

Minutes of a 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

Present: Cr H Ormsby, Chair
Cr W Foley, Deputy Chair
Cr X Harding
Cr T Hokianga
Cr N Kirton
Cr C Lambert
Cr J Mackintosh (*online*)
M Paku (Māori Committee Co-chair)
Cr D Roadley
Cr S Siers
Cr J van Beek
Cr M Williams

In Attendance: N Peet –Chief Executive
T Munro – Interim Te Pou Whakarae
S Young – Group Manager Corporate Services
K Brunton – Group Manager Policy & Regulation
C Dolley – Group Manager Asset Management
R Wakelin – Acting Group Manager Integrated Catchment Management
C Comber – Chief Financial Officer
S Bell – Team Leader Strategy & Performance
M Johansson – Director Communications & Engagement
V Fauth – Finance Manger
B Postlewaight – Workstream Lead Property & Rates Project
D Cull – Manager Strategy & Governance
P Jones – PJ Consultants
P Martin – Senior Governance Advisor

1. Welcome/Karakia/Housekeeping /Apologies/Notices

The Chair welcomed everyone and Mike Paku offered a karakia to open the meeting.

Mike Paku asked to be excused from the meeting if it continues past 2.00pm.

2. Conflict of Interest declarations

There were no conflicts of interest declared.

3. Confirmation of Minutes of the Hawke's Bay Regional Council meeting held on 31 January 2024

RC9/24 **Resolution**

Minutes of the Hawke's Bay Regional Council meeting held on Wednesday, 31 January 2024, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Harding/van Beek
CARRIED**

3a. Confirmation of Minutes of the Hawke's Bay Regional Council meeting held on 13 February 2024

RC10/24 **Resolution**

Minutes of the Hawke's Bay Regional Council meeting held on Tuesday, 13 February 2024 for the Revenue and Finance Policy Review hearings, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Harding/van Beek
CARRIED**

4. Call for minor items not on the agenda

Recommendation

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

Topic	Raised by
Wairoa Expo	D Roadley

5. Affixing of Common Seal

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 J. Castro Lopez <i>(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))</i>	4588 4589	30 January 2024 30 January 2024

1.1.2	P. Eady <i>(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))</i>	4590	30 January 2024
1.1.3	Z. Hawke M. Smiles S. Perry-Purchas S. Potbury <i>(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))</i>	4584 4585 4586 4587	30 January 2024 30 January 2024 30 January 2024 30 January 2024
1.1.4	J. Ellmers <i>(Delegations under the Civil Defence Emergency Management Act 2002 (s.86-92 inclusive) and Local Government Act 2002 (section 177))</i>	4583	30 January 2024
1.1.5	A. McNatty S. Courtnell <i>(Delegations under the Biosecurity Act 1993 (Sections 103 and 105))</i>	4591 4592	14 February 2024 14 February 2024

RC11/24 Resolutions

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.

**Ormsby/Foley
CARRIED**

6. Revenue and Financing Policy Review deliberations - introduction

Nic Peet introduced the item with assistance from several staff and assistance from Phillip Jones, the Consultant used throughout the review process. Each Councillor provided a brief personal view of the issues and the process. Discussions and comments included:

- 18-20 months of work has gone into completing the review culminating in today's decisions.
- There are eight decision items being presented the last of which recommends the overall adoption of the revised Revenue and Financing Policy.
- Submission Hearings were held on 13 February 2024, after which Councillors asked for additional information including a socio-economic assessment of the proposed revised policies and further rating impact examples for lifestyle blocks. This information was provided by a late agenda item (16. Revenue and Financing Policy Review– further analysis for deliberations) for today's meeting published on the HBRC website yesterday – 27 February.
- Council is required by legalisation to consider the overall impact of the total revenue across the whole region.
- Submissions received on any policy/topic/plan tend to be from members of the community

who are potentially negatively impacted by the changes, while those positively impacted tend not to make submissions. There are also likely to be members of the public who are unaware of the proposed changes.

