



CONSULTATION DRAFT

NSW Coastal Management Manual

Part C: Coastal Management Toolkit

Funding mechanisms to implement coastal management actions: Guidance for local councils

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Published by:

Office of Environment and Heritage on behalf of the State of NSW

59 Goulburn Street, Sydney NSW 2000

PO Box A290, Sydney South NSW 1232

Phone: +61 2 9995 5000 (switchboard)

Phone: 131 555 (environment information and publications requests)

Phone: 1300 361 967 (national parks, general environmental enquiries, and publications requests)

Fax: +61 2 9995 5999

TTY users: phone 133 677, then ask for 131 555

Speak and listen users: phone 1300 555 727, then ask for 131 555

Email: info@environment.nsw.gov.au

Website: www.environment.nsw.gov.au

Report pollution and environmental incidents

Environment Line: 131 555 (NSW only) or info@environment.nsw.gov.au

See also www.environment.nsw.gov.au

ISBN 978-1-76039-219-2

OEH 2015/0873

December 2015

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1. Introduction

The coastal management manual (the manual), specifically Part B Stage 3, sets out the process for councils to follow in identifying and evaluating potential actions to be included in a coastal management program (CMP). The steps in Stage 3 include cost–benefit analysis (CBA), distributional analysis to determine how the cost and benefits flow to different parties, and the identification of appropriate funding and financing mechanisms to enable cost sharing between the relevant parties.

This guide provides further detail on the identification and use of funding mechanisms, and additional information on financing mechanisms. It should be read in conjunction with Section 3.8 and 3.9 of the manual.

2. Funding mechanisms

The cost–benefit analysis and distributional analyses set out in Stage 3 of Part B of the manual and associated guidance will assist councils to identify the mix of contributors and determine equitable contributions toward the implementation of coastal management programs. The most appropriate mix of funding mechanisms to give effect to the cost-sharing arrangements can then be identified.

The following table identifies:

- the categories of potential contributors that might be identified through the cost–benefit analysis and distributional analysis processes
- questions councils should consider in identifying the most appropriate type of funding mechanism
- the specific mechanisms that should be considered
- the legal provisions that underpin these mechanisms
- where needed, additional notes on the use of these mechanisms.

Some of the mechanisms summarised in Stage 3 of Part B of the manual (e.g. opportunities to coordinate or co-invest with other councils or with state government agencies) are best considered up front so that opportunities to reduce overall funding requirements are factored into proposed cost sharing arrangements between other contributors.

The table below sets out a suggested order in which councils might step through this process (Steps 1 to 4). Step 1 will be undertaken as part of the scoping study (Stage 1 of CMP development). Steps 2–4 will be completed during Stage 3 of CMP development.

On completion of Steps 1 to 4 below, councils should prepare a summary of the funding sources, contributors, contribution amounts and funding mechanisms proposed to implement the coastal management actions that have been identified as options through the other stages of the manual. This summary can then be used to inform public consultation, the preparation, review and finalisation of a coastal management program and Integrated Planning and Reporting (IP&R) processes.

Sections 2.1 to 2.4 provide a description of the funding mechanisms referred to in the following table.

2.1 Statutory rates and charges

The key funding mechanisms available to councils are statutory rates and charges. These can be used in relation to a range of stakeholders, including private land owners and businesses in the local council area and the local community at large. Relevant mechanisms under the *Local Government Act 1993* include:

- ordinary rates on all rateable land in the local government area (noting that ordinary rates are subject to rate pegging)
- special rates for meeting all or part of the cost of works, services, facilities or activities that benefits or will benefit certain parcels of rateable land (noting that some special rates are subject to rate pegging)
- an annual charge on rateable land that benefits from the provision of coastal protection services, where the coastal protection works are constructed by (or on behalf of) the owner, or jointly by (or on behalf of) the owner and a public authority or a council.

Ordinary rates

Councils use revenue for ordinary rates to fund the delivery of public goods (e.g. council parks, roads and paths, public amenity) on behalf of the local community. This may include the implementation of coastal management actions where these have been determined to be a local priority through the IP&R resource planning process.

Special rates and charges (including coastal protection service charge)

Special rates enable councils to gather contributions from landowners, where those landowners and their contribution amount have already been identified through the distributional analysis. In situations where the benefits of a coastal management actions flow directly to individual property owners, a special rate provides a clear, mandatory mechanism for securing a contribution from those landowners over time. The special rate can be applied to owners of residential and commercial land so that businesses that benefit from coastal management can also contribute to the costs.

