small amounts are being collected
  - Remove use if differential general rates ie district general rates

Funding Needs Analysis

Otago Regional Council

Benefit / Exacerbator

Targeted rates

Who:

- Location
- Land use

Levers:

- Differentials
- Benefit Zones

General rates

Who:

- Region wide
- District

Levers:

- UAGC

Outcomes / Wellbeings

Funding Needs Analysis

Otago Regional Council

- Final version of FNA (June 2024) – separate attachment
- Activity example ===>

ACTIVITY: Governance and Democracy **GROUP ACTIVITY:** Regional Leadership

Description	Community Outcome	Distribution of benefits			Period of Benefit	Exacerbators	Separate Funding
Describe key parts of the activity: *Note any sub activities that may require separate funding*	*Select primary from:* • *Partnerships* • *Communities* • *Environment* • *Resilience* • *Climate* • *Transport*	*Who benefits:* • *Whole community* • *Identifiable part* • *Individuals*	*Who are they:* • *Location* • *Land use* • *Specific users*	*How much do they benefit:* • *High, medium, low* *How is benefit / access distributed:* • *Evenly vs variably (on what basis)*	*When do the benefits occur (vs investment):* • *Short term (same year)* • *Recurring (ongoing every year)* • *Long term (later years)*	*Who else has created the need:* • *Who* • *Action / inaction* • *Can they be charged* • *Will it change their behaviour*	*Should the activity be funded separately:* • *Cost / benefit* • *Transparency* • *Accountability*
Governance and Leadership Run Council's democratic functions including – partnership with mana whenua, executive management, strategy, legal and corporate planning and performance	Partnerships Communities	Whole community: Yes	Everyone in the region	High	Short term	Central government (legislated activity) – can't charge directly.	No reason to fund separately.
		Identifiable part: No	-	-	-		
		Individuals: No	-	-	-		
Donations Provide funding for (non-environmental) activities that benefit all of Otago.	Communities	Whole community: Yes	Everyone in the region	High	Short term	Anyone in the region can be create the need for the donation (this group is already identified as beneficiaries).	No reason to fund separately.
		Identifiable part: Yes	Groups receiving donations	High	Short term		
		Individuals: Yes	Individuals receiving donations	High	Short term		
Elections Run triannual elections.	Communities	Whole community: Yes	Everyone in the region	High	Recurring (over the three-year triennial period)	Central government (legislated activity) – can't charge directly.	Yes – to smooth the cost over triennial period.
		Identifiable part: No	-	-	-		
		Individuals: No	-	-	-		

Activity funding needs analysis indicator	General rates regional with election costs funded from reserves and rating spread evenly over the three years period. There is no significant capex incurred in this activity. Highlighted functions moved from overheads.

FUNDING POLICY		
Operating Expenditure	**Governance and Leadership**	**General rates 100%**
	Information requests greater than ½ hour	**Fees & charges actual (where possible, budgeted as zero)**
	Donations	**General rates 100%**
	Elections	**General rates 100% – smoothed over 3 years**
Capital Expenditure	**All above**	**Reserves 100% [Asset Replacement Reserve] – recovered from depreciation via operating expenditure funding method above**

Revenue & Financing Policy

- Final version of RFP (June 2024) – separate attachment
- Includes summary of funding sources ===>

7 SUMMARY OF FUNDING SOURCES

The following tables show the indicative funding allocations from each funding source used to fund operating and capital expenditure following the section 101(3) funding needs analysis.

Table 1: Summary of Operating Expenditure Funding Sources

General and targeted rate allocations shown below total 100% of total rates for that activity and are applied after the other sources of funding. The percentage splits are indicative of the maximum permitted under each funding source and are subject to marginal variation.

Activity	Sub Activity	Fees & Charges	Other Income	Grants & Subsidies	General Rates	Targeted Rates	Internal	Reserves
Governance and Democracy	Governance and Leadership	Actual			100%			
	Donations				100%			
	Elections				100%			General
Public Awareness	Communications	Actual			100%			
	Customer services				100%			
	Enviroschools				100%			
Regional Planning and Strategy	Regional plans, policies and strategies				100%			
	Private plan changes	100%						
Consents	Consents processing	100%						
	Consents appeals		Actual		100%			
	Consents systems and general				100%			
	Consents public enquiry	Actual			100%			
	Consents reviews – consent holder initiated – Council initiated	 100% 			 100%			
Compliance	Performance monitoring processing	100%						
	Performance monitoring systems and general				100%			
	Audits and compliance reviews	100%						
	Compliance administration	Actual			100%			
	Dairy inspections					100%		
	Fresh water farm plans					100%		
	Contaminated sites administration				100%			
Incidents	Incident response			Actual	100%			
	Enforcement	Actual			100%			
	Oil spills	Actual		Actual	100%			
Harbour Management	Navigational safety					100%		
	Bylaws response and enforcement	Actual				100%		

