

Draft Stewart Island/Rakiura visitor levy bylaw and policy - consultation

Record no: R/22/2/2958
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Decision Recommendation Information

Purpose

- 1 The purpose of this report is to present the draft Stewart Island/Rakiura visitor levy policy (the draft policy), the draft Stewart Island/Rakiura visitor levy bylaw (the draft bylaw), and an associated Statement of Proposal, for Council to endorse for consultation.

Executive summary

- 2 When the Stewart Island/Rakiura visitor levy bylaw and policy were last reviewed in 2018, Council endorsed keeping the quantum of the levy at \$5, until a review of service delivery to Stewart Island/Rakiura had taken place. The service delivery work has now been completed, aside from this review of the visitor levy quantum.
- 3 The draft policy proposes a visitor levy of \$15 to provide appropriate funding for visitor-related activities on the island, and some other changes are also proposed. No material changes are proposed in the draft bylaw, aside from the quantum of the levy. All proposed changes are marked in the Statement of Proposal at attachment A.
- 4 To assess whether the current \$5 visitor levy is appropriate, the costs of Council and community group activities that visitors use, benefit from or mitigate environment effects (in line with the Southland District Council (Stewart Island/Rakiura Visitor Levy) Empowering Act 2012 (the Empowering Act)) have been examined. Four scenarios have been used to estimate the proportion of the costs that are visitor related and therefore eligible for a funding contribution from visitors (via the visitor levy). This is because only a portion of the total costs are related to visitor use with the residual related to island residents, ratepayers, businesses and organisations.
- 5 The Community and Strategy Committee (the committee) recommended to Council, at its 1 February 2022 meeting, that it endorse the proposal to increase the Stewart Island/Rakiura visitor levy quantum to \$15. The Stewart Island/Rakiura community board (the community board) supports an increase to the visitor levy to \$10, but does not support \$15.
- 6 If Council endorses the draft policy and bylaw and releases the Statement of Proposal for consultation, staff will undertake a consultation process in accordance with the Special Consultative Procedure from 8am on 1 March to 5pm 1 April 2022.
- 7 Under s.4 of the Empowering Act, a levy is a sum of money collected from visitors arriving as freedom travellers, and revenue is money collected on behalf of Council by approved operators. For this report, to ensure clarity, both types of money collected (levy and revenue) will be referred to as “levy”.

Recommendation

That the Council:

- a) receives the report titled "Draft Stewart Island/Rakiura visitor levy bylaw and policy - consultation" dated 14 February 2022.
- b) determines that this matter or decision be recognised as significant in terms of Section 76 of the Local Government Act 2002.
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) determines pursuant to section 155(1) of the Local Government Act 2002 that a bylaw is the most appropriate way of addressing the funding problems faced by Stewart Island/Rakiura.
- e) determines pursuant to section 155(2)(a) of the Local Government Act 2002 that the draft Stewart Island/Rakiura Visitor Levy Bylaw is the most appropriate form of bylaw.
- f) determines pursuant to section 155(2)(b) of the Local Government Act 2002, that the draft Stewart Island/Rakiura Visitor Levy Bylaw does not give rise to any implications under the New Zealand Bill of Rights Act 1990.
- g) endorses the recommendation from the Community and Strategy Committee that the amount of levy and revenue collected should be \$15.00 (including GST).
- h) endorses and releases the Statement of Proposal outlined in attachment A (that includes the draft Stewart Island/Rakiura Visitor Levy Bylaw and draft Stewart Island/Rakiura Visitor Levy Policy) for consultation in accordance with the Special Consultative Procedure outlined in sections 83, 86 and 87 of the Local Government Act 2002, from 8am 1 March to 5pm 1 April 2022.
- i) determines that it has followed the requirements of section 80 of the Local Government Act 2002 (which must be followed when making decisions inconsistent with policy), regarding the proposal to consult on an increase to the visitor levy quantum in accordance with the Special Consultative Procedure, but not via the Annual Plan process.
- j) endorses Council working with approved operators and levy funding recipients on an ongoing basis, to increase community and visitor understanding of the Stewart Island/Rakiura visitor levy.