Special rates can be implemented in different ways, depending on the situation of the landowner. For instance, councils can issue a special rate over a property that will benefit directly from coastal management and enter into an arrangement with the owner to waive payment of the rate, subject to a lump-sum payment or a written agreement to pay a lump-sum (such as on sale of the property).

The coastal protection service charge can be applied on rateable land where that land benefits from a coastal protection service. The charge can be applied where the coastal protection service relates to coastal protection works constructed:

- by, or on behalf of, the owner or occupier (or a previous owner or occupier) of the rateable land, or
- jointly by, or on behalf of the owner or occupier (or a previous owner or occupier) of the rateable land and a public authority or a council.
- The charge is applied to cover the reasonable costs to the council of providing maintenance or repair of coastal protection works, or to manage impacts caused by those works.

Development contributions

Development contributions are enabled under the *Environmental Planning and Assessment Act 1979* and may be used to provide, extend or augment public services. Such contributions may be used for coastal management in certain circumstances. For example, a development contribution may be applied to fund capital works associated with managing

the impacts of the development on a coastal wetland (e.g. stormwater infrastructure) or risks to the development from coastal hazards.

2.2 Negotiated funding arrangements and partnerships

Some coastal management responses may benefit from, or require, a negotiated arrangement with individuals or groups of individuals. For example, a proposal to construct a protective structure that largely benefits a small group of private landowners may be more efficiently funded by direct contributions from those landowners, rather than through the application of a special rate.

Similarly, there may be advantages to entering into a negotiated agreement or funding partnership with commercial entities that will benefit from the implementation of a coastal management program (e.g. commercial landowners or business operators reliant on coastal tourism), rather than rely on a special rate or charge.

Any public private partnership model considered by council would need to be consistent with the provisions of Chapter 12, Part 6 of the Local Government Act. If council is interested in entering into a negotiated arrangement or a public private partnership, financial advice should be sought from an appropriate source (e.g. council's financial advisors).

Negotiated arrangements can also enable voluntary contributions from landowners, businesses and other parts of the community that have an interest in, but may not necessarily benefit directly from, a coastal management action.

2.3 Co-ordinated investment and grants

State land and assets

The Coastal Management Act will require councils to consult with public authorities, including NSW Government agencies, in the development of a coastal management program in certain circumstances.

These circumstances include when the coastal management program proposes actions or activities to be carried out by the public authority or relates to, affects or impacts on any land or assets owned or managed by that public authority. State agency land and assets may include, for example, Crown land, the reserve estate (under the *National Parks and Wildlife Act 1974*), state roads, rail, airports and state water and wastewater treatment infrastructure.

Similarly, public authorities must have regard to coastal management programs and this manual in the exercise of their functions, where relevant. This includes in the development and review of plans of management.

Both of these requirements provide an opportunity for coordination and co-investment by councils and agencies in the development and implementation of coastal management activities.

State grant programs

The NSW Government supports councils and communities to manage the coast sustainably through the provision of funding grants, as well as in-kind support such as strategic state-wide science and advisory services. The Coastal Management Program and Estuary Management Program are the most directly relevant grant programs. It generally operates on a 50:50 basis (i.e. councils must invest an equivalent amount, in cash or in kind), where the council project meets the objectives of the grant program.

Further information on the Coast and Estuary Management Program and examples of other relevant programs are provided in the **Coastal Toolkit** in Part C of the manual. The eligibility criteria and funds available in any of the grant programs may vary from year to year.

Commonwealth funding programs

There may be opportunities to access funds from Commonwealth regional development programs, where investment in coastal assets or infrastructure may benefit the regional economy. Further information can be found at The Department of Infrastructure and Regional Development, Australian Government.

