



Funding Workshop 21-Sep

Funding needs analysis and options modelling

Agenda for this workshop

- Recap
- Today's session
- Funding Needs Analysis
- Option modelling
- Next steps

Recap

- Completed:
 - 23-May financial management – introduction / legislative requirements
 - 28-Jun funding overview – all funding sources including comparative information
 - 2-Aug Morrison Low #1 – principles
 - 24-Aug Morrison Low #2 – FNA framework and examples
- Developed draft principles
- Examples of Funding Needs Analysis (FNA) framework
 - Discussed flood & drainage and transport in more detail
- Introduced “Climate Rate” concept

Today's session

- Funding Needs Analysis (updated attached)
 - Key findings
 - Application in modelling
 - Annual Plan and rates strike information
- Options modelling (attached)
 - Flood and drainage
 - Transport
 - Other – Rural Water Quality, Wildings, Biosecurity
 - Option examples

Points to remember

- Current Revenue & Financing Policy (RFP) has a technical benefit focus
- Can move to more outcomes / wellbeing based approach
- Important to apply that consistently across all activities
- RFP determines allocation – doesn't reduce the overall level of rates
- Any reallocation will create winners and losers
- Important to stick to the principles and not try to pick who they will be
- Some principles naturally conflict so there's still subjectivity / judgement involved

Principles



Workable:

- Simple
- Efficient
- Transparent and accountable



Fair:

- Equitable
- Linked to benefit
- Consistent
- Incentivised



Sustainable:

- Meet needs of today while maintaining future affordability
- Intergenerational equity
- Certainty

Funding Needs Analysis

- Draft attached for all activities
- Key findings
- Annual Plan and Rates Strike information

Key findings

- Still WIP but indicates a lot of funding remains fundamentally unchanged
- “Fundamentally” – still options / changes to consider in a number of activities
 - Covered in more detail in options section
- Options vary based on level of technical / benefit focus vs outcome / wellbeing focus
- Previous benefit analysis has been used to provide guidance, but FNA / RFP doesn't need to provide exact percentages
- Need to apply any change in approach consistently
- Key considerations in options / modelling:
 - Targeted vs general split – covering this first
 - Differentials and benefit zones – follows second

FNA Focus



FNA application in options / modelling

- FNA indicates separate / targeted rates are still applicable in some activities
- Still further questions / things to consider:
 - Area – district, land use, property size, defined (mapped area)
 - Allocation – exact % vs high (80-100%) / medium (60-80%) / low (40-60%)
 - Modelling uses 80%/60%/40% to show impact of the H/M/L ranges
 - Assumes lower than 40% don't use a separate rate
 - Should the rates be differentiated further?
 - Benefit zones?
 - If yes, basis and how many?
 - Split properties? – how should properties spread over multiple zones be rated?
 - Non-rateable property – who pays that share?

Annual Plan 2023/24 Summary



ANNUAL PLAN 2023/24	\$'000	\$'000	\$'000	%	Rate		Average	
RATES INCREASE SUMMARY	22/23 AP	23/24 AP	Increase	Increase	Units	22/23 AP	Rates	Increase
							23/24 AP	
General Rates Total	23,127	28,263	5,136	22.2%	124,263	\$ 214.03	\$ 261.56	\$ 47.53
River Management	2,120	2,260	140	6.6%	124,263	\$ 19.62	\$ 20.92	\$ 1.30
Emergency Management	3,336	3,336	0	0.0%	118,946	\$ 32.25	\$ 32.25	\$ 0.00
Leith Flood	1,461	1,461	0	0.0%	42,060	\$ 39.93	\$ 39.93	\$ -
Lower Clutha Flood & Drainage	950	1,050	100	10.5%	3,657	\$ 298.74	\$ 330.19	\$ 31.45
Lower Taieri Flood	1,050	1,050	0	0.0%	6,246	\$ 193.32	\$ 193.32	\$ -
West Taieri Drainage	820	820	0	0.0%	679	\$ 1,388.81	\$ 1,388.81	\$ -
East Taieri Drainage	640	640	0	0.0%	2,879	\$ 255.64	\$ 255.64	\$ -
Tokomairiro Drainage	160	170	10	6.3%	1,891	\$ 97.30	\$ 103.38	\$ 6.08
Lower Waitaki River Control	171	180	9	5.3%	115	\$ 1,710.00	\$ 1,800.00	\$ 90.00
Dairy Compliance	200	210	10	5.0%	431	\$ 533.64	\$ 560.32	\$ 26.68
Rural Water Quality	865	1,752	887	102.6%	13,546	\$ 73.43	\$ 148.76	\$ 75.32
Wildings	200	200	0	0.0%	118,946	\$ 1.93	\$ 1.93	\$ -
Biosecurity	3,379	3,978	599	17.7%	124,263	\$ 31.27	\$ 36.81	\$ 5.55
Dunedin Transport	7,013	8,350	1,336	19.1%	51,222	\$ 157.46	\$ 187.47	\$ 30.01
Queenstown Transport	1,737	2,058	322	18.5%	17,304	\$ 115.41	\$ 136.79	\$ 21.38
Targeted Rates Total	24,101	27,515	3,414	14.2%	124,263	\$ 223.04	\$ 254.64	\$ 31.60
TOTAL RATES	47,228	55,778	8,550	18.1%	124,263	\$ 437.07	\$ 516.20	\$ 79.13

