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| **7.6** | **Franz Josef Joint Committee Rating District - Proposed Merging of Rating Methods** |
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| **Public Excluded** | No  |
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**Report Purpose**

The purpose of this report is to recommend that the Franz Josef Joint Committee Rating District (FJJCRD) communities be bought into a single repayment schedule supported by one targeted rate under the Joint Committee.

**Report Summary**

1. The recommendation of this report is that FJJCRD should accept the merging of all current rating lines into 1 rating method.
2. This will cut down on administrative costs of Council, increase rate affordability for the catchment community by broadening the rating base, and support future maintenance cost and investment opportunities.
3. Creating single rating lines for all ratepayers within the FJJCRD boundaries will create transparency and certainty for the catchment community and bring financial management more uniformly under the single umbrella governance of the JC.
4. Any decisions taken due to this paper will only take effect in a future financial year, and will start on or after 1 July 2025.

**Recommendations**

***It is recommended that the Committee resolve to:***

*1. Receive the report.*

*2. Note the preferred option of Council (option 2 discussed below)*

*3. Note the proposed process if Option 2 is to be explored by the Committee.*

*4. Resolves either option 1 or 2 as the preferred way forward for the rate funding of the FJJC catchment responsibilities in the future.*

*5. IF option 2 is agreed, then the Committee does/does not resolve to have Council procure the services of a qualified Classifier to investigate and report on matters related to report subject and inform Committee and community decision making.*

**Issues and Discussion**

### **Background**

1. Franz Josef and Lower Waiho were previously 2 separate rating districts (RD) and were responsible individually for their financial decisions and recommendations to Council on maintenance spend.
2. In 2021, these 2 RDs were merged under 1 Joint Committee. However, there was no change to the rating method used by Council to align this important income source under the new governance structure to support collective decision making. This is still the case today.
3. It should be noted that it was a condition of the government’s investment in the flood protection scheme upgrade currently underway that the Franz Josef and Lower Waiho rating districts be merged and managed as a single rating district and governed by a Joint Committee.

### **Current situation**

1. Currently, the FJJCRD is now responsible for community representation for matters related to the catchment’s asset management and invest, decision making including maintenance and capital work approvals and recommendations to Council.
2. Council is looking to simplify their rates administration requirements and is wanting to merge the Lower Waiho and Franz Josef financially under the JC with a single rating method to underpin the maintenance costs and investment in the community.
3. Franz Josef is primarily rated through a capital value method noted as Area A (see map at Attachment A) and has a secondary differential for Area B. Area A generates 88% of the rates income, and Area B 12%.
4. Lower Waiho is rated on a flat basis of capital value. Rates are calculated on all rateable land in the area, calculated on the capital value of each rating unit for the maintenance of the protection works.
5. Having these 2 ‘jam jars’ of rating may limit the ability of the FJJCRD to manage funding decisions and maintenance requirements of the scheme’s assets effectively or through a best for river/community approach since each side of the river is currently separate for planning and rating purposes.

### **Options Analysis**

1. Do nothing and maintain status quo. This will have the effect of maintaining segregation of the 2 RDs in question despite the governance structure being a united umbrella. It will also increase the rating impact to individual communities if new capital or seasonal maintenance is required rather than sharing the rating base. It will also require Council to maintain and administer multiple rating lines even though they are related to a single Joint Committee representative group.
2. Merge both RD rating lines into 1 rating method in line with the single Joint Committee representation and governance structure. This will better support asset investment and maintenance decisions, affordability of rates as there are more ratepayers contributing to management of flood protection infrastructure and cut down the number of rating lines and administration required by Council. Broadening the rating base to support the scheme’s asset maintenance will also give some catchment community resilience financially through a pooling of risk together.

**Option 2 is the preferred position for Council** and is recommended for investigation as per below as the way forward. Should there be the change proposed, rating impacts would only come into effect for the 2025/26 financial year starting 1 July 2025 – at the earliest.

Should option 2 be agreed as the way forward to explore with community, the suggested next step would be to review the rating boundaries and potentially reclassify those identified as beneficiaries so that rates can be struck appropriately. *Council would recommend that the services of a Classifier be used to investigate and facilitate this decision-making process before new rates were agreed*. Full reporting would come back to community through this committee for recommendation and/or approval to Council.

It can be noted that the intention for having a joint representation and governance structure would best be served by integration of financial matters and management.

**Considerations**

### **Implications/Risks**

Implications for the 2 options are discussed above.

### **Significance and Engagement Policy Assessment**

This paper does not trigger the Significant and Engagement Policy of Council.

However, this report brings the subject matter for local consultation and decision-making given the likely level of interest by the local community and rating implications discussed.

### **Tangata whenua views**

The views of tangata whenua have not been sought in the preparation of this paper. However, Te Rūnanga o Makaawhio are represented on the Joint Committee and have the opportunity to make their views known at the Joint Committee meeting.

### **Views of affected parties**

N/A

### **Financial implications**

*Current budget –* No impact or change within the 2024-25 financial year.

*Future implications –* The merging of both current RD targeted rate line items, based on current RD CV, or on revised boundaries and considerations that may arise from the Classifier’s report and recommendations. The rate would be payable by all ratepayers within the FJJC boundaries in support of this representation and decision-making committee.

### **Legal implications**

This is a local democracy decision and neither option 1 nor 2 is deemed to have inherent legal risk. Reliance on classifier reporting and advice will be tempered with community consultation on any proposed changes. Legal advice may be taken by Council on matters arising from this process at it’s sole discretion.

### **Attachments**

Attachment 1: Map of Franz Josef Joint Committee Rating District

**Attachment 1:**

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