HAWKE'S BAY
REGIONAL COUNCIL
TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Meeting of the Hawke's Bay Regional Council

Date: Wednesday 28 February 2024

Time: 9.00am

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

HAWKE'S BAY REGIONAL COUNCIL

28 February 2024

Subject: CALL FOR MINOR ITEMS NOT ON THE AGENDA

Reason for Report

1. This item provides the means for councillors to raise minor matters they wish to bring to the attention of the meeting.
2. Hawke's Bay Regional Council standing order 9.13 states:
   2.1. "A meeting may discuss an item that is not on the agenda only if it is a minor matter relating to the general business of the meeting and the Chairperson explains at the beginning of the public part of the meeting that the item will be discussed. However, the meeting may not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for further discussion."

Recommendations

That Hawke's Bay Regional Council accepts the following *minor items not on the agenda* for discussion as item 15.

Topic	**Raised by**

Item 5

HAWKE'S BAY REGIONAL COUNCIL

28 February 2024

Subject: AFFIXING OF COMMON SEAL

Reason for Report

1. The Common Seal of the Council has been affixed to the following documents and signed by the Chair or Deputy Chair and Chief Executive or a Group Manager.

		Seal No.	Date
1.1	**Staff Warrants**		
	1.1.1 T. Petrie	4588	30 January 2024
	J. Castro Lopez	4589	30 January 2024
	(Delegations under Resource Management Act 1991 (Sections 34A(1) and 38(1); Soil Conservation and Rivers Control Act 1941; Land Drainage Act 1908; Local Government Act 2002 (section 177)) and Civil Defence Emergency Management Act 2002 (s.86-92) and Local Government Act 2002 (Section 177))		
	1.1.2 P. Eady	4590	30 January 2024
	(Delegations under Resource Management Act 1991 (Sections 34A(1) and 38(1); Soil Conservation and Rivers Control Act 1941; Land Drainage Act 1908; and Civil Defence Emergency Management Act 2002 (s.86-92) and Local Government Act 2002 (s.177))		
	1.1.3 Z. Hawke	4584	30 January 2024
	M. Smiles	4585	30 January 2024
	S. Perry-Purchas	4586	30 January 2024
	S. Potbury	4587	30 January 2024
	(Delegations under Resource Management Act 1991 (Sections 34A(1) and 38(1) and Civil Defence Emergency Management Act 2002 (s.86-92) and Local Government Act 2002 (Section 177))		
	1.1.4 J. Ellmers	4583	30 January 2024
	(*Delegations under the Civil Defence Emergency Management Act 2002 (s.86-92 inclusive) and Local Government Act 2002 (section 177))*		
	1.1.5 A. McNatty	4591	14 February 2024
	S. Courtnell	4592	14 February 2024
	(*Delegations under the Biosecurity Act 1993 (Sections 103 and 105)*		

2. The Common Seal is used twice during a Leasehold Land Sale, once on the Sale and Purchase Agreement and once on the Land Transfer document. More often than not, there is a delay

between the second issue (Land Transfer document) of the Common Seal per property. This delay could result in the second issue of the Seal not appearing until the following month.

3. As a result of sales, the current numbers of Leasehold properties owned by Council are:

   3.1 No cross lease properties were freeholded, with 61 remaining on Council's books

   3.2 2 single leasehold properties were freeholded, with 76 remaining on Council's books.

Decision-making process

4. Council is required to make every decision in accordance with the provisions of Sections 77, 78, 80, 81 and 82 of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained within these sections of the Act in relation to this item and have concluded:

   4.1 Sections 97 and 88 of the Act do not apply.

   4.2 Council can exercise its discretion under Section 79(1)(a) and 82(3) of the Act and make a decision on this issue without conferring directly with the community or others due to the nature and significance of the issue to be considered and decided.

   4.3 That the decision to apply the Common Seal reflects previous policy or other decisions of Council which (where applicable) will have been subject to the Act's required decision-making process.

Recommendations

That Hawke's Bay Regional Council:

1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community or persons likely to have an interest in the decision.

2. Confirms the action to affix the Common Seal.

Authored by:

Diane Wisely **EXECUTIVE ASSISTANT**	**Vanessa Fauth** **FINANCE MANAGER**

Approved by:

Nic Peet
CHIEF EXECUTIVE

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINACING POLICY REVIEW DELIBERATIONS - INTRODUCTION

Reason for Report

1. This item outlines the remaining process steps for Council leading to the adoption of the final Revenue and Financing Policy. It also provides a brief overview of the review process leading up to the decisions today.

Background

2. Under the Local Government Act 2002 (LGA), Council must have a Revenue and Financing Policy (as well as other funding and financial policies) to provide predictability and certainty about sources and levels of funding. Sector advice states it is good practice to review revenue and financing (R&F) policies approximately every ten years on a 'first principles' basis.
3. Hawke's Bay Regional Council's R&F Policy has not been reviewed in its entirety for at least four long term plan cycles. In its 2021-31 Long Term Plan, the Council signaled its intention to review its rating policy before the next long term plan and a specific undertaking was given to review the Upper Tukituki flood scheme targeted rates.
4. The objectives of the review were to:
   4.1. improve transparency for who pays what,
   4.2. ensure legal compliance and good practice, and
   4.3. simplify the policy thereby providing more flexibility in application, for example stating a rating range and/or bundling sub-activities together.
5. The review process followed the requirements of the two steps set out in the Local Government Act 2002 (LGA). The process took nearly two years including a period of disruption due to Cyclone Gabrielle. The extensive review considered the various funding mechanisms available to Council to funds its activities. Council and staff were supported throughout the review by an experienced external rating expert.

Steps one and two

6. Council undertook an initial assessment of the requirements of step one by way of a series of workshops between 1 June and 24 August 2022. These workshops assessed each of Council's activities against the requirements in s101(3) of the LGA, which are community outcomes, benefit distribution, period of benefit, whose action or inaction causes the need, and costs and benefits of funding separately. This culminated in the adoption by Council of the step one *funding needs assessment* on 28 September 2022.
7. Between 31 May and 11 October 2023, the newly-elected Council considered the step one outcomes and went on to apply the step two overall impact tests for each activity culminating in the proposed *Draft Revenue and Financing Policy* for consultation adopted by Council on 29 November 2023. Council also considered changes to its inter-related Rates Remission and Postponement Policies.

Consultation

8. Consultation on *'Your Community Your Rates'* HBRC's Revenue and Financing Policy review was publicly notified on Friday 1 December 2023 and consultation closed on Sunday 28 January 2024. A deadline extension of 8 February was given to the most affected ratepayers on the utilities valuation rolls. This gave these ratepayers two extra weeks to submit following a tailored letter with property assessments sent on 26 January 2024.

9. Advertisements in both traditional and social media signposted the community/ratepayers to a unique page on the website consultations.nz/hbrc/. The page included an introductory message including key consultation topics, timeline for consultation, consultation document and supporting documents, and online submission form.

10. The community was encouraged to review the documentation and make a submission.

Submissions process

11. The total number of submissions received by HBRC was 541 which included 2 submissions marked as 'late' (received after the 28 January 2024 deadline).

12. In total, 1,582 pieces of feedback were received on the seven consultation topics and open question.

13. Submissions were accepted via a number of channels including the online submission form (majority of submissions), email and hand delivered.

Verbal submissions

14. A hearing was held on Tuesday 13 February 2024, where the Council heard 12 verbal submissions. Each speaker was allotted 10 minutes which included time for councillors' questions.

Deliberations reports

15. The deliberations reports are written by topic – one for each of the seven consultation topics – plus a further one to cover the remaining areas of change in the Revenue and Financing Policy. They are:
    - 15.1. Regional economic development rate
    - 15.2. Flood protection and drainage scheme rates
    - 15.3. Passenger transport rate
    - 15.4. Freshwater science charges, and a new targeted rate
    - 15.5. Sustainable land management, biodiversity and biosecurity rates
    - 15.6. Rates Remission and Postponement Policies
    - 15.7. Proposed move from land value to capital value for the general rate
    - 15.8. Revenue and Financing Policy (this is the report that asks Council to adopt the Policy).

16. Each deliberations report references the relevant submissions and includes staff analysis.

17. Council will be asked to consider the submission points relating to the topic and any comments made by Council staff, and to agree or not agree to the proposal consulted on or a variation.

18. Staff note that the approach to this review has been "nothing is agreed until everything is agreed".

19. As the proposed changes are inter-related Council may want to discuss the cumulative impacts first, before deciding on each topic.

Post-adoption

20. Following adoption of the new policy, each submitter will receive a response from Council setting out Council's resolutions pertinent to their specific submission(s), and the reasons for those resolutions.

21. The final Revenue and Financing Policy will be implemented with the 2024 Three-year Plan.

Decision-making process

22. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision-making provisions do not apply.

Recommendation

That the Hawke's Bay Regional Council receives and notes the *Revenue and Financing Policy Review Deliberations - Introduction* staff report.

Authored by:

Desiree Cull **STRATEGY AND GOVERNANCE MANAGER**	**Sarah Bell** **TEAM LEADER STRATEGY AND PERFORMANCE**

Approved by:

Nic Peet
CHIEF EXECUTIVE

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINANCING POLICY REVIEW DELIBERATIONS - REGIONAL ECONOMIC DEVELOPMENT RATE

Reason for report

1. This deliberations report provides the Council with submission themes and officers' analysis of submissions and seeks a decision of Council on the consultation topic – *Regional Economic Development Rate*.

Officers' recommendations

2. Staff recommend that the Council considers the submission points (as received by Council resolution on 13 February 2024) on the *Regional Economic Development Rate* consultation topic alongside the officers' analysis to enable an informed decision.

Consultation topic

3. The *Regional Economic Development rate* proposal was one of seven key consultation topics that the Council sought public submissions on through *Your Community Your Rates* consultation document for the review of HBRC's Revenue & Financing Policy.
4. The proposal was presented in the consultation document as shown following:

The proposal

- 70% funded by broader business/rural community on capital value; with a differential on commercial/industrial to pay three times more.
- 30% funded by residential and lifestyle property as a $12.69* fixed charge per separately used or inhabited parts of a rating unit on the property (SUIP).

**Noting this is based on 2023-24 Annual Plan figures so is indicative only.*

Submissions received

5. Of the submissions received, 49 supported the proposal, 305 did not support it, 133 didn't know and 55 did not select an option.
6. 204 submitters made a comment under this proposal, noting that many comments related to how the submitter felt about the activity itself and are better suited to consultation on the Long Term Plan.
7. Key themes were:
   - 7.1. Theme 1: **Benefit challenged**
   - 7.2. Theme 2: **Capital value.**
8. Other themes focused on:
   - 8.1. HBRC should not be doing this activity, and/or other agencies should pay
   - 8.2. General unaffordability of rates and/or pressures from cost of living
9. These 'other themes' that ran through all the consultation topics will be addressed in the deliberations report entitled "Revenue and Financing Policy".

Summary of submissions and officers' analysis

Theme 1: Benefit challenged

10. Overall, there was some disagreement over who benefits from this activity, and what proportion of the rate they should pay. This was most strongly heard from the rural/horticultural sector.

    10.1. *"Unfair to put so much onto horticulture when they do not gain an advantage from tourism"* (#15)

    10.2. *"…rural properties, as aside from horticulture and in particular vintners, gain no real economic benefit from tourism."* (#355)

    10.3. *"…it might be fair to assume that certain agricultural business such as vineyards and orchards do benefit to some degree from tourism, but certainly not pastoral farms."* (#494)

    10.4. *"We are particularly concerned about the transfer of costs associated with the regional economic development, … components of the proposal. These are costs that many of our members will struggle to find as equitable based on their analysis of the benefits to their businesses."* (#531)

    10.5. *"Rural rate payers do not, as a majority, receive any benefit from tourism- especially Wairoa rate payers. This should be a targeted rate to those businesses/locations where tourism is of the greatest benefit."* (#538)

Staff response

11. Opposition to this proposal is centred around perceived benefits from tourism by rural properties.

12. Tourism is one component, albeit the largest dollar amount, of the regional economic development rate. This rate supports a regionally-agreed framework which includes not only funding for tourism but also the Regional Economic Development Agency and in previous years has included other initiatives such as feasibility studies for horticulture in Wairoa, support for the Business Hub and the Regional Business Partners Programme. All businesses benefit from this activity through jobs creation, technological innovation, increased investment, labour supply and tourism among others.

13. Submitters do not appear to challenge the underlying principle of the change, which is that all non-residential and lifestyle properties, are a type of business because they can generate income therefore should pay like other businesses, which is on CV (rather than a fixed charge paid by residential and lifestyle properties, which was $11.58 per SUIP in 2023-24).

14. On a similar theme, other submitters thought only commercial properties and businesses should fund this rate.

    14.1. *"There should be no Regional Economic Development rate for residential and lifestyle property owners. It should be 100% funded by broader business/rural community on capital value; with a differential on commercial/industrial to pay three times more."* (#408)

    14.2. *"History would show the benefits of these regional economic development projects (and others) tend to benefit the selective few of the business sector (…) to which the returns rarely flow on to the wider community that justifies a blanket approach of rate payers funding regional economic development projects ..."* (#479)

Staff response

15. The proposed changes are based on the premise that the whole community benefits from this activity, and not just commercial properties. Residential and lifestyle ratepayers benefit to a lesser extent from better access to modern amenities, prosperous community, sense of security and job opportunities.

16. If this rate is only applied to the non-residential/lifestyle properties, the burden would be borne by just 13% of the rating base. This represents the removal of 64,000 ratepayers who currently pay the fixed charge ($11.58 per SUIP for 2023/24 which equates to $744K overall).

17. There were a number of submitters who supported the proposal, including the tiered rating system and how the beneficiaries were identified.

    17.1. *"I agree that business will be the direct beneficiary, but the region as a whole will also benefit."* (#108)

    17.2. *"I think it is fair that rural landowners should contribute to this as they do generate income from their property."* (#295)

    17.3. *"The new proposal more fairly link costs to the beneficiaries."* (#491)

    17.4. *"Agree in principle to broaden the rate out to wineries, orchards etc. A lot of the effort and work in this area directly benefits them / their workforces. Agree also to keep this a targeted rate versus basing on CV."* (#545)

Theme 2: Capital value

18. Using capital value to determine any of HBRC's rates was a theme running through all topics of this consultation. Commentary was often copied and pasted into all topics – or made a similar point. Capital value was not a strong theme in this consultation topic.

    18.1. *"While it's crucial to support economic development, the funding mechanism should ensure that it does not discourage land improvements or disproportionately burden certain property owners."* (#414)

    18.2. *"I think it makes sense to charge different rates, but based on residential/agricultural/ viticultural etc. land. Not by size of a house on land. Look at what a property is used for and the size of that property."* (#317)

Staff response

19. Staff point out that the current rate is already based on capital value so this is not a proposed change.

Scope of the decision

20. The scope of the decision is to adopt the proposal as consulted on, revert to the status quo or vary the composition of the capital value component of the rate i.e. the differential on commercial/industrial.

21. Staff consider that all other options would require further modelling and potentially consultation.

Decision-making process

22. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:

    22.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

22.2. The use of a consultation process required by legislation under LGA s102(4) has been undertaken.

22.3. The decision is significant under the criteria contained in Council's adopted Significance and Engagement Policy.

22.4. The persons affected by this decision are the region's ratepayers.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy Review deliberations - Regional Economic Development Rate* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under LGA s102(4).
3. Agree to adopt the Regional Economic Development rate proposal as consulted on being:
   3.1. 70% funded by broader business/rural community on capital value; with a differential on commercial/industrial to pay three times more, and
   3.2. 30% funded by residential and lifestyle property as a fixed charge per separately used or inhabited parts of a rating unit on the property (SUIP).

OR

4. Agree to retain the status quo being:
   4.1. 70% funded by commercial/industrial properties based on capital value, and
   4.2. 30% funded by all other rating categories as a fixed charge.

Authored by:

Desiree Cull
STRATEGY AND GOVERNANCE MANAGER

Sarah Bell
TEAM LEADER STRATEGY AND PERFORMANCE

Beth Postlewaight
WORKSTREAM LEAD - PROPERTY & RATES PROJECT

Vanessa Fauth
FINANCE MANAGER

Chris Comber
CHIEF FINANCIAL OFFICER

Approved by:

Nic Peet
CHIEF EXECUTIVE

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINANCING POLICY REVIEW DELIBERATIONS - FLOOD PROTECTION AND DRAINAGE SCHEME RATES

Reason for report

1. This deliberations report provides the Council with submission themes and officers' analysis of submissions and seeks a decision of Council on the consultation topic – *Flood Protection and Drainage Scheme Rate.*

Officers' recommendations

2. Staff recommend that the Council considers the submission points (as received by Council resolution on 13 February 2024) on the *Flood Protection and Drainage Scheme Rate* consultation topic alongside the officers' analysis to enable an informed decision.

Consultation topic

3. The *Flood Protection and Drainage Scheme Rate* proposal was one of key seven consultation topics that the Council sought public submissions on through *Your Community Your Rates* consultation document for the review of HBRC's Revenue & Financing Policy.

4. The proposal was presented in the consultation document as shown following:

The proposal

- 30% general rate and 70% targeted rate (with 9 rating factors) based on capital value (CV) for the 4 flood protection and control schemes
- 10% general rate and 90% targeted rate (with 19 rating factors) based on CV for all drainage and pumping (except for Raupare Enhancement and Opoho schemes which are to remain based on area and fixed charge respectively).
- Rivers and stream maintenance moves to the general rate (25 rating factors).