Rates Strike 2023/24



Intdescr	Sum of Amount	Count of Assessment	CV	LV	Area
General Rate - Waitaki	1,634,427	12,071	7,447,077,450	3,723,546,000	2,631,729,232
General Rate - Central Otago	2,909,010	14,932	18,068,649,250	10,007,224,000	8,519,298,902
General Rate - Queenstown	9,116,424	30,156	57,638,138,700	34,464,498,200	3,291,910,053
General Rate - Dunedin	8,827,506	55,728	44,187,838,300	23,885,867,700	2,716,353,817
General Rate - Clutha	1,956,938	11,376	8,781,449,090	5,580,603,390	5,280,794,795
	24,444,305	124,263	136,123,152,790	77,661,739,290	22,440,086,799
Uniform General Charge - Waitaki	754,160	10,976	7,311,231,200	3,601,678,500	2,571,967,772
Uniform General Charge - Central Otago	994,751	14,507	17,820,824,550	9,784,973,000	7,679,463,548
Uniform General Charge - Queenstown	2,008,686	29,223	56,880,338,700	33,919,439,200	2,799,973,728
Uniform General Charge - Dunedin	3,697,947	53,811	43,489,403,100	23,294,694,100	2,587,508,833
Uniform General Charge - Clutha	716,170	10,429	8,631,527,600	5,452,339,850	5,203,785,148
	8,171,713	118,946	134,133,325,150	76,053,124,650	20,842,699,029
	32,616,019				

Intdescr	Sum of Amount	Count of Assessment	CV	LV	Area
General Rate - Waitaki	7.3%	9.7%	5.5%	4.8%	11.7%
General Rate - Central Otago	12.0%	12.0%	13.3%	12.9%	38.0%
General Rate - Queenstown	34.1%	24.3%	42.3%	44.4%	14.7%
General Rate - Dunedin	38.4%	44.8%	32.5%	30.8%	12.1%
General Rate - Clutha	8.2%	9.2%	6.5%	7.2%	23.5%
	100.0%	100.0%	100.0%	100.0%	100.0%

- ORC's general rate is capital value (CV) based
 - Improvement values are higher and increase CV's in urban areas
 - Queenstown has highest average CV's across the region
- Land value (LV)
 - Shifts weighting slightly to rural / lifestyle
 - Utilities don't have high land values so don't tend to pay under LV basis
- Land use – 67% of rates paid is residential (80% of assessments)

	Total Sum of Amount	Count of Assessment	CV	LV	Area
Community Services	1%	0%	1%	1%	0%
Commercial	5%	2%	6%	6%	0%
Industrial	2%	2%	3%	3%	0%
Lifestyle	10%	8%	10%	11%	2%
Multi Use	1%	0%	1%	1%	1%
Recreational	1%	0%	1%	1%	1%
Residential	67%	80%	62%	59%	1%
Rural	12%	5%	13%	18%	95%
Transport	0%	0%	0%	0%	0%
Utility	3%	0%	4%	0%	1%
Grand Total	100%	100%	100%	100%	100%

Funding – 100% General Rates

- Question raised at previous workshop
 - Total rates - \$64.1m
- Table on far right shows CV impact
 - \$250k CV = \$118 through to
 - \$200m CV = \$94,244
- Ticks a lot of the principles
- Would it be viewed as fair?
 - Revenue collection – yes?
 - Activity allocation / spend – probably no
 - But is that a funding issue?
- Note haven't looked at winner and losers

