File Reference: A2141652

Report To: Lake Rotorua Stakeholder Advisory Group

Meeting Date: 21 July 2015

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Rule Content: Allocation Details

Executive Summary

This report presents information and current thinking on two areas of the rules framework for feedback from the Lake Rotorua Stakeholder Advisory Group (StAG). These areas were presented to StAG in June 2015. The two areas are the use of OVERSEER 6.2.0 for the NDA allocation process, and the use of blocks as the allocation unit.

Feedback from StAG on the current Council staff position is useful to test the thinking and to ensure the rule framework is robust.

1 Recommendations

That the Lake Rotorua Stakeholder Advisory Group:

1 Receives the report, *Rule Content: Allocation Details.*

2 Provides feedback on:

i. the use of OVERSEER 6.2.0 for the NDA allocation maintaining the integrity of the agreed allocation methodology (section 3)

ii. the use of blocks as the allocation unit (section 4)

2 Introduction

The process of developing the rules framework means that there is a need to confirm the detail around specific matters that have been discussed over time by the Lake Rotorua Stakeholder Advisory Group (StAG).

This report addresses two of these elements:

1. are the use of OVERSEER 6.2.0 for the NDA allocation process, and
2. the use of blocks as the allocation unit.

These elements are discussed below in terms of available and practical options, and the preferred position of Council staff. The preferred position of staff based on the response to the June StAG presentation have been carried through into the Draft Rules Package.

3 The use of OVERSEER 6.2.0 for the NDA allocation

As presented to StAG the allocation discussions held by StAG used OVERSEER 6.1.3 numbers. OVERSEER 6.2.0 is now the current version and it represents the application of better science. Staff are currently migrating the data files into OVERSEER 6.2.0.

Staff believe that, as far as is known, version 6.2.0 is stable in the Rotorua catchment. This version adds in better soil mapping. When combined with the drainage sub-model that was previously added (and that caused the observed significant change) two critical elements for Rotorua have been upgraded.

The options for which OVERSEER version to use are:

1. Use 6.1.3
2. Use 6.2.0
3. Use a future version (when rule is operative)

In relation to using the current (6.2.0) or previous (6.1.3) version versus the use of a future version the table below highlights the key issues:

Now	**Later 2017**
Certainty for pastoral sector to begin planning	Updated versions (future science)
Agreed approach can be delivered	Property results may vary from current
Incentives Board needs certainty to start	Currently agreed approach may not work in the same way
Reference files approach	Winners and losers unknown

Overall certainty is a key issue for addressing the Lake Rotorua situation. Importantly the Incentives Board needs to progress it target and uncertainty or changing property results will undermine this. While version 6.1.3 was the debated and discussed version, the preferred position is to use version 6.2.0. The main factor in this is that this version has improved the response to soil and drainage – both of which are critical matters for the Lake Rotorua catchment.

As discussed in the June presentation it will be important that the integrity of the allocation methodology agreed using 6.1.3 is maintained. This will mean proportionally retaining the ranges, the relativity between the ranges, the relationship of the averages to the ranges and the sector reductions from The Integrated Framework. The preferred approach of using 6.2.0 is based on the condition that the integrity can be maintained.

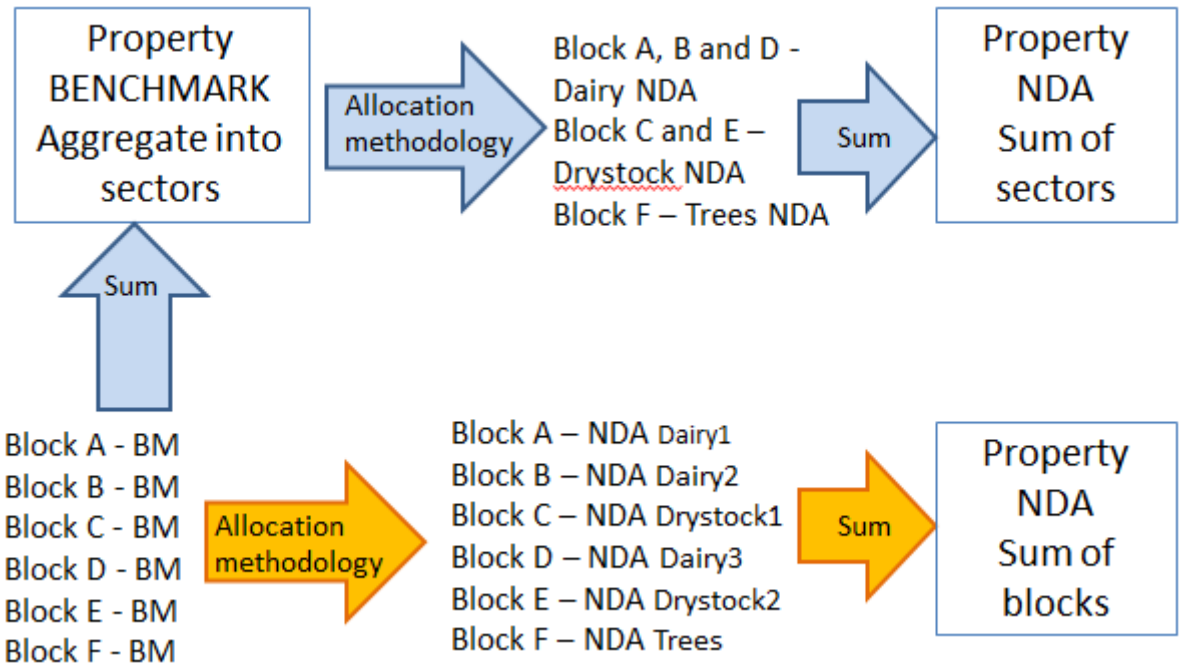
4 The use of blocks as the allocation Unit

In calculating benchmarks the management blocks within a property are individually identified and then are aggregated to produce a property benchmark. The individual blocks have also been summed to the three major sectors (drystock, dairy and trees) for modelling purposes. Discussions at StAG have often used a “property” basis when in reality each property benchmark or NDA number is a sum of the blocks.

However, the allocation of NDA could be based on land use/sectors. This would see all blocks of the same sector type getting the same NDA. The comparative productivity of individual blocks would be ignored.

Alternatively the allocation can work of the block basis. Each block would then be given an individual NDA (in the same way that the current benchmarks are constructed. Blocks would then be summed to a property level.

The following diagram shows the two pathways from original benchmarked blocks through to sector based NDAs (Block BMs to Property BM to Sector Block NDAs to Property NDA) or block based NDAs (Block BMs to Block NDAs to Property NDA).



Mathematically the approaches give much the same answers and across the catchment both approaches provide the same result. The property approach could however lend itself to the potential of gaming and would become difficult to track over time as properties change their nature (for example through trading or leases). The ability to manage information long-term is a key factor supporting blocks. Another is that pragmatically, farm management is based on blocks and their productive capacity – and any trading is focussed on the actual nitrogen attached to a piece of land. The block basis also reduces any potential windfall that might arise from all blocks within a property being treated the same.

The preferred approach is therefore to allocate NDAs on the basis of blocks. This is seen as a more robust method that recognises the productive capacity of the actual land involved and that provides a sound basis for ongoing monitoring and reporting.

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