Background

The Empowering Act

8 Although Stewart Island/Rakiura has a small resident population, it is a destination for a large number of short-term visitors. This creates a unique funding challenge for Council. In recognition of this, Parliament adopted the Empowering Act.

9 The Empowering Act outlines that levies collected must be used for one or more of the following purposes:

- funding, wholly or in part, activities used by visitors
- funding, wholly or in part, activities on the island for the benefit of visitors
- mitigating the adverse effects of visitors on the environment of the island.

10 The Empowering Act also establishes who is a visitor in relation to collecting the levy, it gives Council the right to make a bylaw to prescribe the rate of levies that may be imposed on or in respect of visitors, and it outlines information about infringements.

The current policy and bylaw

11 The current policy and bylaw became operative and the levy started being collected, in October 2013.

12 When the Stewart Island/Rakiura visitor levy bylaw and policy were last reviewed in 2018/2019, Council endorsed keeping the quantum of the levy at \$5, until a strategic review of service delivery to Stewart Island/Rakiura had taken place. There has been no change to the levy quantum since its implementation in 2013.

13 The current policy (attachment B) contains practical information about how the visitor levy operates, and outlines who has to pay levies and revenue, how a person can prove they are exempt, how the fund is administered and how funding is allocated.

14 The current bylaw (attachment C) outlines the levy that is imposed (\$5), how it is collected, and the relevant offences and penalties. The infringement fee for each infringement offence has been set by way of a regulation made under the Empowering Act, and is \$250.

Financial information

15 Since 2013, around \$1.3 million in levy funds have been collected with \$1.1 million of this allocated to projects. A further \$200,000 is held in a reserve to be allocated during future funding rounds.

- 77% (\$841,603) has been allocated to Council-owned infrastructure projects, such as jetties, walking tracks and signage
- 23% (\$248,454) has been allocated to other organisations for infrastructure, operational costs and projects, such as Stewart Island Promotions, SIRCEIT (Stewart Island/Rakiura Community Environment Trust), Rakiura Heritage Trust and the Department of Conservation.

The review process to date

- 16 Council staff undertook preliminary engagement with people in the District in September 2021 and presented the response to the Stewart Island/Rakiura Community Board (the community board) at its 11 October 2021 meeting. A summary of the written and verbal feedback received is attached to that report. This information provided an early assessment on the views around this issue. Approximately 60% (35) of respondents to the September 2021 online survey were in favour of an increase of the levy quantum, 36% (21) did not support an increase and two people did not answer this question.
- 17 Main reasons for supporting an increase to the levy were that the costs to provide services to the island have increased substantially, and that visitors should support these costs. Those opposed to an increase to the levy stated that it is already expensive to come to the island for visitors, and that central government should pay for community infrastructure through the International Visitor Conservation and Tourism Levy.
- 18 The online survey asked those that were in favour of an increase in the levy, what level of increase they supported. Only 46 people responded to this question, which may indicate 12 did not support an increase therefore did not answer this question. Most respondents (19, 41%) favoured an increase of between \$1 and \$5, which would make the levy total between \$6 and \$10. An equal number of respondents (9, 20%) favoured the other three options: an increase of between \$6 and \$10, an increase of between \$11 and \$15, and 'other'.
- 19 Feedback was received from the committee at its 1 February 2022 meeting. The committee recommended to Council that it endorse the proposal to consult on increasing the levy to \$15. Two councillors voted against this recommendation, and proposed that Council consult on increasing the levy to \$10.
- 20 The committee's recommendation to consult on a \$15 levy amount considered the work undertaken on forecasted visitor related costs for the island by Council and other community groups. A \$15 levy was recommended because it achieves a balance between visitors contributing a reasonable amount towards forecasted costs, and alleviating the rates burden of these costs on visitors.
- 21 There was also discussion that any change to the levy would not be implemented until October 2023, such that the levy would have been at \$5 for ten years. The preferred option of \$15 both adjusted for inflation since 2013 and addressed anticipated increases in costs and inflation rates. There was also a desire to alleviate the burden to island ratepayers, due to the high numbers of visitors compared to a small number of ratepayers, and the high cost of providing visitor related services on the island. The committee also recommended Council endorse the other proposed changes in the draft bylaw and policy.
- 22 The chair of the community board was invited by the committee to provide community board feedback directly to the committee on the draft bylaw and policy.
- 23 The community board support an increase to the levy quantum to \$10, but are of the view that \$15 is excessive, and are concerned that this will deter visitors from coming to the island. The community board do not agree with several of the activities that have been included in the list of activities that are eligible for funding from the visitor levy.