Identifying funding sources and mechanisms						
Step 1	During Stage 1 of CMP development (the scoping study), Councils are encouraged to consider council resources already identified to implement coastal management actions, the relative priority that coastal management occupies within the broader council and community priorities established through council's IP&R processes. Have council already set aside resources for coastal management? If so, does that amount reflect the local community's objectives for coastal management?					
Step 2	Identify any relevant neighbouring local government, state or Commonwealth programs or projects to which the proposed coastal management action can be aligned to leverage opportunities for cooperation and coordination or to access funds and/or other resources. (See resource list in section 4 below)					
Step 3	Identify any relevant grant programs that could provide a source of funds to contribute to the costs of the proposed coastal management action ¹ . (See resource list in section 4 below)					
Step 4	Determine if there are any opportunities for voluntary contributions from parties (including private or business parties) with an interest in coastal management. If so, there may be an opportunity to enter into a negotiated arrangement with these parties to enable voluntary contributions.					
Step 5	Taking into account opportunities identified under steps 1, 2, 3 and 4 above, and the outcomes of the CBA and distributional analysis, identify which mechanisms could be used to equitably secure contributions from the relevant parties. Prior to council applying a mechanism to collect contributions, council and the contributor will have already discussed how much the contributor will contribute. Council's use of the mechanisms enables collection of the contributions. To use a funding mechanism to collect contributions, the coastal management action must be from an approved CMP and approval for use will be subject to standard council approval processes for applying mechanisms to rate-payers and beneficiaries.					
	What is the nature of the benefits associated with the proposed coastal management action?	Who should contribute to the cost of implementing the action?	Questions for consideration	What relevant funding mechanisms are available to secure this contribution?	What is the legal basis for this mechanism?	Notes on mechanism use
	Private benefit to land owner	Private land owner	Does/will the land: benefit from the works, services, facilities or activities, or contribute to the need for the works, services, facilities or activities, or have or will have access to the works, services, facilities or activities? Is there a relationship between the cost or estimated cost of the work, service, facility or activity and the degree of benefit afforded to the ratepayer? Has consultation on the need for the special rate occurred with the community?	Special rates (annual rate)	s.495 LG Act2	Under s. 495 a council could, for example, make and levy: different special rates for different kinds of works, services, facilities or activities different special rates for the same kind of work, service, facility or activity in different parts of its area different special rates for the same work in different parts of its area.

			<p>Is the owner willing to pay, or enter into a written agreement to pay, a lump sum towards the capital cost of any works, services or facilities for which the special rate or charge is made?</p> <p>Can Council afford to carry out the activities and maintain the works until the waived contribution is made or does the postponed payment option need to be removed?</p> <p>Is a maximum limit required to ensure payment is made to council at a certain time (e.g. on sale of property or in 2030, whichever is sooner).</p>	Waived rate, capital contribution or negotiated arrangement.	s. 565 LG Act	A council may waive payment by a rateable person of the whole or part of a special rate or charge for one or more years as specified by the council if the person pays, or enters into a written agreement to pay, a lump sum towards the capital cost of any works, services or facilities for which the special rate or charge is made.
			<p>Has the owner or occupier constructed or contributed to the construction of a coastal protection work benefited from the provision of those works?</p> <p>Has council constructed or contributed to the construction of a coastal protection work on behalf of the owner or occupier who benefits from the provision of those works?</p> <p>Does the work require maintenance or repair or are there impacts that need to be managed?</p>	Coastal protection service charge (annual charge)	s. 496B LG Act	An annual charge for the provision of coastal protection services must be calculated so as to not exceed the reasonable cost to the council of providing those services (including any legal, insurance, engineering, surveying, project management, financing and similar costs associated with providing those services).
	Private benefit to business land owner or developer	Business land owner or developer	Does/will the business: benefit from the works, services, facilities or activities, or	Special rates	s.495 LG Act	A special rate could be levied to take into account the benefits to business in the council area from the work, service, facility or activity.

			<p>contribute to the need for the works, services, facilities or activities, or</p> <p>have or will have access to the works, services, facilities or activities.</p> <p>Is there a relationship between the cost or estimated cost of the work, service, facility or activity and the degree of benefit afforded to the ratepayer?</p> <p>Has consultation on the need for the special rate occurred with the community?</p>			
			<p>Is the owner willing to pay, or enter into a written agreement to pay, a lump sum towards the capital cost of any works, services or facilities for which the special rate or charge is made?</p>	<p>Waived rate, capital contribution or negotiated arrangement</p>	<p>s. 565 LG Act</p>	<p>As above.</p>
			<p>Is development for which development consent is sought going to or likely to require the provision of or increase the demand for public amenities and public services within the area?</p>	<p>Developer contribution</p>	<p>sections 93, 94 and 94A of the EP&A Act3</p>	<p>If council is the consent authority it may grant the development consent subject to a condition requiring the dedication of land free of cost, or the payment of a monetary contribution, or both (only to require a reasonable dedication or contribution for the provision, extension or augmentation of the public amenities and public services concerned).</p> <p>Alternatively, council, as the consent authority, may impose, as a condition of development consent, a</p>

						<p>requirement that the applicant pay a levy of the percentage, authorised by a contributions plan, of the proposed cost of carrying out the development.</p> <p>Money required to be paid by a condition imposed under this section is to be applied towards the provision, extension or augmentation of public amenities or public services (or towards recouping the cost of their provision, extension or augmentation). The application of the money is subject to any relevant provisions of the contributions plan.</p>
	Public benefit to local community and/or broader community in local government area	Local Community	Is council willing to fund the cost of the portion of the option that provides public benefit to the local community?	Opportunistic use of other income (e.g. interest on investments), including ordinary and other council income.		