Submissions received

5. Of submissions received, 152 supported the proposal, 198 did not support it, 126 didn't know and 66 did not select an option.

6. 200 submitters made a comment on this proposal.

7. The majority of submissions focussed on the flood protection element of this proposal with a very small number commenting on the proposed drainage schemes rates or the rivers and stream maintenance rate. Many comments related to how the submitter felt about the activity itself and are better suited to consultation on the Long Term Plan.

8. Key themes were:

    8.1. Theme 1: **Benefit challenged**

    8.2. Theme 2: **Capital value**

    8.3. Theme 3: **Timing.**

9. Other themes focused on:

    9.1. HBRC is doing a poor job; given it is only 12 months on from Cyclone Gabrielle, flood protection was top of mind for many submitters.

9.2. General unaffordability of rates and/or pressures from cost of living.

10. These 'other themes' that ran through all the consultation topics will be addressed in the deliberations report entitled "*Revenue and Financing Policy*".

Summary of submissions and officers' analysis

Theme 1: Benefit challenged

11. Overall, there were a number of submissions from ratepayers who don't believe they should be rated for this activity as they don't live in a flood-prone area, or that people should accept the risk that they live in one.

11.1. "*But only rate payers who would be impacted by this protection should pay for example residents who live by rivers or beaches etc not those who choose to live inland they should not have to pay for something they will never need to use.*" (#55)

11.2. *"My house isn't affected by floods, those who are should be the ones paying to improve it, especially if they bought or built in a known flood zone."* (#125)

11.3. *"Everyone should fend for themselves. If you are in a flood risk and can't afford insurance/rebuild sell up move. Don't open land in high flood areas."* (#198)

11.4. *"People have choices where they live and any house in a flood or erosion prone area should bear the cost of protection measures."* (#337)

11.5. *"With elevated location (other than road access and proximity to poorly maintained riverbeds and catchments) our property does not require 'flood protection or drainage schemes'"* (#512)

12. A number of submitters agreed that this activity is a shared responsibility, and that the rating proposals were sound with some ratepayers paying more of the share.

12.1. *"It strikes the right balance between ratepayers who directly benefit from flood protection and drainage and the benefit to ratepayers more generally. It also sends the right message for future developments. i.e. costs for prone areas should come with the correct pricing signal..."* (#108)

12.2. *"As a rate payer for farmland beside waterways and beach property, I think rates should be allocated/tiered based on cost of maintaining the area/zone the property is in… Essentially the rating risk is shared but with the immediate properties to the risk contributing the most."* (#362)

12.3. *"Using the User pays principle those who benefit most (who live along the rivers with higher levels of flood protection and drainage schemes should pay the most)."* (#541)

13. On a similar theme, there were comments that it had simplified a complex rating system.

13.1. *"There is a certain logic to what you are proposing as I agree that it will bring consistency and simplification."* (#435)

13.2. *"(Federated Farmers) believe that the proposed changes achieve Council's desired outcomes of more consistency between similar schemes, simplified rating differentials and spreading the costs fairly across scheme beneficiaries."* (#494)

13.3. *"The current system is very complex and the proposal appears to simplify this… We all benefit from and expect to see well-maintained rivers and streams, the cost of this should be shared cross ratepayers in a small way."* (#541)

14. Others expressed that the proposed rates demonstrate fairness.

14.1. *"It needs to be fair to all the community as a whole, all citizens of HB should contribute not just those who own land."* (#437)

14.2. *"Is a small proportion of the rates but support drainage systems being paid for in part by* *those directly impacted."* (#439)

14.3. *"All residents of HB benefit from the flood protection and drainage schemes as these are connected to the infrastructure in all our communities across the region. If they operate effectively then our entire community can continue to go about their lives without the disruption flooding can cause and other infrastructure such as roads do not get damaged by flooding."* (#524)

Staff response

15. Flood protection is about protecting public infrastructure as much as individual properties. Districts are interwoven so regardless of where the flooding occurs, it will have wider economic and social impacts. Infrastructure includes such things as roads and bridges, railway lines, airports, the Napier Port and access to hospitals, healthcare, schools, places of employment, supermarkets etc.

16. The rating areas within each flood protection 'zone' are tiered according to risk and benefit which means that some ratepayers pay a higher targeted rate than others. Council consulted on simplifying the rating structure for Makara and Upper Tukituki Flood Protection Schemes and for a number of drainage schemes. The review has successfully reduced rating factors from 82 to 29. The maps included in the Supporting Documents (pp10-13 on the webpage *consultations.nz/hbrc/revenue-and-financing-policy/*) show these changes. Overall, the changes to the tiers generated little feedback during the consultation process.

17. Much of the Hastings and Napier urban and rural ratepayers contribute to the Heretaunga Plains flood control scheme (HPFCS), while urban and rural areas of central Hawke's Bay contribute to the Upper Tukituki flood control scheme.

18. The proposal to move River and Stream Maintenance creates minimal impact to ratepayers as all rateable properties currently contribute on a differential targeted rate.

Theme 2: Capital value

19. Use of capital value to determine any of HBRC's rates was a theme running through all consultation topics. Commentary was often copied and pasted across multiple or all consultation topics – or made similar points. Below are some of the comments relating to this topic.

19.1. *"I would prefer to see it on the basis of land value than capital value. Yes the growers with valuable land will see most of the apparent benefit of a secure flood protection scheme. Gabrielle taught us many things, perhaps one of them being the number of people who those growers provide food and/or employment/business for. It would therefore make sense for the rating for flood protection to be shared all."* (#403)

19.2. *"It should be based on land value - agreed bare land does not suffer quite the same harm as improvement values in flooding, but occupiers/owners are already paying greatly increased insurance premiums for the cost of the improvements."* (#516)

19.3. *"Again, due to changing to a CV rate versus LV - feel we are going to wear the brunt of this which is not proportionate to the benefit. Seems unfair. Why not a targeted fixed rate?"* (#545)

Staff response

20. Staff note that 2 of the 4 flood schemes – Maraetotara and HPFCS, which is the largest with most of Hawke's Bay population residing within it – are already based on CV. The proposal is to bring consistency by changing Upper Tukituki from LV and Makara from Area to CV.

21. As noted in the Consultation Document "CV is considered the most appropriate basis for the targeted rate component given flood and drainage activities benefit improvements on land as well as land, and the productive earning potential resulting from the activity".

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22. Staff consider that the submitters who directly commented on this proposed rate based on land value did not have a compelling rationale why land value is fairer than capital value given that those with higher capital value have more to protect.

23. Insurance premiums are calculated on the basis of risk. If flood protection was not in place, insurance premiums would reflect a higher level of risk. Staff also noted that a high percentage of people who applied for assistance after Cyclone Gabrielle (HBDRT, Commercial Fund, and Rates Remission) were either uninsured or significantly under-insured due to unaffordability.

Theme 3: Timing

24. This theme was commented on by two submitters who believed HBRC should wait for post-cyclone reviews before changing this rate (particularly the rating areas) and is summarised via the extracts below.

    24.1. *"…I do not trust a fair system was used to allocate the U.T.T.F.C.S rating categories and rates portions or that it was checked if properties were in the right rating category. No changes should be made to the way overall Flood Protection and Drainage schemes are rated until post Cyclone Gabrielle reviews and plans are finished and any changes or new Flood Protection and Drainage schemes are decided and agreed to."* (#408)

    24.2. *"How can you put something forward when we are still waiting for engineers report to cyclone Gabriel damage you need to get flood victims homes sorted and fixed then bring to the table these decisions have them discussed then make decisions and have that voted on."* (#440)

Staff response

25. The process to undertake a review of the Revenue and Financing Policy pre-dated Cyclone Gabrielle. Council signalled in its 2021 Long Term Plan, that it would undertake a first principles review in time for the next Long Term Plan with a specific undertaking to review Upper Tukituki flood scheme.

26. In step two the Council agreed to a light touch approach to simplify the administration of existing schemes and therefore not change the rating outer-boundary. This was in recognition that new schemes resulting from land categorisation or changes to existing schemes may arise due to post-Cyclone reviews. This was noted on p12 of the consultation document.

27. Furthermore, Council can amend its Revenue and Financing Policy at any time subject to consultation so if changes to existing schemes are required, these can be made when needed.

Scope of decision

28. The scope of the decision is to adopt the proposal as consulted on or revert to the status quo. Having considered the submissions received on this topic, staff have determined there are no new options for Council to consider.

29. There are multiple layers to the proposal, including:

    29.1. Flood Protection and Drainage Schemes – move from LV/Area/Fixed to CV rating; change to rating percentage split between general and targeted rate; and rating differential adjustments.

    29.2. River and Stream Maintenance – move to general rate.

30. Staff do not recommend delaying any aspects of this proposal, as it closely aligns with the guiding principles of the rates review which were clear and fair, simple, consistent and flexible.

31. In particular, staff support the change to rating differentials as it significantly reduces administration and improves understanding for ratepayers.

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Decision-making process

32. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:

    32.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

    32.2. The use of a consultation process required by legislation under LGA s102(4) has been undertaken.

    32.3. The decision is significant under the criteria contained in Council's adopted Significance and Engagement Policy.

    32.4. The persons affected by this decision are the region's ratepayers.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy Review deliberations - Flood Protection and Drainage Scheme Rates* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under LGA s102(4).

3. Agrees to adopt the Flood Protection and Drainage Scheme rate proposal as consulted on being:

    3.1. All four flood schemes (HPFCS, UTT, Upper Makara and Maraetotara) are rated at 30% general rate and 70% targeted rate with 9 rating factors) based on capital value,

    3.2. All drainage schemes (except for Raupare Enhancement and Opoho which remain based on area and fixed charge respectively) are rated at 10% general rate and 90% targeted rate (with 19 rating factors), and

    3.3. Rivers and stream maintenance moves to the general rate (25 rating factors).

OR

4. Agrees to retain the status quo being:

    4.1. Flood schemes are currently general and targeted rate funded, with targeted rates varying between 70-95%, (with 24 rating factors) based on a mix of CV and land value (LV),

    4.2. Drainage and pumping is general and targeted rate funded, with targeted rates between 88%-95%, (with 33 rating factors) based on a mix of CV, LV, Fixed Charge, and Area, and

    4.3. Rivers and stream maintenance is 10% general rate and 90% targeted rate funded.

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Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINANCING POLICY REVIEW DELIBERATIONS - PASSENGER TRANSPORT RATE

Reason for report

1. This deliberations report provides the Council with submission themes and officers' analysis of submissions and seeks a decision of Council on the consultation topic – *Passenger Transport Rate.*

Officers' recommendations

2. Staff recommend that the Council considers the submission points (as received by council resolution on 13 February 2024) on the *Passenger Transport Rate* consultation topic alongside the officers' analysis to enable an informed decision.

Consultation topic

3. The *Passenger Transport Rate* proposal was one of seven key consultation topics that the Council sought public submissions on through *Your Community Your Rates* consultation document for the review of HBRC's Revenue & Financing Policy.

4. The proposal was presented in the consultation document as shown following:

The proposal

- 100% targeted rate based on capital value (CV) for Hastings and Napier ratepayers, with an extended urban footprint.

Submissions received

5. Of the submissions received, 73 supported the proposal, 260 did not support it, 137 didn't know and 72 did not select an option.

6. 194 submitters made a comment on this proposal and it is noted that the majority of submissions focussed on the activity/service itself. There were very few submissions that addressed the proposed changes.

7. Key themes were:

   7.1. Theme 1: **Passenger Transport (PT) footprint**

   7.2. Theme 2: **Capital value.**

8. Other themes focused on:

   8.1. HBRC should not be doing this activity, and/or other agencies should pay

   8.2. General unaffordability of rates and/or pressures from the cost of living

9. These 'other themes' that ran through all the consultation topics will be addressed in the deliberations report entitled *Revenue and Financing Policy*.

Summary of submissions and officers' analysis

Theme 1: PT Footprint

10. The majority of submissions on this theme commented that extending the rating area was unfair as they believed the extended boundary incorporated properties that could not access public transport.

    10.1. *"Your increase in the area covered by this is not consistent with services offered. For those* *in the area north of the Airport we have limited services which you have to drive to get to a bus stop in the first place,..”* (#268)

10.2. *“Why should those that don't have easy access to passenger transport be charged for it? we live less than a km from the urban area of Hastings but there’s no bus stop nearby.”* (#395)

10.3. *“…While we agree that it makes good sense to expand the footprint to account for urban development, the proposed map shows the inclusion of some rural areas that seem unlikely to benefit from or have the need for public transport services.”* (#494)

10.4. *“The changes to Passenger Transport including the funding areas spread are not supported.” (#549)* Nigel Bickle of Hastings District Council expanded on this in a verbal submission that asked HBRC to consider the impact on the new ratepayers added to the proposed rating area map.

11. Of the smaller number in favour of the extended rating area, they cited that it was a fairer approach.

11.1. *“Not directly impacted, but agree with extension of rating area based on development, this makes sense.”* (#545)

Staff response

12. The rationale for the revised footprint as proposed in the consultation document reflects:

12.1 those properties within a zone with reasonable access to public transport (for example people who drive a short distance to a bus stop where free parking is available, then take public transport to their workplace)

12.2 urban development of previous rural areas and alignment with valuation roll footprint. This corrects a policy anomaly which saw a LV rating cap on Clive, and Bay View not being rated for a service provided

12.3 widespread benefit of reduced traffic congestion and pollution from less vehicles on the road.

13. Staff note that rating of PT is not directly linked to the service provided to individual properties but the benefit of the service to the group of properties.

14. The passenger transport rate also funds the Total Mobility Scheme, which is available for people who are unable to use public transport (through location or disability) for taxi travel to medical and other appointments. This has a wider availability than the public bus routes.

15. A map of the proposed footprint with the current bus routes overlaid and a map of the current footprint is shown below for comparison.

Figure 1 Proposed rating area with current bus routes overlaid (Passenger Transport)

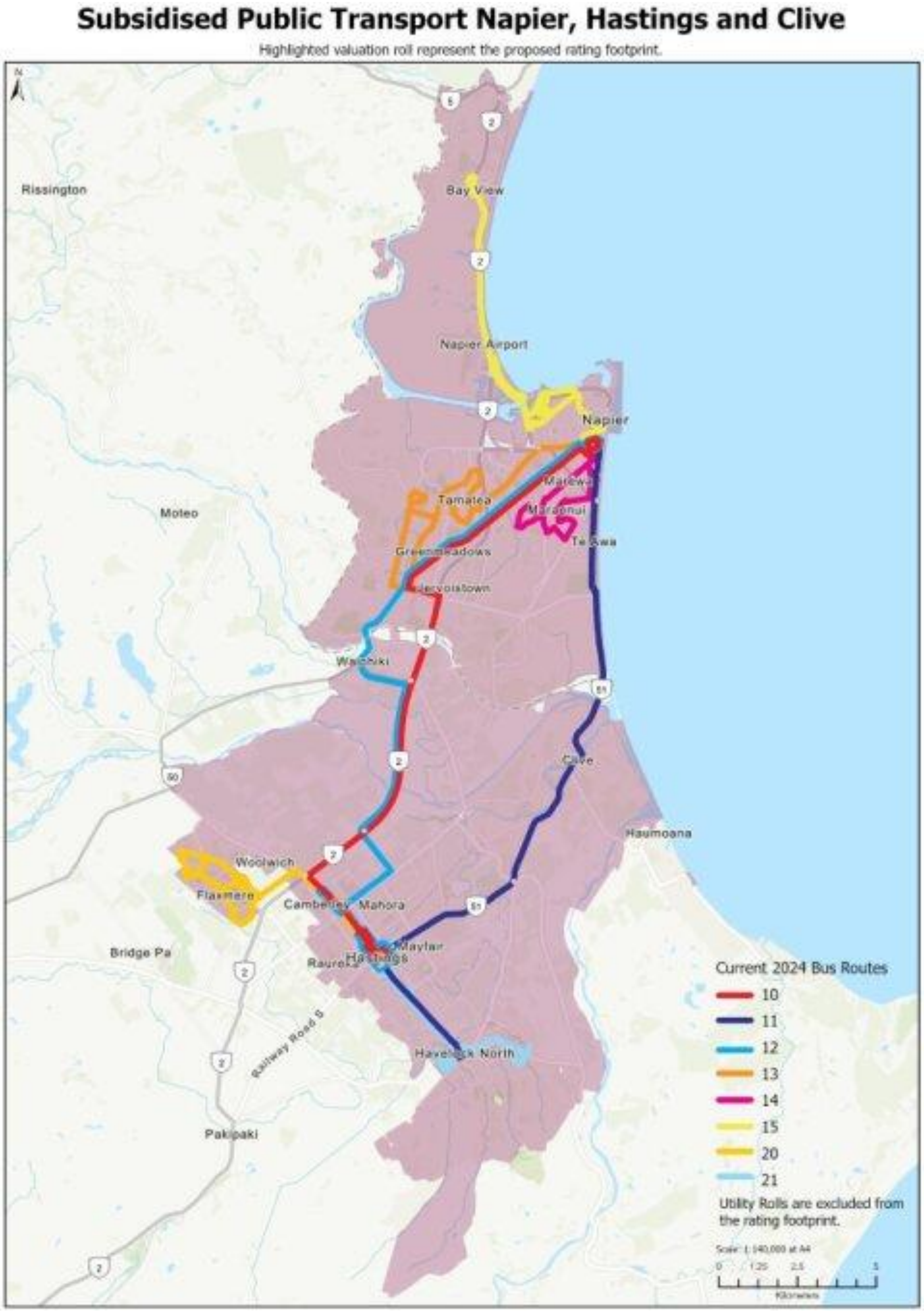
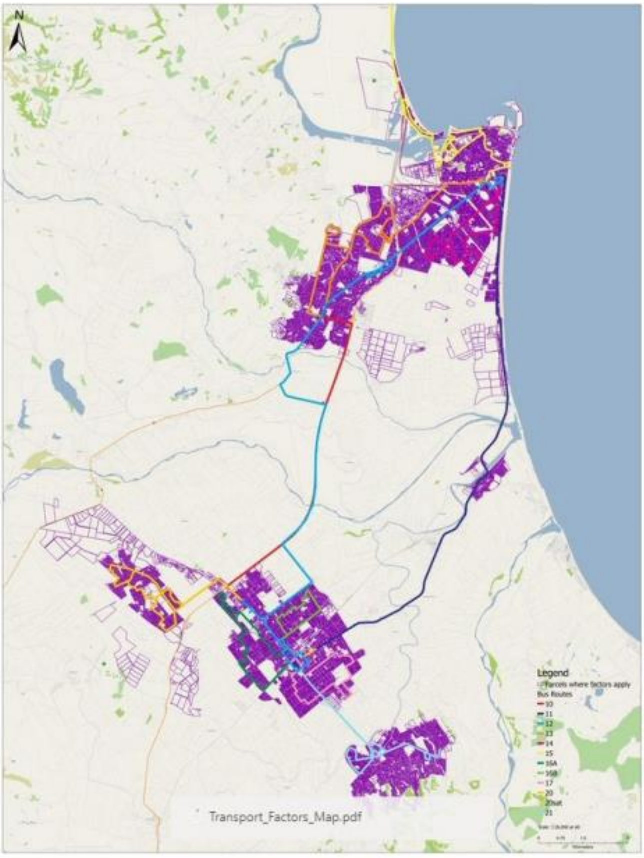