Activity	Sub Activity	Fees & Charges	Other Income	Grants & Subsidies	General Rates	Targeted Rates	Internal	Reserves
Air	Air science and monitoring				100%			
	Air strategy implementation				100%			
	Air incentive programmes			Actual		100%		
Biosecurity and Biodiversity	Biodiversity science and monitoring				100%			
	Biodiversity implementation			Actual		100%		
	Community grant funding					100%		
	Biosecurity implementation					100%		
	Wilding pines – administer grant funding – support for control groups			 100% 		 100%		
Land and Water	Land and water science and monitoring				100%			
	Land and water implementation			Actual		100%		
	Water quality remediation			Actual		100%		
	Integrated catchment management			Actual		100%		

Activity	Sub Activity	Fees & Charges	Other Income	Grants & Subsidies	General Rates	Targeted Rates	Internal	Reserves
Emergency Management	Emergency management					100%		
Flood Protection and Drainage	Alexandra Flood Protection	Actual			20%	80%		
	Leith Flood Protection				20%	80%		
	Lower Clutha Flood & Drainage – Flood – Drainage	Actual		Actual	 20% 10%	 80% 90%		Kuriwao
	Lower Taieri Flood Protection	Actual		Actual	20%	80%		
	East Taieri Drainage	Actual		Actual	10%	90%		
	West Taieri Drainage	Actual		Actual	10%	90%		
	Tokomairiro Drainage				20%	80%		
	Scheme Oversight Bylaws	 100%					100% 	
River Management	River management – Dunedin					100%		
	River management – Clutha					100%		
	River management – Central Otago					100%		
	River management – Queenstown Lakes					100%		
	River management – Waitaki					100%		
	Lower Waitaki River Control					100%		

Funding Policy Summary

- Provides a summary of FNA and funding sources by activity
- Not a required document but useful overview and shows changes made in LTP 2024/34 review
- Shown in following slides and circulated separately

Activity	Sub Activity	Operating Expenditure							Capital		
	Funding Source	Fees & Charges	Other Income	Grants & Subsidies	General Rates	Targeted Rates	Internal	Reserves	Assets / General	Schemes	Notes / Changes (highlighted)
Governance and Democracy	Governance and Leadership – info requests (< than ½ hour)	 Actual			100%				100%		
	Donations				100%				100%		
	Elections				100%			Yes	100%		
Public Awareness	Communications – info requests (< than ½ hour)	 Actual			100%				100%		
	Customer services				100%				100%		
	Enviroschools				100%				100%		
Regional Planning and Strategy	Regional plans, policies and strategies				100%				100%		
	Private plan changes	100%							100%		
Consents	Consents processing	100%							100%		
	Consents appeals		Actual		 100%				100%		Court recoveries
	Consents systems and general				100%				100%		
	Consents public enquiry – info requests (< than ½ hour)	 Actual			100%				100%		
	Consents reviews – consent holder initiated – Council initiated	 100%			 100%				100%		
Compliance	Performance monitoring processing	100%							100%		Chargeable / non-chargeable activities split AMENDED – was 75% and General Rates 25% but systems and general was included
	Performance monitoring systems and general				100%				100%		Chargeable / non-chargeable activities split AMENDED – was 25% of combined activity above
	Audits and compliance reviews	100%							100%		
	Compliance administration – info requests (< than ½ hour)	 Actual			100%				100%		
	Dairy inspections					100%			100%		[Dairy Rate – Land Use / Uniform] DISESTABLISHED – once farm plan rating begins (year 2)
	Fresh water farm plans					100%			100%		[Farm Plan Rate – Land Use, Area / Uniform] NEW – activity and rate (year 2)
	Contaminated sites administration				100%				100%		
Incidents	Incident response			Actual	100%				100%		
	Enforcement	Actual			 100%				100%		Includes infringements, fines and court awarded costs where possible); then General rates
	Oil spills	Actual		 Actual	 100%				100%		Includes infringements, fines and court awarded costs where possible; then Maritime NZ General rates
Harbour Management	Navigational safety					100%			100%		[Navigational Safety Rate – District / Uniform] NEW – was General Rates – Sub Regional 100%
	Bylaws response and enforcement	Actual				 100%			100%		Includes infringements, fines and court awarded costs where possible); then [Navigational Safety Rate – District / Uniform] NEW – was General Rates – Sub Regional 100%