- Council must take into consideration the principles of Te Ture Whenua Māori Act 1993.
- Councillors' individual response to the review process, changes and hearings included the common themes of: lots of very intricate detail to work through; hard for the public to understand; could have done a better consultation job; rural sector could bear more of the overall costs; need to thoroughly review all Council services; affordability will be a major issue; valuation methods appear to be suspect/poor but there are no other options.
- The Review was not about increasing future rates. That discussion will happen through the Long Term Plan (LTP) process, and provide the community with another opportunity to discuss affordability issues.

RC12/24 **Resolution**

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

**Siers/van Beek
CARRIED**

Meeting paused at 10.16am and resumed at 10.19am

7. Revenue and Financing Policy Review deliberations - Regional Economic Development Rate

The item was introduced by Desiree Cull and discussions included:

- Currently a targeted rate, based on the capital value of a property, for Regional Economic Development. It's proposed that this continues to be charged based on capital value but with a revised split being 30% paid by residential ratepayers and the remaining 70% to be split between rural/non-urban (25%) ratepayers and the commercial/industrial sector (75%).
- Consultation was on the status quo or the revised split, as is the choice for Council today.
- For this rate, lifestyle properties are viewed and categorised as residential.
- HBRC collects this rate on behalf of all HB councils, to fund two services – the Regional Economic Development Agency and HB Tourism.

RC13/24 **Resolutions**

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. Subject to our final decisions on the proposals as a whole, agrees 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).

**Williams/Roadley
CARRIED**

8. Revenue and Financing Policy Review deliberations - Flood Protection and Drainage Scheme Rates

The item was introduced by Desiree Cull and Chris Dolley, and discussions included:

- The proposed changes bring all flood schemes in line with the Heretaunga Plains Drainage Scheme which is funded by 30% general rate and 70% targeted rate based on the capital

value of a property.

- The proposal also brings consistency to all but two of the drainage schemes at 10% general rate, 90% targeted rate based on capital value.
- Rivers and streams maintenance proposal is for 100% to be funded by general rates based on capital value – to simplify administration of numerous minor rating schemes.
- Private property owners have an obligation to maintain streams on their property, while the Council deals with defined maintenance schemes with community benefits.
- The current rating system was developed in the late 1990s.
- River systems are one of the most important infrastructure items that the Council manages as everyone is affected by floods. The proposals make flood protection affordable.

RC14/24 **Resolutions**

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. Subject to our final decisions on the proposals as a whole, 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 (with 25 rating factors).

**Kirton/Foley
CARRIED**

The meeting adjourned at 11.12am and reconvened at 11.22am

9. Revenue and Financing Policy Review deliberations - Passenger Transport Rate

The item was introduced by Desiree Cull and discussions included:

- Currently public transport is funded by urban ratepayers in Hastings and Napier. The proposed changes move from land value to capital value and expand the ratepayer base to the wider urban areas, taking in the likes of Clive, Bayview, Meeanee, Jervoistown and Evenden Road (approximately 5,000 additional ratepayers).
- Many of these newly-involved ratepayers will be horticultural and lifestyle block owners who may not believe they benefit from the largely urban transport routes, however everybody benefits from a public transport service that reduces road congestion and also reduces vehicle emissions.
- Submissions included many detailed comments about the bus service itself – these can be considered during the LTP process starting in April 2024.

RC15/24 **Resolutions**

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. Subject to our final decisions on the proposals as a whole, agrees 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 within the extended urban footprint shown in the consultation document.

Williams/Siers
Against: van Beek
CARRIED

10. Revenue and Financing Policy Review deliberations - Freshwater Science Charges and a new targeted rate

The item was introduced by Desiree Cull and discussions included:

- There are 700 consent holders taking water or discharging into water. The cost of science activity for water quality is currently met 65% from general rates and 35% user (consent holder) charges.
- The proposal is continue the 65% general rate with the balance of the science costs to be met through a 20% targeted rate on non-urban properties (based on land value) and a 15% user charge. This would effectively reduce user charges from 35% to 15% of costs incurred. The 20% shift represents \$635k.
- As part of this process the Council considered how much impact consent holders have on water quality to establish the 15% cost.
- Consent is required for water discharge where there is a 'point source discharge' that does not meet the rules set out in the regional plan or channelled into a single release point.
- Everybody benefits from discharges to water being managed well.
- Farmers may not necessarily negatively impact water quality, and in fact might improve water quality through having good management practices. Science monitoring evidences good practice but the Council doesn't currently reward good land stewardship.

