

Funding of Climate Resilience – Part 2

Outline

Sharing the cost of Climate Resilience funding (part 2)

Reviewing the first workshop outcomes

Our Actions following feedback

Considering the questions by “activities”, “parts”

Identifying options

Summary and direction

At the workshop 24th August

We covered the legal parts and process we need to follow and asked the following questions

1. Is there benefit in taking a more regional approach?
2. Do we need to rate on location or any other classification?
3. How should we rate, CV, LV, area, fixed charge

Feedback from groups – common themes

Desire to change, desire to simplify

Queries around control of funding

Uncertainty around voice in regional asset management planning

Recognition of those outside catchments not contributing

No funding for works outside of the catchment that could benefit the catchment

Urban LOS higher

[More information, understand the impacts](#)

Plan for action based on feedback

Provide more context for each of the questions

Break funding into “pieces”, parts, look at the questions for each

Then look at answers for each, possible combinations

Come back to council with understanding the impacts on stakeholders and overall community

At that time we will discuss potential policy development, understanding roles and responsibilities

Look at engagement opportunities with different stakeholder groups

Outcomes for workshop on Wednesday

Agreement on options to further develop after considering the “pieces”

Catchment management funding?

River management – regional vs local?

River management – funding

Local share – classifications?

New investment and asset maintenance?

Next steps

Bring back detailed analysis of 2 – 3 models
including impact analysis

Overview of current activities



Catchment planning and operations management, flood forecasting, modelling, asset management, stakeholder engagement



River management, river management, as per 1941 Act, managing the river to stay within the “channel”, includes vegetation control, willow control, gravel management and river bank erosion works

Drainage works (not including in this review)

All above are currently funded activities of council



Building new infrastructure and maintaining rural flood banks not currently funded activities

How we currently share the regional /local cost

	Regional / local	
Catchment management and planning	40%	60%
River management	30%	70%
Drainage	10%	90%

Missing activities

Maintenance and building of infrastructure
Flood bank maintenance in rural areas deemed responsibility of landowner, no budget, therefore not rated

No rating mechanism for new infrastructure currently

How we currently share the “local share” cost

Reviewing

Catchment management and planning

split amongst 130 rates

River management

split amongst 130 rates

Agreement needed

Missing activities

Rural flood bank maintenance

no rate currently

New investment

no rate currently

1. Regional approach to “Catchment Management”

Staff and overhead costs currently shared between region /local, the local component is shared out amongst the schemes, then further shared out to the 140 rates

Consideration of an option where all staff and associated costs managed as “one group” working for the benefit of the regional community

Options

Current retain current cost sharing

Option 1 labour and overhead considered 100% regional cost

Regional approach to Catchment Management

Advantages

Better outcomes, better use of resources

Fits well with other Community resilience activities such as
Emergency Mgt, Civil Defence, Hazard Planning
which are all general rate funded

Fits well with Integrated catchment management activities
working towards increasing hauora

Considerations

Transfer of \$ to general rate

Regional approach to River management

Region is divided into 7 catchment schemes, managed and funded independently of each other

Not all rate payers are within catchments

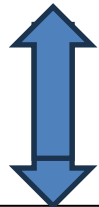
15% of capital value of region sits outside of current catchments

Could a more regionally co-ordinated river management program produce better outcomes ?

What could a regional approach look like?

Options

Current	Local schemes, own budgets, reg + local rate (simplified)
Option 1	Local schemes, own budgets, reg rate
Option 2	Local schemes, regional budget, reg rate
Option 3	Regional scheme, regional budget, reg rate



Regional approach to River management - considerations

Local representation essential

Does it need to be tied to budgets and rates

Development of policy around priorities, roles, responsibilities,
representation is crucial

Which option best supports community views and concerns

Which option best supports integrated flood plain management

Which option best supports overall policy direction and hauora initiatives

Is there benefit in ensuring every ratepayer is in a scheme (catchment, FMU)

How do these options support overall community outcomes and well beings

Regional approach – River management funding

30% regional share represents regional benefit, outcomes, economy, lifelines

Is 30% still the right number given changes ? Could it be 50%, 70% or 100%

How much impact on the community does the flooding of one river have

Option 1 Retain a split between region and community


30% – 90% acknowledges there is a local community benefit greater than the regional AND it is sufficient to have a separate rating system

Option 2 Remove the local share (targeted rate)

100% regional share acknowledges that all ratepayers are benefitting from the work undertaken

Could be CV, fixed charge or combination of both

River management funding split – does size matter

Summary of Catchment targeted rates for 2023.24 (including GST)			
District	River management	Various drainage	Total district
Mataura	1,225,779	319,650	1,545,429
Oreti	915,111	276,000	1,191,111
Invercargill and surrounds	621,764	319,762	941,526
Aparima	388,770	75,000	463,770
Makarewa	242,659	60,600	303,259
Te Anau	242,540	12,800	255,340
Waituna & Waikawa		122,676	122,676
Waiau	811	87,351	88,162
Waimatuku		71,995	71,995
	 3,637,435	1,345,833	4,983,269
Number of schemes	7	23	