- 24 Legal advisors have recently reviewed the draft policy and bylaw. Through that review, some additional/minor amendments have been suggested.

Issues

- 25 The key change proposed in the draft policy and bylaw is an increase in the quantum of the levy collected to \$15, from the current \$5. This section discusses the funding analysis behind a proposal to increase the levy. Other changes to the draft policy are then listed, followed by items where no change to the draft or bylaw are required.

The quantum of the levy

Background

- 26 The Stewart Island/Rakiura Service Sustainability Review prepared in 2019 found that there are a number of service sustainability challenges in providing and funding the delivery of services to the Stewart Island/Rakiura community. The report identified a range of opportunities to address these funding pressures, including how to maximise existing and potential new alternative funding tools and/or sources.
- 27 Amongst the actions identified in the report was a review of the quantum of the Stewart Island/Rakiura visitor levy (as an existing funding source) and the policy upon which the visitor levy is collected and distributed. Council agreed to progress this review having regard to the findings from the sustainability review and the projected future demands for services proposed to be delivered to the Stewart Island/Rakiura community by either Council and/or other agencies that are eligible to make an application to the visitor levy fund.
- 28 Levy funds are allocated by way of application to the Stewart Island/Rakiura visitor levy allocation subcommittee (the subcommittee). Applications will only be eligible for funding if they meet the requirements of the Empowering Act. The subcommittee has discretion whether or not eligible applications will receive funding. Additionally, it is not a given that a project will apply for funding. However, having increased funds available would increase the pool of funds to assist with getting work and activities completed.

Forecasted funding costs for Stewart Island/Rakiura

- 29 Work has been undertaken looking at the forecasted costs for the island by Council and other groups, and shows that the current visitor levy at \$5 is likely to be insufficient to fund the projected future cost of visitor-related activities. The methodology is included in the Statement of Proposal, in attachment C to that proposal.
- 30 Council used two methods to estimate visitors' share of activity costs. The 'project approach' used the average annual project capital costs from the Council's Long Term Plan (LTP) 2021-2031 for visitor related infrastructure, to estimate the projects that are eligible for levy funding. Only infrastructure activities with projects falling within the LTP period are included in the calculation.
- 31 The second approach uses the annual depreciation cost for visitor related infrastructure to estimate the annual consumption of the assets on the island which are eligible for levy funding. All infrastructure activities are included in the calculation to reflect that all infrastructure is used by visitors over the long-term. This second approach has been used to verify that the annual costs resulting from the project approach (using the shorter LTP period) are reasonable.

- 32 For both approaches, the average annual operating and capital costs from other community agencies which are associated with visitor related activities has been included. The other agencies include Stewart Island Promotions, Rakiura Heritage Trust, Stewart Island/Rakiura Community & Environment Trust and Department of Conservation. These costs have been identified as visitor related costs by these organisations.
- 33 Both the LTP project and annual depreciation approaches assign a percentage share of costs related to visitors for each activity or project. This is because only a portion of the total costs are related to visitor use, with the residual related to island residents, ratepayers, businesses and organisations.
- 34 Four scenarios have been used to estimate the proportion of the costs that are visitor related and therefore eligible for a funding contribution from visitors (via the visitor levy). This range of scenarios has been used because Council acknowledges there are likely to be differing opinions about the proportion of costs on the island estimated to relate to visitors.
- 35 The two methods yield similar results. Depending on the share of activity costs estimated to be related to visitor use, the levy would need to increase to between:
- \$11 and \$30 for the LTP project approach
 - \$9 and \$26 for the annual depreciation approach.
- 36 A levy quantum of \$15 is proposed because to ensure visitors contribute a reasonable amount towards these costs and to alleviate the rates burden of these costs on ratepayers.
- 37 The committee also provided feedback that the proposed increase to \$15.00 would be catching up on increased costs and inflation since collection of the levy started, and would anticipate further increases before any change would come into effect in October 2023. Selected members of the committee and the community board expressed an interest in looking at an option to enable annual adjustments to the levy to allow for inflation. Due to the nature of the bylaw amendment process and agreements with the operators who collect the levy, it is not viable to build in frequent incremental increases to the bylaw and policy in line with inflation, so a \$15.00 quantum is considered to be a reasonable amount.