Figure 2 Current rating area (Passenger Transport)



Theme 2: Capital value

16. Overall, there were few submitters who commented on using capital value for the passenger transport rate.

    16.1. *"A CV-based tax for passenger transport would not accurately reflect the individual benefits received, especially if the tax is significantly influenced by the value of property improvements rather than the use or benefit of the transport services…"* (#414)

    16.2. *"Moving to CV means higher value properties will pay a greater share of this service for an extremely inefficient service that benefits very few."* (#479)

    16.3. *"Strongly support, as transport is very much a people and business based activity, much more fairly represented on a Capital rather than a Land value system."* (#491)

    16.4. *"This aligns with the rationale that passenger transport provides greater benefit to properties that have higher capital values through enabling economic opportunities."* (#494)

Staff response

17. It is noted in the consultation document *"PT delivers benefits more closely aligned with CV. For example, capital improvements to land* [business developments such as a factory or the Regional Sports Park] *may result in more jobs therefore more people needing PT. "*

18. The step one and two rationale considered that CV is fairer because it reflects improved properties as opposed to vacant land.

Individual topics

19. One submitter did not support the proposal or the status quo:

19.1. *"I don't support rating this by either CV or LV as I don't think either will result in an equitable distribution of rates to the categories based on who most benefits from the service. eg why should horticultural and pastoral rate payers pay more than commercial/ industrial? And why should lifestyle rate payers pay more than residential?* (#410)

20. One submitter offered an alternative way to rate for this activity:

20.1. *"Although this service benefits all ratepayers, the cost is related to usage by the population and should be allocated on a fixed rate per SUIP I agree with the proposed increase in public transport area."* (#527)

21. One submitter questioned the affordability of the Passenger Transport rate on their rates bill:

21.1. *"neither the proposed or status quo approach are acceptable. This item is the 2nd costliest on our current rates bill ($164.73 per annum)…"* (#493)

21.2. *"Planning for public transport cost increases is not something that happens as a surprise. We question why the amount is so big, so suddenly. Going from 0.00 to 414.10 in one year does not seem reasonable."* (#539)

Staff response

22. The fixed charge option was discussed by Council during step 2 and was not put forward as an option for consultation. This was raised by a submitter, however, passenger transport is such a large rate ($3.1M in 2023-24 and is forecast to increase significantly) it would severely limit or hit the cap of the council's flexibility to use the UAGC and other fixed charges. This is because under the Local Government Rating Act 2002, Council can only use fixed charges up to 30% of its rating revenue.

23. The passenger transport targeted rate is the second highest charge on the rates invoice for most urban residential properties. The change to CV rating would not change this but may shift some of the cost from urban residential ratepayers with low CV to LV ratios to urban residential ratepayers with high ratios.

Scope of decision

24. The scope of the decision consists of two parts:

24.1. Updated footprint - staff consider that, because the review has identified ratepayers who have been receiving this service without charge (Bay View) or receiving a subsidy (Clive), this change should go ahead and deferring this proposed change is not recommended. Failure to implement would retain current flaws in the rating footprint (e.g. some ratepayers not paying for a service they receive, subsidised by those in the current rating footprint).

24.2. LV to CV rating - staff note there was a significant affordability theme in the submissions. Due to this, the Council could consider deferring the proposed change to CV or changing back to LV to lessen the impact of change.

Decision-making process

25. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:

25.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

25.2. The use of a consultation process required by legislation under LGA s102(4) has been undertaken.

25.3. The decision is significant under the criteria contained in Council's adopted Significance and Engagement Policy.

25.4. The persons affected by this decision are the region’s ratepayers.

Recommendations

That Hawke’s Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy Review deliberations - Passenger Transport Rate* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under LGA s102(4).
3. Agree to adopt the Passenger Transport rate proposal as consulted on being:
   3.1. 100% targeted rated based on capital value for Hastings and Napier ratepayers, with an extended urban footprint.

   OR
4. Agree to retain the status quo (with adjusted footprint), being 100% targeted rated based on land value for Hastings and Napier ratepayers.

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Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINANCING POLICY REVIEW DELIBERATIONS - FRESHWATER SCIENCE CHARGES AND A NEW TARGETED RATE

Reason for report

1. This deliberations report provides the Council with submission themes and officers' analysis of submissions and seeks a decision of Council on the consultation topic – *Freshwater science charges, and a new targeted rate.*

Officers' recommendations

2. Staff recommend that the Council considers the submission points (as received by Council resolution on 13 February 2024) on the *Freshwater science charges, and a new targeted rate* consultation topic alongside the officers' analysis to enable an informed decision.

Consultation topic

3. The *Freshwater science charges, and a new targeted rate* proposal was one of seven consultation topics that the Council sought public submissions on through *Your Community Your Rates* consultation document for the review of HBRC's Revenue & Financing Policy.
4. The proposal was presented in the consultation document as shown following:

The proposal

Ratepayers with consents for water takes and discharge to water/land are currently charged under section 36 of the Resource Management Act 1990 (RMA). This is for their share of the costs of performing science investigations and monitoring of the region's freshwater resources.

We currently fund the science activity for water quality and water quantity in the same way. We propose to change the way we fund water quality science and monitoring as below:

- 65% general rate, 20% targeted rate on non-urban properties based on land value, and 15% as section 36 charges.

Submissions received

5. Of the submissions received, 83 supported the proposal, 227 did not support it, 158 didn't know and 74 did not select an option.
6. 145 submitters made a comment under this proposal.
7. The majority of submissions focussed on the activity/service itself and are better suited to consultation for the Long Term Plan. There were very few submissions that addressed the proposed changes in the proposal.
8. The key theme was:
   8.1. Theme 1: **Tiered rates**
9. Other themes focused on:
   9.1. HBRC should not be doing this activity, and/or other agencies should pay
   9.2. General unaffordability of rates and/or pressures from cost of living
10. These 'other themes' that ran through all the consultation topics will be addressed in the agenda item *Revenue and Financing Policy*.

11. It was noted that many of the comments referred to water storage and/or water takes rather than water discharges (to land or water) that relate to the section 36 charges that water quality science monitoring is paid by.

Summary of submissions and officers' analysis

Theme 1: Tiered rates

12. Overall, there was more support for this proposal to include a new targeted rate than to retain the status quo.

    12.1. *"Some permitted activities if not maintained and managed properly can have the same or even a greater impact as a single consented activity that is well managed and monitored."* (#344)

    12.2. *"I support the Freshwater science charges, and a new targeted rate. Understanding and managing water quality (which can be affected by diverse, dispersed sources) is a public service that affects Land Value and so should be allocated as such."* (#414)

    12.3. *"Inclusion of a greater proportion these costs on those who mostly contribute to changes in water quality (i.e. non-urban landowners) is demonstrably a fairer way of meeting some of these costs."* (#491)

13. Only one submitter expressed concern for the new targeted rate. This came from Federated Farmers, with the request that this targeted rate be split more broadly. The second submitter pointed out that farmers will be paying for water quality regulations next year.

    13.1. *"While we agree that diffuse sources impact water quality, urban areas also contribute to freshwater pollution through stormwater discharges, wastewater overflows, contaminants from roads and other sources. Singling out rural ratepayers to fully fund the targeted portion of this rate does not seem equitable."* (#494)

    13.2. *"Farmers by default will be forced to pay higher freshwater regulations charges as the National Freshwater Standards Policy is introduced in 2025, why force them to pay twice?"* (#538)

14. One submitter thought the targeted rate might not go far enough to address water quality.

    14.1. *"The basis for allocation (consent holders only) seems incorrect when a major contributor to water quality is related to upstream (pastoral) activities - nitrate leaching and runoff. It continues to be a critical issue across the region therefore changing to a more targeted approach (Pastoral and Other sectors) with a lower general rate impact would more fairly levy those who contribute to poor water quality. All rate payers are currently levied for the upstream activities of land use - how equitable or fair is hat upon a residential property owner?"* (#493)

Staff response

15. In response to the submissions that urban areas contribute to poor water quality so should also be included in the targeted rate – territorial authorities are consented for urban discharges on behalf of urban ratepayers which includes a S36 charge. So it is not correct to say we are "singling out rural ratepayers".

16. The proposed methodology supports the tiered approach. The proposal is to split the requirement three ways: general rate, targeted rate, and user charges. The rationale behind the creation of the targeted rate was that all activity on the land (including permitted activities that do not require a consent) has the potential to impact water quality as a diffuse source which is why a portion of the total fund requirement was proposed to be a targeted rate. Staff consider this rationale is still sound and is well-documented against the required s101 considerations in the Appendix to the new Revenue & Finance Policy. Staff are confident that due process has been followed to support a new rate.

Net impact of s36 charges and rate changes by sector

17. As noted in the CD, *the proposed changes to the funding model for water quality science will see $635k ... removed from user charges and applied to the new targeted rate.*

18. During the consultation, ratepayers could request a property assessment to find out the impact of the policy changes on their rates. Another piece of the puzzle is the impact of the proposed changes to s36 charges on consent holders. There are approximately 700 consent holders, many of which are horticultural or pastoral.

19. Unfortunately, we are unable to show the net impact of the proposed rates and s36 charge on the ~700 consent holders as resource consents are not linked to a rating valuation number but instead to a consent holder (i.e., they are two distinct databases)

20. The new fee schedule is in yellow highlight. There are 9 fee scales to reflect the scale of operation.

The new fee schedule is in yellow highlight. There are 9 fee scales to reflect the scale of operation.

	Modelled fee:	Small	Small	Small	Med	Med	Med	Large	Large	Large
		1	2	3	4	5	6	7	8	9
	Discharge to land:	$ 194	$ 388	$ 583	$ 777	$ 971	$ 1,165	$ 1,359	$ 1,554	$ 1,748
	Discharge to water:	$ 388	$ 777	$ 1,165	$ 1,554	$ 1,942	$ 2,331	$ 2,719	$ 3,107	$ 3,496
23/24 fees:	Discharge to land:	$ 449	$ 897	$ 1,346	$ 1,795	$ 2,243	$ 2,692	$ 3,141	$ 3,589	$ 4,038
	Discharge to water:	$ 897	$ 1,795	$ 2,692	$ 3,589	$ 4,486	$ 5,384	$ 6,281	$ 7,178	$ 8,076

21. From the schedule above, it is clear the dollar impact, particularly for large-scale consent holders such as packhouses which often have multiple consents, is not insignificant. For example, a consent holder with a consent to discharge to water with a large-scale score of 9, saves $4,580 per year per consent.

22. Staff consider it likely that some submitters have overstated the financial impact of the policy changes in total as they didn't factor in the impact of s36 charges.

Other themes

23. Three submitters singled out section 36 charges and the consent holders. One submitter queried the fairness of charging a consent holder that was not using their consent.

    23.1. *"Consented discharges can exacerbate impacts on water quality more so holders should pay at least 35% of water quality science activity via section 36 charges. Other land and property owners can pay their share via the general rates."* (#408)

    23.2. *"This is essentially giving Water Holding Hawke's Bay Ltd a 57% reduction in their Sec 36 charges as they do not own any landed property so are exempt from the proposed targeted rate on non-urban properties based on land value. I don't know how land owners who are going to have to make up for this reduction feel about this, but if it were me I would not be a happy camper."* (435)

    23.3. *"I think end users and area consents should pay more than 50% i.e.: a majority of the costs."* (#413)

    23.4. *"Council has an obligation to ensure these are fair and reasonable. It is completely unreasonable and against public law principles for HBRC to charge any consent holder that is not having any effect on the environment, just because they hold a consent for an activity that may happen at a future stage."* (#519) This view was also supported by #546.

Staff response

24. Under the existing fees and charges policy, consent holders are charged freshwater science charges based on consented activity, not actual use. This is not being changed as part of this review. The research and monitoring activities performed by Regional Council are to inform on effects or potential effects on the region's freshwater resources. The RMA provides for remissions on charges to be made and this can be used to ensure charges are fair and reasonable.

Scope of decision

25. The scope of the decision is to adopt the proposal as consulted on or revert to the status quo. Having considered the submissions received on this topic, staff have determined there are no new options for Council to consider.

26. Deferring this proposed change is not recommended as we have identified part of the community that contributes to the need for Council's monitoring programmes in addition to those that hold consent for discharges, and therefore should contribute to the fees and charges for these activities.

Decision-making process

27. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:

    27.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

    27.2. The use of a consultation process required by legislation under LGA s102(4) has been undertaken.

    27.3. The decision is significant under the criteria contained in Council's adopted Significance and Engagement Policy.

    27.4. The persons affected by this decision are the region's ratepayers.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy Review deliberations - Freshwater Science Charges and a new Targeted Rate* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under LGA s102(4).

3. Agrees to adopt the *Freshwater science charges, and a new targeted rate* proposal as consulted on being:

    3.1. 65% general rate, 20% targeted rate on non-urban properties based on land value, and 15% as section 36 charges.

    OR

4. Agrees to retain the status quo, being 65% general rates and 35% as section 36 charges.

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Nic Peet
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Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINANCING POLICY REVIEW DELIBERATIONS - SUSTAINABLE LAND MANAGEMENT, BIODIVERSITY AND BIOSECURITY RATES

Reason for Report

1. This deliberations report provides the Council with submission themes and officers' analysis of submissions and seeks a decision of Council on the consultation topic – *Sustainable Land Management, Biodiversity and Biosecurity Rates.*

Officers' recommendations

2. Staff recommend that the Council considers the submission points (as received by Council resolution on 13 February 2024) on the *Sustainable Land Management, Biodiversity and Biosecurity Rates* consultation topic alongside the officers' analysis to enable an informed decision.

Consultation topic

3. The *Sustainable Land Management, Biodiversity and Biosecurity Rates* proposal was one of seven key consultation topics that the Council sought public submissions on through *Your Community Your Rates* consultation document for the review of HBRC's Revenue & Financing Policy.
4. The proposal was presented in the consultation document as shown following:

The proposal

- 100% general rate for sustainable land management and biodiversity.
- 100% targeted rate on non-urban ratepayers based on land value for primary production pests.

Submissions received

5. Of the submissions received, 102 supported the proposal, 201 did not support it, 164 didn't know and 75 did not select an option.
6. 132 submitters made a comment under this proposal, noting that many comments related to how the submitter felt about the activity itself and are better suited to consultation on the Long Term Plan.
7. Key themes were:
   7.1. Theme 1: **Benefit challenged**
   7.2. Theme 2: **Forestry.**

Summary of submissions and officers' analysis

Theme 1: Benefit challenged

8. A number of submitters who thought it was unfair to shift these activities to the general rate and/or thought landowners/farmers should be paying most of the costs.
   8.1. *"Disagree with 100% general rate for sustainable land management and biodiversity. While all rate payers' benefit, I feel it is mainly how non-residential land is managed and activities related to non-residential land that exacerbates this cost."* (#410)
   8.2. *"The cost of sustainable land practices should be borne by the landowners that require*

consistent guidance to ensure the residential land owners safety from slash, animal bacteria invasion into ground water." (#413)

8.3. *"This seems to be spreading the cost to those who are seen as able to pay but can have no influence over those land management or biodiversity practices."* (#516)

8.4. *"Don't agree with … non-rural ratepayers contributing more to this - when they already will be contributing more to district rate increases that many of the rural properties do not, and do not impact these targeted areas as much with their properties."* (#545)

9. The majority of submitters who directly commented on this topic supported the proposal for sustainable land management and biodiversity work to be funded from the general rate, as a shared, common goal.

