Extraordinary Meeting of the Hawke's Bay Regional Council

Date: 10 April 2024

Time: 9.00am

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

Attachments cxcluded from Agenda

Community Outcomes for Three-Year Plan 2024-2027

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

Community Outcomes

Under the Local Government Act, our long term plan must describe the community outcomes for Te Matau-a-Māui (Hawke's Bay) region and link our activities to these outcomes.

Community outcomes are *"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."*

Hawke's Bay Regional Council's outcomes match the vision statement from its 2020-2025 Strategic Plan (Mahere Rautaki), which is:

We want a healthy environment, and a resilient and prosperous community.

These icons (right) are used in the groups of activities statements to show when activities primarily contribute to a specific community outcome.

Healthy Environment

Our communities benefit from healthy and functioning ecosystems, in which our air, land, freshwater, marine and coast, and biodiversity are protected and enhanced.

Resilient Community

Our communities are prepared for natural hazards, supported by planning and infrastructure, partnerships and knowledge-sharing on the increasing effects of climate change.

Prosperous Community

Our communities thrive from high-performing regional infrastructure that enables the region's natural and human resources to deliver goods and services that underpin propserity and wellbeing.

Our areas of strategic focus

We prioritise:

WATER quality, safety, and climate-resilient security.
Te kounga o te wai, te haumarutanga me te mārohirohi ā-āhuarangi o te whakamarutanga.

Water is a life-giving, life-supporting taonga. It must be carefully managed for the region to prosper and provide a high standard of living. Water quality is essential for abundant, healthy aquatic life.

WATER

Climate-smart and sustainable LAND use.
Kia koi, kia toitū hoki te whakamahinga o te whenua.

Farmers and growers are the primary stewards of the region's natural resources – only when they succeed can HBRC and the region succeed.

LAND

BIODIVERSITY

Healthy, functioning, and climate-resilient BIODIVERSITY.
Kia ora, kia āhei, kia mārohirohi ā-āhuarangi hoki te rerenga rauropi.

Healthy, functioning ecosystems – from our mountains to sea ki uta ki tai – underpin the vitality of our region. This includes habitat restoration alongside plant and animal pest control, and attention to the sensitive coastal marine environment.

INFRASTRUCTURE & SERVICES

Sustainable and climate-resilient INFRASTRUCTURE & SERVICES.
Kia toitū, kia mārohirohi ā-āhuarangi hoki ngā ratonga me ngā hanganga ā-whare.

High-performing regional infrastructure enables the region's natural and human resources to deliver goods and services that underpin the prosperity and wellbeing of the Hawke's Bay community.

Groups of Activities - Levels of Service and Funding Impact Statements

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

Governance and Partnerships

What we do

There are four activities within the Governance and Partnerships group of activities:

- Community Representation and Leadership
- Tāngata Whenua Partnerships
- Community Sustainability
- Regional Development

Why we do it

This group of activities contributes to all three community outcomes:

- A healthy environment
- A resilient community
- A prosperous community

Levels of service

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Community Representation and Leadership						
A healthy environment	1. HBRC provides for democratic representation and maintains the integrity of Council processes through transparent and legally compliant practices.	1.1 Triennial election processes are undertaken in accordance with the Local Electoral Act 2001.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
		1.2 Percentage of Council and committee meetings that comply with statutory requirements and Standing Orders.	Achieved (22/23) Achieved (21/22)	100%	100%	100%
		1.3 Percentage of official information requests responded to within 20 working days.	79% (22/23) 95% (21/22)	100%	100%	100%
		1.4 Long Term Plans and Annual Reports receive 'unmodified' audit opinions.	Not achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Tāngata Whenua Partnerships						
A healthy environment	2. HBRC actively involves Māori in its decision-making processes, both at a governance and operational level, and engages in strategic relationships with tāngata whenua.	2.1 Annual satisfaction survey of Treaty partners on HBRC's partnership approach to engagement and decision-making. (*source: annual survey of Treaty partners*).	New measure	Feedback sought and received	Feedback sought and received	Feedback sought and received
		2.2 The number of decision-making arrangements for Treaty partners that are supported and in place.	New measure	Baseline	Increasing trend	Increasing trend
		2.3 Annual reporting to the Māori Committee on mātauranga Māori monitoring and reporting activities.	Not achieved (22/23) Not achieved (21/22)	Achieved	Achieved	Achieved
Community Sustainability						
A healthy environment	3. HBRC delivers environmental education and the Enviroschools programme across the region to inspire and empower people of all ages to actively engage in creating a sustainable future.	3.1 Number of early childhood centres and schools participating in the Enviroschools programme.	71 (2022-23) 71 (2021-22)	Maintain or increase	Maintain or increase	Maintain or increase
A resilient community	4. HBRC administers the Hawke's Bay Regional Climate Action Joint Committee to support a coordinated approach to drive climate adaption and mitigation.	4.1 Annual reporting to Council on climate change action progress.	Achieved (22/23) Achieved (21/22)	Develop programme	Achieved	Achieved
A resilient community	5. HBRC delivers a coordinated programme to reduce its own carbon footprint	5.1 Level of emissions related to HBRC's own corporate carbon footprint (*source: annual HBRC Carbon Inventory Report*).	1578 tCO_2 (22/23) 1153 tCO_2 (21/22)	Improve	Improve	Improve
Regional Development						
A prosperous community	6. HBRC will co-invest in regional economic development organisations for the benefit of the Hawke's Bay economy.	6.1 Funding agreements with the Regional Economic Development Agency and Hawke's Bay Tourism are in place, with performance targets and reporting requirements.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved

Governance and Partnerships
Funding impact statement

	Annual Plan 23/24 $000	Budget 24/25 $000	Budget 25/26 $000	Budget 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,291	3,534	3,570	3,612
Targeted rates	2,958	1,927	1,597	1,267
Subsidies and grants for operating purposes	37	38	38	39
Fees and charges	1,001	-	-	-
Interest and dividends from investments	-	740	740	740
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
Total operating funding	**7,287**	**6,239**	**5,945**	**5,657**
Applications of operating funding				
Payments to staff and suppliers	6,956	5,119	4,789	4,467
Finance costs	1,102	1,165	1,045	940
Other operating funding applications	-	-	-	-
Total applications of operating funding	**8,058**	**6,283**	**5,834**	**5,407**
Surplus / (Deficit) of operating funding	**(772)**	**(44)**	**110**	**251**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase / (decrease) in debt	2,152	(2,709)	(2,333)	(2,051)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	2,152	(2,709)	(2,333)	(2,051)
Applications of Capital Funding				
Capital Expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase / (Decrease) in reserves	(260)	(157)	-	-
Increase / (Decrease) of investments	1,640	(2,597)	(2,711)	(2,350)
Total applications of capital funding	1,381	(2,753)	(2,223)	(1,800)
Surplus/(deficit) of capital funding	**772**	**44**	**(110)**	**(251)**
Funding balance	**-**	**-**	**-**	**-**

