

Investing in **Southland**

Whakangao ki Murihiku

2024-2034 Long-term Plan Consultation Document




The makaurangi graphic – fingerprint (a universal symbol of identity) acknowledges tangata whenua and weaves together designs representing the four pou (pillars) of the Council's Long-term Plan consultation – cultural, environmental, economic and social.

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Cover image: Waihōpai River



Ka haea te ata
Ka hāpara te ata
Ka korokī te manu
Ka wairori te ngutu Ko te ata nui
Ka horahia
Ka tangi te umere a ngā tamariki
He awatea

The daybreak comes forth
The birds sing
Welcoming the great day
Spread before us
Joy unfolds
Behold a new day

Source: Te Tangi a Tauira, 2008





Our consultation document

This consultation document presents the Council's significant matters relating to our levels of services and budget and asks for your views on what we are proposing.

The feedback you provide will assist councillors with their decision making for the 2024-2034 Long-term Plan, which sets out our work programmes and budgets for the next ten years, with emphasis on the first three years.

The Council is proposing ongoing and greater investment in flood protection for Southland to improve community resilience. We are facing challenges with a changing climate and an ageing flood infrastructure. We want to build our capability, improve our infrastructure, increase flood modelling, and investigate other ways to reduce flood risk.

During the last Long-term Plan period we raised debt to match Government co-funding for the climate resilience projects (shovel ready) undertaken. The Government funding was very beneficial for projects in Maitai, Wyndham, Gore, Waiau, and Invercargill but now requires us to meet the financing costs of this debt.

Inflation is also something we have to build into our budget. Other than inflation, interest, and our proposed investment in flood protection, we are not planning any further changes to our work programme, which we can deliver within existing budgets. For the first year of our Long-term Plan we are proposing zero growth in all of our other work programmes and 2% growth in the following years.

To support ongoing investment in flood infrastructure the Council has undertaken a funding review and is proposing changes to its Revenue and Financing Policy, which is currently being consulted on separately. Full details are available in the Statement of Proposal on our website www.es.govt.nz.

The proposed changes to the Revenue and Financing Policy would change the way we rate. The rates information in this consultation document for the 2024-2034 Long-term Plan has been calculated using the proposed new rate allocations in the Statement of Proposal and the increase in budget to cover inflation, interest, and investment in flood protection infrastructure.

Together, the proposed increase in flood infrastructure protection investment, inflation, and interest on completed capital projects contribute to the overall rates increases outlined on page 23. In addition, we are proposing a change to how we rate, starting in 2024/25, to provide a more equitable approach across the region. There is further explanation on pages 18-21, which shows that the rates increase for the 2024-25 year would result in, on average, one third of rate payers paying up to \$1 more per week; another third paying between \$1 and \$2 more per week, and overall, 80% of ratepayers would get a reduction in rates or be paying less than \$3 more per week. The tables on pages 20 & 21 can help people determine the impact on their properties and a rates calculator is available online at www.es.govt.nz.

The key matter for the Long-term Plan consultation is increased and ongoing investment in Southland's flood protection infrastructure network.

Within this document is information about other separate opportunities to provide feedback on including the Revenue and Financing Policy, the Council's shareholding in South Port NZ Ltd, the Climate Change Strategy, the representation review, the fees and charges schedule, and various other policies. See the Other feedback section on page 25 for details.

Supporting documentation relating to all matters open for consultation is available on our website www.es.govt.nz.



Our responsibilities and work programmes

As a regional council, Environment Southland has a broad range of responsibilities. These include the sustainable management of Southland's natural resources – air, freshwater, land, and the coast; plus, regional transport, biosecurity and biodiversity, marine, flood protection, hazard and climate response.

Planning for the impacts of a changing climate is an important consideration we apply across our work programmes, not only our flood protection infrastructure. The impacts of this will affect all areas of our work and people's lives and our aim is to build community resilience for Southland – environmentally, socially, culturally, and economically.

In the coming years we will be prioritising the management of flood risk through a range of work programmes from catchment operations and river management to our hazard planning, hydrology programme, flood warning and emergency management.

Achieving outcomes for freshwater remains an important priority, where we will continue working with landowners on catchment integration programmes, implementing the Southland Water and Land Plan, Plan Change Tuatahi, and farm environmental management plans.

In the year ahead we will begin gathering data for the next Regional Pest Management Plan. Our biodiversity programme, which aims to protect Southland's native species and ecosystems, will continue to provide advice, support and grants to landowners and the community.

Scientific monitoring is an essential programme that supports our water and land and coastal marine programmes, particularly with work on the coastal plan review in the coming years. Consents and compliance are also core activities.



From the chairman

The proposals for this Long-term Plan come after much consideration about how we can improve community resilience for Southland, and in a way that is affordable.

Our climate is changing and we are witnessing the devastating effects of floods and fires in other parts of New Zealand. Floods remain Southland's most likely natural hazard with our four big river systems. The Council wants to position Southland as well as we can to weather, and recover quickly from, the inevitable floods that will come our way.

While flood protection is our top priority, we have also given attention to our other work programmes. With careful business planning the organisation has been able to clearly prioritise projects, which is critical for keeping our budget in check.

Investment in flood protection mitigation and allowing for inflation are where there will be increased costs. All other programmes will continue within the current budget, plus inflation.

Councillors are keen to listen to people's views on what we are proposing and I encourage you to take the time to read through the information and let us know what you think.

Nicol Horrell
Chairman
Environment Southland



Investing in flood protection infrastructure

Proposed Approach



Due to the challenges of Southland's ageing flood protection network and a changing climate resulting in more severe and enduring weather events we are proposing increased and ongoing investment in the region's flood protection infrastructure and river management to increase community resilience.

Preferred Option



Increase operating expenditure by \$2.3m per annum to be funded by a proposed new Flood Protection Infrastructure Rate (see Revenue and Financing Policy Statement of Proposal – www.es.govt.nz).

This proposal would result in an average rates increase of \$22 a year for a Southland property valued at \$450k; \$239 for a property valued at \$5m.



Southland has four main river systems – Mataura, Ōreti, Aparima, Waiau – and flooding is our most likely natural hazard.

Environment Southland is responsible for flood risk mitigation and our regional network of flood protection infrastructure.

The network comprises 500+ kilometres of stop banks across the region, drainage networks, spillways, dams, tidal gates and pump stations. It is designed to engineering specifications to substantially reduce the impact of flooding on people, property and critical infrastructure such as roads, utilities, telecommunications and the airport. As a result, it plays an important part in protecting people's livelihoods and the region's economy, which has a GDP of \$7.3 billion.

In 2020, we were successful in gaining significant Government funding support for flood protection shovel ready projects (climate resilience) worth \$18.7 million. This meant we could complete flood damage remediation on the Waiau River and upgrades at Mataura. Other upgrades are underway at Gore, Wyndham and in Invercargill on the Waihopai River and at Stead Street (pump house). A co-funding arrangement with central government funding meant this work is being done sooner than it would have been.

Our work programme currently provides for more capital works in Winton, Lumsden and Waihopai over the next three years to a value of \$14m. Refer to the Infrastructure Strategy on our website for more detail (www.es.govt.nz).

What's the issue



Southland's flood protection infrastructure has served us well in recent decades, but it is ageing (30+ years old) and this, coupled with more enduring and severe weather due to a changing climate, is putting it under pressure. Over time, these challenges may reduce the infrastructure's level of protection and investment is needed to ensure it remains fit for purpose.

We live differently to the way we did 30+ years ago. We rely on our critical infrastructure, such as roads, utilities and telecommunications, to do business and for our daily lives. Our flood protection infrastructure reduces the impact of flooding on these assets, protecting our livelihoods and regional economy, as well as Southlanders and their properties.