9.1. *"If we are serious about Predator Free goals then we as an urban ratepayer I would be happy to further support rural ratepayers to do more in this space."* (#435)

9.2. *"[Federated Farmers] supports the proposed changes to fund sustainable land management and biodiversity fully through the general rate, and to fund primary production pests fully through a targeted rate on non-urban properties based on land value. This appropriately reflects the community-wide benefits of sustainable land management and biodiversity, while targeting costs of managing primary production pests to the direct beneficiaries."* (#494)

9.3. *"The whole community is responsible for our environment and biodiversity, sharing the burden of cost across all ratepayers is a fairer distribution rather than just a small sector of the community. It is also a way for residential ratepayers to contribute in a small way to these important obligations, keeping in mind that rural landowners use large amounts of their own funds to do the work required in reducing erosion, retiring land from their business and taking positive actions to improve water quality."* (#541)

10. Two submitters commented on how to fund Primary Production Pests while one supported the proposal (Federated Farmers) and the other did not support it (lifestyle ratepayer).

10.1. *Federated Farmers supports the proposed changes to [...] fund primary production pests fully through a targeted rate on non-urban properties based on land value. This appropriately reflects the community-wide benefits of sustainable land management and biodiversity, while targeting costs of managing primary production pests to the direct beneficiaries." (#494)*

10.2. *"I disagree with the 100% targeted rate on nonurban ratepayers based on land value for primary production pests. Rural Lifestyle property owners with less than 4 hectares are seldom involved with primary production. 4 hectares is seldom viable for an economic business and isn't large high value productive land."* (#408)

Individual Topics

11. One submitter supported the proposal in principle but thought the timing wasn't appropriate.

11.1. *"When [compliance with farm plans are] uniformly achieved I'm sure the community wouldn't object to the proposed general rate but in the interim I think non-urban properties should pay considerably more."* (#493)

12. One submitter suggested an alternative proposal. To keep sustainable land management on 75%/25% split on non-urban properties of 4ha and over would be to put Primary Production Pests with biodiversity and move both 100% to the general rate.

12.1. *"The activity Sustainable Land Management (Farm Environmental Management Plans) should be paid by businesses that have them. They are a separately identifiable, group which causes a need for them."* (#408)

13. Two submitters referenced forestry in relation to this consultation topic.

13.1. *“This activity should be largely funded …, especially Forestry, which provides a significant pest environment.”* (#491)

Staff response

14. This proposal wraps up all the activity under Sustainable Land Management and moves it to the general rate. The general rate was considered the most appropriate funding source as work done with landowners, as well as catchment and sector groups, results in good land management practices that result in beyond boundary benefits to the whole community through healthy soils, freshwater, estuaries, coastal/marine and air/climate.

15. The Biodiversity activity is also proposed to move to the general rate. As noted in the Consultation Document *Combined, this results in $2.7M net moving from targeted rates to the general rate. Urban ratepayers will be most impacted from the shift to the general rate.*

16. Like SLM, the general rate was deemed the most appropriate funding source for biodiversity activities, due to the whole-of-region and community-wide benefits from this work. Possum control is a large component of this activity. In the past, possum control was done to reduce the risk of TB. This has changed over time to achieving biodiversity outcomes. Possums are the number one browser affecting reforestation. Under the current policy, possum control is rated 30% general and 70% targeted rate.

17. Another driver was to simplify how we rate for biodiversity and biosecurity activities by treating all work we do for biodiversity outcomes as one group. The current policy has a mix of 5 different rating combinations depending on the pest, area, and perceived level of public/private benefit. This proposal significantly simplifies rating which had become increasingly hard to justify.

18. Primary Production Pests is a new targeted rate specifically for animal and plant pests managed for primary production reasons, including rooks, rabbits, and other plant pests. As noted above possums and other animal and plant pests managed for biodiversity reasons are proposed to move to the general rate. The proposal to retain primary production pest to a non-urban footprint reflects the benefit received by non-urban ratepayers.

19. The removal of the 4 hectare threshold recognises that many small parcels of land are part of larger rural operations. Additionally, all rating units benefit from this activity regardless of the size of the land parcel.

20. A number of other regional councils include these activities as part of the general rate including Greater Wellington, and Bay of Plenty.

Scope of decision

21. The scope of the decision is to adopt the proposal as consulted on or revert to the status quo or a variation.

22. Staff are undertaking additional modelling to show the isolated impact of rating SLM and Biodiversity/Biosecurity in two different ways to what was consulted on, which was 100% general rate. The modelling will be on a 75/25 split and 50/50 split. This will be distributed as soon as available.

23. Staff note that the proposal as consulted on aligns with the guiding principles of the rates review which were clear and fair, simple, consistent, and flexible.

24. Staff strongly recommend the removal of the 4 hectare threshold for Biodiversity and Primary Production Pest and alignment with the non-urban rolls regardless of other aspects of the proposal.

Decision-making process

25. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements

in relation to this item and have concluded:

25.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

25.2. The use of a consultation process required by legislation under LGA s102(4) has been undertaken.

25.3. The decision is significant under the criteria contained in Council's adopted Significance and Engagement Policy.

25.4. The persons affected by this decision are the region's ratepayers.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy Review deliberations - Sustainable Land Management, Biodiversity and Biosecurity Rates* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under LGA s102(4).
3. Agrees to adopt the *Sustainable Land Management, Biodiversity and Biosecurity rates* proposal as consulted on being:
   3.1. 100% general rate for sustainable land management and biodiversity activity, and
   3.2. 100% targeted rate on non-urban ratepayers based on land value for primary production pests activity.

OR

4. Agrees to retain the status quo with removal of the 4-hectare threshold being:
   4.1. 75% general rate, and 25% targeted rate on non-urban land based on area for sustainable land management
   4.2. 5 different rating combinations for biodiversity and biosecurity activities depending on the pest, dividing northern and southern areas, and a differential rate for identified forestry.

OR

5. Agrees to a new rating split for *Sustainable Land Management, Biodiversity and Biosecurity rates* being:
   5.1. X % general rate, and x% targeted rate on non-urban ratepayers based on land value.

Authored by:

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Approved by:

Nic Peet
CHIEF EXECUTIVE

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINANCING POLICY REVIEW DELIBERATIONS - RATES REMISSION AND POSTPONEMENT POLICIES

Reason for Report

1. This deliberations report provides the Council with submission themes and officers' analysis of submissions and seeks a decision of Council on the consultation topic – *Rates Remission and Postponement Policies.*
2. Having considered this information, it seeks a decision of Council to adopt the *Rates Remission and Postponement Policies* (see attached).

Officers' recommendations

3. Staff recommend that the Council considers the submission points (as received by Council resolution on 13 February 2024) on the *Rates Remission and Postponement Policies* consultation topic alongside the officers' analysis to enable an informed decision.

Consultation topic

4. The *Rates Remission and Postponement Policies* draft was one of seven key consultation topics that the Council sought public submissions on through *Your Community Your Rates* consultation document for the review of HBRC's Revenue & Financing Policy.
5. The proposal was presented in the consultation document as shown following:

The proposal

The proposed changes are a result of careful revision of the policies carried out at the same time as the Revenue and Financing Policy review. Both policy documents are interlinked.

Minor improvements have been made to some of our current policies, and two additional policies are proposed for:

- Hardship resulting from changes to the rating system.
- Postponement of Sustainable Homes Voluntary Targeted Rate to enable full debt recovery (under section 62 of Local Government Rating Act 2002).

Submissions received

6. Of the submissions received, 100 supported the proposal, 167 did not support it, 195 didn't know and 79 did not select an option.
7. 105 submitters made a comment on this proposal.
8. A main theme was:
   8.1. Theme 1: **Remissions vs no remissions**
9. Other themes focused on general unaffordability of rates and/or pressures from the cost of living. These 'other themes' that ran through all the consultation topics are addressed in the deliberations report entitled *Revenue and Financing Policy*.

Summary of submissions and officers' analysis

Theme 1: Remissions vs no remissions

10. Around 30 submitters who addressed the topic of remissions for rates. A majority of these submissions supported rates remissions and postponements.

Item 12

10.1. *"Overall, the changes modernise the policies and introduce helpful new mechanisms to alleviate hardship from the rating reforms."* (#494)

10.2. *"It seems fair that they could be able to access a reprieve on an individual application. Changing the wording in the policy to better reflect modern postal systems is an obvious move."* (#541)

11. While still in favour of the proposal, some submitters took the opportunity to make additional comments.

11.1. *"We suggest that the rates remission policy could be further strengthened by providing specific assistance for horticultural properties facing significant increases. This could involve remitting the added value of vines, trees and crops from the rateable value of horticultural properties for a defined period."* (#494)

11.2. *"The remission of rates should apply to those experiencing over a 20% increase in rates regardless of financial hardship. This remission could be phased out over a three year period to enable ratepayers to absorb the increase in rates."* (#527)

11.3. *"While we acknowledge the rates remission on the grounds of hardship policy, we consider this to be a "band- aid" solution instead of HBRC addressing the need for the transfer of costs to the horticulture sector this proposal predicates."* (#531)

12. Of those submissions that didn't support remissions policies or weren't sure, the fairness of others having to pick up the shortfall was one of the key reasons. Exceptional circumstances, such as the recent cyclone, were seen as acceptable exceptions.

12.1. *"Those who pay the rates should not subsidise the non-payers…"* (#23)

12.2. *"No no no!!!!! This will become a gravy train & will encourage rates remission for spurious reasons, leaving the general rate payer to pick up the tab. Could agree to remission immediately following a natural disaster but that should be the only reason."* (#66)

12.3. *"People that buy land need to pay rates like all of the other land owners, if you cant afford the rates then you need to sell the land as you cannot afford its operating expenses*." (#413)

Staff response

13. Many ratepayers face financial hardship from time to time for multiple reasons, including a natural calamity such as Cyclone Gabrielle. The Rates Remission and Postponement Policies are designed to help those struggling financially for a short term only.

14. The consultation included minor improvements to our current suite of rates remission and postponement policies and the addition of two new policies. The *Postponement of Sustainable Homes Voluntary Targeted Rate* tidies up debt recovery powers and received no specific feedback.

15. The other new policy – *Hardship remission resulting from changes to the rating system* proposed changes specifically to address the hardship that could be faced due to changes in the rating policy. Suggestions were made by some submitters to increase the size and period of relief offered by the new policy. Staff do not support this as it would shift the burden on to other parts of the community.

16. Staff recommend that Council adopt the changes as consulted on.

17. Staff also note that a submission was received from the CFOs of the four Territorial Authorities in the region requesting relief for stand-out rating units on the Utilities Rolls. To address this, if supported, Council could consult on an amendment to the Rates and Postponement Policies concurrently with the 2024 Long Term Plan. This is covered in more detail in the deliberation report related to the proposed move from land value to capital value for the general rate.

Other submission themes

18. Two submitters (#136 and #408) commented on the Māori Freehold Land Policy that had been updated to meet the requirements laid out in the Te Ture Whenua Māori Act 1993 amendments.

Staff response

19. While acknowledging the comments from the two submitters, the Māori Freehold Land Policy is a legal requirement and therefore must be addressed in the remission policy.

20. Water consent holders were the focus of two submitters.

    20.1. *"I appreciate that you have to develop these remission and/or postponement policies under the Local Government Act. However this should not preclude you from developing policies around remission and/or postponement of fees and charges which are not rates. This would have likely taken a lot of heat out of the debate about non payment of the science charges by Water Holdings Hawke's Bay."* (#435)

    20.2. *"Not sure about this as a bill is a bill and at the end of the day it has to be paid. If its written off someone else will have to pay eventually. The water barons in CHB should be paying their debt of the water rights to the HBRC. This is another reason it angers me, my rates go up and they get off paying their debt. What is right about that?"* (#542)

Staff response

21. While acknowledging the comments from the two submitters, the rates remissions policy covers remissions specifically for rates, whereas the submitters were referring to a different area of the business, such as water consents, which would be handled based on policies in those areas.

Scope of decision

22. The scope of the decision is to adopt the new Rates Remission and Postponement Policies as consulted on or revert to the existing policies.

23. Staff support the proposed changes as consulted as they reflect changes to the Te Ture Whenua Māori Act 1993 amendments, plus outdated remission content. Deferral is not recommended as some changes are due to a legal requirement.

Decision-making process

24. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:

    24.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

    24.2. The use of a consultation process required by legislation under LGA s102(4) has been undertaken.

    24.3. The decision is significant under the criteria contained in Council's adopted Significance and Engagement Policy.

    24.4. The persons affected by this decision are the region's ratepayers.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy Review deliberations - Rates Remission and Postponement Policies* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under LGA s102(4).
3. Agree to adopt the *Rates Remission and Postponement Policies* as consulted including two additional policies being *Hardship Remission Resulting from Changes to the Rating Policy*, and *Postponement of Sustainable Homes Voluntary Targeted Rate,* and minor updates to existing policies, including the Māori Freehold Land Policy.

Item 12

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Nic Peet
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Attachment/s

1⇩ HBRC Rates Remission and Postponement Policies 28 February 2024

HAWKES BAY REGIONAL COUNCIL
TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Kaupapa Muru me te Whakatārewa Reiti

Rates Remission and Postponement Policies

Adopted 28 February 2024

Contents

Notes:

Review of these policies

Hawke's Bay Regional Council (HBRC) intends to review these policies regularly to ensure that the conditions and criteria on which the policies are based continue to be relevant and appropriate.

Delegated authority

The approval of applications relating to the policies contained in this document will be undertaken in accordance with Hawke's Bay Regional Council's Delegation Policy.

Māori Freehold Land Policy

Introduction

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court. Only land that is the subject of such an order may qualify for remission under this policy. Whether rates are remitted in any individual case will depend on the individual circumstances of each application.

This policy has been formulated for the purpose of:

- ensuring the fair and equitable collection of rates from all sectors of the community by recognising that certain Māori-owned lands have particular conditions, features, ownership structures or other circumstances that make it appropriate to provide relief from rates
- meeting the requirements of sections 102 and 108, having considered the matters in schedule 11 of the Local Government Act 2002, to have a policy on the remission and postponement of rates on Māori freehold land.

This policy does not provide for the postponement of rates as HBRC considers that postponing the requirement to pay rates would not support the objectives set out below. HRRC has specific policies for the postponement of rates in certain circumstances.

Objectives

The objectives of this policy are:

- to support the use of land by the owners for traditional purposes
- recognise and support the relationship of Māori culture and traditions relating to ancestral land
- to avoid of further alienation of Māori freehold land
- facilitate the desire of the owners to develop the land for economic use
- recognise and take account of the presence of wahi tapu that may affect the use of the land for other purposes
- recognise and take account of the importance of land in providing economic and infrastructure support for marae and associated papakāinga housing
- recognise and take account of the importance of the land for community goals relating to:
  - the preservation of the natural character of the coastal environment
  - the protection of outstanding natural features
  - the protection of significant indigenous natural vegetation and fauna
- recognise the level of community services provided to the land and its occupiers
- recognise matters related to the physical accessibility of the land
- to support the principles set out in the Preamble to Te Ture Whenua Māori Act 1993.

Conditions and criteria

- Remission will apply to 100% of rates charged on a rating unit.
- Application for a remission under this policy must be made by the person(s) liable for rates for the land (such as owners or trustees), or a person appointed by the Māori Land Court, or other authorised agent of the owners of the land.
- The application is to be made in writing at least 14 days before the due date of payment. Applications made after this cut-off date will apply from the beginning of the following rating year unless extenuating circumstances can be demonstrated, where the Chief Executive may grant an exemption for late application.
- The applicant must include the following information in their applications:
  - details of the rating unit or units involved
  - documentation that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court
  - details showing how a remission of rates is consistent with the objectives of this policy.
- No application under this policy will be backdated. However, where a new lessee/occupier takes over a block with existing rate arrears that would not be recoverable based on previous use, the arrears of rates may be written off where the new lessee assumes payment of current and future rates from the commencement of use or occupation.

Rates Remission Policies

Introduction

In order to allow rate relief where it is considered fair and reasonable to do so, HBRC has resolved to adopt policies under sections 102(3)(a) and 109 of the Local Government Act 2002 specifying the circumstances under which rates will be considered for remission. There are various types of remission, and circumstances under which a remission will be considered. A remission will not be granted where an entity has qualified under the Local Government (Rating) Act 2002 (LGRA) for partial non rating under Part 2 of schedule 1.

The conditions and criteria are set out below.

1. Remission of Rates in Special Circumstances

Objective

To provide for the possibility of a rates remission in circumstances that have not been specifically addressed in other parts of HBRC's rating policy.

Conditions and criteria

- HBRC may remit all or part of the rates assessed in relation to a particular rating unit in special or unforeseen circumstances where it considers it just and equitable to do so.
- The approval of the remission must not set a precedent that unfairly disadvantages other ratepayers.
- A remission under this policy will apply for one year only. Applicants must reapply annually.
- No application under this policy will be backdated.
- All applications must be received in writing detailing the rating unit(s) involved and any other relevant information supporting the applicant's eligibility for the remission.

