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## **Report 01.292**

30 April 2001

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Report to the Rural Services and Wairarapa Committee  
from Wayne O'Donnell, Manager, Biosecurity

### **Bovine Tb Works and Services Rates – 2001/02**

#### **1. Purpose**

To seek the Committee's preference on the basis for the Bovine Tb Works and Services Rate for 2001/02.

#### **2. Background**

Report 01.293 in this order paper identifies an anticipated reduction in the Bovine Tb Rate requirement for the 2001/02 financial year. The Animal Health Board (AHB) has indicated that the Proposed National Pest Management Strategy for Bovine Tb, due to commence in 2001/02, will require a significantly reduced regional contribution compared to previous years. This reduction is in spite of an overall proposed increase in vector control expenditure in the Wellington Region. Increases in the Crown and industry contributions will offset the reduction in regional inputs.

#### **3. 2001/02 Bovine Tb Rate Requirements**

Council has been advised by the AHB that the regional contribution required for the now proposed 2001/02 vector control programme totals \$717,202. This total is subject to the Council agreeing to the requested vector control programme. Comparisons are provided below: -

	<i>Proposed Annual Plan For 2001/02</i>	<i>Anticipated Annual Plan For 2001/02</i>
<i>Total Operating Costs</i>	6,359,857	5,234,634
<i>Regional Share</i>	1,727,625	717,202
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<b><i>General Rate</i></b>	1,036,575	430,321
<i>Bovine Tb Rate</i>	691,050	286,881
 <i>Rate Applied</i>	 582,568	
<i>Reserves Applied</i>	108,482	

The Bovine Tb Rate Reserve, as at 30 June 2000, was approximately \$805,000. The Council's Long Term Financial Strategy and the 2001/02 Proposed Annual Plan both envisaged that Bovine Tb rates would be held relatively constant at current levels for several years into the future and contributions from the Reserve would be utilised to balance the funding requirements. This approach would have seen all reserves exhausted within a 10-year timeframe. With a reduced regional contribution now likely for at least the next 5 years, a review of rating options is necessary.

#### **4. Bovine Tb Rating Options**

The total likely to be held in Bovine Tb Reserves at year end is estimated to be over \$950,000. This includes interest on reserves during the 2000/01 year plus contributions from this current 2000/01 financial year following the deferral of the SE Wairarapa operation that was budgeted for, but unable to proceed because of lack of funds from the AHB.

In accordance with the Funding Policy, the total Bovine Tb Rate required for 2001/02, subject to approval of the Proposed NPMS, is anticipated to be \$286,881. The General Rate would contribute \$430,321 to make a total regional contribution of \$717,202. Discussions with the AHB indicate that total regional contributions are likely to remain at or below \$700,000 for the next four years, with an increase to \$840,000 predicted for 2005/06. Any changes to the Bovine Tb Rate for 2001/02 should, therefore, remain in place for at least the next five years. A number of options for the Bovine Tb rates for 2001/02 and beyond are outlined below.

##### **4.1 Option 1**

Maintain the existing differential between operational (90%) and non-operational (10%) areas.

	<b>2000/01 Rates</b>	<b>2001/02 Rates</b>
<b>Operational</b>	\$1.3317/ha	\$0.566/ha
<b>Non-operational</b>	\$0.2667/ha	\$0.185/ha

*Disadvantages:*

1. *The total collected from non-operational areas amounts to only \$28,700. Collection costs from this group are much higher because of a resistance to pay. Therefore it may not be cost-effective to continue to include this group.*
2. *The expansionary programme will continue over at least the next five years. Therefore, the total non-operational area will continue to shrink requiring a change in the Special Order specifying the differential. The total amount recovered will also decline.*
3. *This option makes no provision for using the Bovine Tb Rate Reserve.*

**4.2 Option 2**

Recover the total Bovine Tb Rate from operational areas only.

**2001/02 Rate**

<b>Operational</b>	\$0.629/ha	(currently \$1.33/ha)
<b>Non-operational</b>	\$0.0/ha	(currently \$0.26/ha)

*Disadvantages:*

1. *This option makes no provision for using the Reserve.*

**4.3 Option 3**

Use the Bovine Tb Rate Reserve to pay the total regional contribution for the next three years (2001/02 to 2003/4 inclusive), i.e. a three year rate holiday for Bovine Tb ratepayers.

*Disadvantages:*

1. *Ratepayers may find it difficult adjusting to the situation when the rate is re-introduced in 2004/05.*
2. *Ratepayers who have been paying higher operational rates will be disadvantaged compared to ratepayers in new operational areas, i.e. new ratepayers will have a rate 'holiday' for three years and then pay less than 50% per hectare of what has historically been paid.*
3. *Intergenerational equity – current ratepayers would be the ones to benefit.*

**4.4 Option 4**

Use the Reserve to subsidise the Bovine Tb Rate share, spread evenly over the 12-year term of the Proposed NPMS. This would amount to an annual contribution of approximately \$80,000. The Bovine Tb Rate would only apply to operational areas.

**2001/02 Rate**

<b>Operational</b>	\$0.453/ha	(currently \$1.33/ha)
<b>Non-operational</b>	\$0.0/ha	(currently \$0.26/ha)

*Comment:*

*This option would allow the Reserve to be utilised for its intended purpose and ensure that all Bovine Tb ratepayers received some benefit, i.e. operational areas would receive a reduced per hectare rate; non-operational areas would not be rated.*

*There would be a benefit to Council, as disputes with ratepayers in non-operational areas would cease.*

*Interest on the Reserve would continue over the 12-year term, despite the total Reserve declining.*

#### **4.5 Option 4(a)**

In addition to Option 4, utilise interest earned from the Reserve for vector control trial work. Interest would be approximately \$40-50,000 per year for the first five years of the Proposed NPMS. It should be noted that all trials to date have been completed as part of normal vector control operations. This has placed added pressure on staff to maintain budgets and achieve contracted performance targets. The next NPMS requires more stringent performance targets, with high risk TB areas targets levels at 2% RTC or less. This compares with the 5% RTC currently required.

The Committee will be aware that significant financial savings have occurred to ratepayers, and to the Animal Health Board, as a result of this trial work, particularly in aerial applications. Staff wish to continue with this innovative work, but are reluctant to do so due to the increasing risk of operational performance failure. It would seem appropriate to utilise some of the Reserve interest to enable this important work to continue.

### **5. Special Order**

The existing Bovine Tb operational and non-operational rates were established by a Special Order process. A Special Order would be required to remove the Bovine Tb non-operational rate (or to alter the proportion collected between operational and non-operational areas) if this is the Council's wish. The Special Order process requires public advertising of the intended action at defined periods before the Council meeting which is to consider any submissions. This will mean that finalising of the Bovine Tb rate will be later than for other Council rates. However, this is not expected to cause any particular difficulties as the Council processes these rates in-house.

### **6. Communications**

It would be premature to actively seek publicity at this stage as the Proposed NPMS has not yet been approved by the Minister for notification. A Special Order may well be required for the change to the Bovine Tb Rate. This will

provide ratepayers with a formal opportunity to consider the implications of the proposed change.

## **7. Recommendation**

- 1. That the report be received.*
- 2. That the Committee considers the merits of each of the Bovine Tb Rating options outlined in the report and determines the most appropriate option for the 2001/02 and subsequent financial years.*

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