It is critical that we have ongoing investment and plan for the future so that Southland can build its resilience and continue to thrive now and for generations to come.



This is important for all of us, not only people who live near rivers. It's time to acknowledge that we all benefit – socially and economically.

How all Southlanders benefit from flood protection

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

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

We want to invest in flood protection mitigations in an ongoing way to support Southland's social and economic resilience for now and the future.

In the past, the prevailing belief was that those nearest the rivers were the ones who benefitted from flood protection infrastructure, because it protected their properties.

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



Kingswell Creek, Invercargill

Critical infrastructure

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

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

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

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

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

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



What we are proposing

The proposal to invest in ongoing flood protection is outlined below. This is our preferred option with the alternative option being the status quo.

Investing in river management and flood protection infrastructure improvements.

This proposal is for our immediate flood protection and river management needs, including gravel management, while we plan and position ourselves for the transition to alternative ways of managing floodplains over the medium and longer-term.

It is not viable to keep building higher and higher stop banks. One alternative is nature-based initiatives such as wetlands for water retention, native plantings and restoring old channels. This is something we have already started to explore.

Our proposal is for ongoing and greater investment in flood protection mitigation due to the challenges we face with our ageing infrastructure and the changing climate.

We are proposing to increase our investment in flood mitigation by an annual \$2.3m in operational expenditure. For a Southland property valued at \$450k this would be approximately 40 cents a week or \$22 per year.

Catchment Liaison Committees

The proposals for flood protection have been discussed with Catchment Liaison Committee chairs, as councillors worked through the implications and options.

Catchment Liaison Committees (CLCs) were originally established by the Council in 1979 to advise and assist Environment Southland in the development of annual maintenance works programmes and budgets for each river community, regarding special river and land drainage management issues.

Following a review in 2020, their scope was extended to include advice on emerging issues including biodiversity, water quality and quantity, ecological health and soil health to complement river works, flood and river erosion control services. This more integrated perspective aligns well to the Council's integrated catchment management approach, which recognises that all these aspects are inter-related.

Discussions have been ongoing with the CLC chairs about taking a more whole-of-catchment approach, given that it is now recognised that flood protection has benefits for everyone and not only those closest to the rivers.

We are proposing two key areas of investment.

- ▶ First, we want to improve our data collection and analysis and use new technology such as LiDAR computerised modelling to better understand Southland's river systems and how our infrastructure is faring. This would improve our knowledge and ability to determine appropriate mitigations. It would also put us in a much better position to take advantage of new technologies and methodologies for flood mitigation.
- ▶ We also want to build expertise and capacity in our catchment team to support increased resilience for our flood infrastructure. Currently, we deal with the most pressing maintenance issues first and we would like to increase our focus so that even deferred, lower priority matters are dealt with. Increased capacity is also necessary to give us the ability to deliver on the proposed capital works programme for new infrastructure proposed from year 4 of the Long-term Plan.

In addition we are planning a capital works programme across the network throughout the Long-term Plan period. This could involve replacement of some infrastructure and the creation of new infrastructure. This type of planning would also put us in a good position to take advantage of any government infrastructure funding that could become available.

Current capital works projects will result in an approximate increase of 30 cents per week, or \$15 per year, for a Southland property valued at \$450k.

Our 30-year infrastructure strategy sets out how we will manage our flood protection infrastructure and flood plains. Our approach to the infrastructure strategy aligns to the draft climate change strategy created by Southland's four councils (see page 27), particularly the principle of whakarāneinei anticipation: adopting a data-driven approach in developing proactive action plans, prioritising long-term thinking and reinvestment in our environmental capital.

Investment for Southland's social and economic resilience for now and the future

Improved monitoring & data collection



Build expertise & capacity



Planning a capital works programme





Waihōpai River Dam

Slow the Flow

The Council is currently engaged in a two-year Murihiku Slow the Flow Project aimed at identifying ways to better protect high flood risk areas.

The project was granted \$370k from the Ministry for the Environment's Nature-based Solutions to Climate Adaptation Fund, in 2023.

This will help us understand the feasibility of nature-based climate adaptation solutions, to reduce the impact on high flood risk areas.

This project is a collective initiative with Te Ao Mārama and the other Southland councils.

Implications

The aim of these investments is to improve the community's resilience to the impacts of increasingly intense flood events as a result of more frequent, severe and enduring weather events. This is to help protect people from the full impacts of flooding and to reduce damage so communities have the ability to recover more quickly. It is to maintain the level of protection, and where affordable, to improve or increase it.

The Council, alongside the regional sector, is lobbying the Government for more investment in flood protection. What we are proposing will put us in the best possible position to take advantage of Government funding opportunities. If we are unable to secure government funding we would relook at our plans.

The Council has also undertaken a funding review, which would change the way we rate and repay debt on flood infrastructure. This is currently being consulted on separately (see Revenue and Financing Policy Statement of Proposal – www.es.govt.nz)

If we don't make these investments and maintain the status quo our ability to manage our flood protection infrastructure will not be as effective as it could be. As a result, the infrastructure's ability to endure the increasing severity of weather events may decline over time, increasing the risk of flooding.

Reduced investment would also limit our ability to develop our flood resilience knowledge (through modelling and other activities) and in turn affect our planning for the future. We would continue with our maintenance programme where we address the most pressing matters, and defer others, and we would not have the funding for more capital investment.

Available on our website
www.es.govt.nz

- The infrastructure strategy and asset management plans for flood infrastructure.
- Revenue and Financing Policy Statement of Proposal on Rates (being consulted on separately as required by the Local Government Act). Also see page 25.

Recent climate resilience projects (shovel ready)

In 2020 the Government announced funding for flood protection projects in Southland as part of its Covid-19 economic recovery package. Some of these climate resilience projects have been completed, and others will be finished by mid-2024.

The climate resilience projects include remediation following flood damage for the Waiau River, replacement of the Stead Street pump station to protect Invercargill airport and stop bank upgrades for Gore, Maitava, Wyndham and Invercargill on the Waihopai River.

The Government funding contribution was \$13.9m. The total cost of the work was expected to be \$18.7m, with the Government covering 75% of the cost and the Council contributing 25% or \$4.8m, in a co-funding arrangement.

During the time these projects were underway New Zealand experienced big increases in inflation and labour supply constraints in construction and this has impacted our projects. We also incurred extra costs when new legislation required us to upgrade our pumps for the airport area, to fish-friendly pumps.

These increases mean the Council's contribution to the upgrades now sits at about 50%. While this is more than the 25% originally expected, it represents a strategic investment in the resilience for Southland. This is particularly true for the airport area, from which all Southlanders benefit with the movement of goods in and out of the region and for personal and business travel requirements.

Because the Government's shovel ready funding was unexpected, we used reserves of \$700k for the 2020-21 year for our share, the balance was funded from borrowing, for which we are now paying interest.

In the 2021-2031 Long-term Plan consultation document we said we intended to borrow the money to complete the projects, which we did. We explained that this gave us the opportunity to spread repayments over time to minimise the impact on annual rates requirements and that we would review how we fund repayments. This now forms part of the Revenue and Financing Policy Statement of Proposal consultation currently underway (see page 25), where we propose to fund the local share of flood infrastructure investment, including the climate resilience projects, from borrowing. Interest and debt repayment would be funded through the new Flood Protection Infrastructure rate.

Flood warning and river level information

Our river level information is one of the most visited parts of our website, with many landowners routinely using it to help manage their properties and stock during times of increased rainfall and high river flows.

We also have a flood warning system that we can activate on our website. It has two trigger points. A 'high river' watch triggered by our hydrologists once flows on a main river reach a certain level. If flows go beyond that and reach the second trigger point, our hydrologists activate a 'flood warning'.