Policy and Regulation

What we do

There are five activities within the Policy and Regulation group of activities:

- Policy and Planning
- Regulatory Implementation
- Consents
- Compliance and Pollution Response
- Maritime Safety

Why we do it

This group of activities seeks to balance the requirement to safeguard the environment for future generations while also providing for the social, economic and cultural needs of the wider community. It primarily contributes to:

- A healthy environment
- A resilient community

It also contributes to:

- A prosperous community

Levels of service

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Policy and Planning						
A healthy environment	7. HBRC establishes and maintains appropriate policies and plans that promote the integrated management of the region's natural and physical resources, protects the community from resource management related risks and assists the Council in carrying out its legislative functions.	7.1 The Policy team meet the statutory timeframes as set by legislation.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
	8. HBRC actively engages in national resource management policy reforms, and local resource management plans and consenting matters.	8.1 All formal submissions on national resource management policy reforms, local resource management plans, and local consenting matters are posted on the HBRC website.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
Regulatory Implementation (new activity)						
A healthy environment	9. HBRC supports landowners, industry and communities through education and information to comply with current regulations.	9.1 The Regulatory Implementation team meet the statutory timeframes for implementation as set by legislation.	New measure	Achieved	Achieved	Achieved

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Consents						
A healthy environment	10. HBRC will efficiently and effectively process resource consent applications under the Resource Management Act, National Policy Statement, National Environmental Standards, regulations, and Regional Plans to enable the lawful use and sustainable management of natural and physical resources.	10.1 Percentage of resource consents processed within statutory timeframes.	100% (22/23) 100% (21/22)	100%	100%	100%
		10.2 Overall allocation of water from each water resource is allocated up to but not exceeding the allocation limits set in the Regional Plan.	Achieved (22/23) Achieved (21/22) *(Tukituki only)*	</=100%	</=100%	</=100%
		10.3 Number of expired water permits processed in accordance with TANK Plan Change.	New measure	100%	100%	100%
Compliance and Pollution Response						
A healthy environment	11. HBRC will monitor consent holders and enforce noncompliance to ensure resource consent conditions are met to protect the environment and human health.	11.1 Percentage of consents monitored each year as per the adopted risk-based Compliance Monitoring Strategy.	62% & 85% (22/23) 97% & 96% (21/22)	95% for high-risk consents 90% for all other consents	95% for high-risk consents 90% for all other consents	95% for high-risk consents 90% for all other consents
		11.2 Percentage of monitored consents which receive an overall grade of full compliance.	88% (22/23) 91% (21/22)	90%	90%	90%
		11.3 Percentage of significant noncompliance where action is taken in accordance with HBRC's Enforcement Policy.	80% (22/23) 100% (21/22)	100%	100%	100%
	12. HBRC will provide a pollution response service for public complaints, reports of environmental incidents and unauthorised activities.	12.1 Maintain a 24-hour/7 day a week duty management/pollution management response system.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
	13. HBRC will identify and maintain a register of contaminated sites to ensure public health and safety and environmental protection.	13.1 A Selected Land Use Register of potentially and confirmed contaminated sites is maintained.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
	14. HBRC will respond to oil spills within the Hawke's Bay Coastal Marine boundary and maintain a Tier 2 Oil Spill Response Plan, which identifies priority areas in Hawke's Bay for protection in the event of a major spill.	14.1 An operative Tier 2 Oil Spill Plan and a trained and qualified oil spill response team is in place at all times.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Maritime Safety						
A resilient community	15. HBRC will regulate maritime safety for commercial and recreational vessels within the region, through the provisions of the Maritime Transport Act and the Hawke's Bay Navigational Safety Bylaw to ensure the region's navigable waters are safe for users.	15.1 Maintain compliance with the New Zealand Port and Harbour Marine Safety Code, and International Organisation for Standardisation (ISO) 9001-2015 certification.	New measure	Achieved	Achieved	Achieved
		15.2 Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations.	38 (22/23) 44 (21/22)	Maintain or decreasing trend*	Maintain or decreasing trend*	Maintain or decreasing trend*

**3-yearly rolling average*

Policy and Regulation
Funding impact statement

	Annual Plan 23/24 $000	Budget 24/25 $000	Budget 25/26 $000	Budget 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,218	8,125	8,621	8,891
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	107	58	58	58
Fees and charges	3,636	3,257	3,313	3,381
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	5	5	5	6
Total operating funding	**11,966**	**11,445**	**11,997**	**12,336**
Applications of operating funding				
Payments to staff and suppliers	11,937	12,248	12,690	12,913
Finance costs	1	19	57	91
Other operating funding applications	-	-	-	-
Total applications of operating funding	**11,938**	**12,267**	**12,747**	**13,004**
Surplus / (Deficit) of operating funding	**27**	**(822)**	**(750)**	**(668)**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase / (decrease) in debt	(20)	830	756	672
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	(20)	830	756	672
Applications of Capital Funding				
Capital Expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase / (Decrease) in reserves	7	-	-	-
Increase / (Decrease) of investments	-	-	-	-
Total applications of capital funding	7	8	6	4
Surplus/(deficit) of capital funding	**(27)**	**822**	**750**	**668**
Funding balance	**-**	**(0)**	**(0)**	**0**

Integrated Catchment Management

What we do

There are five activities within the Integrated Catchment Management group of activities:

- Environmental Information
- Environmental Science
- Sustainable Land Management
- Biodiversity and Biosecurity
- Rural Partnerships

Why we do it

This group of activities primarily contributes to:

- A healthy environment.

Levels of service

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Environmental Information						
A healthy environment	16. HBRC will collect, monitor and provide accurate and timely environmental data, and provide a reliable regional environmental telemetry network.	16.1 HBRC maintains its International Organisation for Standardisation (ISO) 9001-2015 certification for environmental data collection, analysis and storage.	Achieved (22/23) Achieved (21/22)	Re-certification achieved	Certification achieved	Certification achieved
		16.2 Percentage of processed monitoring programme results that are publicly available within two months of collection for: • Discrete water quality (lakes, rivers, coast, groundwater) • Groundwater quantity (level) • Surface water quantity (stage, flow, rainfall) • Climate (Air temperature, humidity, wind speed, wind direction, soil moisture, soil temperature and solar radiation).	Revised measure Achieved (22/23) Achieved (21/22)	90%	90%	90%