Except where there are extenuating circumstances, the application for a rates remission must be made at least 14 days before the due date of payment. Where extenuating circumstances can be demonstrated, the Chief Executive may grant an exemption for late application.

2. Remission of Penalties on Rates

Objective

To enable HBRC to act fairly and reasonably when a rates payment has not been received by the due date.

Conditions and criteria

Upon receipt of an application from the ratepayer either in written or email format, or if identified by HBRC, a penalty may be remitted where at least one of the conditions listed below are met.

- A full payment of outstanding rates due (excluding a penalty amount) has been made prior to the application being received by the HBRC, and if the ratepayer has previously paid all rates by the due date within the last three years.
- Where a ratepayer has rate arrears, that on entering and adhering to a payment plan, the additional penalties will be remitted at an agreed time.
- Where payment has been late due to an unforeseen disruption to the normal activities or business of the ratepayer, such as a serious illness, case of death, injury, accident of family member, or family circumstances.
- The late payment was caused by matters outside of the ratepayer's control.
- It is demonstrated that the penalty has been added because of an error by HBRC.
- Where it is considered just and equitable to do so. Each application will be considered on its merits.

Matters that will be taken into consideration by HBRC under above include:

- the ratepayer's payment history
- the ratepayer entering into an agreement with HBRC for the payment of rates
- matters controlled by the ratepayer may include: electronic payment errors, failure to update mailing, or direct debit arrangement
- matters out of the control of the ratepayer may include change of ownership, or bank errors.

Where there is a deliberate non-payment, remission will not be granted.

3. Remission of Rates on Properties Affected by Natural Calamity

Objective

To help ratepayers experiencing extreme financial hardship due to natural calamity which affects their ability to pay rates.

Conditions and criteria

- Applicable where erosion, subsidence, submersion, or other natural calamity as a result of a recognised major event has affected the use or occupation of any rating unit. This does not apply to erosion, subsidence, submersion etc, that may have occurred without a recognised major event.
- HBRC will, at its discretion, resolve when an event is a recognised major event for the purposes of this Policy.
- HBRC may, at its discretion, remit all or part of any rate assessed on any rating unit so affected by natural calamity.
- Except where there are extenuating circumstances, applications must be made in writing at least 14 days prior to the due date of payment, detailing the rating unit(s) involved. Where extenuating circumstances can be demonstrated, the Chief Executive may grant an exemption for late application.
- HBRC may require financial or other records to be provided as part of the remission approval process.
- Remissions approved under this policy do not set a precedent and will be applied only for each specific event and only to properties affected by the event.

4. Hardship Remission resulting from Changes to the Rating Policy

Objective

To assist ratepayers experiencing extreme financial hardship because of changes to the rating system to achieve a more equitable distribution of rates.

Conditions and criteria

This policy only applies where HBRC determines to make significant changes to the rating system, including uniform charges, differentials, or the number of targeted rates.

This policy does not apply to annual changes in rates requirements, including changes to targeted rates as a result of changes to service levels (including the imposition of a targeted rate on a property receiving a service that was not previously provided or charged for), or to an inflationary adjustment of uniform charges.

- The approval of the remission must not set a precedent that unfairly disadvantages other ratepayers.
- A remission under this policy will apply for one year only. Applicants must reapply annually.
- Except where there are extenuating circumstances, applications must be made in writing at least 14 days prior to the due date of payment, detailing the rating unit(s) involved. Where extenuating circumstances can be demonstrated, the Chief Executive may grant an exemption for late application.
- HBRC may require financial or other records to be provided as part of the remission approval process.
- The remission will be set at half of the difference between the property rates for that year, and the rates payable if the changes to the rating system had not been applied. HBRC will use the relevant parts of the previous year's rating system (such as uniform charges, differentials) but will use the current year's rates requirement.

5. Remission for Uniform Annual General Charges and Related Targeted Rates

Objectives

- To provide relief to ratepayers who occupy several near adjacent rating units, but which do not meet the criteria for contiguity under section 20 of the Local Government Act (Rating) 2002.
- To provide relief for developers in the instances of subdivision development in urban areas.

Remissions in addition to the Local Government (Rating) Act 2002

Section 20 of the Local Government (Rating) Act 2002, stipulates that there shall be one property for the purposes of assessing a rate, where two or more separately rateable properties are:

- occupied by the same ratepayer (owner or person with right to occupy by virtue of lease for more than 12 months); and
- used jointly as a single property (for the same purpose); and
- contiguous but separated only by a road, railway-line, drain, water race, river or stream, they shall be deemed to be one property for the purposes of any uniform annual general charges (UAGC).

Where a property meets the requirements of the conditions and criteria below, the UAGC and other related targeted rates assessed on the second and subsequent assessments will be remitted.

Conditions and criteria

- Where farming or horticultural operations conducted on separate blocks of land are so far apart as to indicate that there is no possible contiguity between them, all charges may be assessed on each; however, factors such as distance, stock rotation, stock driving, etc., property size and the number of properties affected, will be taken into account in determining whether remission should apply.
  - **Without dwellings -** Where a single operation is operated over a number of separate rating units, or blocks of separate rating units within close proximity, the 'flagship' (major rating unit) may be assessed a full charge and the associated rating units may receive a 100% reduction.
  - **With dwellings -** Where a single operation is operated over a number of separate rating units, or blocks of separate rating units within close proximity, a charge may be assessed against each rating unit with a habitable dwelling and the associated units may receive a 100% reduction.
  - Where a single operation is operated over a number of separate blocks of contiguous rating units that contain dwellings, one full charge may apply to each block of such rating units.
- Miscellaneous:
  - If a rating unit is of a size which would not enable a dwelling to be erected and where no dwelling exists, a 100% reduction in charge may apply.
- Where an additional dwelling is provided to an employee and the ratepayer provides evidence to the satisfaction of HBRC that it is essential they must reside on the rating unit for the ongoing operation of the business, then the additional UAGC and related targeted rates will be remitted.
- Remission of the charge may apply to a subdivision for the period if the individual lots continue to be in the ownership of the developer.
- The application in the form of a statutory declaration is to be made in writing at least 14 days before the due date of payment detailing the rating unit(s) involved and any other relevant information supporting the applicant's eligibility for the remission.

Rate Postponement Policies

Introduction

These polices are prepared under sections 102(3)(b) and 110 of the Local Government Act 2002.

1. Postponement in Cases of Financial Hardship or Natural Disaster

Objectives

- To assist ratepayers experiencing short term extreme financial hardship that affects their ability to pay rates.
- To assist ratepayers whose property has been subject to a natural disaster to the extent that the ratepayer is unable to pay rates.

Conditions and criteria

The financial hardship must be caused by circumstances beyond the ratepayer's control. The postponement of rates in cases of financial hardship is a last resort to assist residents who own the property to which the postponement application applies.

Criteria for the postponement of rates for ratepayers in cases of hardship

- The applicant can illustrate a postponement of rates will help them overcome their short-term extreme financial hardship.
- The applicant has no access to other funds to pay the rates due.

Criteria for the postponement of rates for ratepayers in cases of natural disaster

- The applicant is unable to pay their rates bill because of a natural disaster or severe weather event that has severely impacted on their ability to pay rates but a postponement will help enable them to pay in the future.

Other conditions

- Applications must be made in writing, at least 14 days prior to the due date of payment, detailing the rating unit(s) involved. Where extenuating circumstances can be demonstrated, the Chief Executive may grant an exemption for late application.

Approval of rates postponement is for one year only. The applicant must reapply annually for the continuation of a rates postponement.

2. Postponement of Sustainable Homes Voluntary Targeted Rate

Objective

To protect HBRC's ability to recover the full outstanding balance of funding in the event of default during the repayment period.

Conditions and criteria

- Postponement commences at 90% in year 1, reducing by 10% per year for the duration of the repayment period.
- This enables the funding to be repaid in 10 equal annual instalments in accordance with the Sustainable Homes Service Agreement while registering the full financial obligation against the rating unit.
- This policy is applied and managed by HBRC's Rates team and applies from the commencement of invoicing until the full repayment has occurred.

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINANCING POLICY REVIEW DELIBERATIONS - PROPOSED MOVE FROM LAND VALUE TO CAPITAL VALUE FOR THE GENERAL RATE

Reason for Report

1. This deliberations report provides the Council with submission themes and officers' analysis of submissions and seeks a decision of Council on the consultation topic – *the move from land value to capital value for the general rate*.

Officers' recommendations

2. Staff recommend that the Council considers the submission points (received by Council resolution on 13 February 2024) on the move from land value to capital value for the general rate consultation topic alongside the officers' analysis to enable an informed decision.

Consultation topic

3. The move from land value to capital value for the general rate proposal was one of seven consultation topics that the Council sought public submissions on through *Your Community Your Rates* consultation document for the review of HBRC's Revenue & Financing Policy.
4. The proposal was presented in the consultation document as shown following:

> ### The proposal
>
> We would like your feedback on the way we calculate the general rate. We are consulting on a change from using land value (LV) to using capital value (CV).

Submissions received

5. Of the submissions recieved, 34 supported the proposal, 477 did not support it, 8 didn't know and 22 did not select an option.
6. 454 submitters made a comment about this proposal.
7. Key themes were:
   - 7.1. Theme 1: **Equity and Fairness**
   - 7.2. Theme 2: **Stability**
   - 7.3. Theme 3: **Future development.**
8. Key individual topics that are addressed in this deliberations report include:
   - 8.1. Topic 1: **Low socio-economic areas**
   - 8.2. Topic 2: **Rating valuation system**
   - 8.3. Topic 3: **Work of regional councils**
   - 8.4. Topic 4: **Using CV for 'double dipping'**
   - 8.5. Topic 5: **Utilities**
   - 8.6. Topic 6: **Te Ture Whenua Māori Act 1993.**
9. Other themes focused on:
   - 9.1. General unaffordability of rates and/or pressures from the cost of living.
10. These 'other themes' that ran through all the consultation topics will be addressed in the

agenda item *Revenue and Financing Policy* which covers all other proposed changes and feedback not related to one of the seven key consultation topics.

Summary of submissions and officers' analysis

Theme 1: Equity & Fairness

11. Overall, around 38% of submitters addressed the equity and fairness of using capital value as a means to calculate the general rate in their commentary. Of those, around 88% did not think the use of capital value to calculate the general rate provided equity and fairness.

12. Many residential ratepayers commented on their financial circumstances, for example those with a fixed income (superannuants in particular) and/or those who objected to the line in the consultation document around the "capacity to earn from…improvements on the land".

    12.1. *"We are on a fixed income (pension) and find it impossible to believe that Hinewai would consider retired people with a higher capital value home have a more productive earning capacity. If the change to rating on capital value instead of land value will not change the total amount of revenue collected - why do it?"* (#416)

    12.2. *"The argument that those with higher value houses can afford an increase in rates may not be valid as this does not take into account the disposable income of those on a fixed income."* (#527)

    12.3. *"While we live on a lifestyle block we do not gain any income from our land, neither do most of our neighbours."* (#534)

13. Other submitters commented that they shouldn't be penalised financially for improvements they made on their properties.

    13.1. *"Improvements on any property, particularly residential are at the home owners cost, and should not additionally result in higher rates. Generally services to standard residential properties are not more just because the CV is higher."* (#46)

    13.2. *"Regional Council should be dealing with issues around the environmental, and should therefore not take building and improvements on land into consideration when charging rates."* (#95)

14. Other submitters believed the shift in rates costs had moved unfairly from rural to residential, with many mentioning that forestry was receiving a reduction. The perception being that a large part of the work of the Regional Council was working with landowners and that they were the larger beneficiaries of HBRC services.

    14.1. *"What is obvious from the proposal is a shift of cost from business properties who can claim the costs as an expense against their income to residential owners who cannot."* (#439)

    14.2. *"It means residential properties will pay an unfair proportion of the rates while large farms or forestry, will pay very little rates."* (#477)

    14.3. *"It makes no sense to me that pastoral farmers are the winners out of this, and urban/lifestyle are the losers. Farmers (by default) are the ones contributing more negatively to the environment and waterways etc due to what they do with their land."* (#545)

    14.4. *"Perhaps HBRC should claim considerably more, via an LV rated differential on the general rate from plantation forestry due to it's considerable impact on our environment - not to mention strain on infrastructure."* (#508)

15. Some horticultural ratepayers felt that this proposal will unfairly impact them, particularly at this time following the cyclone when many suffered a financial loss.

    15.1. *"Assuming that horticultural properties with more capital have more productive earning capacity doesn't take into account that growers returns are dictated by supply and demand*

and the vagaries of the weather. Many are suffering from the last two disastrous seasons and some from the cyclone." (#443)

15.2. *"There is a risk there will be exponential increase to horticultural land based on improvement values of licences held (which have seen a dramatic increase in recent years) and subsequent increase in CV that again have no correlation to resource use and or allocation of a greater rate increase."* (#479)

16. A smaller number, 21 submitters who provided commentary, supported the use of capital value to calculate the general rate to provide equity and fairness. Commentary included that those with more valuable properties paying a fair share and better reflecting the work of the Regional Council.

16.1. *"…rates are essentially a wealth tax and CV more accurately reflects the wealth required to purchase/own the property than LV."* (#398)

16.2. *"Much of the Regional Council's costs are about protecting the structures ON land, not just the land itself- this was especially evident in dealing with the effects of Cyclone Bola. It is only fair that beneficiaries of this share in the costs of this support and the ongoing costs of mitigating future effects."* (#491)

Staff response

17. As noted in the Consultation Document, there is an argument that CV is more equitable and fair than LV because it considers the land and improvement value and recognises the environmental effect of both.

18. Capital value also represents a better reflection of people's gross wealth rather than land value. Council is required to recover the costs of its activities based on a number of principles including taxation.

19. A large impact on the general rate charge for all properties was moving part, or all, activity costs from some targeted rates, part of s36 charges, or carbon credits. These decisions were made during Step One of the rates review based on who benefits, causes the need, and the costs and benefits of funding activity separately.

20. Some examples of this are clean heat, changes to resource consents, compliance, SOE reporting, sustainable land management/biodiversity and rivers and stream maintenance. This has had an effect on the share of rates paid by residential properties as shown in the table below.

21. This table looks at the sector share of rates for the main rating categories under both valuation systems including the cumulative impact of all the other rating changes.

22. Under the current policy settings, residential properties account for 49.3% of the total rates take. The cumulative impact of all the rate changes from the review increases this to 55.3% using LV for the general rate, and 57.3% using CV for the general rate. In other words, the residential sector is 2% worse off under CV.

23. The commercial/industrial sector as whole is worse off under CV for the general rate by 0.6%, the horticulture sector and pastoral sectors are better off by 0.2% and 2.2% respectively. The horticulture and pastoral sectors also benefit from the changes to the section 36 charges. This is covered in more detail in the deliberation report on the Freshwater Science Charges consultation topic.

	Current R&F Policy	Propose R&F Policy	
		LV General Rate	CV General Rate
Category	% of total rates	% of total rates	% of total rates
Residential	49.3%	55.3%	57.3%
Commercial/ Industrial	14.0%	13.4%	14.0%
Horticultural	6.0%	7.8%	7.6%
Pastoral	15.6%	12.3%	10.1%

Theme 2: Stability

24. There were a smaller number of submitters who addressed stability directly in their commentary. Of those, 5 did not think the use of capital value for the general rate provided a more stable option, and 5 that did think it provided more stability.

    24.1. *"Your statement that capital value is more stable is also flawed. The capital value is based on the buyers perception of the value of the house with the additional of the land value. Often the premium or discount a buyer pays for a house is often pushing into the land value, as a house is material and can be costed out and depreciated. True land value should not have large swings."* (#413)

    24.2. *"Capital values of horticultural properties fluctuate and the impacts of the cyclone, cost increases, and changes in global trade conditions will all result in downward pressures. There is no agreed way of evaluating the value of PVR protected varieties."* (#543)

    24.3. *"Capital value is used to set rates by about 70% of councils in NZ including the main cities so it's just falling in to line with other areas of NZ. Land value rating relies heavily on how valuers value improvements as sufficient bare land sale data is often not available. Valuers tend to use depreciation methods that overly favours the improvement value on new property which means these properties pay lower amounts of rates under land value rating. Capital value rating is fairer because it is backed by robust sale data."* (#446)

Staff response

25. In the consultation document, it stated that "CV is generally more stable than LV, as it is less affected by fluctuations in the property market. This helps to ensure that property owners are not subject to large swing in rates from year to year which can be difficult …to budget for".

26. The reason capital value is more stable than land value relates to a number of factors. One of the challenges with land value is that across the region there are very few vacant lots of land for sale compared with all properties. This makes the establishment of a land value more challenging than capital. Land value therefore is based on the market value of the entire property and then any improvements are deducted from that market value to arrive at the land value. This compares with capital value which is better correlated to the market value as at a certain date. While there are a few exceptions to this, e.g. forestry and removal of plant values from certain properties, these properties are the exception rather than the rule.

27. The other issue in establishing the land value is that generally there are only a few factors that influence a pure land value approach being supply and demand. Whereas capital value is influenced by a number of factors including supply and demand but also cost of construction, return on capital (for commercial properties). The greater number of factors the less volatility you have in setting a value.

Theme 3: Future development

28. A smaller group of submitters who addressed the effect that using capital value on the general rate will limit future development and impact housing affordability.