We let people know via our Facebook page and through the Antenna app and people can check our website at any time.

Every high flow event is different and depending on circumstances, we may also ask radio stations to broadcast a public notice.

Serious situations that could lead to evacuations and/or action following a state of emergency being declared are managed by Emergency Management Southland (EMS). Environment Southland liaises closely with EMS during high river flows.

Call 03 211 5010 or visit www.es.govt.nz (environmental data)

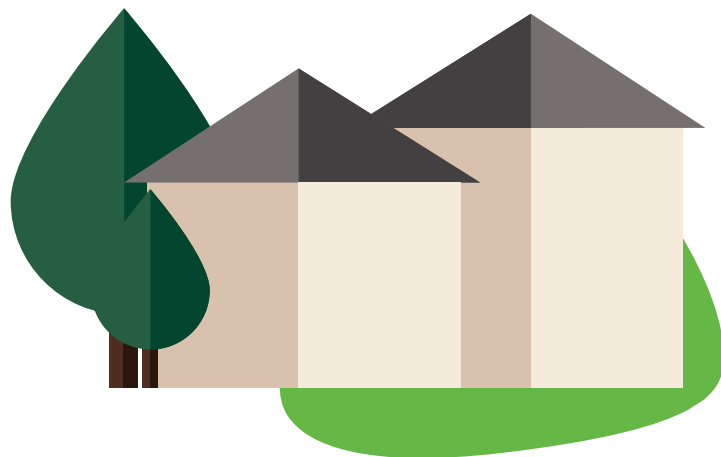


The budget and your rates

The Council is required, under the Local Government Act 2002, to have a balanced budget. That means we need to raise enough income in any year to pay for our day-to-day work. We also need to take a financially prudent approach to borrowing and paying back any debt. Our proposed budget for the 2024-2034 Long-term Plan meets these requirements.

We receive our income from a range of sources including investment income, South Port dividends (from our majority shareholding) rental income from leasehold land, fees and charges, levies and contributions and rates.

Like individuals, businesses, and other organisations, we have been dealing with inflationary pressures and these are predicted to continue. The inflation figures for the 2024-2034 Long-term Plan will be adjusted as the Plan is being developed (to the end of June). Our assumption is that inflation is likely to be above 4% through until 2027.



For the 2024-2034 Long-term Plan we propose to:

- ▶ Build inflation into our budget.
- ▶ Increase investment in our flood protection infrastructure programme – this investment is the biggest percentage of our proposed rate increase with an operational investment of \$2.3m per annum.
- ▶ Adjust the Uniform Annual General Charge down from \$143 per year to \$120 per year.
- ▶ Maintain other work programmes with zero budget increase, apart from inflation, for the first year of the Long-term Plan. In the second and third years we are proposing 2% growth in work programmes.
- ▶ Use Government co-funding (currently not secured) and debt to pay for future capital flood protection projects. The debt would be paid using the new flood infrastructure rate, which over time would achieve intergenerational equity.

To support the proposed investment in flood protection infrastructure, the Council has undertaken a funding review and is proposing changes to its Revenue and Financing Policy. This is currently being consulted on separately, with full details available in the Statement of Proposal on our website. Also, see page 25.

The proposed changes to the Revenue and Financing Policy would change the way we rate flood protection infrastructure. The rates information in this consultation document for the 2024-2034 Long-term Plan is calculated using the proposed new rate allocations in the Statement of Proposal.

Available on our website www.es.govt.nz

- ▶ Revenue and Financing Policy Statement of Proposal on Rates (being consulted on separately as required by the Local Government Act). Also see page 25.

Government Funding Assumptions

Over the last three years, there has been significant extra investment in flood management infrastructure both nationally and regionally though central government's climate resilience funding (Covid-19) shovel ready projects.

The regional sector of local government has put together a business case highlighting the need for continued co-investment by central and local government in flood management infrastructure to improve New Zealand-wide community resilience against extreme weather events. As the risk of flooding increases due to more intense and frequent severe weather events there is a risk of the insurance sector withdrawing or retreating.

Environment Southland therefore believes it is prudent to include provision for ongoing co-investment in flood management capital works projects from year 4 of this Long-term Plan. This government funding is not confirmed however it is included to show what is required to achieve the preferred outcome and Environment Southland's contribution towards this.

Should central government funding not be available, Environment Southland would need to reassess how to proceed with its provisional capital works programme ahead of its 2027-2037 Long-term Plan noting the constraints around debt funding that currently exist.

What does it mean for me?

The proposed rate increases are averages and the actual increase will be dependent on factors related to your individual property. Every property is different and there will be variations. Rate increases would be proportional to the capital value of the property.

We use the latest valuations from Quotable Value to determine individual property values. We anticipate

increasing values, based on information from Quotable Value, and use an equalisation process to even out any large changes.

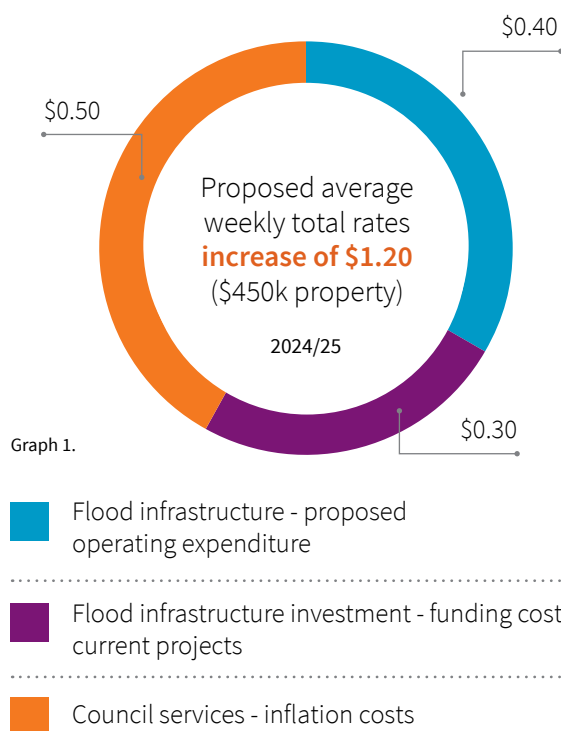
For more detailed information there is a schedule on our website (www.es.govt.nz) and a rates calculator that can give you specific information about your property.

Your rates - a guide

- ▶ This information is based on our proposals to invest in flood protection infrastructure and represents proposed changes to the Revenue and Financing Policy, which would change the way we rate. Go to our website for the Revenue and Financing Policy Statement of Proposal (being consulted on separately).
- ▶ The rates information in this consultation document for the 2024-2034 Long-term Plan has been calculated using the proposed new rate allocations in the Statement of Proposal and the increase in budget to cover inflation, interest, and enable investment in flood protection infrastructure.