RC16/24 Resolutions

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. Subject to our final decisions on the proposals as a whole, 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.

van Beek/Siers
CARRIED

12. Revenue and Financing Policy Review deliberations - Rates Remission and Postponement Policies

The item was introduced by Desiree Cull and discussions included:

- Proposed changes will modernise the Policy and introduce two new items including allowing hardship payments to be processed annually for up to 50% of the rates increase involved.
- The process for seeking a remission is online and requires the applicant to evidence financial hardship. Once an application is received the process usually takes a matter of days to complete.
- Māori freehold land requirements of Te Ture Whenua Māori Act 1993 have been considered and included in the policy.

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. Subject to our final decisions on the proposals as a whole, agrees 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.

**Harding/Siers
CARRIED**

Meeting adjourned at 12.17pm and reconvened at 12.45pm

11. Revenue and Financing Policy Review deliberations - Sustainable Land Management, Biodiversity and Biosecurity Rates

This item was introduced by Desiree Cull and discussions included:

- View as three separate items – Sustainable Land Management (SLM), Biodiversity/biosecurity – primary production pests and Other pests (including possums).
- Currently rates for SLM are 75% met by general rates and targeted rates for 25%.
- All pest control types are currently 100% targeted rate on non-urban ratepayers (based on land value) with a complex range of variations.
- The proposal is that SLM is 100% funded by general rates, primary production pest control costs met by 100% targeted rate (based on land value) on non-urban ratepayers, and control of other pests (builds biodiversity) 100% funded by general rates.
- The proposed changes will have a minimal impact on the general rates with ~75,000 ratepayers in total – 26% of that ratepayer pool (~19,600) paying targeted rate to meet 25% of the SLM costs.
- SLM is carried out by a cross-section of the community and not solely by farmers or lifestyle block holders because they happen to live in rural areas.
- Forestry owners look to benefit from the proposed rating changes when many may view that sector as being a contributor to environmental issues. A differential rate could be considered however it can be difficult to properly identify what a forestry block is.
- It is difficult to separate SLM from biodiversity as farmers/ land owners benefit from biodiversity improvements as much as anyone else and should be contributing alongside other ratepayers. Good land management is viewed as including pest control resulting in biodiversity gains.

Councillor X Harding moved an amendment to resolutions 3. and 3.1, seconded by Councillor N Kirton, being:

3. Subject to our final decisions on the proposals as a whole, agrees to adopt the *Sustainable Land Management, Biodiversity and Biosecurity rates* proposal as consulted on *but with one amendment being:*
 - 3.1 *Apply a 75% general rate and a 25% targeted rate on non-urban ratepayers based on land value for biodiversity activity.*

**Harding/Kirton
3 For :8 Against
LOST**

Resolutions

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. Subject to our final decisions on the proposals as a whole, 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.

Williams/Roadley

Councillor X Harding moved an amendment to resolutions 3. and 3.1, seconded by Councillor N Kirton, being:

3. Subject to our final decisions on the proposals as a whole, agrees to adopt **part of** the *Sustainable Land Management, Biodiversity and Biosecurity rates* proposal consulted on, being:
 - 3.1. *Agrees to retain the status quo for sustainable land management and biodiversity activity, based on land value, being a 75% general rate and a 25% targeted rate on non-urban ratepayers, with the removal of the 4-hectare threshold.*

Harding/Kirton

CARRIED

RC18/24 The amendment having been CARRIED, the substantive motion was PUT

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. Subject to our final decisions on the proposals as a whole, agrees to adopt part of the *Sustainable Land Management, Biodiversity and Biosecurity rates* proposal consulted on, being:
 - 3.1. Retains the status quo for the Sustainable Land Management and Biodiversity activities, based on land value, being a 75% general rate and a 25% targeted rate on non-urban ratepayers, with the removal of the 4-hectare threshold, and
 - 3.2. 100% targeted rate on non-urban ratepayers based on land value for primary production pests activity.