	Key Facts		Example	
	\$'m		Example CV	Rates
			\$'m	\$'m
Total CV	136,123		0.250	\$ 118
Average CV	1.095		0.500	\$ 236
Rate Units	124,263		1.000	\$ 471
			2.000	\$ 942
			5.000	\$ 2,356
			10.000	\$ 4,712
Total Rates	64.144 <i>incl GST</i>		50.000	\$ 23,561
			100.000	\$ 47,122
Average Rates	\$ 516.20	<i>incl GST</i>	200.000	\$ 94,244

Options Modelling

1. Targeted Rate Allocation

- Flood and Drainage
- Transport
- Other – Rural Water Quality, Wildings, Biosecurity
- Combined – all and mixed (example options)

2. Targeted Rate Differentials

- Flood and Drainage
- Transport

Flood and Drainage

- How to read the attached analysis
 - Page 1 – **Flood** bright blue / **Drainage** orange
 - Four boxes across the page – current / high / medium / low
 - H/M/L reflect level of targeted rate benefit
- **Flood** – high 80-100% / medium 60-80% / low 40-60%
 - Used low end of range 80% / 60% / 40%
 - Current – flood 83-93%
- **Drainage** – high 90-100% / medium 80-90% / low 70-80%
 - Used low end of range 90% / 80% / 70%
 - Current – drainage 92-100%

Flood and Drainage

- What does it show?
 - Moving to across the board % doesn't have a huge impact on average general rates
- **Flood** – high +\$2.66 / medium +\$9.43 / low +\$16.21
- **Drainage** – high +\$0.66 / medium +\$2.80 / low +\$4.94
- Some average targeted rate decreases are larger ie -\$332.11 and -\$1,000
- General notes (apply to all activities up to mixed example options):
 - Assumes reallocation is to general rate (no new rate used...at this stage)
 - Current – average general rate is \$261.56
 - All above is average so individual movements will be multiplied at the extreme high / low ends of the rate ranges

Transport

- How to read the attached analysis
 - Page 1 – **Transport green**
 - Four boxes across the page – current / high / medium / low
 - H/M/L reflect level of targeted rate benefit
- **Transport** – high 80-100% / medium 60-80% / low 40-60%
 - Used low end of range 80% / 60% / 40%
 - Current – transport 100%

Transport

- What does it show?
- Targeted rate decreased
 - **Dunedin** – high -\$37.49 / medium -\$74.99 / low -\$112.48
 - **Wakatipu** – high -\$27.36 / medium -\$54.72 / low -\$82.08
- General rates – high +\$19.26 / medium +\$38.53 / low +\$57.79
 - Note above reallocation is to the region not district – those options are:
 - Dunedin to Dunedin City only – high \$34.46 / medium \$68.92 / low \$103.39
 - Wakatipu to all Wakatipu only – high \$24.96 / medium \$49.92 / low \$74.88
 - Wakatipu to all QL District – high \$15.70 / medium \$31.39 / low \$47.09
- *General notes as per previous activity apply*

Other - RWQ / Wildings / Biosecurity

- How to read the attached analysis
 - Page 2 – **Rural Water Quality, Wildings, Biosecurity** grey
 - Four boxes across the page – current / high / medium / low
 - H/M/L reflect level of targeted rate benefit (same as previous but options slightly different)
- **Rural Water Quality** – high 75% / medium 50% / low 0%
 - Showing impact of combining some to all of this into general rate
 - Covering later this would be a new rate (regional but not in general rate)
 - Rationale – reflects water quality activity is no longer solely rural focused
- **Wildings and Biosecurity** – only one option modelled
 - Showing impact of combining and adding wildings to biosecurity
 - Rationale – now biosecurity rate is established, no need for a separate wildings rate
 - Amount being rated (\$200k) doesn't warrant a separate rate

Other – RWQ / Wildings / Biosecurity

- What does it show?
- **Rural Water Quality** – high -\$37.19 / medium -\$74.38 / low -\$148.76
 - Moving RWQ to “general” doesn’t have much impact on general rates
 - High +\$4.05 / medium \$8.11 / low \$16.22
 - Decreases to targeted ratepayers are bigger (reflects only 13.5k currently paying)
- **Wildings / Biosecurity** – combining has virtually no impact
 - Difference +\$1.85 to Biosecurity vs -\$1.93 in Wildings
 - Due to Wildings being uniform on 118k rate units vs Biosecurity being on all 124k assessments
- *General notes as per previous activity apply*

Options – All

- How to read the attached analysis
 - Page 2 – **Options – All** dark red
 - Combines the previous high / medium / low options for all the activities
- What does it show?
 - Combined GR – high +\$26.63 / medium \$58.87 / low \$95.16
- This summary combines all H/M/L for all activities – can vary that by activity
- Next slides cover some examples of that