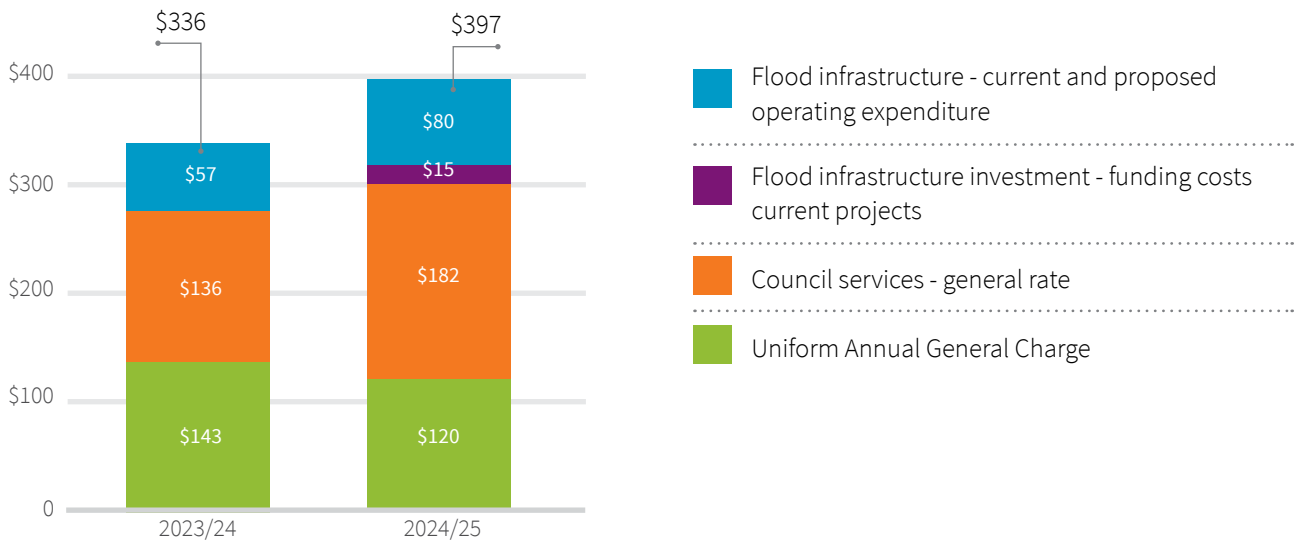
Proposed average weekly total rates increase of \$1.20 for a \$450k property.

A Southland property valued at \$450K would have a proposed rate increase of \$1.20 per week for 2024/25. Of that, 50 cents per week would fund our normal operating activities (inclusive of inflation), 30 cents per week to pay for interest and depreciation on our current flood infrastructure projects, and 40 cents per week for our proposed increase in Flood Protection Infrastructure operating expenditure (See graph 1).



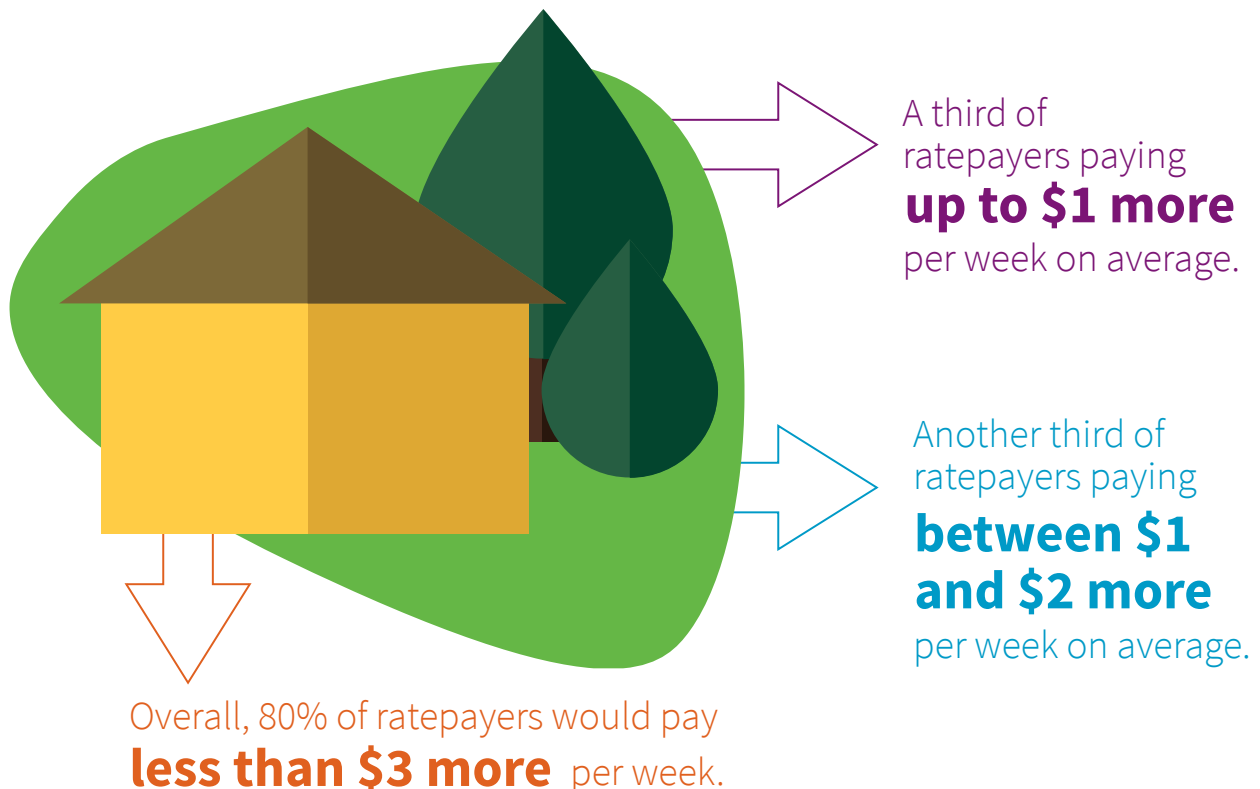
Proposed average annual total rates increase for a Southland property valued at \$450k.

The annual rate increase for the same property would be \$61, with the total rates contribution breakdown shown in graph 2. For a visual representation of the potential impact on Southland properties across a range of values see tables 1-4 on pages 20-21.



Graph 2.

When looking at the impact of the proposals for all ratepayers (including residential, rural and commercial), this will result in:



All properties in Southland

| Average \$ increase in rates for 2024/25 year | \$ per week | Properties in this category |
|---|-------------|-----------------------------|
| <52 | <1 | 17,445 |
| 52-152 | 1 - 3 | 23,386 |
| 152-252 | 3 - 5 | 5,309 |
| 252-352 | 5 - 7 | 2,102 |
| 352-452 | 7 - 9 | 860 |
| 452-552 | 9 - 10 | 522 |
| >552 | 10+ | 1,762 |
| | | 51,386 |

Table 1. Average increase in total rates for all Southland property and the number of properties within each rate increase range.

Use our online rates calculator to see how the proposed changes affect you at www.es.govt.nz

The following tables indicate the proposed total rate increase for Southland residential, rural and commercial properties across a range of values (including both proposed Revenue and Financing Policy changes and proposed increase in investment in flood protection infrastructure).

Residential properties

| Capital \$ value of property | Average \$ increase in rates for 2024/25 year | \$ per week | Properties in this category |
|------------------------------|---|-------------|-----------------------------|
| <300,000 | 17 | 0.3 | 9,123 |
| 300,000-449,999 | 65 | 1.3 | 16,177 |
| 450,000-599,999 | 95 | 1.8 | 8,007 |
| 600,000-749,999 | 136 | 2.6 | 4,241 |
| 750,000-900,000 | 193 | 3.7 | 2,323 |
| >900,000 | 360 | 6.9 | 2,665 |
| | | | 42,536 |

Table 2. Average increase in total rates for Southland residential property across a range of values and the number of properties within each value range.

Rural properties

| Capital \$ value of property | Average \$ increase in rates for 2024/25 year | \$ per week | Properties in this category |
|------------------------------|---|-------------|-----------------------------|
| <2,000,000 | 66 | 1.3 | 2,714 |
| 2,000,000-3,999,999 | 226 | 4.4 | 1,230 |
| 4,000,000-5,999,999 | 321 | 6.2 | 729 |
| 6,000,000-7,999,999 | 521 | 10.0 | 403 |
| 8,000,000-10,000,000 | 551 | 10.6 | 250 |
| >10,000,000 | 1,302 | 25.0 | 281 |
| | | | 5,607 |

Table 3. Average increase in total rates for Southland rural property across a range of values and the number of properties within each value range.