    28.1. *“capital values disincentivise development, which is a major detriment to more housing supply at a time when housing costs are extremely high. Specifically, it's a disincentive to *denser* development, which is also important for building vibrant, growing, low-carbon cities.”* (#342)

    28.2. *“I don’t think the Regional Council should have any interest in capital values… A change to capital value will disincentivise developers and residents making improvements and the horticultural sector will be negatively impacted as well. Only the rural farming sector would be advantaged.”* (#374)

Staff response

29. As noted in the consultation document, “CV rating can discourage development…This can lead to a shortage of affordable housing”.

30. There are many factors that influence decision-making by developers and staff consider that this argument is less relevant to a regional council, where rates, particularly for affordable housing developments, are much less than those of territorial authorities. It should also be noted that the studies cited by the submitter use the USA or Singapore as examples. There is little actual evidence that the move to using capital value for the general rate by many councils over the last 20 years has dampened land development in Aotearoa New Zealand.

Topic 1: Low socio-economic areas

31. Submitter #342 gave both a written and verbal submission at the hearings on 13 February on the inequitable impact of using capital value on the general rate for ratepayers in low socioeconomic areas. The example of Camberley was given in the verbal submission. This was also addressed by submitter #532.

Staff response

32. To support decision-making staff have put a socio-economic lens over the review by assessing the impact of all the proposed changes on postcodes with different socio-economic status. This is covered in the deliberations report entitled *Revenue and Financing Policy*.

Topic 2: Rating valuation system

33. Submitter #500 gave both a written and verbal submission at the hearings on 13 February. The submitter referred to an assessment undertaken in 2020 (published in 2021) that outlines the flaws with the valuation system and asserts these flaws are amplified using CV as the methodology to calculate the general rate. This report can be found at the following website address https://www.linz.govt.nz/resources/research/rating-valuations-regulatory-system-assessment

Staff response

34. The submitter does not refer to the response from the Chief Executive of LINZ who undertook to improve the quality of the valuation process.

35. It is acknowledged by the local government sector that the current valuation process has a significant number of challenges, and therefore the additional audit requirements from the Office of the Valuer-General (OVG) to minimise the impact of those challenges.

36. It should be noted that the responsibility of the valuation data resides with the territorial local authority, not regional councils.

37. Many of the issues raised by the submitter relate also to the value of land and not just capital value.

38. The submitter is incorrect in the assertion that a capital value rating system is more complex and requires a higher degree of competency than a land value rating system. The issues raised in the report relate to the assessment of the total market value of individual and collective properties rather than the specifically value of land or capital.

39. The submitter assumes that the land value is valued on the "based on best available use" (paragraph 2.26 of the submission) however the valuation is actually based on the market value of land which has been undertaken by mass appraisal system. The submitter omitted to state the process in which land value is generally based uses the market price of a property less any associated improvements.

40. The submitter does raise an important point, for kiwi fruit orchards. A recent court case has established that the licence to grow and sell 'Gold' kiwi fruit should be added to the capital value as an improvement. While the submitter may disagree with this approach it has been established by the judiciary that this is appropriate.

Topic 3: Work of regional councils

41. There were a number of submitters who perceive the Regional Council only work on the land or with natural resources. Therefore, the link with land value was logical. The link with capital value and property was associated with the services that district and city council provide such as refuse collection, drinking water services and so on.

    41.1. *"The Council mandate is to manage environmental concerns affecting the land so it is fair to base the rate on the land value."* (#202)

    41.2. *"1) There is a total disconnect between the services you provide and ratepayers house. You provided services to the land not the home. 2) with respect to lifestyle properties the home is typically of greater value than the land. If you start rating the home as well you will cause a great amount of hardship to thousands of families. 3) If you start rating the home will you then provide the services, eg, water, drainage, sewerage, these being facilities the property owner has paid for."* (#208)

    41.3. *"I believe your mandate is to 'promote the sustainable management of natural and physical resources' ie to look after the environment under the RMA, the land and water resources*." (#536)

Staff response

42. As a local authority, HBRC has a broad mandate under the Local Government Act to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The work of HBRC is varied and broad, and while the natural environment (e.g., air, freshwater, soil, biodiversity is a primary responsibility so too is managing the built environment (e.g., consents for discharges to land or water from factories, dam safety, pollution response, clean heat grants). It should also be noted that the Regional Council provides a number of services and funding on behalf of the other councils in the region such as the CDEM Group, public transport, road safety and funding HB Tourism.

43. Determining the distribution of benefits from council's activities is a core element of this rates review. Where there is a region-wide benefit and the whole community benefits the general rate is considered the most appropriate funding source. Where part of the community can be identified as benefiting more than most, a targeted rate component is introduced. Where an individual can be identified a user charge or fee is the most appropriate.

44. It should also be noted that HBRC is one of two regional councils still using land value to calculate the general rate. Other regional councils are the most relevant comparator as our activities are the most similar.

45. It was noted in a verbal submission at the Hearing that three Territorial Authorities were looking to move back from CV to LV. Staff have reached out to these councils – Wellington City Council, Hutt City Council, and Queenstown Lakes District Council. Their response indicated they are not considering a return to LV rating.

Topic 4: Using CV for 'double dipping'

46. Some submitters believed the Regional Council were attempting to 'double dip', or charge twice.

    46.1. *"As the City Council already claims on capital value and the change is made, ratepayers are disadvantaged by 2 Corporations claiming the same fee. Double Dipping in its simplest form!"* (#209)

    46.2. *"We already pay rates to the Napier City Council based on this. Its robbery that you want to do this. You do not do any improvements that justify using my home value as well as land value in assessing your proposed rip off of the residents in hawkes bay."* (#170)

Staff response

47. There was a view that Hastings District Council and Napier City Council already charge their general rate on capital value. This is incorrect. In Hawke's Bay, only Central Hawke's Bay and Wairoa district council use CV to calculate the general rate. Napier and Hastings District Council use land value.

48. Irrespective, many submitters appear to misunderstand how rates are apportioned. The change to CV does not, by itself mean, a ratepayer will pay more. As explained in the consultation document, it depends on the ratio of CV to LV. For example, properties with low land values but improvement values even lower than the average, will still see an overall decrease. The largest impact to the general rate is the movement of some activities currently charged as targeted rates.

49. The only impact of general revaluations on rating occurs when an individual property's values change more or less than the market average. Equalisation data is also provided by QV, and this is used when calculating rates across multiple Territorial Authorities.

Topic 5: Utilities

50. Submission #550 from the four CFOs of the territorial authorities (TAs) signalled that a move to capital value for the general rate would mean that a number of utility networks would be rated when they had not been rated before. These networks, are managed on behalf of the community and include water, wastewater, and stormwater. The networks have no underlying land value but significant capital value.

51. The TAs submissions requested we:

    51.1. Exclude the 3 waters utility assessments from the broad groupings or properties to which Capital value rates apply, or

    51.2. Apply a differential to modify the impact on the 3 waters assessments, or

    51.3. Modify Council's remission policy to adjust for the additional impact the proposed policy change will have on the 3 waters assessments of the region's 4 territorial authorities.

Staff response

52. The proposal to move the general rate from LV to CV rating, means that CV-only rating units on the utility rolls are being charged the general rate for the first time, and for 6 rating units this has been identified as a significant impact. 5 are council owned assets, 1 is an energy supplier.

53. Staff discovered this during the consultation process and immediately acted to address this through direct engagement with the most affected rating units on the utility rolls.

54. Other Regional Councils do not specifically exclude rating units on the utility rolls in their rating policy, nor do they have a specific remission policies for this. One Regional Council, which staff spoke to, confirmed they do not provide any rates remission for utility infrastructure. Note, some other Regional Councils do have a miscellaneous remissions policy which they may use to remit

utilities at their discretion.

55. For clarity, under the status quo utility rolls are liable for SUIP based charges (UAGC, Coastal Hazards, CDEM) and contribute to flood and drainage schemes. They are excluded from public transport, clean heat, and economic development targeted rates.

56. If CV is determined to be the preferrable rating tool, a new remission policy to assist the transition of utility rolls outliers who have previously not been charged a general rate could be consulted on concurrently with the Long Term Plan (this would specifically address high impact as opposed to extreme financial hardship).

57. The consultation could consider three options:

    57.1. Transition by percentage remission for a fixed period

    57.2. Permanent exclusion from general rate by amendment to the remission policy

    57.3. No remission or exclusion offered

58. For these options, Council needs to consider if it would apply to the full utility rolls (60 rating units), just the outliers (6 rating units), or just territorial authorities (4 territorial authorities, including smaller utility infrastructure such as Wairoa and CHB).

Topic 6: Te Ture Whenua Māori Act 1993

59. As noted in the CD "The Council also considered that CV better reflects the principles set out in the Preamble to Te Ture Whenua Māori Act 1993 because CV places a lesser burden on undeveloped land." No one commented on this topic. If the Council chooses to stay with land value then it must think of other ways it is supporting this Act.

Scope of decision

60. The scope of the decision is to adopt the proposal as consulted on, which is to change to capital value (CV) as the rating tool used to calculate the general rate from 1 July 2024 or revert to the status quo which is land value (LV).

61. The council can choose to adopt all the other changes to the Revenue and Financing Policy as consulted on but choose not to change to CV for the general rate.

62. Staff do not recommend deferring this decision. It would require an LTP amendment and re-consultation and replicating the significant amount of work to model, understand and explain impacts given constant changes to the rating database. In addition, revaluations happen each year in different districts which has impacts.

63. It also disadvantages those who would benefit from the change now.

64. If Council agrees to adopt CV for the general rate, a decision is also sought on how the Council wants to address the impact on stand-out ratepayers on the utilities rolls.

Decision-making process

65. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:

    65.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

    65.2. The use of a consultation process required by legislation under LGA s102(4) has been undertaken.

    65.3. The decision is significant under the criteria contained in Council's adopted Significance and Engagement Policy.

    65.4. The persons affected by this decision are the region's ratepayers.

Item 13

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy Review deliberations - proposed move from Land Value to Capital Value for the General Rate* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under LGA s102(4).
3. Agrees to change the basis of the general rate to capital value from 1 July 2024.

OR

4. Agrees to change the basis of the general rate to capital value from 1 July 20xx, subject to an amended Long Term Plan.

AND

5. Agrees to consult concurrently via the 2024-27 Long Term Plan on an amendment to the Rates Remission Policies to reduce the impact on stand-out ratepayers on the utilities rolls.

OR

6. Agrees to retain land value as the basis of the general rate.

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Attachment/s

There are no attachments for this report.

Item 14

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 28 February 2024

Subject: REVENUE AND FINANCING POLICY REVIEW DELIBERATIONS - REVENUE AND FINANCING POLICY

Reason for Report

1. This deliberations report is the last in a suite of reports to consider feedback and make informed decisions on the draft Revenue and Financing Policy that was consulted on.
2. It covers all other feedback not related to one of the seven key consultation topics.
3. Having considered this information, it seeks a decision of Council to adopt the Revenue and Financing Policy as consulted on (see attached) and incorporating all the decisions made in the other deliberation reports.

Officers' recommendations

4. Staff recommend that the Council consider the submission points (received by council resolution on 13 February 2024) related to all other feedback on the draft Revenue and Financing Policy alongside the officers' analysis to enable an informed decision.

Other feedback

5. The final question on the submission form allowed submitters to give any other feedback on any part of the proposed changes. There were a number of minor changes highlighted in the draft Revenue and Financing Policy for consultation in addition to the seven key consultation topics.
6. These included:
   - 6.1. Climate Action now 100% general rate funded (was previously funded by the sale of carbon credits)
   - 6.2. Sustainable Homes, including HeatSmart now 90% targeted rate: 10% general rate and revised footprint based on valuation roll to keep up with urban development
   - 6.3. Freshwater Farm Plan renamed and moved to Regulatory Implementation (was farm Environmental Management Plans under Catchment Management)
   - 6.4. Resource Consents now 90% fees and charges (from consent applicants) and 10% general rate for recoverable costs and 100% general rate for non-recoverable costs (was 80% fees and charges and 20% general rate)
   - 6.5. Compliance now 90% fees and charges (from consent holders) and 10% general rate for recoverable costs and 100% general rate for non-recoverable costs (was 80% fees and charges and 20% general rate)
   - 6.6. Pollution Response is 100% general rate after the recovery of fines and penalties
   - 6.7. Maritime Safety is now split into two distinct sub-activities with 100% of Maritime Safety Harbour Operations now from fees and charges (from Napier Port and other users) and Maritime Safety Education and recreational users being 100% general rate after other income
   - 6.8. State of the Environment (SOE) Reporting now 100% general rate (was 18% fees and charges and 83% general rate)
   - 6.9. Land Monitoring and Research now combines Research and Monitoring and is now 25% Targeted Rate and 75% general rate (Research was 35% targeted rate and 65% general rate)

6.10. Water Information Services is 90% fees and charges from consent holders and 10% General Rate (was 100% fees and charges)

6.11. Regional Parks now 100% general rate (was 2% fees and charges and 98% general rate)

6.12. Hawke's Bay Trails now 100% after grants and subsidies (cycleways changed from 67%-50% district/city council grants and 33%-50% general rate).

7. There was no substantive submissions on these topics. However, a total of 130 submitters took the opportunity to give additional feedback.

8. Key themes were:

8.1. Theme 1: **Affordability**

8.2. Theme 2: **Consultation process**

8.3. Theme 3: **Delaying the change**

Summary of submissions and officers' analysis

Theme 1: Affordability

9. A large number of submitters highlighted their concerns that these changes were going to make their rates unaffordable. The rising cost of living was top of mind for many ratepayers who were worried that other all their costs were going up.

10. Many submitters felt that the review was a "money-grab" to increase rates.

11. Many suggested that HBRC focus on cutting their costs at this time. Two submitters thought HBRC should use income from selling the Port rather than increase rates.

Staff response

12. Affordability generally was raised by many submitters. Staff consider it likely that some submitters have not understood the impact on their property (for example by applying the ratio described in the consultation document or requesting a property assessment) or have not appreciated that although their rates are going up, others are going down.

13. The rates review does not increase the total revenue collected by Council. As noted in the consultation document, the policy change is about how we split the pie not the size of the pie.

14. A key rationale of the Revenue & Finance review was to ensure equity and fairness across all aspects of rate setting. If the proposed policy is not implemented, those who currently pay for more than their share could unfairly face affordability issues.

15. To address the affordability concern, staff have put a socio-economic lens over the review by assessing the impact of the proposed change on different postcodes with different socio-economic status.

16. We selected 60 mostly residential properties across the region (30 high socio-economic status and 30 medium/low socio-economic status using the New Zealand Index of Deprivation, 2018 (NZDep2018) (arcgis.com)) to compare the impact. The results will be circulated separately. However, it should be noted that the deprivation index was last updated in 2018 and every rateable property is different making it difficult to draw conclusions.

17. Staff also note that ratepayers will be able to have their say about what HBRC funds during the Long Term Plan consultation in April-May 2024.

Theme 2 Consultation process

18. Overall, there were a number of comments about the process of the consultation itself. These comments ranged from the consultation being too complex to understand, and that it

happened over the holiday period. There was also concern that the consultation wasn't sufficiently widely advertised.

18.1. *"Very poor form putting this out for consultation over what is traditionally a holiday period when people are busy with families, holidays and NOT looking for this sort of thing."* (#438)

18.2. *"No ability for the public to ask questions of elected officials with no public meetings. Selecting to only write to 1077 ratepayers and not provide all ratepayers with a fair and equitable opportunity to respond. No signal to the public that this was coming - even though the council has been working on it for 18 months."* (#530)

18.3. *"I started reading what this actually meant - and lost the will to live,"* (#341)

19. There were a few submitters who expressed their support the process undertaken.

19.1. *"Overall I applaud the HBRC for sitting down and reflecting on where rates need to be charged to. A lot of the old thinking needed to be cast aside and a fresh perspective used to view the changes on why and how spending is allocated."* (#528)

Staff response

20. Under the Local Government Act 2002 (LGA), Council must have a Revenue and Financing Policy (R&F Policy). The Council's policy is overdue for review, and it signalled to ratepayers that a 'first principles' review will be undertaken before the next long-term plan.

21. The review process followed the requirement of the two steps set out in the LGA including formal consultation. Staff consider that the nearly 2-year process was thorough and followed sector best practice.

22. The review has successfully reduced the number of rating factors from 115 to 48. However, as a result, it has made many changes all at the same time, therefore it is difficult to isolate the impact of particular changes. This may have contributed to the unusually large number of submitters who answered "don't know" or did not select an option for most of the consultation topics.

23. The Council recognised the difficulties summarising this complex information in a non-technical way and presented the data in multiple formats to demonstrate the proposed changes. This includes average properties by district and by user category and an extended list of sample properties.

24. The Council recognised that consulting over the Christmas-January period was not ideal, so extended the consultation timeframe from the normal four weeks to eight weeks. The consultation period was initially intended to be in October 2023, but a 2-month delay due to cyclone Gabrielle pushed this timeframe out. Consultation resulting in a decision is needed in time to produce the next Long Term Plan, which is due to go out for consultation mid-April.

25. Communications across multiple media platforms included:

25.1. Targeted letters to the most affected.

25.2. Social Media (e.g., Facebook)

25.3. HBRC Website

25.4. Newspapers and community publications

25.5. Media releases – profile pieces by members of the Council and Chair

25.6. Engagement with Councillors

25.7. Information support from Council staff (e.g., phone and email communication)

Theme 3 Delaying the change

Item 14

26. A number of submissions were concerned with the timing of the changes, including the roll out of the changes in one go. Cyclone Gabrielle shifted priorities and caused hardship for many ratepayers across the region.