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Environmental Science						
A healthy environment	17. HBRC will provide accurate and timely analysis and interpretation to decision makers and the community on the State of the Environment (SOE) for Hawke's Bay.	17.1 Production of a 3-yearly State of the Environment Report, and monthly updates are published on the HBRC website.	Achieved (22/23) Achieved (21/22)	3-yearly SOE Report and 12 monthly updates	12 monthly updates	12 monthly updates
	18. HBRC will undertake targeted science research and investigations on matters relevant to policy development to inform the Council and community.	18.1 Percentage of the Science team's annual work programme delivered.	Achieved (22/23) Achieved (21/22)	>90% of programme delivered	>90% of programme delivered	>90% of programme delivered
Sustainable Land Management (renamed from Catchment Management)						
A healthy environment	19. HBRC will work with industry, communities and landowners, to implement good management practices (GMP) in catchments to improve water quality, help mitigate erosion and increase the protection and enhancement of the region's biodiversity.	19.1 Additional area of erodible land, planted with fit-for-purpose erosion control species, transitioned to more sustainable land use or retired and protected.	777ha (22/23) Not achieved 1459ha (21/22) Achieved	600ha of land under cover	800ha of land under cover	900ha of land under cover

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Biodiversity and Biosecurity						
A healthy environment	20. HBRC will work with partners and stakeholders to deliver high-value environmental outcomes and implement the Hawke's Bay Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning.	20.1 Number of Ecosystem Prioritisation sites protected per annum.	4 new, 7 maintained (22/23) 7 new, 6 maintained (21/22)	4 new 10 maintained	4 new 14 maintained	4 new 18 maintained
		20.2 Number of biodiversity projects delivered per annum under the Targeted Catchment Works Fund	New measure	3	5	7
	21. HBRC will manage and limit the risks posed by unwanted pests to protect the health of our community and environment, as prescribed by the Regional Pest Management Plan.	21.1 Percentage of annual pest plant and animal programme delivered (covering all 33 pest plants and 25 pest animals within the Regional Pest Management Plan).	New measure	100% of programme delivered	100% of programme delivered	100% of programme delivered
		21.2 Percentage of the Possum Control Area (PCA) with a 4% or less residual trap catch, with a minimum of 30% of PCA monitored each year.	New measure	>90%	>90%	>90%
Rural Partnerships (new activity)						
A healthy environment	22. HBRC will engage with and support farmers, growers, landowners, catchment collectives and sector partners to build resilience in land and water use that contribute to improved environmental outcomes.	22.1 The Rural Partnerships team will develop and implement an annual work programme for rural communities to include workshops, field days and community events	New measure	>90% of programme delivered	>90% of programme delivered	>90% of programme delivered
		22.2 Number of active Catchment Groups and Collectives across the region.	New measure Baseline X	Maintain or increase	Maintain or increase	Maintain or increase

Integrated Catchment Management
Funding impact statement

	Annual Plan 23/24 $000	Budget 24/25 $000	Budget 25/26 $000	Budget 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	18,693	18,703	19,870	21,117
Targeted rates	3,922	2,751	2,843	2,874
Subsidies and grants for operating purposes	924	2,627	2,155	824
Fees and charges	4,403	2,789	2,825	2,823
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
Total operating funding	**27,943**	**26,871**	**27,693**	**27,638**
Applications of operating funding				
Payments to staff and suppliers	28,317	25,789	26,861	27,089
Finance costs	744	819	846	892
Other operating funding applications	-	-	-	-
Total applications of operating funding	**29,061**	**26,608**	**27,707**	**27,981**
Surplus / (Deficit) of operating funding	**(1,119)**	**263**	**(14)**	**(343)**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase / (decrease) in debt	3,620	415	728	1,007
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	3,620	415	728	1,007
Applications of Capital Funding				
Capital Expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	50	50	51
- to replace existing assets	1,681	387	391	396
	1,681	437	441	447
Increase / (Decrease) in reserves	821	(368)	-	-
Increase / (Decrease) of investments	-	-	-	-
Total applications of capital funding	2,501	678	714	664
Surplus/(deficit) of capital funding	**1,119**	**(263)**	**14**	**343**
Funding balance	**-**	**-**	**-**	**-**

HBRC LTP 2024-2027 Groups of Activities and Funding Impact Statements 13

Asset Management

What we do

There are five activities within the Asset Management group of activities:

- Flood Protection and Control Works (Flood Schemes and Drainage)
- Flood Risk Assessment and Warning
- Coastal Hazards
- Regional Water Security
- Open Spaces

Why we do it

This group of activities contributes to the following community outcomes:

- A healthy environment
- A resilient community
- A prosperous community

Levels of service

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Flood Protection and Control Works (Flood Schemes and Drainage)						
A resilient community	23. HBRC will maintain cost-effective flood protection schemes that provide resilience from frequent flooding to communities and productive land within designated flood protection schemes.	23.1 Major flood protection infrastructure is maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works programme: a) An annual maintenance programme is prepared and delivered. b) Annual capital programme is prepared and delivered.	Mandatory measure Not achieved (22/23) Not achieved (21/22)	>80% of programme delivered	>80% of programme delivered	>80% of programme delivered
		23.2 Following a flood event, affected areas are surveyed and repairs are programmed: a) Following a major flood event, a flood report will be compiled within 6 months of the event (major event is defined as material impact to property or productivity). b) Major event report outcomes incorporated into AMP.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
A prosperous community.	24. HBRC will maintain cost-effective drainage schemes that provide drainage and removes surface water from beneficial land use within designated scheme areas.	24.1 Drainage infrastructure is maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works programme: a) An annual maintenance programme is prepared and delivered. b) Annual capital programme is prepared and delivered	New measure	>80% of programme delivered	>80% of programme delivered	>80% of programme delivered
A resilient community	25. HBRC will build new flood infrastructure in accordance with the *Future of Severely Affected Land* contract with the Government to improve resilience to communities for future flooding events.	25.1 A capital programme for new flood infrastructure is prepared and delivered	New measure	80%-100% of programme delivered	80%-100% of programme delivered	80%-100% of programme delivered
A healthy environment	26. HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council.	26.1 Ecological Management and Enhancement Plans (EMEP) are implemented.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
Flood Risk Assessment and Warning						
A resilient community	27. HBRC provides reliable regional environmental telemetry network monitoring and flood hazard information via a regional web-based platform.	27.1 Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year.	99% (22-23) 99% (21/22)	98%	98%	98%

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2022-23)	Year 3 (2023-24)
Regional Water Security						
A resilient community	28. HBRC will develop and deliver water storage and management solutions that support resilience in the supply of freshwater needs of communities, particularly in the context of projected climate change impacts.	28.1 A capital programme for regional water security is prepared and progressively delivered.	New measure	Achieved	Achieved	Achieved
Open Spaces						
A healthy environment	29. HBRC will maintain, develop, and provide public access to HBRC-owned regional parks and trails, and investigate affordable new opportunities for multi-purpose benefits.	29.1 Regional parks and HBRC trails are maintained as per HBRC's Asset Management Plan.	Not achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
	30. HBRC will demonstrate smart sustainable land use in maximising the multi-purpose benefits of its forestry investments and the Tangoio Soil Conservation Reserve.	30.1 HBRC Forests and the Tangoio Soil Conservation Reserve are managed to the standards defined in their respective management plans.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved

Asset Management
Funding impact statement

	Annual Plan 23/24 $000	Budget 24/25 $000	Budget 25/26 $000	Budget 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,044	7,941	9,671	11,526
Targeted rates	10,147	9,884	10,628	11,462
Subsidies and grants for operating purposes	26,944	1,994	709	722
Fees and charges	4,582	4,257	2,820	2,883
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	51,000	158	199	222
Total operating funding	**100,717**	**24,233**	**24,026**	**26,814**
Applications of operating funding				
Payments to staff and suppliers	112,707	25,452	20,441	21,453
Finance costs	269	761	1,360	2,133
Other operating funding applications	-	-	-	-
Total applications of operating funding	**112,976**	**26,212**	**21,801**	**23,586**
Surplus / (Deficit) of operating funding	**(12,259)**	**(1,979)**	**2,226**	**3,228**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	58,628	66,137	45,919
Increase / (decrease) in debt	16,163	23,627	17,608	6,366
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	16,163	82,255	83,745	52,285
Applications of Capital Funding				
Capital Expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	9,491	79,403	85,360	56,206
- to replace existing assets		957	2,487	1,300
	9,491	80,360	87,848	57,506
		-	-	-
Increase / (Decrease) in reserves	(5,587)	(909)	-	-
Increase / (Decrease) of investments		-	-	-
		-	-	-
Total applications of capital funding	3,904	80,276	85,971	55,512
Surplus/(deficit) of capital funding	**12,259**	**1,979**	**(2,226)**	**(3,228)**
Funding balance	**-**	**-**	**-**	**-**

Emergency Management

What we do

There are two activities within the Emergency Management group of activities:

- Hawke's Bay Civil Defence Emergency Management (CDEM) Group
- HBRC Emergency Management

Why we do it

This group of activities primarily contributes to:

- A resilient community

It also contributes to:

- A prosperous community

Levels of service

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2025-26)
Hawke's Bay CDEM Group						
Group Plan 2014-2019 Hawke's Bay Civil Defence Emergency Management: Vision: A resilient Hawke's Bay community Goals: Reduction, Readiness, Response and Recovery	31. The Hawke's Bay CDEM Group will educate people about hazards, increase natural hazards knowledge through research and provide this information for risk reduction measures including land use planning, asset management, and infrastructure.	A 10-yearly Hazard Research Plan is approved by the CDEM Group Coordinating Executives Group and hazard information is publicly available on the Hawke's Bay Hazard Portal.	Achieved (22/23) Partially achieved (21/22)	Achieved	Achieved	Achieved
	32. The Hawke's Bay CDEM Group will increase readiness and ensure a coordinated and appropriate response and recovery from a civil defence emergency to reduce the impact on people and property.	32.1 An operative Group Plan under the CDEM Act 2002 is in place, and reviewed within statutory timeframes by the Joint Committee.	Not achieved (22/23) Partially achieved (21/22)	Achieved	Achieved	Achieved
		32.2 A Group Work Programme implementing the Group Plan objectives is approved and reviewed 6 monthly by the Coordinating Executives Group.	Not achieved (22/23) Partially achieved (21/22)	Achieved	Achieved	Achieved

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2025-26)
HBRC Emergency Management						
A resilient community	33. As the Hawke's Bay CDEM Group's Administering Authority, HBRC will provide an agreed budget and support to enable the Group to achieve the CDEM outcomes agreed to in the Group Plan.	33.1 HBRC provides support to the Hawke's Bay CDEM Group in accordance with a service level agreement.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
	34. HBRC will ensure it has capability and capacity to respond and manage its assets during a civil defence emergency, including a 24-hour duty management system.	34.1 Maintain established team, training, procedures including Emergency Operations Centre Manual and Business Continuance Plan.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved

Emergency Management
Funding impact statement

	Annual Plan 23/24 $000	Budget 24/25 $000	Budget 25/26 $000	Budget 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,122	2,455	1,993	1,753
Targeted rates	2,892	3,551	3,915	4,164
Subsidies and grants for operating purposes	100	328	22	24
Fees and charges	118	120	121	122
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
Total operating funding	**6,232**	**6,453**	**6,050**	**6,064**
Applications of operating funding				
Payments to staff and suppliers	6,492	5,170	4,492	4,537
Finance costs	304	596	565	535
Other operating funding applications		-	-	-
Total applications of operating funding	**6,797**	**5,767**	**5,058**	**5,072**
Surplus / (Deficit) of operating funding	**(564)**	**687**	**992**	**992**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase / (decrease) in debt	-	(687)	(687)	(687)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	-	(687)	(687)	(687)
Applications of Capital Funding				
Capital Expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
	-	-	-	-
Increase / (Decrease) in reserves	(565)	-	-	-
Increase / (Decrease) of investments	-	-	-	-
Total applications of capital funding	(565)	-	306	306
Surplus/(deficit) of capital funding	**565**	**(687)**	**(992)**	**(992)**
Funding balance	-	-	-	-

Transport

What we do

There are two activities within the Transport group of activities:

- Transport Planning and Road Safety
- Passenger Transport

Why we do it

This group of activities primarily contributes to:

- A resilient community
- A prosperous community

It also contributes to:

- A healthy environment

Levels of service

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
A resilient community Hawke's Bay Regional Land Transport Plan 2024 30-year Strategic Vision: *"An efficient transport system that is resilient, low emissions, safe, provides genuine and equitable choices, and places community wellbeing at the centre."* Regional Public Transport Plan 2022 Vision: *"To deliver a public transport that is safe, accessible, and supports the shift to reduce driving and emissions in Hawke's Bay, while improving the economic, social, and environmental wellbeing of the people of Hawke's Bay."*	**Transport Planning and Road Safety**					
	35. HBRC will develop and implement the region's transport planning documents to promote integration, a low carbon future and sustainability of all transport modes, and a resilient, efficient and reliable network.	35.1 Adopted Regional Land Transport Plan (RLTP) and Regional Public Transport Plan (RPTP) in place.	Achieved (22/23) Partially achieved (21/22)	RPTP adopted	No measure	RLTP adopted
	36. HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke's Bay's transport network is safe and accessible, and the emotional and financial costs of road traffic crashes are reduced.	36.1 The Road Safety team will coordinate and deliver a programme of road safety workshops, initiatives and community events	New measure	50 events or initiatives	60 events or initiatives	70 events or initiatives