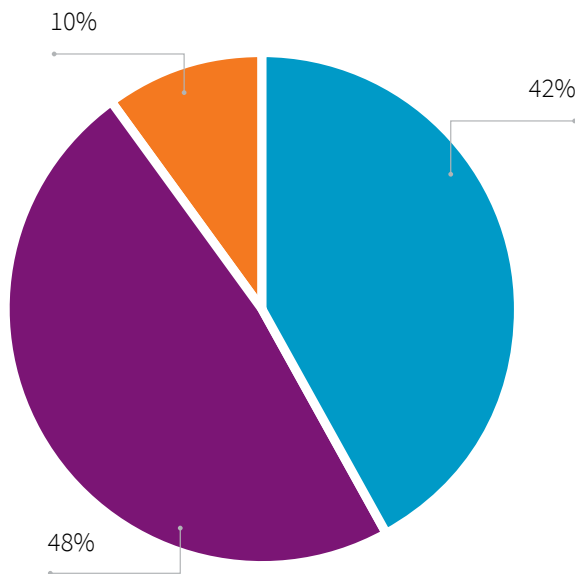
Commercial properties

| Capital value of property | Average \$ increase in rates for 2024/25 year | Properties in this category |
|---------------------------|---|-----------------------------|
| <1,000,000 | 23 | 2,612 |
| 1,000,000-1,999,999 | 219 | 337 |
| 2,000,000-2,999,999 | 445 | 114 |
| 3,000,000-3,999,999 | 759 | 51 |
| 4,000,000-5,000,000 | 1,020 | 26 |
| >5,000,000 | 11,975 | 103 |
| | | 3,243 |

Table 4. Average increase in total rates for Southland commercial property across a range of values and the number of properties within each value range.

10-year budget at a glance

10 Year Budget and Total Expenditure (Millions)



| Group of Activities | Total Expenditure |
|-----------------------|-------------------|
| Healthy Environment | \$353M |
| Resilient Communities | \$398M |
| Thriving Region | \$80M |

Groups of activities and total expenditure

All of Environment Southland's work programmes and activities are represented across three groups of activities. The proposed budget reflects a strong emphasis on resilient communities, which is a key priority for the Council and the 2024-2034 Long-term Plan.

Our three groups of activities are outlined below.

Healthy environment – to protect enhance and restore Southland's natural environment, indigenous biodiversity and its capacity to provide for current and future generations.

Safe and resilient communities – to enable communities to provide for their health, safety and social, cultural and economic wellbeing.

Thriving region – to enable democratic decision making and promote practices that allow communities and our natural environment to flourish.

Environment Southland undertakes the following high-level activities within these groups of activities:

- ▶ Regulation and Planning
- ▶ Science, Research and Monitoring
- ▶ Community Engagement and Education
- ▶ Partnerships
- ▶ Operations
- ▶ Governance and Strategy

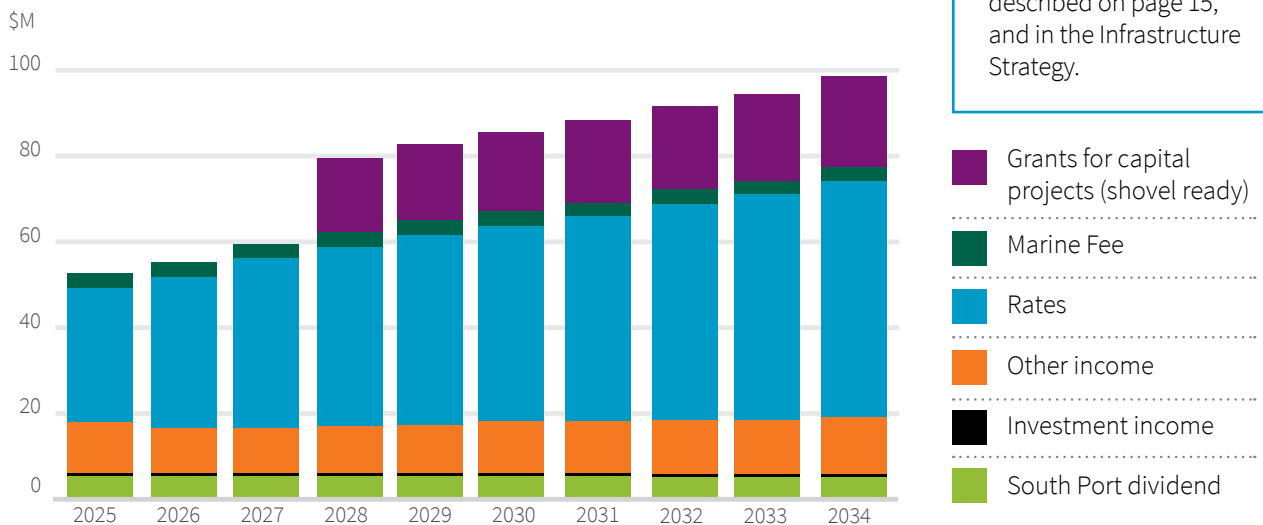
Available on our website
www.es.govt.nz

- ▶ [A detailed breakdown of our work programme](#)

How do the dollars stack up

Funding sources

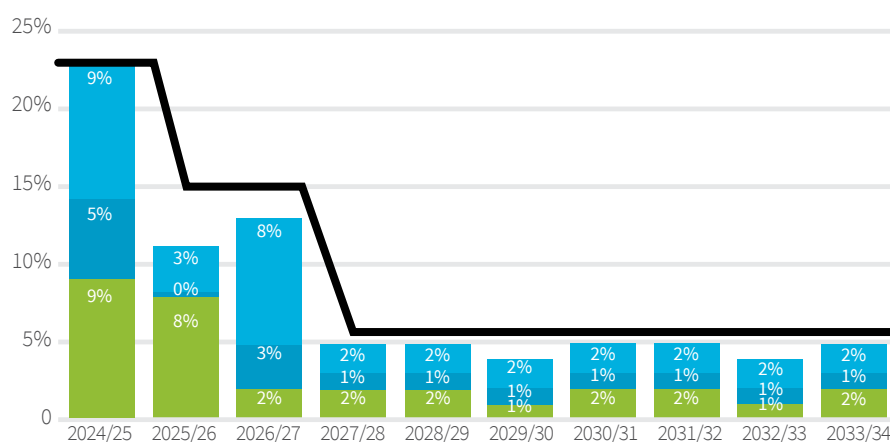
The following graph shows how we are proposing to fund our work over the next ten years from various funding sources.



Note that this includes the reliance on Government co-funding for this work (Capital Grants – Shovel Ready) to proceed as described on page 15, and in the Infrastructure Strategy.

Graph 3. Funding sources for Environment Southland's work programme over the next ten years.

Proposed Average Rates Increases 2024 - 2034



Graph 4. Proposed total rate percentage increases annually for the ten year 2024-34 LTP period.

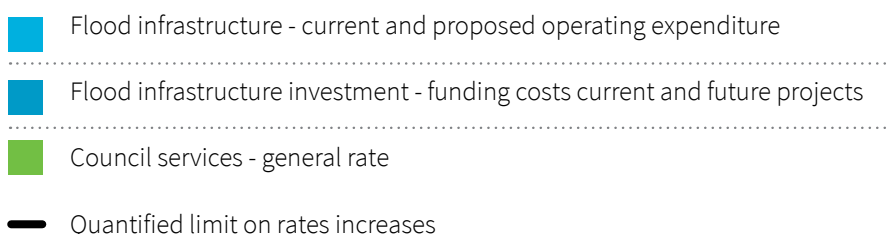
Note 1: Flood infrastructure includes interest costs for the debt interest on climate resilience (shovel ready) projects.