Activity	Sub Activity	Operating Expenditure							Capital		
	Funding Source	Fees & Charges	Other Income	Grants & Subsidies	General Rates	Targeted Rates	Internal	Reserves	Assets / General	Schemes	Notes / Changes (highlighted)
Air	Air science and monitoring				100%				100%		
	Air strategy implementation				100%				100%		
	Air incentive programmes			Actual		100%			100%		[NEW RATE – rate and basis to be determined based on programme in future LTP's / Annual Plans]
Biosecurity and Biodiversity	Biodiversity science and monitoring				100%				100%		
	Biodiversity implementation			Actual		100%			100%		[Catchment Management Rate – Regional / CV] NEW – was General Rates 100%
	Community grant funding					100%			100%		[Catchment Management Rate – Regional / CV] NEW – EcoFund was General Reserves 100% moving to General Rates in 2024/25, rest was General Rates including some General Rates – Sub Regional (Predator Free Dunedin)
	Biosecurity implementation					100%			100%		[Biosecurity Rate – Regional / LV]
	Wilding pines – administer grant funding – support for control groups			 100% 		 100%			100%		 Grants (expected to be 100%) [Wilding Tree Rate – Regional / Uniform]
Land and Water	Land and water science and monitoring				100%				100%		
	Land and water implementation			Actual		100%			100%		[Catchment Management Rate – Regional / CV] NEW – was a mix of Rural Water Quality 75% / General Rates 25% and General Rates 100%
	Water quality remediation			Actual		100%			100%		[Catchment Management Rate – Regional /CV] NEW – was River Management – District 100%
	Integrated catchment management			Actual		100%			100%		[Catchment Management Rate – Regional / CV] NEW – was General Rates 100%

Activity	Sub Activity	Operating Expenditure							Capital		
	Funding Source	Fees & Charges	Other Income	Grants & Subsidies	General Rates	Targeted Rates	Internal	Reserves	Assets / General	Schemes	Notes / Changes (highlighted)
Emergency Management	Emergency management					100%			100%		[Emergency Management Rate – Regional / Uniform]
Flood Protection and Drainage	Alexandra Flood Protection	Actual			20%	80%				100%	Contact Energy [River and Waterway Management – Central Otago] | General – Regional NEW – was 98% fees / 2% General – CODC, targeted rate uses river management
	Leith Flood Protection				20%	80%				100%	[Leith Flood Rate – Targeted Area / CV] | General rates – Regional TR: direct 40% / indirect 40% – Dunedin district (indirect was defined mapped area) – was 93% (46.5%/46.5%) | region 5% | district 2%
	Lower Clutha Flood and Drainage	Actual		Actual	20% 10%	80% 90%		Kuriwao		100%	Rental income | Government funding (if available) | Kuriwao Reserve [Lower Clutha Flood & Drainage Rate – Targeted Area / CV] | General rates – Regional TR: 10 benefit zones (no change – zones to be reviewed) – was F 84%, D 94% | region F 12%, D 0% | district F 4%, D 6%
	Lower Taieri Flood Protection	Actual		Actual	20%	80%				100%	Rental income | Government funding (if available) [Lower Taieri Flood Rate – Targeted Area / CV] | General rates – Regional TR: grouped into 2 benefit zones (was using 17 zone differentials) – was 83% | region 4% | district 13%
	East Taieri Drainage	Actual		Actual	10%	90%				100%	Rental income | Government funding (if available) [East Taieri Drainage Rate – Targeted Area / Land Area] | General rates – Regional TR: grouped into 1 benefit zone (was using 8 zone differentials) – was 92% | region 0% | district 8%
	West Taieri Drainage	Actual		Actual	10%	90%				100%	Rental income | Government funding (if available) [West Taieri Drainage Rate – Targeted Area / Land Area] | General rates – Regional TR: grouped into 1 benefit zone (was using 5 zone differentials) – was 92% | region 0% | district 8%
	Tokomairiro Drainage				20%	80%				100%	[Tokomairiro Drainage Rate – Targeted Area / CV] | General rates – Regional TR: grouped into 2 benefit zones (was using 7 zone differentials) – was 100% | region 0% | district 0%
	Scheme Oversight Bylaws	 100%					100%		100%		Recharge to Flood and Drainage activities Fees & charges
River Management	River management – Dunedin					100%				100%	[River and Waterway Management – Dunedin] – District / CV
	River management – Clutha					100%				100%	[River and Waterway Management – Clutha] – District / CV
	River management – Central Otago					100%				100%	[River and Waterway Management – Central Otago] – District / CV
	River management – Queenstown Lakes					100%				100%	[River and Waterway Management – Queenstown Lakes] – District / CV AMENDED – Whakatipu and Wanaka were separate and have been combined
	River management – Waitaki					100%				100%	[River and Waterway Management – Waitaki] – District / CV
	Lower Waitaki River Control					100%				100%	[River and Waterway Management – Waitaki] – District / CV AMENDED – was Lower Waitaki River Control 90% | region 10% | district 0%
	River management – Non-Scheme Management						100%		100%		Recharge to district River Management activities
Climate Change and Hazards	Natural hazards				100%				100%		
	Flood risk management				100%				100%		
	Climate change adaptation				100%				100%		