WHY WE DO IT Community outcome	WHAT WE DO Level of Service Statement	HOW WE KNOW Level of Service Measure	Previous performance	Performance targets		
				Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
Passenger Transport						
A prosperous community	37. HBRC will provide an accessible, integrated public transport service for the people of Hawke's Bay and work with relevant territorial authorities to ensure appropriate service infrastructure to meet transport needs and transition to a low carbon economy.	37.1 Number of trips on the Hawke's Bay bus services each year.	520,331 (22/23) 569,418 (21/22)	Maintain or increasing trend*	Maintain or increasing trend*	Maintain or increasing trend*
		37.2 Percentage of all Hawke's Bay bus service trips that depart their timetabled starting location on time.	New measure	95%	95%	95%

*5 year rolling average

Transport
Funding impact statement

	Annual Plan 23/24 $000	Budget 24/25 $000	Budget 25/26 $000	Budget 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	229	168	171	174
Targeted rates	3,091	4,578	6,568	7,109
Subsidies and grants for operating purposes	4,085	5,891	7,897	8,488
Fees and charges	-	350	500	550
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
Total operating funding	**7,405**	**10,988**	**15,136**	**16,321**
Applications of operating funding				
Payments to staff and suppliers	7,103	10,750	15,119	16,305
Finance costs	3	3	2	2
Other operating funding applications	-	-	-	-
Total applications of operating funding	**7,107**	**10,753**	**15,121**	**16,307**
Surplus / (Deficit) of operating funding	**299**	**235**	**16**	**14**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase / (decrease) in debt	(14)	(14)	(14)	(14)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	(14)	(14)	(14)	(14)
Applications of Capital Funding				
Capital Expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
	-	-	-	-
Increase / (Decrease) in reserves	285	-	-	-
Increase / (Decrease) of investments	-	-	-	-
Total applications of capital funding	285	221	2	-
Surplus/(deficit) of capital funding	**(299)**	**(235)**	**(16)**	**(14)**
Funding balance	**-**	**-**	**-**	**-**

Statement on fostering contributions to decision-making by Māori

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

Statement on fostering contributions to decision-making by Māori

Under the Local Government Act 2002, a local authority must establish and maintain processes to provide opportunities for Māori, and foster Māori capacity, to contribute to the decision-making processes of the local authority.

This statement sets out the processes in place to develop Māori capacity to contribute to decision-making processes of the Hawke's Bay Regional Council.

Māori Constituencies

On 19 May 2021, the Hawke's Bay Regional Council voted unanimously to establish Māori constituencies for the 2022 and 2025 local elections (to be elected by voters on the Māori roll). This ensures Māori are guaranteed proportional representation on the Regional Council.

This reflects the constitutional status of Māori under Te Tiriti o Waitangi (the Treaty of Waitangi) and provided for in the Local Government and Local Electoral Acts. The dedicated seats add to existing methods to engage with Māori.

As part of its Representation Review, the Regional Council agreed to establish two Māori constituencies – Māui ki te Raki and Māui ki te Tonga. Māori constituency councillors were elected for the first time at the local body elections on 8 October 2022.

Figure 1: Map of Maori Committee constituencies, Te Matau-a-Māui

Regional Planning Committee

Treaty settlements with Te Matau-a-Māui (Hawke's Bay) claimant groups are significant for the Regional Council where they relate to natural resource management and cultural redress.

The Regional Council and the Treaty claimant groups worked collectively to establish the Regional Planning Committee (RPC). This was formally adopted by the Regional Council in September 2011 and the first Regional Planning Committee meeting was held in April 2012.

The Hawke's Bay Regional Planning Committee Act came into effect in August 2015. This Act formalises the statutory existence of the Committee. The purpose of this Act is to improve tāngata whenua involvement in the development and review of documents prepared in accordance with Resource Management Act 1991 for Te Matau-a-Māui region. The RPC comprises equal numbers of elected members and Treaty settlement claimant representatives. All Committee members have full speaking and voting rights.

When the RPC has prepared a plan or policy statement, or a change to either of these it recommends the document to the Regional Council for formal adoption and public notification. The Regional Council cannot then make amendments before notification but must refer the document back to the RPC for its further consideration should it not agree with the RPC's recommendation.

Māori Committee

The Regional Council has had a representative group of Ngāti Kahungunu tāngata whenua as its Māori Committee since 1991, one of the first councils in Aotearoa New Zealand to do so.

The Committee consists of 13 tāngata whenua representatives, three from each of the four Taiwhenua within the Regional Council boundaries and one from the Ngāti Kahungunu Board plus three councillors.

The Committee meets quarterly and considers various relevant issues and provides the Regional Council with recommendations taking into account te ao Māori and tāngata whenua views, expectations and aspirations.

In 1994 a Charter was developed which set out the way in which the Māori Committee and the Regional Council would engage. The Charter includes the Regional Council's responsiveness to its statutory obligations including policies aligning to the Te Tiriti o Waitangi, resource consents consultation, and communication and engagement. The Charter was last reviewed and adopted in February 2023 along with the Māori Committee's Terms of Reference. These documents set out in detail how the Māori Committee will actively participate in and contribute to the Regional Council decision-making processes, working in partnership.

Direct hapū and other involvement

The Regional Council interacts directly with a number of hapū and marae on issues of concern to them within Te Matau-a-Māui. As part of the Regional Council's commitment to developing and strengthening our partnership with tāngata whenua (often beyond the remit of the Regional Planning Committee) bespoke arrangements are formalised as and when appropriate.

Giving effect to co-governance

In summary, opportunities for Māori to contribute to decision-making include:

- Māori constituenciesMāori constituencies
- Regional Planning Committee
- Māori Committee
- the Chair/s of the Māori Committee sit in the meetings of the Regional Council as non-voting participating members
- a tāngata whenua representatives from each of the Regional Planning Committee and Māori Committee sits on the following Regional Council committees with full voting rights:
    - Corporate and Strategic Committee
    - Environment and Integrated Catchments Committee
- Post Settlement Governance Entities and the Māori Committee are invited to appoint representatives on Joint Committees adminstered by the Regional Council:
    - Civil Defence Emergency Management
    - Climate Action Joint Committee
    - Regional Transport Committee
    - Clifton to Tangio Coastal Hazards Strategy Joint Committee

Giving effect to co-management

The Māori Partnerships Group within the Regional Council, led by Te Pou Whakarae, is committed to building the cultural competency of all Regional Council staff. The Regional Council's cultural competency framework will enable staff to understand te reo (Māori language), tikanga (protocols) and te taiao (environment through a Māori lens). This will provide staff with the knowledge and tools for engaging appropriately with tāngata whenua.

HBRC recognises mātauranga Māori (Māori knowledge/science) is an emerging field in the Regional Council's business and a dedicated new role within the Māori Partnerships Team was resourced through the 2021-31 Long Term Plan. The role was filled in January 2023. External engagement of this capability will also be sought when needed.