Note 2: Proposed average increases are within the quantified limit (maximum) outlined in the Financial Strategy

Rates are forecast to increase annually over the next 10 years as shown in graph 4.

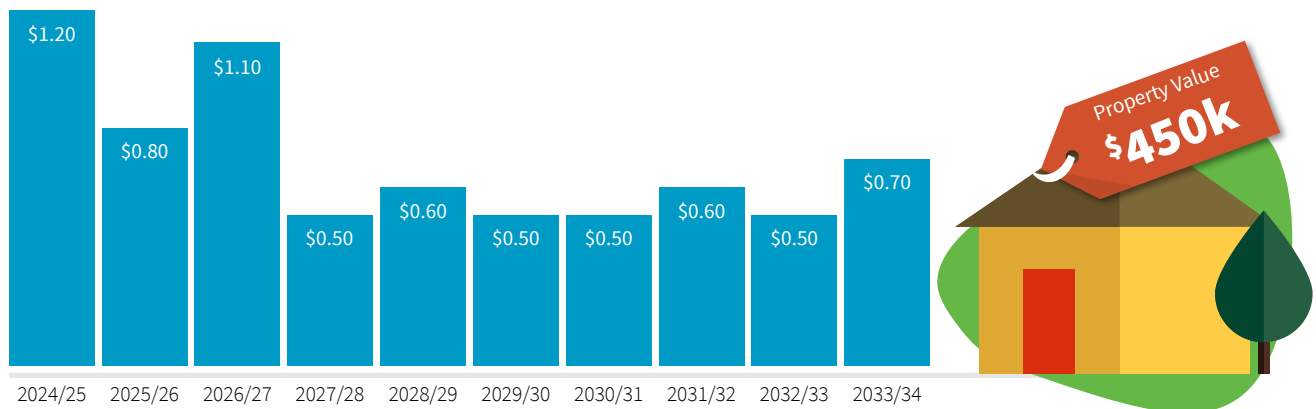
The general rate (green) reflects the impact of inflation and limited growth in year one and two. Inflation is forecast to reduce from 2027/28 onwards.

The flood infrastructure rate (blue) reflects the requirement of investment in our flood protection infrastructure. This has been further split into the cost of funding our current projects, and the cost of funding the proposed activities. The smaller increases from year 4 onwards are inclusive of, and dependent on, Government co-funding as described on page 15 and in the Infrastructure Strategy.



Proposed average weekly total rates for a \$450k property

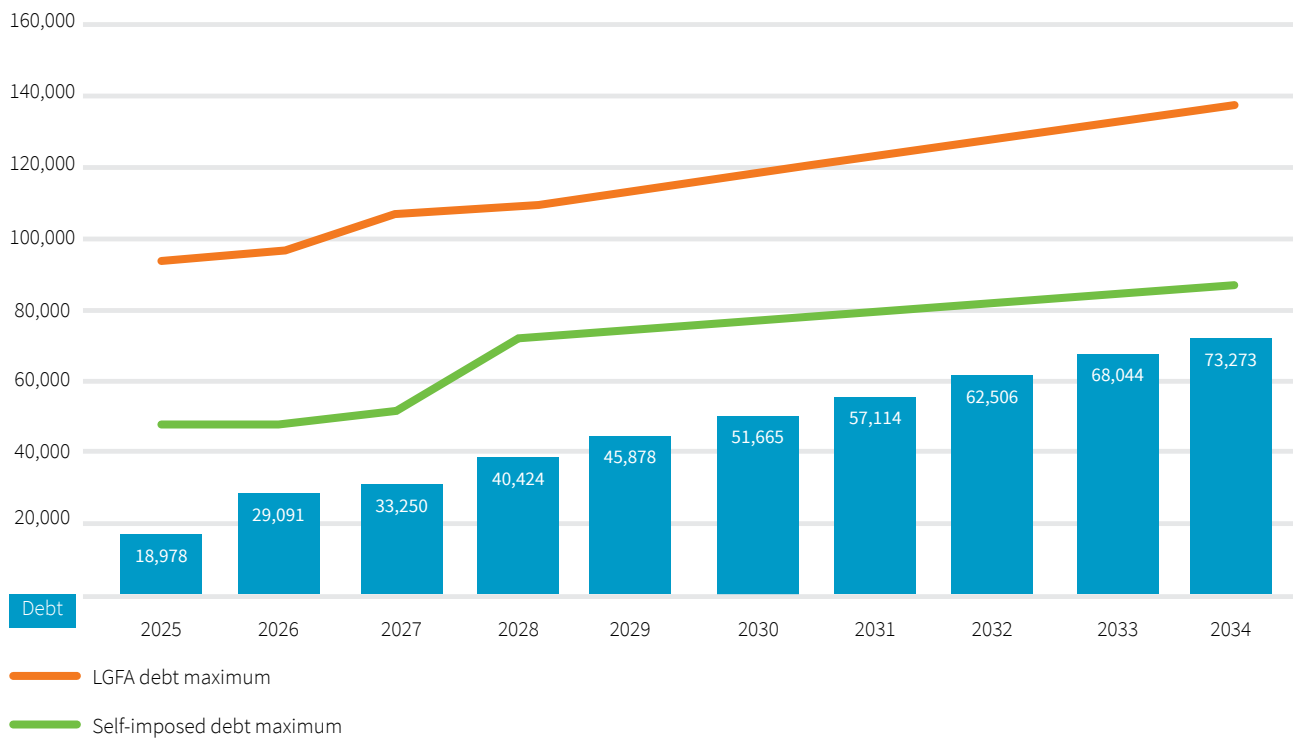
To provide an indication of the change in rates over the next ten years based on property value see graph 5. This references the proposed average weekly rates increase for a Southland property valued at \$450k.



Graph 5. Proposed average weekly increase annually for the 2024-2034 ten year period for a Southland property valued at \$450k.

As previously indicated in the budget and your rates section we are proposing to use Government co-funding (currently not secured) and debt to pay for current and future capital flood protection projects. The projected borrowing is within the borrowing limits as per the financial strategy.

Forecast Debt 2024-34 (\$'000's)



Graph 6. Forecasted debt over the 2024-2034 ten year period.



Milford Sound / Piopiotahi

Other Feedback

HAVE YOUR SAY

Tell us your views –
see page 29

Feedback is being sought on the following topics,
alongside the matters raised for the Long-term Plan.

► Revenue and Financing Policy – changing how we rate

The Revenue and Financing Policy Statement of Proposal is presented at a time when we are seeing the impacts of more severe weather conditions. Flooding is Southland's most common natural hazard and the devastating consequences of the recent floods in the North Island show how people and critical infrastructure can be affected well beyond the immediate river catchment area.

It is becoming clear that to build Southland's resilience as a community we need to look at the value our services have across the region and acknowledge that for most services, everyone benefits, whether that's socially, environmentally, culturally and/or economically.

Therefore, the Council undertook a review of funding and our Revenue and Financing Policy and thoroughly debated how we could more equitably share the costs across the region. As a result, we are consulting on a proposed change to our rating system where everyone shares in the cost of the services that benefits all.

As required by the Local Government Act, we are consulting on the Revenue and Financing Policy Statement of Proposal, separately, but at the same time as our Long-term Plan consultation document. Submissions on both consultations will be considered and heard together.

The Revenue and Financing Policy changes are about how we share the rates. The Policy is not about budgets. Changes to our budgets are discussed in the main section of this 2024-2034 Long-term Plan consultation document (see pages 5-24).