What activities should be included?

- 38 There are a lot of different views about what is or is not visitor related. The Empowering Act is the main criteria for assessing whether something is eligible for levy funding. As discussed above, this means an activity that is used wholly or in part by visitors, is for the benefit of visitors, or mitigates the adverse effects of visitors on the island environment.
- 39 The scope of what is eligible for funding has not changed since the levy came into effect. Modelling has been based on the projects/activities eligible for funding, recognising that the subcommittee has full discretion to assess applications based on their merits, and decide whether to allocate funding.
- 40 The community board provided feedback that it did not agree with the inclusion of several activities in the forecasted activity costs, on the basis that other funding sources should pay for those activities, not the visitor levy. The community board opposed the inclusion of the wastewater, waste services, and electricity generation (SIESA) activities as well as Department of

Conservation track maintenance and capital projects. While the community board did not specifically mention that roading and stormwater should be excluded, staff have assumed the board would also object to funding these activities from the levy given that they are currently funded in a similar manner to other activities the board opposed including.

- 41 For modelling purposes, if these activities are removed from the visitor-related activities list, the LTP project approach shows that the levy would need to be between \$5 to \$16. The annual depreciation approach indicates a levy amount of between \$3 to \$5.
- 42 Whilst there are a number of other funding sources (district and local rates, grants, etc.) for activities that are eligible for funding under the Empowering Act, visitors use and benefit from all the activities that have been included. The existence of other funding sources does not exclude eligibility for levy funds. The purpose of the four different scenarios used in modelling is to allocate a reasonable percentage of visitor benefit to activities. By way of example, in the 'low estimate' modelling scenario for electricity generation (SIESA), waste services and wastewater, only 5% has been attributed as having visitor benefit. Accordingly, the role of other funding sources has been built in to the modelling.
- 43 It is therefore considered appropriate to include the activities listed, on the basis that visitors use or benefit from these activities, and that a fair and reasonable proportion of visitor related benefit has been allocated to each. Setting the levy at an amount that appropriately contributes to visitor-related activities, would be establishing a user pays approach for visitors.

Other changes

- 44 Changes proposed to the draft policy include:
- increasing multi-year funding for Council and community owned infrastructure from 10 years, to 30 years in exceptional circumstances, in order to try and best match the “use” of the expenditure with the “life” of the expenditure. Further information on this is available in the 1 February 2022 committee report
 - removing the requirement to publicly consult on a change in the levy quantum through the Annual or LTP process, but retaining the requirement for a formal bylaw amendment process, as required by the Empowering Act and the Local Government Act 2002 (LGA)
 - clarifying that the subcommittee may only allocate funding once a year, at its annual allocation meeting
 - adding examples to the descriptions of the three allocation categories (Council/community infrastructure, operational costs, community projects)
 - adding that for applications made by Council (including community board), the inclusion of a project in Council's LTP indicates that it has gone through a community engagement process, and Council has endorsed the project as supporting the community's long term objectives
 - updates to improve legal accuracy and clarity of the policy, including titles and delegations.
- 45 These changes are tracked in the draft policy included in the Statement of Proposal at attachment A.