[1] kahungunu.iwi.nz
[2] six taiwhenua: Kahungunu ki Wairarapa, Tāmaki-nui-a-Rua, Tamatea, Heretaunga, Te Whanganui-a-Orotū, Wairoa
[3] agriculture.govt.nz
[4] tearawhiti.govt.nz

Financial Strategy

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

Financial Strategy

Contents

1. Introduction

1.1 Purpose

As required under section 101A of the Local Government Act (LGA), the purpose of this Financial Strategy is to facilitate prudent financial management by providing a guide for the Hawke's Bay Regional Council (Regional Council) to consider proposals for funding and spending. The Financial Strategy provides transparency to the overall financial management of the Regional Council's services, rates, debt and investments.

1.2 Context

The Financial Strategy informs and guides the assessment of funding and expenditure proposals outlined in the Three-Year Plan (the Plan). It brings together key aspects of other sections in the plan to form a coherent strategy as illustrated below.

The Regional Council has taken advantage of the Order in Council under the Severe Weather Emergency Recovery Act (SWERLA) such that this is a three-year unaudited plan as opposed to a 10-year Long Term Plan (LTP). Relief was granted to impacted councils as forecasting spend beyond three years with enough certainty to meet the standards required under normal LTP requirements is complex and unclear. A three-year plan allows impacted councils to focus activities on severe weather impacts and immediate recovery.

Key changes to the 2024-2027 Financial Strategy

- Our focus has shifted from growth and increasing the scale of our services as outlined in the 2021-2031 LTP, to one of recovering post-Cyclone and repaying lending to taken out for operational purposes to smooth rate increases post the last LTP and Covid-19.
- The Regional Council is focusing on building long term financial resilience through a fiscal reset review during this period.
- The Regional Council is taking an integenerational view to our assets and liabilities ensuring that we build financial resilience for the future. We aim to reduce reliance on debt used to fund operations or used to 'smooth rating impacts' and will increase repayments on the existing debt taken out in 2020, 2021 and 2022.
- We will use financial reserves where appropriate to maximise the benefit to our ratepayers.
- In the short term, continued costs as a result of the cyclone, such as repairs to minor infrastructure assets, will be funded by borrowing with the intention to recover these costs through our insurance cover or via the National Emergency Management Authority. Any shortfalls in cyclone costs therefore will need to be repaid over a period of time aligning with the term of borrowing taken.
- In 2024, the Regional Council will seek a credit rating to both provide capacity to borrow and receive interest rate savings. This Plan reflects an increase in net external debt as a percentage of total revenue benchmark from 175% to 250% which is within the Local Government Funding Agency's (LGFA) policy covenants for credit rated entities and an increase in net interest on external debt as a percentage of annual rates income from 20% to 30%.
- Hawkes Bay Regional Investment Company Limited (HBRIC) has been mandated to manage and grow the Group's Investment assets to ensure they are returning maximum benefit to our ratepayers. Returns expected in this Plan have been re-baselined compared to those outlined in the previous LTP. However at a Group level HBRIC will maintain oversight of all investment assets.
- Internally, the Regional Council will proactively ensure that we remain efficient and effective in financial discipline, specifically ensuring appropriate debt repayments and terms are in place over capital lending programmes, appropriate controls and oversight are in place across the Flood Resilience Programme and undertaking deep-dive service level reviews on Groups of Activities.

2. Key goal and outcome

Our key goal and outcome of this Financial Strategy is to ensure that we are focused on providing good value for ratepayers' investment by delivering the right services at the best cost. We have based our decisions on the following four principles:

- Financial prudence (not taking undue risks).
- Meeting our statutory requirements (we are required to undertake certain functions under various legislation).
- Ensuring fairness across generations (by spreading the cost of major capital over several years).
- Transparency (through providing information on options and choices to the community).

In planning the next three years, we expect there will be continued pressures on costs of delivery along with the tension of needing to keep rates affordable. The factors that we expect to have a significant impact on our finances during this period include:

- Recovery from the impacts of Cyclone Gabrielle given that costs for restoration are still occurring.
- Changes to our expected investment cash returns in line with the current financial outlook. Expected returns have been forecasted lower than previous LTP expectations and in line with the Statement of Expectation with HBRIC.
- Increased capital costs for the Flood Resilience Programme with up to $44.15 million borrowing committed over the next 4 years.
- Balancing the risk of reducing core programmes of work such as biosecurity, biodiversity and erosion control, with the environmental needs to ensure risks of lower level of service will not be detrimental over time.
- Increased risk of severe weather events such that any impacts will incur financial costs of remediation, and resource intensive programmes of work to respond.
- The likelihood of further financial hardship challenges for our ratepayers and likely remissions applied for given costs of living pressures in our community.
- Increasing staffing costs incurred with recruitment and attracting talent to the Regional Council in a tight labour market with a high-risk delivery programme such as Category 2 flood mitigation.
- Uncertain economic forecasts.
- Population growth and it's impacts on land use.

Many of these factors are very uncertain and have long term impacts, therefore, we need to build our financial resilience to be able to respond as needed.

The 2024-2027 Three-Year Plan looks to address these factors by:

- Focusing on maximising group investment returns through appropriate asset allocation and growing both cash and long-term capital returns.
- Reducing reliance on debt funding for operating costs.
- Increasing our ability to borrow for the Flood Resilience Programme and Cyclone Gabrielle recovery activities.
- Focusing on efficiency and effectiveness.

Focus on Group Investment Returns

The focus on group investment returns has been under review since 2022. In early 2024, the Regional Council endorsed the role of Hawke's Bay Regional Investment Company (HBRIC), a Council Controlled Organisation (CCO), as the Investment Manager for the Group's investment assets. This role includes management of HBRIC's own assets and a review of asset allocations to ensure maximum returns were being achieved in order to distribute these back to the Regional Council.

HBRICs commitment to this has recently seen the hiring and introduction of two independent experienced Directors to enable this growth and expanded remit.

Reducing reliance on debt funding for operating costs

During the previous LTP, a Regional Council decision was made to lessen the financial impacts of Covid-19 across our region by choosing not to apply the anticipated rate rise as outlined in that year of the LTP. This was during a time when the Regional Council was also undertaking planned growth and increased scale of activities, and as a result, the 2021-2031 LTP included borrowing to offset rates increases until income from investments and rates (from population growth) was sufficient to fund the Regional Council's operations; a total of $17.8 million over 5 years.

In this plan we are borrowing to defer rates increases in 2024-2025 only ($3.47 million) and starting to repay the loans from 2025-2026 as outlined in the previous LTP.

Increasing ability to borrow

The Regional Council will be required to borrow more to fund our capital expenditure over the next three years.