The Revenue and Financing Policy proposals are to:

- create one Flood Protection Infrastructure Rate based on capital value for all ratepayers to replace 140 targeted rates to pay for improved flood mitigation, including and repayment of debt for new flood infrastructure; and
- move the Biosecurity and Land Sustainability rating basis from land value to capital value.

These proposals would provide for a better allocation of the cost of:

- maintaining and improving our investment in infrastructure to maintain a fit-for-purpose flood protection network; and
- implementing the Regional Pest Management Plan and Fiordland Marine Regional Pathway Management Plan.

See the **Revenue and Financing Policy Statement of Proposal** on our website www.es.govt.nz.

► Shareholding in South Port NZ Ltd

South Port is New Zealand's southernmost commercial deep-water port and operates on a year-round, 24-hour basis. Based in Bluff, it is a critical regional asset, which handles over 3.4 million tonnes of cargo annually and is listed on the New Zealand Stock Exchange.

As part of the 1989 disbanding of the Harbour Board and local government reorganisation, Environment Southland inherited a controlling shareholding in South Port. We currently have a 66% shareholding, worth approximately \$125m and receive regular dividends, which contribute to funding our services, and therefore reducing the rates requirements.

Our Investment Policy requires us to regularly review all investments, which includes South Port, to ensure they are continuing to provide a good return for ratepayers. We have completed a review of the investment in South Port from both strategic and financial perspectives.

The review concluded that a majority or controlling shareholding in South Port was still important for us and the region to maintain. The current shareholding level of 66% provides this, however, so would a shareholding at 51%. The review reinforced the value of investment diversification and the potential risk to the Council of having such a large concentration of our investment portfolio in a single asset.

The Council is seeking the ability to be able to reduce its shareholding in South Port to a level no less than 51%, which would still provide us with a majority stake, while also allowing for increased investment income and returns.

Any decision to sell down shares would be guided by prevailing market conditions, professional advisors and ultimately the ability to achieve an appropriate financial outcome on behalf of ratepayers. Where the Council does not believe it would be able to achieve this value, the current shareholding would be maintained.

We view our investment in South Port as an intergenerational asset and as such, any proceeds from a sell down of shares would be invested in accordance with our Statement of Investment Policy and Objectives and, additionally, would also be treated as a strategic asset. This means public consultation would be required to spend it on anything other than an investment asset, protecting the proceeds for both current and future generations.

Investment income, including dividends from South Port are a material part of the Council's income and a smaller shareholding would reduce the dividend income received from South Port. However, this would be offset by additional income streams generated from the investment of any sale proceeds.

This proposal would reduce the Council's overall investment risk, as both the future value of our assets and our income would come from a wider variety of assets. This aligns with our Statement of Investment

Policy and Objectives, which targets growing greater financial resilience from a wider, more diversified investment portfolio.

The Council would look to investigate this proposal during the first three years of the Long-term Plan. The Council would like to get your views on this proposal.

Note, no decision has been made to sell down any shares at this time. What is being proposed is to retain a majority shareholding in South Port, put Council in a better position to evaluate its diversification, only act if Council can secure better outcomes, and protect any proceeds by naming them as a strategic asset as is the current shareholding in South Port.

► Financial strategy – improving Council's financial resilience

The Council is seeking to enhance its financial resilience and proposes doing this by increasing its financial reserves.

We live in a region that is prone to flooding and is in close proximity to the Alpine Fault. Disruption to our normal day-to-day activities could occur at any time and we also need to ensure we can weather any volatility in the financial world.

The Council has updated our financial strategy to focus on building greater financial resilience and stability. In the updated policy we explain how we earn money and how we are looking to boost financial resilience by increasing our savings in a modest way.

Instead of relying heavily on our savings to fund specific activities, we pay for everyday expenses with everyday income. We will also make some previously earmarked reserve funds more flexible, which will allow us to use them for general financial needs. In our last Long-term Plan, with Covid on the horizon, we chose to fund everyday costs through debt if needed. While we can still do that, it's no longer our preferred option, we need to rebuild financial resilience. This financial strategy assumes that we pay all our everyday expenses from everyday income and that we borrow only to fund intergenerational assets.

Debt funding of long-term infrastructure such as flood protection infrastructure ensures that there is intergenerational equity and that the burden of funding doesn't all fall on current ratepayers. Our funding requirements for future infrastructure needs remain indicative as we are hopeful that the governments focus on regional infrastructure will see funding come our way. That is why it is important that we build our capability over the next three years, not only to deal with current maintenance issues but to be ready to respond to opportunities for investment beyond which we are planning.

The capital expenditure programme is proposed to be ramped up significantly, as outlined in the Infrastructure

Strategy, over the course of the 10 years covered by the 2024-34 Long-term Plan. Our indicative budget has included an assumption that this will primarily be funded from years 4 to 10 by Central Government Grants (75%) and the balance by way of debt funding. As a result, debt increases over the course of the 10 years (no current debt; \$15m in year 1 to \$75m in year 10). The proposed level of debt is within the 87.5% of total income self-imposed limit.

Should central government funding not be available, Environment Southland would need to reassess how to proceed with its provisional capital works programme ahead of its 2027-2037 Long-term Plan noting the constraints around debt funding that currently exist.

You can read the full **Financial strategy** on our website www.es.govt.nz.

► Climate change strategy

Environment Southland is working with the other three Southland councils (Gore District Council, Invercargill City Council, Southland District Council) and Te Ao Mārama Inc to develop a regional climate change strategy.

The purpose of the strategy is to support a regional approach, to respond to the effects of a changing climate. This includes the reduction of greenhouse gas emissions and adapting to the changes across the region.

Following the strategy being finalised; a framework for action, including individual council plans, will be developed.

Each of the four Southland councils has endorsed the proposed climate change strategy and they are seeking feedback through public consultation from 29 February – 6 May 2024.

Read the proposed **Regional Climate Change Strategy** and provide your feedback online at www.es.govt.nz.

► Targeted rabbit control rate

Currently there is a rabbit control rate set according to location on all rating units greater than or equal to four hectares contained in the Southland region south of the Mimiha Stream and east of the Maitai River. This rate funds rabbit control by Southern Pest Eradication Society under contract.

When this was initially set up about two years ago, the Council said it would be reviewed when developing the Long-term Plan and, as part of that, it is now open for feedback.

We are particularly interested in whether the ratepayers are comfortable with the targeted rate and satisfied with the service being delivered. We would also like to know whether the affected ratepayers have any other views or suggestions regarding the rate, the service or alternative options.

See our website www.es.govt.nz for more information.

► Infrastructure Strategy

Investing in flood protection infrastructure is a key focus of the Council's 2024-2034 Long-term Plan. Due to the challenges of Southland's ageing flood protection network and a changing climate with more severe and enduring weather events, we are proposing increased and ongoing investment in the region's flood protection infrastructure and river management to increase or improve community resilience.

Our 30-year Infrastructure Strategy sets out how we will manage our flood protection infrastructure and flood plains. There are immediate flood protection and river management needs to be addressed, including appropriate replacement of existing infrastructure and gravel management, while we plan and position ourselves for the transition to alternative ways of managing floodplains over the medium and longer-term.

It is not viable to keep building higher and higher stop banks. One alternative is nature-based initiatives such as wetlands for water retention, native plantings and restoring old channels. This is something we have already started to explore.

If we don't make these investments and maintain the status quo our ability to manage our flood protection infrastructure will not be as effective as it could be. As a result, the infrastructure's ability to endure the increasing severity of weather events may decline over time, increasing the risk of flooding.

Reduced investment would also limit our ability to develop our flood resilience knowledge (through modelling and other activities) and in turn affect our planning for the future. We would continue with our maintenance programme where we address the most pressing matters, and defer others, and we would not have the funding for more capital investment.