Williams/Roadley

CARRIED

Mike Paku left the meeting at 2.07pm

Meeting adjourned at 2.07pm and reconvened 2.13pm

13. Revenue and Financing Policy Review deliberations - proposed move from Land Value to Capital Value for the General Rate

The Item was introduced by Desiree Cull and Phillip Jones and discussions covered:

- Three overriding considerations when looking at both Land Value (LV) and Capital Value (CV) – equity, fairness and stability.
- Submissions received included a combined one from the four HB territorial local authorities – WDC, NCC, HDC and CHBDC – asking HBRC to consider a remissions policy to address an unintended consequence of the change to Capital Value for major infrastructure/utilities with a significant capital value, but not on land not owned by the councils. This remission

policy could be included as a topic in HBRC's upcoming Long Term Plan process.

- There is no NZ-based evidence that introducing CV as a rating method stifles commercial activity or future growth/development.
- The valuation system in common use across NZ is a challenge, with some councils going through an audit with QV at present. Both LV and CV are equally fraught rather than one being more stable than the other.
- There is a perception that LV is the basic component of a property valuation and therefore it is a more stable/reliable factor, however property valuations actually start with a 'market valuation' assessment, before the value of improvements is calculated – with this figure then being subtracted from the market value to derive LV.
- Lifestyle blocks appear to be particularly affected by the proposed change to CV. There is always difficulty differentiating between a small block of intensively used land and what could be viewed as a large residential block.
- Generally property owners/properties with a higher CV are viewed as having greater wealth and therefore having more capacity to pay rates.
- While CV may indicate the ability to pay, councils cannot know what liabilities a property owner might have. Generally the more people earn, the more they spend on their properties, raising the CV of the property.
- CV is viewed as better suiting the principles of the Te Ture Whenua Māori Act as CV considers all of the value of the property, not just the land. CV of Māori freehold is generally lower than for other classes of land.
- Other regional councils have, or are moving to a CV rates basis – simply following this trend is not sufficient reason to change. A general shift from 'user pays' for council services to a 'community benefit' approach, with councils considering who benefits from the services provided.
- Further information about the impact of the proposed change shows that lower socio-economic areas are the least affected by a CV change, due largely to the gap between the LV and the CV of the property being smaller than properties in more affluent areas.

Councillor X Harding moved recommendation 6, seconded by Councillor J van Beek, being:

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

Harding/van Beek

For: Foley, Harding, Lambert, van Beek

Against: Hokianga, Kirton, Mackintosh, Ormsby, Roadley, Siers, Williams

LOST

RC19/24

Resolutions

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. Subject to our final decisions on the proposals as a whole, agrees to change the basis of the general rate to capital value from 1 July 2024.
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.

Williams/Kirton

For: Hokianga, Kirton, Lambert, Mackintosh, Ormsby, Roadley, Siers, Williams

Against: Foley, Harding, van Beek

CARRIED

Councillor Sophie Siers left the meeting at 3.37pm

14. Revenue and Financing Policy Review deliberations - Revenue and Financing Policy

The Item was introduced by Nic Peet and Desiree Cull and discussions covered:

- Decisions made (subject to final confirmation through this item) to this point were recounted.
- Delaying any decisions would impact the LTP process now underway.
- The affordability issues raised by submission will again be heard during the LTP process.
- Levels of service for various programmes are being reviewed to ensure that possible cost saving measures are considered through the LTP process.
- Need to do better for the LTP consultation, particularly getting clear community views.

RC20/24 **Resolutions**

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 Agenda items 7 - 13, to apply from 1 July 2024, and resolutions made are confirmed.

**Williams/Kirton
CARRIED**

Cr. Van Beek left the meeting at 4.04pm

15. Discussion of minor items not on the Agenda

Topic	Raised by
Wairoa Expo. Councillor Di Roadley recounted the event, its success and the involvement of HBRC staff on the day	D Roadley

16. Revenue and Financing Policy Review– further analysis for deliberations

This item was taken as read.

RC21/24 **Resolution**

That Hawke’s Bay Regional Council receives and considers the *Revenue and Financing Policy Review - further analysis for deliberations* staff report.

**Ormsby/Foley
CARRIED**

The Chair led a karakia to close the meeting.

Closure:

There being no further business the Chair declared the meeting closed at 4.06pm on Wednesday, 28 February 2024.

Signed as a true and correct record.

Date: by HBRC resolution 13 March 2024

Chair: Hinewai Ormsby