Activity	Sub Activity	Operating Expenditure							Capital		
	Funding Source	**Fees & Charges**	**Other Income**	**Grants & Subsidies**	**General Rates**	**Targeted Rates**	**Internal**	**Reserves**	**Assets / General**	**Schemes**	**Notes / Changes (highlighted)**
Transport	Public transport – Dunedin	20%	Actual	51%	20%	80%				100%	Contributions from TA's, PTO's if possible Fare revenue Subsidies [Transport Dunedin – Dunedin mapped area plus Palmerston / CV, differential for commercial land use and location] | General rates – Regional NEW allocation to General Rates – was 100% targeted
	Public transport – Whakatipu	20%	Actual	51%	20%	80%				100%	Contributions from TA's, PTO's if possible Fare revenue Subsidies [Transport Whakatipu – Whakatipu mapped area / CV, differential for commercial land use] | General rates – Regional NEW allocation to General Rates – was 100% targeted
	Public transport – new services / trials	20%	Actual	51%	20% 100%	80%				100%	Contributions from TA's, PTO's if possible Fare revenue Subsidies Oamaru – [NEW Targeted Transport Rate – Waitaki district / Uniform] | General rates – Regional Other – General rates – Regional NEW activities – Wanaka, Balclutha, Central/Wanaka/Queenstown
	Notes: allocation order of funding for public transport activities above										Fares / Other = approx. 20-30% of total cost Subsidies 51% after fares = approx. 36-41% of total cost Rates 49% after fares = approx. 34-39% of total cost Targeted rates 80% of rates share = approx. 27-31% of total cost General rates 20% of rates share = approx. 7-8% of total cost
	Total mobility			51%	49%				100%		
	Transport planning			51%	49%				100%		
	Land Transport Management Act (LTMA) administration	50%			50%				100%		
	Stock truck effluent disposal sites (STEDS)				50%				100%		Sub regional (district)

Activity	Sub Activity	Operating Expenditure							Capital		
	Funding Source	**Fees & Charges**	**Other Income**	**Grants & Subsidies**	**General Rates**	**Targeted Rates**	**Internal**	**Reserves**	**Assets / General**	**Schemes**	**Notes / Changes (highlighted)**
Internal Overheads	HR / H&S Finance and Rates Corporate Support Property IT						100%		100%		Basis – FTE
	Vehicles and Plant						100%		100%		Basis – actual use
	Treasury – Port Otago on-lending – Port Otago dividends – Investment income – Other interest		 100%		 100% 100%			 100%	100%		Basis – actual income / cost General rates offset – Port Otago dividends General rates offset – managed fund income, investment property income Net interest expense and non-managed fund interest income
	Regional Integrated Ticketing (RITS)		75%				25%		100%		RITS Regional Councils | Internal recharge 25% - Dunedin PT 75%, Whakatipu 25%

General Rates

- Applied to all rateable land in the region
- Charged on capital value (CV) basis
  - Capital value is better aligned to ability to pay
- Uniform annual general charge (UAGC) – 25% of total general rates is charged as a UAGC
  - Ensures a minimum amount of rates is charged to all rating units
  - Assists in managing the distribution of rates across the districts
- Valuations are equalised to account for the difference in valuation cycles across the TA's
- No general rate differentials are used (other than equalisation)

General Rates

- Charged on capital value (CV) basis
- 25% of total general rates charged as uniform annual general charge (UAGC)

RATES ANNUAL PLAN 2026-27	$'000
General Rates	30,101
Targeted Rates	38,366
TOTAL RATES	**68,467**
Uniform Rate Cap (30%)	20,540