Environment Southland therefore believes it is prudent to include provision for ongoing co-investment in flood management capital works projects from year 4 of this Long-term Plan. This government funding is not confirmed however it is included to show what is required to achieve the preferred outcome and Environment Southland's contribution towards this.

Should central government funding not be available, Environment Southland would need to reassess how to proceed with its provisional capital works programme ahead of its 2027-2037 Long-term Plan noting the constraints around debt funding that currently exist. This is likely to result in a much longer-term capital works programme with the risk of underperformance of the current network and associated increased flooding risk, alongside increased maintenance requirements.

To see the **Infrastructure Strategy** visit our website www.es.govt.nz.

► Fees and charges

Our practice is to review our Fees and Charges Policy every year. This normally coincides with the development of a new Long-term Plan or Annual Plan. We review the Fees and Charges Policy to make sure they're fair, cover actual costs, and distribute expenses fairly among those who benefit.

There are several proposed changes in the draft Fees and Charges Policy, including:

- Staff charge-out rates and services are proposed to increase to cover inflation
- A new fixed fee for surrendering consents is proposed to cover administrative costs
- An increase to the Science Research and Management charges within the following consent types is proposed to account for increased time and cost of the science programmes needed to support our water resource:
 - A proposed increase to the science charges within the discharge to water consents and discharge to land consents
 - A proposed increase to the science charges within significant groundwater takes
- Proposed changes for some resource management fees for services associated with monitoring whitebait consents
- Increases to some fixed fees, which have not been reviewed for a number of years, to ensure they cover costs of monitoring. The proposed increases of these fees take into account increases in service delivery such as third party contract costs.

To see the **Fees and Charges schedule** and proposed changes visit our website www.es.govt.nz.

► Significance and Engagement Policy

Understanding the needs and desires of communities plays a crucial role in the decisions Environment Southland makes.

Our relationships and engagement with our community, other councils, tangata whenua and government agencies are critical to the effectiveness of our activities. Partnership and collaborative arrangements provide unique opportunities to exchange knowledge, compare data, get a range of views, cooperate on design and share resources.

The Significance and Engagement Policy lists the Council's strategic assets and provides a community engagement guide. Changes to strategic assets need to be consulted on.

Our shareholding in South Port NZ Ltd is listed in the policy as a strategic asset, as is our flood protection

infrastructure and the Emergency Management Southland premises.

Should the Council sell some South Port Shares (see page 26) and invest the proceeds into a strategic investment fund, that fund would also become a strategic asset.

The **Significance and Engagement Policy** is available on our website www.es.govt.nz.

► Representation review

To ensure we have fair and effective representation for our community we're reviewing the Council's representation arrangements, ahead of the 2025 local government elections.

There is more information on our website and right now we are looking for some early feedback, ahead of public consultation.

The Local Electoral Act 2001 requires us to undertake a review at least once every six years and sets out prescribed requirements and processes.

The representation review will determine the:

- total number of councillors (elected members)
- number of councillors per constituency (a constituency is a specified area people vote for representation)
- boundaries and names of constituencies.

Council is required to consider the following as part of the review:

- Fair representation – where each elected member represent roughly the same number of people.
- Effective representation – the number of councillors in relation to things like the size and geography of the south and the diversity of our people.
- Communities of interest – looking at boundaries for representation, which consider:
 - A sense of belonging to an area that is distinct from other places
 - An ability for the community to provide services
 - An ability to represent the interests of the community
 - Territorial authority and/or territorial authority ward boundaries.

Any feedback provided during this period will be presented to Councillors to assist with the development of their initial proposal.

By 5.00pm,
6 May 2024

[illegible]

Other feedback

Do you have feedback on the other matters raised or anything else?

- Revenue and Financing Policy
- Shareholding in South Port NZ Ltd
- Financial Strategy
- Climate change strategy
- Targeted rabbit control rate
- Fees and charges
- Infrastructure Strategy
- Significance and Engagement Policy
- Representation Review

Please use additional paper if required.

When councillors hear submissions on this consultation document, do you want to present your views in person? Do you require any support to do so? Please note that all submissions are considered equally, whether or not you choose to present yours in person.

☐

Yes

☐

No

Please note: Upon request, we are legally required to make all written or electronic submissions available to the public, including the name and address of submitters, subject to the provisions of the Local Government Official Information and Meetings Act 1987. If you consider there are compelling reasons why your contact details and/or submission should be kept confidential, please contact the Council at the address below to make your request known.

Contact details

Name : _____

Organisation (if representing): _____

Organisation role: _____

Postal address: _____

Postcode: _____

Email: _____

Phone: _____

Signature: _____

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We can receive your feedback in a number of ways:



Mail

Freepost Authority No. 247418
Environment Southland
Private Bag 90116
Invercargill 9840



Delivery

Environment Southland
Cnr North Rd & Price St
Invercargill



Online

www.es.govt.nz



Email

consultation@es.govt.nz

Please contact us on 03 211 5115 if you want to submit in a different way e.g. verbally



Independent auditor's report



TO THE READER:

Independent auditor's report on Environment Southland's consultation document for its proposed 2024-34 Long-Term Plan.

I am the Auditor-General's appointed auditor for Environment Southland (the Council). The Local Government Act 2002 (the Act) requires the Council to prepare a consultation document when developing its long-term plan. Section 93C of the Act sets out the content requirements of the consultation document and requires an audit report on the consultation document. I have done the work for this report using the staff and resources of Deloitte. We completed our report on 27 March 2024.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report:

- the consultation document provides an effective basis for public participation in the Council's decisions about the proposed content of its 2024-2034 long-term plan, because it:
- fairly represents the matters proposed for inclusion in the long-term plan; and
- identifies and explains the main issues and choices facing the Council and region, and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

Basis of qualified opinion – Assumption related to the funding of capital expenditure to fund improvements to flood infrastructure

As outlined on pages 26 and 27, the Council proposes a significant increase in its capital expenditure programme. The Council plans to spend approximately \$180 million on improvements to the level of service of flood protection infrastructure and assumes that the Government will fund 75% of the improvement cost from years 4 to 10 of the long-term plan. We consider this assumption unreasonable because the Government funding has not been confirmed.

If the Government does not provide funding or provides less funding, the Council will need to reassess how to proceed. Until such time as the Council reassesses any alternative proposals, we are unable to quantify the effects on the information and assumptions underlying the information in the consultation document.

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 The Examination of Prospective Financial Information that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the consultation document. To select appropriate procedures, we assessed the risk

of material misstatement and the Council's systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan, whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long-term plan that meet the purposes set out in the Act; and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

We are responsible for reporting on the consultation document, as required by section 93C of the Act. We do not express an opinion on the merits of any policy content of the consultation document.

Independence and quality management

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour; and
- quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3) issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council.

Anthony Smith,
Deloitte Limited,
On behalf of the Auditor-General
Christchurch, New Zealand
27 March 2024

Your Councillors



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Deputy Chairman

Eastern-Dome

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Fiordland

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The regional council consists of 12 councillors elected democratically by the Southland public. They represent the six constituencies shown below.

Your locally elected councillors represent you to ensure that local needs are met by making decisions and setting the direction for the sustainable use of resources. The current council members were elected in October 2022 for a three-year term.

Fiordland



Paul Evans

Eastern-Dome



Jeremy McPhail
Deputy Chairman



Alistair Gibson

Western



Nicol Horrell
Chairman

Hokonui



Peter McDonald

Southern



Jon Pemberton

Invercargill - Raikura



Eric Roy



Phil Morrison



Neville Cook



Robert Guyton



Maurice Rodway



Lyndal Ludlow