During 2024, the Regional Council will seek to obtain a credit rating through Fitch Ratings agency to mitigate planned future borrowing costs as well as increase our potential debt capacity covenants via LGFA. We expect a credit rating to give a 0.2% reduction to interest rates on new borrowing.

The ratings are assigned based on Fitch's strict rating criteria for international local and regional governments, mostly looking at risk profile and debt sustainability ratios.

Focusing on efficiency and effectiveness

The Regional Council is committed to reducing costs and ensuring that we deliver value for money. The focus of the Three-Year Plan 2024-2027 is to deliver on recovery and building resilience for our communities.

We are planning to stop or slow activities and trim costs to make savings of $4.6 million in 2024-2025, which we can use to reduce the impact on rates next year.

We plan to begin a review on efficiency and effectiveness to further find opportunities of savings for each Annual Plan over the next two years and to closely monitor expenditure ongoing.

3. Other considerations

3.1 Significant forecasting assumptions

Our Significant Forecasting Assumptions set out the key factors and assumptions used in preparing the 2024-2027 Three-Year Plan. Key assumptions influencing the financial projections and Financial Strategy include interest rates and projected returns on investments, projected inflation rates, environment, climate change, population, and land use.

3.2 Changes in population

Providing for population change in Hawke's Bay is not expected to have a significant impact on the Regional Council's operating and capital costs over the three-year life of the Plan.

The Regional Council's assumptions on changes in population are set out in the significant forecasting assumptions section of this plan. The Hawke's Bay population is expected to grow by 0.68% per annum over the 3-year period, from 184,949 in 2024 to 188,748 in 2027.

Table 1: Dataset: Subnational population projections

	2024	2025	2026	2027
HB Population	184,949	186,207	187,473	188,748

3.3 Change in land use

As a regional council, the demand for council services and capital expenditure is not impacted by changes in population and land use to the degree that these factors impact on a city or district council. The Regional Council's assumptions on changes in land use are set out in the significant forecasting assumptions section.

Changes in land use are not expected to have a major impact on the cost of the Regional Council services over the three years of this Three-Year Plan.

There are still a lot of moving pieces as a result of Cyclone Gabrielle making planning and budgeting challenging. The findings of the Hawke's Bay Independent Flood Review and the reviews into two of our significant flood schemes – Heretaunga Plains and the Upper Tukituki - are due in June and July 2024.

We anticipate significant investment will be needed. This will be a key affordability challenge for our next Long Term Plan.

3.4 Change in community values and expectations

With the increasing frequency and intensity of weather-related events, communities have a growing expectation of councils to provide more resilient infrastructure to ensure the wellbeing and safety of communities. This obviously needs to be reconciled with the opposing expectation of low rate rises and increasing affordability constraints. This tension will be a significant factor in future plans.

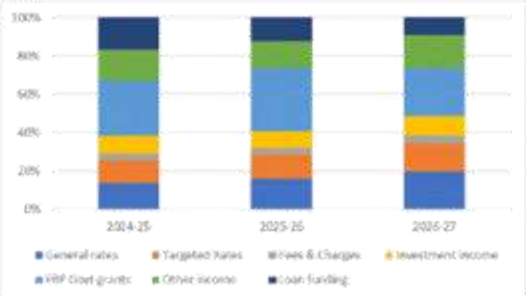
4. Funding

4.1 Funding sources

Hawke's Bay Regional Council activities are funded by a diverse mix of funding sources, including:

- general rates
- targeted rates
- investment income
- fees and user charges
- grants and subsidies (including Central Government Funding for Flood Resilience Programme (FRP))
- loans
- reserves

Figure 1: Sources of funding for the 2024-27 Three-Year Plan



4.2 Fees and user charges

Fees and user charges provide around 3-4% of the annual funding requirement of the Regional Council, reflecting the user pays principle of charging directly to those using our services, where it is practical to do so. Ninety percent of recoverable costs relate to consent and compliance activities charged to consent holders.

Section 36 of the Resource Management Act allows regional councils to charge resource consent holders to recover costs related to research, investigation and monitoring of the environment. The Regional Council has continued with the policy of recovering 35% of the cost of water quantity science activities from relevant consent holders but following a change in the Revenue and Finance Policy (adopted 28 February 2024), the charges for recovery of the cost of water quality science and monitoring activities to discharge resource consent holders has been reduced from 35% to 15%. The remaining 20% of water quality costs is being funded by a new targeted rate to non-urban properties based on land value.

4.3 Investments

The Regional Council aims to reduce any impact on general rates by increasing cash returns from the Group Investment Assets over time. These returns are providing benefits back to the regional community by offsetting general rates.

A significant portion of investment income is derived from the Regional Council's investment in HBRIC which has a majority shareholding in Napier Port Holdings Limited (NPHL). This ownership was reduced from 100% to 55% in August 2019 by way of an IPO listing 45% of shares on the NZ Stock Exchange. The capital released from the IPO was ring-fenced and placed into managed funds and is considered a strategic asset, along with the Port shareholding.

This achieved an objective of greater diversification of the investment portfolio. Other investment income includes leasehold property income, forestry income, and interest on term deposits.

It was noted in the previous LTP cycle about the Regional Council's aim to reduce reliance on investment income to fund day-to-day operations and to build an investment income equalisation fund to provide resilience and reliability in the future. Due to the volatility of the financial markets this was unable to be achieved and the volatility also resulted in lower-than-expected cash returns from investments during this time. Therefore there was no ability to build the resilience and reliability for the future that the Regional Council had aimed for.

As a result of the prolonged underperformance on group investments a programme of work was undertaken in 2023 that included external benchmarking and reviews by PricewaterhouseCoopers on improvements required to Council Group investments. The Regional Council agreed that the HBRIC would be mandated to manage and grow the group investment portfolio and they would target a cash return to the Regional Council plus a minimum inflationary based capital growth.

This represents a cash contribution to the Regional Council from the Group Investment Assets as follows:

	2024-25	2025-26	2026-27
$'000	12,500	13,000	13,500

The Investment Policy aims to allow HBRIC to maximise returns to fund day-to-day operations, protect the capital value of the investments and to build a reserve to provide resilience and reliability in the future.

4.4 Debt

The Three-Year Plan 2024-2027 continues the strategy to leverage the balance sheet set out in the previous 2021-2031 LTP. A major change is the requirement for flood resilience and recovery work to now be undertaken with urgency following Cyclone Gabrielle.

It includes new borrowing of $102 million over 3 years with a total outstanding loan balance of $142 million by the end of 2026-2027 after repayments of $67 million during the three-year period. External debt peaks in 2026 at $178 million.

The Regional Council will continue to borrow for capital works and for projects and programmes that provide intergenerational benefits, specifically where additional funding can be leveraged from other parties (e.g.: Government).