Items where no change to the policy is proposed or required

Increased communication with the community about the levy

- 46 Staff received feedback from the community that it would like to receive more information about the allocation of levy funding. Currently, the subcommittee's agendas and meeting minutes are publicly available on Council's website or on request. In addition, the committee is informed of annual funding decisions, and Council's annual report contains an itemised statement of the Stewart Island/Rakiura visitor levy fund each year.
- 47 Additional measures to publicise this information more widely without a change to the current policy could include:
- posting annual levy funding allocation decisions on Council's social media platforms and on its website
 - having information available at the Stewart Island/Rakiura library
 - publishing information about levy allocations in the Stewart Island News.
- 48 The concept of a public meeting/workshop prior to allocations each year has been considered but not included in the draft policy. It is considered appropriate to first increase the circulation and availability of information as discussed in the paragraph above, and then assess whether a public meeting is indicated. Such a meeting could be held at the discretion of the subcommittee and would not require inclusion in the policy wording.

Increased communication with visitors about the levy

- 49 In addition to providing more information to the community about the levy, input was received that Council could improve communications with visitors about the purpose of the levy, and what it has accomplished since its inception. There were discussions with stakeholders that visitors have a genuine interest in understanding 'the story' behind the levy and appreciating their role in helping to protect and enhance a place that they visit.
- 50 Increasing visitor understanding of the levy could take different forms. Working with approved operators to provide further information about the levy or a link on their ticketing site about the levy is one avenue. In addition, Council could partner with funding recipients on the island to create or improve signage that shows when a project has been funded by the levy. These initiatives do not require a change to the current policy or bylaw, but staff suggest that Council endorse these actions, if supported.

Factors to consider

Legal and statutory requirements

The Empowering Act

- 51 The Empowering Act provides that Council may make bylaws in accordance with the LGA to prescribe:
- the rates of levies that may be imposed on or in respect of 'visitors', and
 - the means by which those levies are to be collected.
- 52 The Empowering Act defines revenue as being collected "by an approved operator in accordance with a contract entered into for the purpose with the Council". Under the Empowering Act, arrangements with approved operators fall outside of the scope of the bylaw.

Consultation

- 53 It is proposed the Council undertake consultation on the draft policy and bylaw in accordance with the Special Consultative Procedure outlined in sections 83, 86 and 87 of the LGA.
- 54 The Special Consultative Procedure requires that Council adopts a formal Statement of Proposal, has a consultation period of not less than one month, and allows people to present their views to Council in a manner that enables spoken interaction, such as by having a hearing. It also provides for the preparation of a summary of the information contained in the Statement of Proposal, if the Council considers such a summary is necessary to enable public understanding of the proposal. A summary of information has not been prepared for this consultation on the basis that the attached Statement of Proposal is easy to understand, and includes its own summary at the beginning of the document.
- 55 It is proposed that Council will make the Statement of Proposal as widely available as is reasonably practicable (in accordance with section 83 of the LGA), and encourage people to give feedback, by:
- placing an advertisement in the Southland Times and Stewart Island News
 - promote the Statement of Proposal through Council's relevant social media platforms, and specifically the Stewart Island/Rakiura community Facebook pages
 - placing posters at prominent places around Oban
 - delivering fliers to Oban residents
 - notifying stakeholders about the Statement of Proposal
 - having the Statement of Proposal accessible on Council's website and at all of its offices.

LGA s.80 requirements

- 56 The current policy states that public consultation will occur via an Annual/Long Term Plan process and a bylaw amendment process, in the event an increase in the levy or revenue is considered (5.0 of the current policy). It is proposed to consult using the Special Consultative Procedure, but not via that Annual Plan process, for the current review.
- 57 Under s.80 of the LGA, Council is legally required to identify any decisions that are significantly inconsistent with a policy. The current policy refers to two forms of public consultation to increase the levy, that of the Annual Plan/LTP process, and a bylaw review process. It is therefore considered that a decision not to consult via the Annual Plan when the other consultation will occur, is not a decision that is 'significantly inconsistent with' the current policy. Accordingly, adherence to s.80 is taking a cautious approach.
- 58 Section 80 requires Council to clearly identify the inconsistency, the reasons for the inconsistency and any intention of the local authority to amend the current policy to accommodate the decision. Identification of these factors is as follows:
- the inconsistency is that the current policy requires consultation via the Annual Plan/LTP process. Council intends to consult via that Special Consultative Procedure bylaw review process, but not via the Annual Plan/LTP process
 - the reason for the inconsistency is that it is not considered practical to delay the review of the levy quantum, should Council not be required to consult on its 2022/23 Annual Plan