Options - Mixed

- How to read the attached analysis
 - Page 2 – **shows 2 example options in red**
 1. Flood 80%, Drainage 90% Transport 80%
 - Transport +20% to Climate Rate (new)
 2. Flood 60%, Drainage 90%, Transport 60%
 - Flood +20% to Climate Rate, Transport +20% to General Rate
 - Both examples include:
 - Wildings combined into Biosecurity
 - Lower Waitaki River Control combined into River Management
 - New Climate Rate used – for Transport and Flood / Transport
 - New Catchment Management Rate used – detailed in a following slide

Options - Mixed

- What does it show?
- Current average general rate \$261.56
- Average “general / regional” type rates \$352.01 ie charged to all rate units
- Results:

Rate type	Current	Example 1	Example 2
General	\$261.56	-\$25.84	-\$6.57
Climate Resilience		+\$19.26	+\$25.67
Catchment Management		+\$48.61	+\$48.61
“General / Regional”	\$352.01	+\$40.28	+\$65.95

- Overall, the results sit either side of the 23/24 general rates increase of \$47.53 (22%)
- Movements in TR allocations don’t appear to a significant impact on average general rates
- Note – that will vary at individual level, especially at high / low ends

New Catchment Management Rate

- Currently various rates used across this activity:
 - Land and Water Implementation
 - Promotion / awareness – Targeted RWQ 75% (rural / lifestyle > 2 Ha's) / General 25%
 - Remediation – Targeted River & Waterway Mgt 100% (Lake Hayes QLD, Tomahawk DUN)
 - Integrated Catchment Management – General 100%
 - Biodiversity Implementation
 - Promotion / support – General 100%
 - Eco Fund – Reserves 100% (General Rate from year 4)
 - Predator Free Dunedin – General 100% DUN
- Fund all via a new Catchment Management Rate?
 - Similar to Biosecurity rate – regional, basis (LV or CV?)

Other Options / Questions

- Climate Resilience rate – yes or no?
 - If yes – used to fund? Transport, Flood, Catchment Management?
 - Basis? CV or LV
- River and Waterway Management – also fund via Catchment Management?
 - Would combine all FW, Biodiversity and River Management into one rate and reserve
 - Could also combine RWM into one rate without adding to Catchment Management
 - Combined funding puts more onus on spend allocation to ensure equity and transparency
- Biosecurity rate – combine with Catchment Management?
 - Rate already established
 - Could simply rename and use to fund a wider range of activities

Targeted Rate Differentials

- How to read the attached analysis
 - Page 3 – **flood** and **drainage**
 - Page 4 – **transport**
- Shows targeted rate breakdown into the various benefit zone rate categories
- Current rating basis highlighted in yellow
- Modelled 2 options
 - Both assume one zone – based on current basis (CV or area) or all LV
 - Leith maintains 50/50 split between direct and indirect
 - Transport options include widening to have all of the district in zone

Targeted Rate Differentials

- What does it show?
- Amending allocations across zones has a significant impact – there will be big winners and losers
- Due to the high weightings currently being applied
- Question of highly technical individual benefit vs an integrated whole of scheme approach
- Changing to LV doesn't make a lot of difference
- Only “one zone” has been modelled to show the impact of reallocation
- Could modify that but there's no basis established for allocations to new zones so that would have to be worked through
- “One zone” assumes once you're in the area you benefit and therefore rate is the same – only thing that varies amount paid is CV or area
- Exception is Leith retaining a 50% split to an indirect zone that no other scheme has

Not considered (yet)

- Targeted rate areas ie rating map areas
- Clutha – splitting into separate flood and drainage schemes
- CDEM – uniform vs CV or combo?
- Funding for new activities ie PT outside Dunedin and Queenstown
- General rates
 - UAGC – currently 25% of GR, uniform rates can be 30% of total rates
 - Note uniform means same \$ charge to all 118k rate units
 - Sub regional
 - Other uniform rates
- Will look at these in next workshop

Next steps

- **Workshop 26 October**
- **More detailed modelling**
- **Complete Funding Needs Analysis in line with that modelling**
- **Draft RFP and Financial Strategy for review**
- **Consider overall impact (Morrison Low)**
 - **S.101(3)b wellbeings and levers**
 - **Levers – UAGC's, sub regional general rates**
 - **Transition – LTP vs year 2 / 3 Annual Plans**