Regional approach - maintenance

Flood bank maintenance

There is currently no maintenance rate for flood banks in rural catchments

Results Substantial deferred maintenance
 Supervision of repairs to design standard difficult

Recommendations

- Council develop a policy on repairs to floodbanks
- Landowner responsible for minor repairs
- Council take over responsibility for all other work
- Ongoing funding required by all ratepayers
- Flood bank maintenance and river management be considered one activity for funding

Regional approach – maintenance

Considerations

Proposed policy change is a change in direction for council

There could be feedback from CLC on the change and the cost

There could be feedback from those who maintained “their” flood banks

Essential for asset and risk management that council “owns” the responsibility

New rating scheme that shares the cost across a broader base will reduce impact of additional maintenance costs

Regional approach – New investment

Funding options for new infrastructure

Government funds where available

Asset reserves if available

Debt

There is no current rating mechanism for the repayment of debt raised to build new flood protection infrastructure

Options

Current

no current rate in place

Option 1

100% across the region – everyone in the region benefits from a resilient community (CV or fixed rate per property)

Option 2

% regional share and % local share (consider catchment boundaries)

Regional approach – New investment

Considerations

Past policy on funding new infrastructure

Past schemes were built with government funding

Very detailed analysis of which area would “benefit” based on past flood levels

Community driven, those who wanted flood banks paid for them

Current flood bank debt repaid many years ago

Note, the building of flood banks benefits some, causes issues for others downstream

Regional approach – New investment

Further thoughts -

Can we consider regional flood protection infrastructure similar to drainage and water infrastructure in a city?

Residents in cities are not rated on where they live but contribute in total to the overall infrastructure cost of the city.

Rural residents though, with much lower population in total, have tended to be charged for costs of “local” communities. This has serious economic challenges for small communities and is causing a change in thinking, e.g. SDC sewerage schemes and nationally with “Affordable waters”.

Which option contributes to best to overall community outcomes and community well beings?

2. If there is still a local share, how do we share that?

Local share for river management is split into 6 classifications and 130 rates

If there is agreement that the regional share can be 100% (everyone is equally benefiting) there is no need for targeted rating classifications

If the desire is to retain a local share, is it best to share that local cost equally amongst the ratepayers or differently ? (based on the location of the property, or the type of ratepayer)

2. If there is still a local share, how do we share that?

Considerations

Councils no longer required to demonstrate “benefit” or link to “service”

Any classification system created requires significant judgements to allocate cost between ratepayers

Benefits for some are costs for others

Review “compelling case for change”

Options

Option 1 Refine current classification system

Option 2 Rate all properties in the catchment on equal basis

Option 3 Consider how the use of fixed charge, capital value could provide some degree of differentiation

3. Is land value the right basis to rate?

Consideration of the rating basis ties together the first two aspects of the rating “equation”.

Capital value, land value, fixed rate or area are the options to choose from.

Each has advantages, disadvantages, some of which are listed next slide.

Historically land values were used for catchment rates, more recently capital values are being used to determine rates for activities where whole of community benefit is assessed.

3. Is land value the right basis to rate?






	Advantages	Disadvantages
Capital Value	Easily understood and can be aligned to property sales	Penalises asset rich / cash poor property owners
	Rates apply to full value of the property	May discourage maintenance and investment
	If high value properties use more services – link to benefit received	May require differentials
	If high value properties have higher income – stronger link to ability to pay	
	Aligns to a tax on wealth	
Land Value	Utility valuations are rated which increases the rating base	Perception that rating utilities puts those utility prices up
	Commonly understood	Land valuations come from property sales that include improvements and land only sales aren't common
	Less variance between properties of similar size in the same area	Not a full wealth tax
	Still a strong link between land value and income (ability to pay)	Differentials more likely to be needed and often used to align closer to CV
		Asset value of utilities is excluded
	Doesn't account well for multi-unit properties	
	Advantages	Disadvantages
UAGC	Ensures a minimum rate on all properties	Impacts more on lower value properties (less ability to pay)
	Reduces rates on high value properties eg rural properties	Can't be differentiated
		Capped at 30% of total rates

3. Is land value the right basis to rate?

Assuming a local share still, what rating basis is appropriate

Current	Retain land value basis
Option 1	Move to capital value (CV)
Option 2	Consider rate per hectare
Option 3	Consider fixed charge per property along with CV