- the intention is to amend the current policy to remove this requirement, so that future review processes do not have to be conducted as part of an Annual Plan/LTP process.

LGA financial requirements

- 59 Under the LGA, Council is required to manage its finances prudently and in accordance with sound business practice. It is also required to make adequate provision for meeting its forecasted expenditure requirements. Collectively, these provisions indicate that Council should have a clear analysis supporting any projected increase in funding required. In the case of the Stewart Island/Rakiura visitor levy, such an assessment should have regard to the range of services that need to be provided, whether by Council or other service providers, to meet the needs of visitors. The analysis included with this report shows the island's visitor-related funding requirements and the role that the levy may play in helping to alleviate the rates burden to residents.
- 60 Through the review process, staff have become aware that Council's Revenue and Financing Policy may not separately refer to Empowering Act levies/revenue collected as a source of funding, as required by the LGA. The Empowering Act levies/revenue are currently included in the grants and subsidies heading of the Revenue and Financing Policy which forms part of the policies' "other sources" of funding.
- 61 Section 6 of the Empowering Act provides that levy and revenue "are a source of funding for the purposes of section 103(2) [of the LGA]", and s.103(1) of the LGA requires that Council "must state" its policies in respect of funding operating expenditure and capital expenditure from the sources listed. For clarity, the Revenue and Financing Policy should reference Council's policies in relation to this funding source.
- 62 It is considered appropriate that this clarification to the Revenue and Financing Policy, to specifically refer to the levy as a funding source, be addressed when this policy is next reviewed.

Contractual obligations

- 63 If Council adopts an increase to the levy quantum, an important legal consideration is that Council would have to negotiate a variation to its contract with the three approved operators. It is considered premature for Council to enter into any contract negotiations with approved operators prior to receiving community views and determining whether or not to change the levy quantum.
- 64 Council is also required to provide 15 months' notice of the increase to the approved operators. Approved operators have the option to terminate the contract by giving six months' notice of termination. Termination cannot take place during the peak months of October to April (inclusive).
- 65 It is intended that Council would adopt any changes to the levy quantum in June 2022. Any change to the quantum of the levy would not take effect until October 2023, consistent with the agreements between the approved operators and Council.

Determinations

- 66 The Empowering Act requires Council to make the bylaw in accordance with the LGA. This means that Council must, before commencing the process for making a bylaw, determine whether a bylaw is the most appropriate way of addressing the perceived problem. The

problem on Stewart Island/Rakiura is the strain being placed on the environment and local infrastructure by visitors. The island hosts many short-term visitors but has a small permanent population. The small rating base of the island contributes to funding challenges for Council and the levy is intended to help meet costs attributable to visitors.

- 67 Council is also required to determine whether the proposed bylaw is the most appropriate form of bylaw before it makes it. The draft bylaw contained in the attached Statement of Proposal has been prepared and structured for ease of reference and interpretation. The draft bylaw is consistent with the Empowering Act, and the process prescribed in the LGA is being followed.
- 68 Council is also required to determine whether the draft bylaw gives rise to any implications under the New Zealand Bill of Rights Act 1990, which grants certain civil and political rights to people in New Zealand. The provisions of the proposed Stewart Island/Rakiura visitor levy bylaw do not unreasonably interfere with any of the rights given by the New Zealand Bill of Rights Act 1990. While the draft bylaw requires visitors to Stewart Island to pay a levy, this power has been mandated by virtue of the Empowering Act, which has been reviewed by the Attorney-General for any inconsistency with the Bill of Rights. The objectives of the levy are to provide services for visitors and mitigate the environmental impacts of tourism. These objectives support the rights of residents and represent value for those who will be paying the levy.