    26.1. *"To change the rating system now while we are currently Plains/Horticultural rated and not be given opportunity to revisit our rating zoning due to the effect of the TANK decision is a double hit of not only losing our orcharding business but having our rates increased under this proposal. Require more time to ultimately see the final effect of TANK water consent decision and thus have land correctly zoned for any new rating system."* (#356)

    26.2. *"The proposal as presented will significantly financially disadvantage the majority of our members [HB Winegrowers] at a time where they are facing significant economic headwinds, rebuilding their businesses following the impacts of Cyclone Gabrielle."* (#531)

    26.3. *"No other company would reasonably expect to make such increases and have their consumers afford that increase or stay with that provider… Advanced warning of confirmed cost increases (1-2 years when the items planned are within the council's control e.g. public transport) should be given and a stepped increase that is capped at 100% increase YOY (year on year) should be in place. We believe an increase of 350% in one year is neither fair, nor reasonable."* (#539)

27. Submission #549 from Hastings District Council recommended that rating changes be deferred until 2027 (or earlier by an amendment to the LTP). The rationale for the deferral was to wait until the cumulative impact of costs impacts from the Long Term Plan (particularly related to Cyclone Gabrielle) and the rate policy changes are better understood.

Staff response

28. The Council undertook an extensive review period which started well before the cyclone.

29. The Council recognises that there are parts of the community who are facing financial hardship at any time or circumstance, and our current remissions policies offer assistance to ratepayers experiencing financial hardship. Council has also consulted on a new remissions policy to help address any hardship specifically resulting from changes to the rating system.

30. A key tenet of this rates review was to apply a principled approach. If Council considers the changes, for example that CV is the best valuation system to use to set the general rate, then delaying implementation unfairly impacts some ratepayers because maintaining the status quo would penalise those who currently subsidise others.

31. Another argument made by submitters was that the Council is about to set an unusually large rates increase through the Long Term Plan. This is a topic to be addressed as part of the Long Term Plan. Staff also note that in recent years the council has set high rate increases (year 1 of the 2018 LTP and 2021 LTP had 19.5% rate increase) so this year is no different.

32. Under section 102(4)(b) of the LG Act, Council can amend its Revenue and Financing Policy at any time subject to consultation. However, staff consider that sector guidance to conduct the review between long term plan (or annual plan) cycles should again be followed to enable ratepayers to distinguish between the impact from the policy change (how we split the pie) and cost/service changes (the size of the pie).

Scope of decision

33. The scope of the decision is to adopt the Revenue and Financing Policy as consulted on and incorporating the decision made in the other deliberation reports.

34. It is not recommended to delay the adoption of the Revenue and Financing Policy as some of the changes identify flaws with the existing policy. A decision is also needed now to give staff time to restructure the rates database in order to produce the rates impact as proposed in the 2024 Long Term Plan.

Decision-making process

Item 14

35. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:

    35.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

    35.2. The use of a consultation process required by legislation under LGA s102(4) has been undertaken.

    35.3. The decision is significant under the criteria contained in Council's adopted Significance and Engagement Policy.

    35.4. The persons affected by this decision are the region's ratepayers.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy Review deliberations - Revenue and Financing Policy* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under LGA s102(4).
3. Agrees to adopt the Revenue and Financing Policy as consulted on and incorporating all the decisions made in the other deliberation reports to apply from 1 July 2024.

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Attachment/s

1⇩ HBRC Revenue and Financing Policy 28 February 2024

HAWKES BAY
REGIONAL COUNCIL
TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Ko te Kaupapa Heremoni Whiwhi me te Ahumoni

Revenue and Financing Policy

Adopted 28 February 2024

Policy purpose and overview

The Revenue and Financing Policy describes how Hawke's Bay Regional Council (the Council) intends to fund its expenditure. It outlines the sources of funding that the Council intends to use, for each activity.

The Policy is set out as follows:

- Introduction
- Section A: Summary of Funding Sources
- Section B: Two Step approach
- Appendix: Step One Funding Needs Assessment and Step Two outcomes

Introduction

This policy has been prepared in accordance with Sections 101(3), 102(2)(a), 102(3A) and 103 of the Local Government Act 2002.

This policy outlines the choices the Council has made in deciding the appropriate sources of funding for operating and capital expenditure from those sources listed in the Local Government Act 2002 (LGA). The policy also shows how the Council complied with section 101(3) of the LGA which sets out a number of factors it must consider when making these decisions.

The outcome of balancing all those factors requires judgement over many facets of the Council's functions including but not limited to legal requirements, transparency, accountability, affordability, efficiency, social, and intergenerational equity as well as providing for the financial sustainability of the activities undertaken.

When making funding policy the Council must work through the process and matters set out in section 101(3) of the Local Government Act (LGA) including to have regard to the section 101(1) obligation to act prudently and in the interests of the community. The requirements of section 101(3) analysis is a two-step process which is set out on page 7.

The Council is also required to comply with section 100T of the Biosecurity Act 1993 when deciding the extent to which it should fund the implementation of its Regional Pest Management Plan from a general rate, a targeted rate, or a combination of both, set and assessed under the Local Government (Rating) Act 2002.

The funding sources and mechanisms will be used to finance the Council's operating and capital expenditure beginning 1 July 2024.

Guiding principles

In developing this Revenue and Financing Policy, the principles applied included:

- Clear and fair – so ratepayers can understand how the source of funding was chosen and who it applies to.
- Simple – for a rates invoice that is easy for ratepayers to understand as well as administratively efficient for Council staff to implement. This saves costs for the community and reduces the risk of errors.
- Consistent – a policy that treats like for like to give the community confidence they are being treated fairly.
- Flexible – a fit for purpose policy that is robust enough to avoid regular amendment but flexible enough to adapt to future changes.
- Overall impact – the council considers the overall impact on the current and future social, economic, environmental, and cultural wellbeing of the community and community outcomes.

Other guiding principles

In addition to the matters above, Section 102(3A) of the Local Government Act 2002 requires that the Revenue and Financing Policy also supports the principles set out in the Preamble to Te Ture Whenua Māori Act 1993, including:

- the special relationship between the Māori people and the Crown
- the spirit of the exchange of kāwanatanga for the protection of rangatiratanga embodied in the Treaty of Waitangi be reaffirmed
- recognition that land is a taonga tuku iho of special significance to Māori people

- promotion of the retention of that land in the hands of its owners, their whānau, and their hapū, and to protect wahi tapu
- facilitation the occupation, development, and utilisation of that land for the benefit of its owners, their whānau, and their hapū.

Available funding sources

The sources of funding applied under this policy are limited to those set out under section 103 (2) of the LGA 2022.

The Council has determined the funding sources for operating and capital expenditure after considering the rationale set out below.

Funding source	Rationale
Fees and user charges	Fees and user charges can be applied where the users of a service can be identified and charged according to their use of the service (and those that do not pay are denied access to the service). This is based on the user-pays principle where the user pays for the benefits received. Fees are also appropriate where an individual's action or inaction creates the need for an activity (cost causation). For example, the cost of obtaining a resource consent is met by the property owner.
General rates	The general rate is used when the whole region benefits from an activity or individuals or groups cannot be identified to recover the cost. Activities can be 100% or part funded by the general rate.
Targeted rates	Targeted rates are used when groups of ratepayers benefit from an activity at a different level from ratepayers in the remainder of the region.
Investment income	HBRC has a range of property, equity, and cash investments that provide a source of income not related to any specific function or activity. HBRC's investment assets include its 100% shareholding in the Hawke's Bay Regional Investment Company Limited (HBRIC) (HBRIC owns 55% of Napier Port Holding Ltd); Napier and Wellington leasehold property investments; Forestry assets and managed funds.
Borrowing	Local authorities may borrow New Zealand currency to finance their lawful functions. Borrowing is a useful method of funding the costs of a project where the benefits will accrue into the future, for example, funding the capital costs of a flood control scheme, major building project or intergenerational environmental projects. Council will periodically borrow for such purposes. Short term borrowings may be used to smooth one-off large operational expenditure. Borrowing is generally repaid from funds collected from general or targeted rates.
Reserves	Local authorities have traditionally, and to varying degrees, developed reserve funds. Reserve funds have been used to allocate funds for special purposes such as asset replacement, future capital works, flood, and drainage schemes, and for emergencies and contingencies. HBRC has some reserves which help in the financial management of activities. Consideration of the appropriate reserves and reserve levels is addressed as part of the Long-Term Plan and Investment Policy.
Grants and subsidies	Grants and subsidies are generally only appropriate for funding the operating or capital costs of the particular activity that the grant or subsidy is intended to pay for. For example, Waka Kotahi NZTA transport subsidies can only be used to fund transport projects.
Other sources	Other sources of funding include proceeds from asset sales, and unexpected or unanticipated revenue such as vested assets and bequests.

Section A

Summary of funding sources

In the summary table below percentages are indicative. Once rates are assessed and collected the actual percentage may differ slightly.

Activity	Fees & user charges	Grants, subsidies & other	Targeted rate	General rate
Governance and Partnerships Group				
Community Representation & Leadership, including Tangata Whenua Partnerships				100%
Community Sustainability Environmental education, corporate sustainability, and climate action				100%
Sustainable Homes, including HeatSmart			90%	10%
Regional Economic Development			100%	
Policy and Regulation Group				
Policy & Planning				100%
Regulatory Implementation				100%
Freshwater Farm Plans				100% for Council's contribution and administration
Resource Consents	90% from consent applicants			10% of recoverable costs 100% of non-recoverable consents costs
Compliance	90% from consent holders			10% of recoverable costs 100% of non-recoverable compliance costs
Pollution Response				100% after the recovery of fines and penalties
Maritime Safety Harbour Operations	100% Napier Port/ other users			
Maritime Safety Education and recreational users				100% after other income

Activity	Fees & user charges	Grants, subsidies & other	Targeted rate	General rate
Integrated Catchment Management group				
Environmental Science & Information				
State of the Environment (SOE) Reporting				100%
Research and Grants				100%
Land Research and Monitoring			25%	75%
Air Quality				100%
Marine and Coast				100%
Water Quantity	35% from consent holders			65%
Water Quality	15% from consent holders		20%	65%
Water Information Services	90% from consent holders			10%
Sustainable Land Management				100%
Soil Conservation Nursery	100%			
Erosion Control Scheme/Land for Life				100% for Council's share of costs
Biodiversity				100%
Primary production Pests			100%	
Asset Management group				
Flood Protection & Control Works				
Flood protection schemes			70%	30%
Drainage and pumping			90%	10%
River & stream maintenance				100%
Flood Risk Assessment and Warning				100%
River investigations, enquiries and subsidised work				100% certain works are recovered on a proportional basis
Coastal Hazards			60%	40%
Westshore Beach Renourishment				100%
Regional Water Security		100%		
Open Spaces				100%
Regional Parks				100%
Hawke's Bay Trails				100% after grants & subsidies
Forestry		100% funded by harvest revenue		

Activity	Fees & user charges	Grants, subsidies & other	Targeted rate	General rate
Emergency Management Group				
Hawkes Bay CDEM			100%	
HBRC Emergency Management				100%
Transport Group				
Transport Planning & Road Safety				100% after grants & subsidies
Passenger Transport, and Total Mobility			100% after fees & user charges, and grants & subsidies	

Section B

Two Step approach

In developing this policy, the Council used a two-step approach as required by section 101(3) of the Local Government Act 2002 (the Act).

Step One

The first step is to consider for each activity, the five matters in s101(3)(a) of the Act. These are summarised in the table below and applied in the *Appendix: Step One Funding Needs Assessment and Step Two outcomes*.

1. Community outcomes	The Council must identify which of its community outcomes[1], each activity primarily contributes to. HBRC's community outcomes are: Healthy environment Prosperous community Resilient community
2. Distribution of benefit	The Council must consider who benefits and how much. It may be the community as a whole, any identifiable part of the community, and/or individuals. For example, individuals who take up the service are the primary beneficiaries from the HeatSmart programme, parts of the community (those in the airshed) benefit from clear air and the community as a whole benefits to a lesser degree from reduced emissions.
3. Period of benefit	The Council must identify the period in or over which those benefits are expected to occur. In doing this, the Council has identified an annual benefit matching the period of expenditure or ongoing benefits that will last for future generations.
4. Whose acts create a need	The Council must consider if there are contributors - individuals or groups - who, through their action, or inaction, contribute to the need to undertake the activity. For example, polluters create a need for the Council to clean up the mess or make rules about how it is to be reduced or cleaned up.
5. Costs and benefits of funding activity distinctly	The Council must consider the costs and benefits, including consequences for transparency and accountability, of funding an activity separately. For example whether by user charges or targeted rates or a combination of these, or whether the activity should be funded by the general rate.[2]

Step Two

The Council then considered the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community, as required under section 101(3)(b) of the Act.

The Council particularly considered the rating impact and the amount of fees and user charges to be recovered and made the following major refinements from the initial tools selected in the step one process. Note all changes are noted in the last column of the table in the *Appendix: Step One Funding Needs Assessment and Step Two outcomes*.

[1] *The outcomes that a local authority aims to achieve in order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future (section 5 of the Local Government Act 2002)*

[2] *In the funding needs assessment in Appendix 1, the Council sometimes summarises this requirement in terms of need for separate funding. Where it says there is no need for separate funding for an activity this means that the cost/benefit analysis of separate funding does not strongly indicate separate over general funding.*

General rate

The Council considered the merits of both land value and capital value (CV) for the general rate. Having considered the overall impacts on all ratepayers the Council concluded capital value is a better tool based on the taxation principles of equity/affordability and benefit/impact and is therefore its preferred method. Higher CV properties are generally better able to bear the costs of a proportionally higher general rate and through the higher value of improvements, CV recognises multiple impacts of a single property. Further, Council considers that recovering the general rate on capital value creates a more resilient rates base better able to respond to rate changes. Council also considered that capital value better reflects the principles set out in the Preamble to Te Ture Whenua Māori Act 1993 than land value because land that is undeveloped will generally pay less than a developed property under capital value.

The Council also considered the impacts of various types and locations of properties and concluded that a general rate differential is not appropriate.

Rates equalisation

The city and district councils within the Hawke's Bay revalue their properties at different times, on a three yearly rotating basis. Each year QV provides information to allow the Regional Council to calculate rates on equalised values. Council uses this information to adjust the rate so that each rating unit would be paying a similar amount of rates, as if all properties were valued on the same date.

Uniform annual general charge

The uniform annual general charge (UAGC) is part of the general rate and is a fixed amount charged to all separately used or inhabited parts of a rating unit. Its effect is to reduce some rating impact on high value properties and increase rating impact on lower value properties. The Council considers that a UAGC is an appropriate rating tool particularly for a CV based general rate.

Council considers it appropriate that all properties should contribute a fixed amount towards the general rate. As the Local Government (Rating) Act 2002 limits the amount of all fixed rates (UAGC and uniform targeted rates) to 30% of total rates, the Council concluded that the UAGC will be set annually as a levelling tool to achieve a percentage of between 20% and 30% of total rates.