3. Putting it all together – possible rate models

	Current	Model 1	Model 2	Model 3	Model 4
Regional rate	30%	100%	50%	50%	50%
Local rate	70%	0	50%	50%	50%
New fixed rate				\$30	
Rate basis					
Regional rate	CV	CV	CV	CV	CV
Local rate	LV		CV	CV	CV
Classifications	current	none	none	none	none
Land sus/Bio	LV	LV	LV	LV	CV
Current UAGC	\$143	\$143	\$143	\$143	\$50
Assumptions					
Regional/local share		Everyone across the region benefits	There is value in maintaining local budgets, recognises the value of local property values	There is value in maintaining local budgets, recognises the value of local property values	There is value in maintaining local budgets, recognises the value of local property values
Rating basis		Capital value reflects ability to pay, participation in regional economy	Capital value reflects ability to pay, participation in regional economy, capital value recognises value of local properties	Fixed charge per property recognises "People" focus of protecting people and property. Capital value on regional rate and on local property.	Land mgt rates change to CV, UAGC reduced to offset. All ratepayers contribute to ICM. Capital value on regional rate and on local property.
Classifications		none	none	none but weighting on urban with use of fixed charge	none but (could combine option with 3)
Theme		We are one community	Local emphasis 	Community resilience, People property, economy, 	Integrated Flood Plain management (ICM +) 
# Rates		1 - Community resilience rate	2 - One regional community resilience rate, one local community resilience rate	3 - One fixed charge per property plus one regional and one local rate	2 - One regional community resilience rate, one local community resilience rate, plus 2 current targeted rates disappear 

3. Putting it all together

The rates models shown are a combination of the options discussed and a place to start discussions.

Regional /local

The regional/ local share shows the current, 100% and 50% options as representative of reasonable starting points.

Other councils - ORC 100%, Northland 70%, GWRC <50%, others 10%-20%

Local share

Sharing cost at the local level based on location (target rates classifications) was not modelled, but the use of a fixed charge in one model recognises the emphasis that could be placed on residential communities and the higher level of service they receive. (placeholder \$ currently)

3. Putting it all together

Rating basis

Capital value is used in the models to reflect the full value of properties within the schemes and participating in the regional economy.

In the 3rd model, a small fixed charge is proposed per property, to reflect the emphasis on protecting people before property and economy.

Integrating catchment management

The 4th model follows on from work in the last LTP where it was proposed that the land management rates be moved from land value to capital value. Currently land value rates result in very little “catchment” and “land sus /biosecurity rates” from ratepayers with high capital values and low land values.

What is the impact on the community

2023.24 rates \$ per ratepayer group

Current Model 1 Model 4

Commercial	1,713	1,697	1,846
Large Industry	315	419	681
Residential	14,230	14,707	13,754
Rural Industry	12,922	12,261	12,579
Utilities CV	288	384	629
TOTAL	29,468	29,468	29,488

GST inclusive \$000s

There is a significant discrepancy currently between ratepayer groups if measured on a basis of rates per \$100k of capital value

2023.24 rates \$ per \$100k of capital value

Current Model 1 Model 4

Commercial	66	65	71
Large Industry	29	39	64
Residential	79	82	76
Rural Industry	71	67	69
Utilities CV	30	40	65
TOTAL	72	72	72

GST inclusive \$

Models 1 and 4 move the average weighting of rates paid closer to the median of \$72 per \$100k of cv. Model 4 results in a more even spread than model 1.

Feedback

1. Catchment Management and Planning

Options

Current retain current cost sharing

Option 1 labour and overhead considered 100% regional cost

Feedback

2. River management, regional vs local

Options

Current Local schemes, own budgets, reg + local rate (simplified)

Option 1 Local schemes, own budgets, reg rate

Option 2 Local schemes, regional budget, reg rate

Option 3 Regional scheme, regional budget, reg rate

Feedback

3. River management funding. How do we share the cost? (assuming local share)

Option 1 Retain a split between region and community

30% – 90% acknowledges the there is a local community benefit greater than the regional AND it is sufficient to have a separate rating system

Option 2 Remove the local share (targeted rate)

100% regional share acknowledges that all ratepayers are benefitting from the work undertaken

Could be CV, fixed charge or combination of both

Feedback

4. Assuming a local share remains, do we need to retain classifications?

Options

Option 1 Refine current classification system

Option 2 Rate all properties in the catchment on equal basis

Option 3 Consider how the use of fixed charge, capital value could provide some degree of differentiation

Feedback

5. Assuming a local share remains, what rating basis is appropriate?

Current

Retain land value basis

Option 1

Move to capital value (CV)

Option 2

Consider rate per hectare

Option 3

Consider fixed charge per property along with CV

Feedback

6. Flood resilience

New investment in infrastructure and maintenance/improvement of assets

Options

Current

no current rate in place, not an option

Option 1

100% across the region – everyone in the region benefits from a resilient community (CV or fixed rate per property or both)

Option 2

% regional share and % local share

Summary and direction, what we've agreed on

Agreement on options to further develop for :-

1. Catchment management funding?
2. River management – regional vs local?
3. River management – funding
4. Local share – classifications?
5. Rating basis – method?
6. New investment and asset maintenance?

Next steps

Bring back detailed analysis of 2 – 3 models
including impact analysis

Learnings from other councils

There are 7 regional councils currently reviewing their Climate Resilience rates.

Common themes amongst all is the desire to simplify, increase transparency, reduce cost, ensure sustainable funding and improve regional planning for infrastructure.

Creation of a new “Community Resilience” or “Climate Resilience” rate is a common theme.

I.e. taking the Catchment portion of general rates, separating it out and making it clear that it funds the regional share of flood protection costs.