Legal review

- 69 Legal advisors have reviewed the draft policy, the draft bylaw and the draft statement of proposal. Through this review, some minor amendments have been made.

Community views

- 70 Input has been sought through preliminary consultation, to help guide the direction for changes in the draft policy and bylaw. The range of views received were outlined in the report to the committee on 1 February 2022.
- 71 The chair of the community-board provided the board's feedback on the draft bylaw and policy, directly to the committee. The community board support an increase to the levy quantum to \$10, but are of the view that \$15 is excessive, and are concerned that this will deter visitors from coming to the island. The community board do not believe some island activities should be funded by visitors.
- 72 Council will be able to further ascertain community views on the draft policy and bylaw when it undertakes formal consultation in accordance with the Special Consultative Procedure.
- 73 There is a large amount of community interest (particularly on Stewart Island/Rakiura) in how the visitor levy operates and how funding is allocated. Staff anticipate that a reasonable amount of feedback will be received through the consultation process, and that the media may also be interested in this issue.

Costs and funding

- 74 Costs associated with staff time, advertising and legal advice will be met within current budgets.
- 75 There is likely to be a shortfall in funding if the levy remains at \$5 and no change is made to the projects planned for the island. The impact on rates to fund this shortfall would vary, depending

on the quantum of the levy. If Council is unable to secure other funding for these projects, it is likely that they will need to be fully funded from rates or the projects delayed.

Policy implications

- 76 The draft policy proposes changes to the amount of levy/revenue collected. Freedom travellers and people who travel with an approved operator would pay a levy/revenue of \$15 rather than the \$5 that is currently paid.
- 77 Increasing the quantum of the levy to \$15 will enable proposed work that is visitor related to proceed, and lessen the need to increase rates. This will help to alleviate the burden to ratepayers from the high number of short-term visitors to Stewart Island/Rakiura.

Analysis

Options considered

- 78 There are three options for consideration in this report:
 - Option 1 – that Council endorses the Statement of Proposal, draft policy and bylaw (with any desired amendments) for consultation in accordance with the Special Consultative Procedure, that includes the proposal to increase the levy quantum to \$15.
 - Option 2 – that Council endorses the Statement of Proposal, draft policy and bylaw (with any desired amendments) for consultation in accordance with the Special Consultative Procedure, that includes the proposal to increase the levy quantum to \$10.
 - Option 3 – that Council retain the current policy and bylaw (with any desired amendments), and keep the levy quantum at \$5. This option may also require a consultation process to be undertaken.

Analysis of Options

Option 1 – that Council endorses the Statement of Proposal, draft policy and bylaw for consultation in accordance with the Special Consultative Procedure, that includes the proposal to increase the levy quantum to \$15

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • an increase in available funds will better provide for visitors to the island and contribute towards relieving the rates burden on this community and/or district ratepayers • enables a greater contribution to eligible grant requests, both from Council and other external entities. This higher contribution will enable services to continue or be improved and for more projects to be funded from the levy and generally undertaken without delays. • provides practical updates and clarifications to the current policy, including an increase to multi-year funding in exceptional circumstances for infrastructure projects and 	<ul style="list-style-type: none"> • is not consistent with the feedback from preliminary consultation, that supported an increase to \$10, not \$15 • may impact affordability of getting to the island for some people • approved operators may not agree to collecting the levy funds on behalf of Council, if it is raised to \$15 (which would create a challenge around collecting the levy).

removing the requirement to consult via the Annual Plan/LTP.	
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Option 2 – that Council endorses the Statement of Proposal, draft policy and bylaw (with any desired amendments) for consultation in accordance with the Special Consultative Procedure, that includes the proposal to increase the levy quantum to \$10

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • is consistent with the feedback from preliminary consultation, that supported an increase to \$10.00 • provides some increase in funds to better provide for visitors to the island and may relieve the rates burden on this community and/or district ratepayers • enables a greater contribution to eligible grant requests, both from Council and other external entities. This higher contribution will enable services to continue or be improved and for more projects to be funded from the levy and generally undertaken without delays. 	<ul style="list-style-type: none"> • increasing the levy to \$10 will provide less support for visitor related projects on the island and may increase the rates burden on this community and/or district ratepayers • may not be sufficient to fund grant requests for other entities resulting in no increase or a reduction service levels and/or any projects being delayed or cancelled pending other funding sources • may impact affordability of getting to the island for some people • approved operators may not agree to collecting the levy funds on behalf of Council, if it is raised to \$10 (which would create a challenge around collecting the levy).