UNIFORM RATES	$'000
UAGC (25% of General Rates)	7,525
Emergency Management	4,114
Wilding Pines	261
TOTAL UNIFORM RATES	**11,900**
Actual Uniform Rate %	17%

Rates – Key Points to Note

Otago Regional Council

- Rates are a tax – effectively a land / wealth tax in disguise
- Don’t confuse them with direct payment for services – that’s fees and charges
- Elected members decide on the appropriate allocation of rates
- Rating reviews:
    - Are about allocation
    - Not about total amount collected (that’s a budget / level of service consideration)
- Fundamental rates policy considerations:
    - General vs targeted
    - UAGC / uniform rates – UAGC percentage, uniform rates for specific activities
    - Valuation basis – capital value, land value, land area
    - Differentials – use and basis

Rate Types

- General rates can use differentials ie
  - Location (regional, district) and / or
  - Land use type (residential, rural, commercial)
- Can set a uniform annual general charge (UAGC)
  - Up to 30% of total rates can be uniform
  - Note 30% applies to rates charged to all properties
- General rates can be based on capital value, land value or annual value
  - Annual value – greater of 5% of CV or annual rent value (not used by any Councils)
- Targeted rates are more flexible ie land area can be used as basis

Valuation Basis

Capital Value vs Land Value

	Advantages	Disadvantages
Capital Value	Easily understood and can be aligned to property sales	Penalises asset rich / cash poor property owners
	Rates apply to full value of the property	May discourage maintenance and investment
	If high value properties use more services – link to benefit received	May require differentials
	If high value properties have higher income – stronger link to ability to pay	
	Aligns to a tax on wealth	
	Utility valuations are rated which increases the rating base	Perception that rating utilities puts those utility prices up
Land Value	Commonly understood	Land valuations come from property sales that include improvements and land only sales aren't common
	Less variance between properties of similar size in the same area	Not a full wealth tax
	Still a strong link between land value and income (ability to pay)	Differentials more likely to be needed and often used to align closer to CV
		Asset value of utilities is excluded
		Doesn't account well for multi-unit properties

UAGC and Targeted Rates

	Advantages	Disadvantages
UAGC	Ensures a minimum rate on all properties	Impacts more on lower value properties (less ability to pay)
	Reduces rates on high value properties ie rural properties	Can't be differentiated
		Capped at 30% of total rates
Targeted Rates	Flexible	Can make rates more complicated
	Can apply to any number from one to all properties	Increased administration
	Can be fixed or valuation based	Can multiple over time
	Can be differentiated	
	No limit on the number that can be used	
	Can be based on activities, services, areas or specific groups of ratepayers	
	Transparent and separately identify reserve funding	

Other Financial Policies

Otago Regional Council

- **Development and Financial Contributions Policy**
- **Rates Remission and Postponements Policy**
- **Treasury Management Policy**

Development & Financial Contributions Policy

Otago Regional Council

- Must have a Development and Financial Contributions Policy – LGA s.102(1)(d)
- Regional Council's can't charge development contributions – the policy notes this
- Financial contributions (under the RMA) can be charged
- Must be permitted in Regional Plans
- They are permitted under ORC's Coast and Water regional plans
- Not utilised in the current LTP/AP as a source of funding

Rates Remission & Postponements Policy

Otago Regional Council

- Must adopt a policy on the remission and postponement of rates on Māori freehold land – LGA s.102(1)(e)
- May adopt a rates remission and/or a rates postponement policy – LGA s.102(2)
- Council has a Rates Remission and Rates Postponement Policy that covers both
- Ratings Act defines properties that are non-rateable ie schools, universities, churches
- Remissions reduce the rates to be paid on rateable properties – effectively a discount
- Covers common ownership (contiguous properties), financial hardship, community and sporting groups, historic and cultural use
- Postponement deferred payment of rates – ORC doesn't have any postponements
- Māori freehold land is non-rateable and no further remissions or postponements have been requested

Treasury Management Policy

- Must adopt a liability management policy and an investment policy – LGA s.102(1)(c,d)
- ORC combines into a single Treasury Management Policy which is permitted and common in the sector
- Covers debt management and all investments ie managed fund, Port Otago and investment property
- The Treasury Management Policy was reviewed in October 2023 ahead of the last LTP
  - Being reviewed now and is going to Audit and Risk on 25-Sep-2026 for them to consider and changes
- ORC also has a Statement of Investment Policy and Objectives (SIPO) which is an associated document and provides guidance on investment in the managed fund
  - This was reviewed in June 2025

End

Otago
Regional
Council