Fees and user charges

Council has applied fees and user charges to recover part or all of the costs for the following activities:

- Resource Consents
- Compliance
- Maritime Safety – Harbour Operations
- Environmental Science and Information
- Water Information Services
- Soil Conservation Nursery
- Passenger Transport

Appendix: Step One Funding Needs Assessment and Step Two outcomes

Step One							Step Two
Activity (sub-activity)	**Community outcome**	**Distribution of benefits**	**Period of benefit**	**Whose acts create a need**	**Costs and benefits of funding activity distinctly**	**Overall rationale for funding (Noting percentages are indicative)**	**What was further refined**
Governance and Partnerships							
Community Representation and Leadership, and **Tangata whenua relationships**	Healthy Environment	The community as a whole benefits from democratic representation, transparent and legally compliant Council processes and the quality of decisions enabled by a Treaty-based partnership approach with tangata whenua.	There is an annual benefit matching the period of expenditure	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its quarterly and annual report/s.	As there are region-wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.
Community Sustainability (environmental education, corporate sustainability, climate action)	Healthy Environment	The community as a whole benefits from a coordinated programme to drive climate action to reduce the regions and its own carbon footprint, including environmental education.	There is an annual benefit matching the period of expenditure.	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its quarterly and annual report/s.	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.
Community Sustainability (Sustainable Homes programme, including HeatSmart)	Resilient Community	Individuals who take up the service are the primary beneficiaries. Parts of the community benefit from less air pollution. The community as a whole benefits to a lesser degree from reduced emissions.	There are ongoing benefits from cleaner and more sustainable homes.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately as separate funding enables Council to target those who benefit either from improvements to their property or from residing in a healthy airshed.	Individuals benefit from services that improve their property and those in the airshed benefit from cleaner air therefore targeted rates are considered the most appropriate funding source. *90% targeted rate and 10% general rate.*	Urban footprint by valuation roll. Targeted rate based on land value.
Regional Economic Development	Prosperous Community	The broader business community are the primary beneficiaries of tourism promotion and economic development. The community as a whole benefits to a lesser extent.	There is an annual benefit matching the period of expenditure.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately as separate funding enables Council to apply revenue requirements that are consistent with the levels of benefit that different ratepayer categories receive. Separate funding also supports accountability and transparency to the ratepayers who fund the activity.	Businesses greatly benefit from the united approach to attracting visitors and commercial opportunities. Residents benefit from the enhanced lifestyles with modern amenities, things to see and do, accessibility and a greater sense of security which is vital for health and wellbeing. Therefore, differentiated targeted rate is considered the most appropriate funding source.	Differential targeted rate defined: Residential & Lifestyle is 30% of total yield based on fixed charge per SUIP. Commercial & Industrial is 75% of allocation of 70% total yield based on capital value. All other usage is 25% of allocation of 70% of yield based on capital value.
Policy and Regulation							

			Step One				Step Two
Activity (sub-activity)	**Community outcome**	**Distribution of benefits**	**Period of benefit**	**Whose acts create a need**	**Costs and benefits of funding activity distinctly**	**Overall rationale for funding (Noting percentages are indicative)**	**What was further refined**
Policy and Planning, and **Regulatory Implementation**	Healthy Environment	The community as a whole benefits.	There are ongoing benefits.	No specific, separately identifiable, group causes a need. Everyone uses the region's natural resources to some extent.	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its quarterly and annual report/s.	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.
Resource Consents	Healthy Environment	Consent applicants are the primary beneficiaries. The community as a whole benefits to a lesser degree from environmental outcomes from implementing the Regional Plan via consenting. The community as a whole benefits from the advisory services provided.	There are ongoing benefits.	Consent applicants create a need to process and issue consents.	There are benefits from funding this activity separately to target those who benefit or create the need.	Council considers that those who benefit or contribute to the need for the activity should contribute to the recovery of those costs. When recovery is not possible, then the general rate is considered the most appropriate funding source after an allowance for any fees. *90% funded by consent applicants.* *10% of recoverable consent processing costs funded by general rates.* *100% of non-recoverable consent administration funded by general rates.*	No change from step one.
Compliance	Healthy Environment	Consent holders are the primary beneficiaries. The community as a whole benefits to a lesser degree from environmental outcomes from implementing the Regional Plan via compliance activities.	There is an annual benefit matching the period of expenditure.	Non-compliant consent holders who form part of the high priority monitoring schedule.	There are benefits from funding this activity separately to target those who benefit or create the need.	Council considers that those who benefit or contribute to the need for the activity should contribute to the recovery of those costs. When recovery is not possible, then the General Rate is considered the most appropriate funding source. *90% funded by consent holders.* *10% of recoverable compliance activity costs funded by general rates.* *100% of non-recoverable compliance costs funded by general rates.*	No change from step one.
Pollution Response	Healthy Environment	The community as a whole benefits from having a 24/7 response capability.	There is an annual benefit matching the period of expenditure.	Polluters create the need for pollution response. Generally, polluters can only be identified after a pollution event and sometimes the liable party cannot be identified.	There are benefits from funding this activity separately to target those who benefit or create the need.	As there are region-wide and whole community benefits the general rate is considered the most appropriate funding source. However, where a liable party can be identified, they should contribute to the recovery of those costs. *100% general rate after the recovery of fines and penalties where possible.*	No change from step one.
Maritime Safety (harbour operations)	Resilient Community	Napier Port Limited is the primary beneficiary of Harbourmaster activities to	There is an annual benefit matching the period of expenditure.	Napier Port and other users create the need for the harbour related activities.	There are benefits from funding this activity separately to target those	Council considers that there is a distinct benefit for Napier Port and other users from the Harbourmaster services at the port and harbour, therefore those users	No change from step one.

		Step One					Step Two
Activity (sub-activity)	**Community outcome**	**Distribution of benefits**	**Period of benefit**	**Whose acts create a need**	**Costs and benefits of funding activity distinctly**	**Overall rationale for funding (Noting percentages are indicative)**	**What was further refined**
		support safe commercial shipping in the Napier harbour. Other users (commercial and non-commercial) also benefit from harbour operations.			who benefit or create the need.	should fund those costs using fees and user charges. *100% fees and user charges.*	
Maritime Safety (education and recreation users)	Resilient Community	The community as a whole benefits. Recreational boat and water users benefit from navigational aids, education programmes and the enforcement of maritime safety regulations.	There is an annual benefit matching the period of expenditure.	No identifiable groups create a need.	There is no particular need to fund this activity separately.	As there are region wide and whole community benefits from maritime education and safety the General Rate is considered the most appropriate funding source. *100% general rate after offsetting other income.*	No change from step one.
Integrated Catchment Management							
Environmental Information and Science	Healthy Environment	The community as a whole benefits from monitoring and analysis of environmental information and research, and research and investigations on matters relevant to policy development. This contributes to the evidence base needed for regional plan development. There is also a distinct benefit for consent holders because the information gathered, and science activities are needed to issue consents.	There is an annual benefit matching the period of expenditure and some ongoing benefits from having data available and science knowledge.	Everyone uses the region's natural resources to some extent. Consent holders contribute to the need for this activity as consented activities such as water takes and discharges drive the need for Council to collect environmental information and undertake science activities. Landowners contribute to the need for this activity as diffuse sources are drivers of the state of environment	There are benefits from funding this activity separately to target those who benefit or create the need.	As there are region wide and whole community benefits the General Rate is considered the most appropriate funding source with a portion of the costs funded by a targeted rate to recognise diffuse sources, and consent holders who have a distinct benefit and contribute to the need. *65-75% general rate, 20% targeted rate and 15- 35% fees and user charges.*	No change from step one for water quantity science. Water quality science: 65% general rate, 20% targeted rate (non-urban footprint by valuation roll based on land value) and 15% fees & user charges.
Environment Information (Water Information Services)	Healthy Environment	Water-take consent holders are the primary beneficiaries from the provision of an accurate and reliable telemetry network. The community as a whole benefits to a lesser degree from rainfall, flood modelling and forecasting.	There is an annual benefit matching the period of expenditure and some ongoing benefits from having data available.	Water consent holders create a need.	There are benefits from funding this activity separately to target those who benefit or create the need.	Council considers that those who benefit or contribute to the need for the activity should contribute to the recovery of those costs with the balance funded from the general rate. *90% fees and user charges and 10% general rate.*	No change from step one.
Sustainable Land Management (includes policy implementation & water efficiency)	Healthy Environment	The community as a whole benefits from reduced environmental pressures from good management practices and compliance with regulations.	There are ongoing benefits.	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately.	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.

				Step One			Step Two
Activity (sub-activity)	**Community outcome**	**Distribution of benefits**	**Period of benefit**	**Whose acts create a need**	**Costs and benefits of funding activity distinctly**	**Overall rationale for funding (Noting percentages are indicative)**	**What was further refined**
Sustainable Land Management (Soil Conservation Nursery)	Healthy Environment	Recipients of plants from the nursery are the beneficiaries.	There is an annual benefit matching the period of expenditure.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately to target those who benefit to fully fund annual costs.	Council considers that those who benefit should contribute to the recovery of those costs, so fees and user charges are considered the most appropriate funding source. *Fees and user charges and recoveries from other Council activities fund 100% of costs.*	No change from step one.
Sustainable Land Management (Erosion Control Scheme, Land for Life)	Healthy Environment	The community as a whole benefits from reduced erosion leading to improved water quality in streams, rivers, and the coast as well as improved biodiversity and carbon sequestration from large scale tree planting. Benefits to individuals from the Erosion Control Scheme are funded directly by the individual.	There are ongoing benefits.	No specific, separately identifiable, group causes a need. The need is driven by past events and climate change.	There is no particular need to fund this activity separately.	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source after the recovery of charges to individuals. *100% general rate for Council's share of costs.*	No change from step one.
Sustainable Land Management (Farm Environmental Management Plans)	Healthy Environment	The community as a whole benefits from environmental outcomes from implementing the Regional Plan via FEMPs.	There is an annual benefit matching the period of expenditure	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately.	As there will be a region-wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate for Council's contribution and administration.*	No change from step one.
Biodiversity (including animal and plant pest control that contributes to biodiversity outcomes)	Healthy Environment	The community as a whole benefits from the protection and restoration of native species and ecosystems including the reduced spread of possums. Biodiversity contributes to the region's natural character and ecosystem services. Parts of the community receive a greater benefit from reduced spread of unwanted pest damage.	There are ongoing benefits.	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately assuming the current owner-occupied model, however if the delivery model for possum control management changes there may be a need to target specific beneficiaries.	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.
Primary Production Pests	Prosperous Community	Parts of the community (primary producers) benefit from reduced loss to pasture, crops, trees and shrubs and sustained/increased production.	There is an annual benefit matching the period of expenditure.	High value productive land uses drive the need for this activity.	There are benefits from funding this activity separately to target those who benefit or create the need.	Council considers that those who benefit or contribute the need for the activity should contribute to the recovery of those costs using targeted rates. *100% targeted rate on land value by non-urban valuation roll footprint.*	No change from step one.
Asset Management							

		Step One					Step Two
Activity (sub-activity)	**Community outcome**	**Distribution of benefits**	**Period of benefit**	**Whose acts create a need**	**Costs and benefits of funding activity distinctly**	**Overall rationale for funding (Noting percentages are indicative)**	**What was further refined**
Flood Protection & Control Works	Resilient Community	Property owners and residents in flood schemes are the primary beneficiaries from maintaining flood schemes to agreed levels of protection. The community as a whole benefits to a lesser degree from economic and social resilience from protected arterial transport routes and utilities. Districts are interwoven so regardless of where flooding occurs it has a regional economic and social impact.	There are intergenerational benefits due to significant infrastructure.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately to target those who benefit. Separate funding also supports accountability and transparency to the ratepayers who fund the activity.	Council considers that those who benefit should contribute to the costs via Targeted Rates on the flood scheme area with the balance of costs met via the General Rate scaled between 10-30% nuanced based on public assets within the scheme. *Capital value reflects intensification.* *30% general rate and 70% targeted rate for all schemes.*	Differential targeted rates on capital value using the following rating factors: Upper Tukituki – 3 Heretaunga Plains – 2 Makara FCS – 3
Drainage and pumping schemes	Prosperous Community	Property owners within the drainage scheme areas are the primary beneficiaries. These property owners benefit as the scheme allows land to be used more intensely or for a higher value use. The community as a whole benefits to a lesser degree from economic activity generated from productive land use.	There are intergenerational benefits.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately to target those who benefit. Separate funding also supports accountability and transparency to the ratepayers who fund the activity. Separate funding is useful to demonstrate the benefits from drainage are less regional than flood protection.	Council considers that those who benefit should contribute to the costs via targeted rates on the drainage scheme area with the balance of costs met via the general rate. *Capital value reflects intensification.* *90% targeted rates and 10% general rate.*	Differential targeted rates on capital value except Raupare Enhancement Scheme (by Area), and Opoho Scheme (fixed charge).
River and stream maintenance	Resilient Community	The community as a whole stands to benefit. Benefits arise from a mix of planned and reactive interventions across the region. Proximate properties get some direct benefit which could range from high to low but difficult to quantify.	There are minor intergenerational benefits with small capital expenditure.	Some exacerbators but frequency and effect on total cost is low and difficult to identify individuals.	Separate funding for this activity is not sensible as it is too difficult to quantify direct benefit and could be cost prohibitive to charge those direct beneficiaries.	As there are regionwide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.
River investigations, enquiries & subsidised work	Resilient Community	The community as a whole stands to benefit from the advisory service, investigation of community raised issues and subsidised work proposals. Parts of the community and individuals benefit from subsidised works.	There is an annual benefit matching the period of expenditure.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately to recover the costs from those who directly benefit. This is work not specific to an individual scheme.	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source. When beneficiaries of subsidised works can be separately identified, the costs are partially recovered via fees and user charges.	No change from step one.

	Step One						Step Two
Activity (sub-activity)	**Community outcome**	**Distribution of benefits**	**Period of benefit**	**Whose acts create a need**	**Costs and benefits of funding activity distinctly**	**Overall rationale for funding (Noting percentages are indicative)**	**What was further refined**
						100% general rate. Certain works are recovered on a proportional basis.	
Flood Risk Assessment and Warning	Resilient Community	The community as a whole benefits from hazard information for land use planning purposes and advice on rainfall and water flows during flood conditions. Information is collected from a comprehensive network of recorders across the region that supports modelling.	There are intergenerational benefits.	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately. This is work is not specific to an individual scheme.	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.
Coastal Hazards	Resilient Community	The community as a whole benefits from better understanding of causes and effects of coastal hazards.	There is an annual benefit matching the period of expenditure and some ongoing benefits from coastal hazard knowledge.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately to target those who benefit. Separate funding also supports accountability and transparency to the ratepayers who fund the activity. It also makes sense given the potential growth in scope in the future, which is subject to a future Council decision on whether to implement the Clifton to Tangoio Coastal Hazards Strategy.	Council considers that those who benefit should contribute to the costs via targeted rates with the balance of costs met via the general rate. *60% targeted rate (Napier & Hastings ratepayers) and* *40% general rate* *(Total expenditure evenly split between NCC, HDC and HBRC)*	No change from step one.
Coastal Hazards (Westshore beach renourishment)	Resilient Community	The community as a whole and properties within Westshore and the Napier area are beneficiaries from beach renourishment of the park and reserve.	There are ongoing benefits.	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately. However, with the proposed growth in scope of coastal hazards implementation it makes sense to consider Westshore Beach Renourishment as a separate activity which may require separate funding in the future to target those who have a distinct benefit.	Council considers that the general rate is the most appropriate funding source at the moment and should be reviewed as part of the Clifton to Tangoio Strategy implementation when all cells will be analysed. *100% general rate (Total expenditure 50:50 split with NCC)*	No change from step one.
Regional Water Security	Resilient Community	As many Hawke's Bay freshwater resources are already under pressure and with the increasing effects of climate change, the community as a whole benefits from investigations into delivery	There are intergenerational benefits.	Everyone uses the region's freshwater resources to some extent.	There is no particular need to fund this activity separately. However, there is significant government funding attached to the current activities and with the possible growth in scope and some projects	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.

Step One							Step Two
Activity (sub-activity)	**Community outcome**	**Distribution of benefits**	**Period of benefit**	**Whose acts create a need**	**Costs and benefits of funding activity distinctly**	**Overall rationale for funding** (Noting percentages are indicative)	**What was further refined**
		models for water storage and demand management solutions.			potentially commercialised in the future it makes sense to consider Water Security as a separate activity which may require separate funding to target those who have a distinct benefit.		
Open Spaces	Healthy Environment	The community as a whole benefits from provision of regional parks and cycleways spread across the region and available for use by all members of the Hawke's Bay community.	There are intergenerational benefits.	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its quarterly and annual report/s.	As there are region wide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.
Open Spaces (Forestry)	Healthy Environment	The community as a whole benefits from HBRC's management of forestry blocks held primarily for soil conservation and environmental enhancement reasons.	There are intergenerational benefits.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately to transparently show costs are fully funded via harvest revenue.	Council considers that full cost recovery via harvest revenues is the most appropriate funding source. *100% funded by harvest revenue*	No change from step one.
Emergency Management							
Hawke's Bay Civil Defense Emergency Management (CDEM)	Resilient Community	The community as a whole benefits from hazard knowledge and preparedness for and coordination of regional or localised emergency events.	There is an annual benefit matching the period of expenditure with some ongoing benefit from knowledge gained.	No specific, separately identifiable, group causes a need.	There are benefits from identifying the rate separately to signal it is funded on behalf of the city and district councils.	Despite region wide and whole community benefits, a region-wide targeted rate is considered the most appropriate funding source due to a desire to identify the rate separately. *100% targeted rate*.	Fixed charge per SUIP.
HBRC Emergency Management	Resilient Community	The community as a whole benefits from HBRC's capability and capacity to respond and manage its staff and assets for regional or localised emergency events.	There is an annual benefit matching the period of expenditure.	No specific, separately identifiable, group causes a need	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its quarterly and annual report/s.	As there are region wide and whole community benefits from the general rate is considered the most appropriate funding source. *100% general rate.*	No change from step one.
Transport							
Transport Planning & Road Safety	Resilient Community	The community as a whole benefits from planning for the region's transport needs and from road safety activities.	There is an annual benefit matching the period of expenditure.	No specific, separately identifiable, group causes a need.	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its quarterly and annual report/s.	As there are region wide and whole community benefits the General Rate is considered the most appropriate funding source for the balance of costs after grants and subsidies. *100% general rate after grants and subsidies.*	No change from step one.

Step One							Step Two
Activity (sub-activity)	**Community outcome**	**Distribution of benefits**	**Period of benefit**	**Whose acts create a need**	**Costs and benefits of funding activity distinctly**	**Overall rationale for funding (Noting percentages are indicative)**	**What was further refined**
Passenger Transport (including Total Mobility)	Prosperous Community	Individuals who use and communities who can access public transport services are the primary beneficiaries. The community as a whole benefits to a lesser degree from less congestion on roads and reduced emissions.	There is an annual benefit matching the period of expenditure.	No specific, separately identifiable, group causes a need.	There are benefits from funding this activity separately to target those who benefit.	Council considers that those who benefit should contribute to the costs therefore a Targeted Rate for those areas served by passenger transport services is considered the most appropriate funding source after allowing for fees and user charges and government subsidies. *100% targeted rate after fees and user charges, and grants and subsidies.*	Targeted rate defined (after user charges, and grants & subsidies): Based on capital value with urban footprint by valuation roll.