1. This should include an analysis of the potential scope and quantum of funds based on the alignment of the proposed action with the objectives of the grant program, the typical quantum of funds available to individual grantees and consultation with the program administrators.
2. *Local Government Act 1993*
3. *Environmental Planning and Assessment Act 1979*

3. Examples of financing and other mechanisms of potential interest

Stage 3 of Part B of the manual notes the primary financing mechanism of local government is loan borrowings and identifies existing and proposed borrowing mechanisms. In addition to these, there are examples of other financing and implementation mechanisms that may be of interest to councils and others in relation to coastal management. Three are provided below.

Reverse mortgages

A reverse mortgage is a financing mechanism that enables a property owner (either a private individual or business owner) to liquefy an existing asset to finance other activities, subject to rules imposed by the lender. In a coastal management context, a decision on whether to apply for a reverse mortgage to finance a private contribution to a coastal management action would be a matter for the private contributors to determine. The decision on whether to approve a reverse mortgage rests with the private lender who is likely to consider the long-term value of the asset.

Property leasebacks

Property leaseback is an implementation mechanism that could be considered as part of a managed retreat or settlement realignment strategy. It involves a purchaser buying land and leasing it back to the previous occupier (or a new occupier) and in so doing recouping a portion of the purchase costs over time. The purchaser may need to use a funding mechanism (e.g. one from the table above) or another financing mechanism (e.g. borrowings) to enable the initial purchase.

In determining whether to enter into such an arrangement, the purchaser needs to take into account a number of legal and financial issues, including the duration of future occupation of the property and the transfer of liability for risks (e.g. from coastal hazards). The purchaser would need to obtain legal and financial advice on these issues.

4. Resource list

The following is a list of existing NSW Government resources that may assist councils to assess and utilise funding and financing mechanisms for coastal management. This list is not exhaustive.

4.1 Funding mechanisms – guidance and information

- The Local Government Rating and Revenue Raising Manual (Department of Local Government, 2007) provides guidance on the range of funding and financing mechanisms available to councils. [Council rating and revenue raising manual](#).
- The **Guidelines for the preparation of an application for a special variation to general income for 2015/16** (Office of Local Government, updated annually) provides information on the process for seeking IPART approval for additional funding to councils in delivering services and infrastructure that the community has requested and the council is unable to fund within its existing revenue.
- The **Coastal Protection Service Charge Guidelines** (Department of Environment, Climate Change and Water NSW, 2010) provides guidance on when and how coastal

protection service costs may be divided among applicable landowners on a pro-rata basis. [Coastal Protection Service Charge Guidelines](#))

- The **Draft guidelines for assessing the impacts of seawalls** (Department of Environment, Climate Change and Water NSW, 2011) provides advice in relation to cost sharing for the maintenance of sea walls and management of their erosion impacts. [Draft guidelines for assessing the impacts of seawalls](#).

4.2 Grant programs open to local government

- **OEH Coastal Management Program:** Under this program, the NSW Government provides grants to local government to support planning and actions to manage the risks from coastal hazards, such as coastal erosion, and to restore degraded coastal habitats. Funding of up to 50% of a project's costs will normally be offered for successful grant applicants. The program is administered by the NSW Office of Environment and Heritage (OEH). [Coastal management grants](#).
- **OEH Estuary Management Program:** Under this program, the NSW Government provides grants to local government to support planning and actions to improve the health of NSW estuaries. Funding of up to 50% of a project's costs will normally be offered for successful grant applicants. This program is administered by OEH. [Estuary management grants](#)
- **Building Resilience to Climate Change:** This \$1 million program is funded through the OEH and the NSW Environmental Trust and is administered by Local Government NSW to address identified climate change risks and vulnerabilities facing NSW councils. A total of \$875,000 in funding will be available to Local Government under the Building Resilience to Climate Change program. Two rounds have been held for eligible organisations with the following themes:
 - Round 1 – building resilience to extreme heat or adapting priority infrastructure
 - Round 2 – building resilience to water supply and/or quality or adapting priority infrastructure[Building Resilience to Climate Change | LGNSW](#)
- **NSW Boating Now program:** This program is administered by Roads and Maritime Services (RMS) and Transport NSW. It expands on the previous Better Boating Program and will operate to improve recreational boating infrastructure and boost the boating experience. It will also see more funding made available for priority projects identified in the Regional Boating Plans. Details of funding will be available following a review of NSW Regional Boating Plans currently underway. [NSW Regional Boating Plans - Projects - Maritime Management Centre](#)
- **Crown Lands Public Reserves Management Fund Program (PRMFP):** This program is administered by Department of Primary Industries (Lands). It provides funds (among other things) for the management of assets on public reserves to optimise value to the community, and for the enhancement of environmental assets by supporting conservation initiatives. Coastal crown land could receive funding from the PRMFP for environment, economic and community benefit purposes. [Public Reserves Management Fund Program - Department of Primary Industries - Lands](#)
- **Saving our Species Partnership Grants Program:** This program is administered by OEH. It is a new conservation program to maximise the number of threatened species that can be secured in the wild in NSW for 100 years. It aims to align everyone's efforts in contributing to threatened species conservation. This program may provide funding for the management of threatened species, endangered ecological communities and endangered populations that occur in the coastal environment. [About | Saving our Species | NSW Environment & Heritage](#)
- **Protecting our Places:** The NSW Environmental Trust administers the Protecting our Places program. It provides funding to restore or rehabilitate Aboriginal land or land that