Option 3 – that Council retain the current policy and bylaw, and keep the levy quantum at \$5

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • this is in line with some community views obtained through the pre-consultation process • the community, stakeholders and approved operators are familiar with the current levy amount and bylaw and policy provisions • less likelihood of any reduction of visitor numbers due to cost of transport if there is no change in the cost of getting to the island. 	<ul style="list-style-type: none"> • keeping the levy at \$5 will not increase available funds for visitor related projects on the island and may increase the rates burden on this community and resulting in other entities seeking other funding sources, possibly leading to a reduction in services provided, projects delayed or not undertaken • inflation rate increases since the inception of the \$5 levy means that the level of service or the quantum of projects will continue to reduce over time • this option is not in line with the majority of stakeholder and community views that the quantum of the levy should be increased.

Assessment of significance

- 79 With the proposed change to the amount of levy/revenue collected, staff believe that this decision is one that just meets the threshold of being a significant decision (in relation to Council's Significance and Engagement Policy and the LGA).
- 80 The most relevant factor for assessing significance in Council's Significance and Engagement Policy is "the effect on people who are likely to be particularly affected by or interested in the issue, decision or proposal."
- 81 Staff have assessed the proposal to increase the visitor levy quantum as meeting the threshold of being a significant decision because all visitors to the island will be financially impacted if a decision is made to increase the visitor levy. In addition, there is a significant amount of interest in this issue in the Stewart Island/Rakiura community and throughout the region.
- 82 Council has undertaken a thorough review of the current policy and bylaw. Council has also considered the community views captured through preliminary consultation, and it will ascertain and consider community views through the formal consultation process. In relation to the decision being made Council has also comprehensively:
- identified the potential implications
 - identified the reasonably practicable options
 - assessed the options in terms of their advantages and disadvantages
 - considered costs and funding
 - provided and considered information
 - engaged with Te Ao Mārama during the preliminary consultation process, in line with s.81 of the LGA.
- 83 Council has to undertake a Special Consultative Procedure to amend the bylaw, and consultation on the amendments to the current policy will also be included in that consultation. A Special Consultative Procedure is the highest level of consultation to use and is also appropriate in this case, given the level of significance.

Recommended option

- 84 It is recommended that Council proceed with Option 1 and endorse the draft policy and bylaw (with any desired amendments) for consultation in accordance with the Special Consultative Procedure.

Next steps

- 85 If Council endorses the draft policy and bylaw and releases the Statement of Proposal for consultation, staff will undertake a consultation process in accordance with the Special Consultative Procedure from 8am 1 March to 5pm 1 April 2022. It is intended that the written submissions received will be presented to Council and a hearing on this matter will take place, on 27 April 2022. Covid national protection framework levels may impact hearing dates and the ability to hold this meeting in person.
- 86 If, after undertaking the Special Consultative Procedure, Council endorses increasing the levy/revenue collected, it would then adopt the bylaw and policy to come into effect from 1 July 2022 (with the new \$15.00 amount being collected from 1 October 2023).

- 87 If Council endorses retaining the current policy and bylaw, or increasing the levy to \$10, staff will make any desired amendments to the documents and present a draft policy and bylaw to Council, to be endorsed for consultation.

Attachments

- A Statement of Proposal for review of the Stewart Island/Rakiura visitor levy bylaw and policy
- B Current Stewart Island/Rakiura visitor levy bylaw (revision 1, 2019)
- C Current Stewart Island/Rakiura visitor levy policy