is culturally significant to Aboriginal people. This program may provide funding for relevant lands that occur in the coastal environment. [Protecting Our Places Program | NSW Environment & Heritage](#)

- **Environmental Restoration and Rehabilitation Grants:** The NSW Environmental Trust administers this program. It aims to restore and protect ecosystems, and to prevent or minimise future environmental damage. Funding from this program may be available for the restoration and rehabilitation of coastal ecosystems, and for activities that prevent environmental damage to ecosystems in the coastal environment. [Environmental Restoration and Rehabilitation Grants | NSW Environment & Heritage](#)
- **NSW Heritage Grant programs:** OEH administers this program. It aims to fund projects that provide sustainable, long-term heritage benefits and provide public benefit and enjoyment from heritage. Funding may be available for the management of heritage items in the coastal environment. [Funding - NSW heritage grants | NSW Environment & Heritage](#)
- **Regional Roads Block Grants and Regional Roads REPAIR Program:** Roads and Maritime Services (RMS) provides grant funding for the management and maintenance of Regional Roads, and for the carrying out of larger rehabilitation works on Regional Roads, with the aim of minimising long-term maintenance costs in line with their function and usage. Funding from these two programs could be directed towards managing Regional Roads within the coastal environment. [Regional Road Block Grant - Grant programs - Local Government Relations - Partners & suppliers - Business & Industry - Roads and Maritime Services](#) and [Regional Roads REPAIR Program - Grant programs - Local Government Relations - Partners & suppliers - Business & Industry - Roads and Maritime Services](#)
- **Australian Government - National Trusts Partnership program:** The Australian Government Department of Environment administers this program. It provides ongoing funding to enhance and promote work to preserve and enhance Australian cultural heritage. Funds may be available for items of Australian cultural heritage within the coastal environment. [National Trusts Partnership Program](#)
- **Australian Government - Protecting National Historic Sites program:** The Australian Government Department of Environment administers this program. The program funds the conservation, maintenance and protection of the 58 places on Australia's National Heritage List, which are recognised for their historic heritage value. Funds may be available if a relevant site occurs within the coastal environment. [Protecting National Historic Sites | Department of the Environment](#)
- **Australian Government – Community Development Grants programme:** This program is administered by the Australian Government Department of Infrastructure and Regional Development. Its purpose is to provide funding to support needed infrastructure that promotes stable, secure and viable local and regional economies. Funding may be available for infrastructure within the coastal environment. [Community Development Grants Programme](#)

The NSW Government has developed the [Community Builders website](#) that offers a comprehensive list of funding opportunities, information on how to write submissions and fundraising ideas.

In addition to the above, the Sydney Coastal Councils has prepared a Funding Guide 2015 which provides a comprehensive list of grants from both government and non-government sources across a wide range of environmental program areas. Details are at [The SCCG Funding Guide | www.sydneycoastalcouncils.com.au](#).

4.3 Other programs related to coastal management

- **Coastal Lands Protection Scheme:** This scheme is administered by the NSW Department of Planning and Environment to enable the NSW Government to bring significant coastal lands into public ownership. The scheme also provides for long-term management and care of significant coastal lands. The scheme targets land that supports public access to the coastal foreshore, maintains the scenic quality of the NSW coast or protects ecological sites of regional, state and/or local significance. [Department of Planning and Environment - Coastal Lands Protection Scheme](#)
- **NSW Disaster Assistance Arrangements:** There is a variety of assistance available to councils and individuals to respond to natural disaster. The natural disaster arrangements are administered by various NSW agencies depending on the nature of the disaster and what recovery response is required. [Natural Disaster Assistance Schemes](#)