Planned new borrowing includes the Flood Resilience Programme following Cyclone Gabrielle including new and upgraded flood protection works, telemetry and pump station rebuilds; asset management (flood control scheme improvements), erosion control scheme, development of system integration software and a funding change for a significant portion of the Kotahi plan development. The Regional Council has considered the timing of the programmes and the associated borrowing required to ensure that this best meets the needs of current and future generations. The debt levels stated below are set as such to enable the Regional Council to maintain the present levels of service, including additional works required under the post-cyclone Flood Resilience Programme.

A key aspect of this Financial Strategy is an increase in the debt limit of net debt as a percentage to total revenue from 175% to 250% which is within LGFA policy covenants. This provides more debt capacity, financial headroom, and ability to borrow during the LTP period.

It is anticipated the Regional Council will receive a credit rating prior to the commencement of this Plan.

Debt security

When the Regional Council undertakes external borrowing, it does so under the Debenture Trust Deed which was established in October 2009.

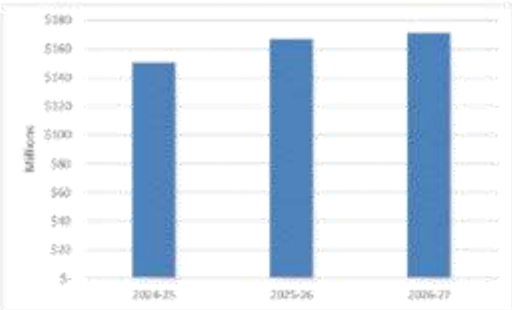
Under the Debenture Trust Deed the Regional Council's borrowing is secured by a floating charge over all The Regional Council rates levied under the Rating Act, excluding any rates collected by the Regional Council on behalf of any other local authority. In such circumstances, the security offered by he Regional Council ranks pari passu for all stock issues by the Regional Council including any security stock issued.

Under the Debenture Trust Deed, the Regional Council offers deemed rates as security for general borrowing programmes. From time to time, with prior the Regional Council and Debenture Trustee approval, security may be offered by providing a charge over one or more of the Regional Council's assets.

Physical assets will be charged only where:

- there is a direct relationship between the debt and the purchase or construction of the asset which it funds (such as an operating lease or project finance)
- the Regional Council considers a charge over physical assets to be appropriate
- any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

Figure 2: External debt levels



Limits on debt

The Regional Council has two debt affordability limits which must be complied with:

- Net external debt as a percentage of total revenue must be under 250%. This is an increase from the previous LTP limit of 175%.
- Net interest on external debt as a percentage of annual rates income must be less than 30%. This is an increase from the previous LTP benchmark of 20%.

The graphs below show the proposed limits on debt for this Plan.

Figure 3: Debt as a percentage of revenue

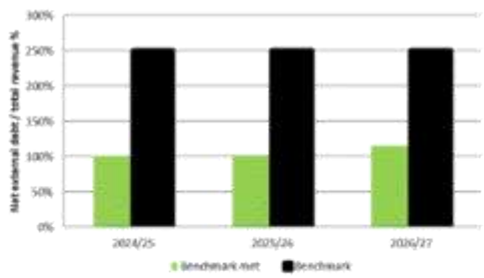
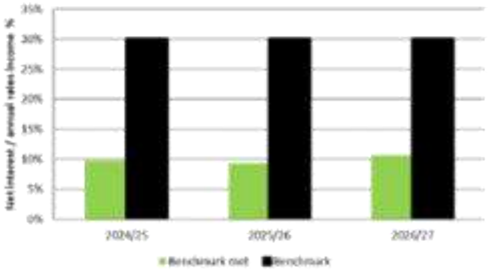


Figure 4: Net interest as a percentage of rates income



4.5 Rates

The balance of the Regional Council's funding requirements are provided by rates. Rates are always the last alternative for funding operations due to the direct impact on the community, however they are a council's most reliable source of income. Rates are levied in two ways, general rates across all ratepayers and targeted rates for specific activities that impact different groups of ratepayers.

Limits on rates and rate increases

The Regional Council has set the following limits in relation to its rate revenue:

- total rates revenue will not exceed 60% of the Regional Council's annual revenue requirements.
- increases in the annual rate revenue requirement will not exceed 8% of the Regional Council's annual operating expenditure requirements.

In the first two years of the Plan we will exceed the rates (increase) affordability limit by 0.3% and 1.5% as we reduce and then start to repay rates smoothing borrowing.

Figure 5: Rates revenue as a percentage of total revenue

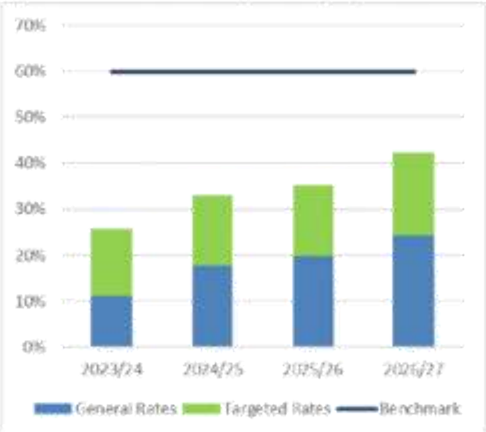


Table 6: Total rates increase from previous year

2024-25	2025-26	2026-27
↑ 19.6%	↑ 18.1%	↑ 9.0%

Table 7: Rates revenue forecast

Rates ($000's)	2023-2024	2024-2025	2025-2026	2026-2027
General Rates	18,450	26,308	32,317	36,146
Targeted Rates	23,011	22,693	25,559	26,915
Rates Remissions	(500)	(5)	(5)	(5)
Total Rates	**40,960**	**48,996**	**57,871**	**63,056**

NB: The 2023-2024 Regional Cyclone Recovery Charge has been transferred from targeted rates to general rates in the above graph and table for ease of comparability.

Table 8: Forecast number of rating units

2023-24	2024-25	2025-26	2026-27
73,381	73,653	74,213	74,792

4.6 Impact on planned service levels

The Regional Council is confident of its ability to provide and maintain levels of service included in this Plan. In some cases, the levels of service have been reduced on previous LTPs to reflect current resourcing in areas we have temporarily slowed.

4.7 Balanced budget and operating surplus

The Regional Council achieves a balanced budget in all three years of the Plan, with expected revenue being greater than operating expenses.

Figure 9: Balanced budget benchmark

5. Investment Strategy

5.1 Investment strategies/economic drivers/value of investment

We have investments to ensure financial resilience and intergenerational benefits to all ratepayers. In the events leading up to this Plan, the impacts of inflation at over 6% per annum, and the effects of Cyclone Gabrielle, highlighted the importance of building resilience in our group assets and the value of deriving a growing income stream from those assets.

Following a detailed review of our investment performance, HBRIC were instructed in October 2023 to manage and grow the Group Investment Assets to ensure cash returns and long-term capital growth across the portfolio.

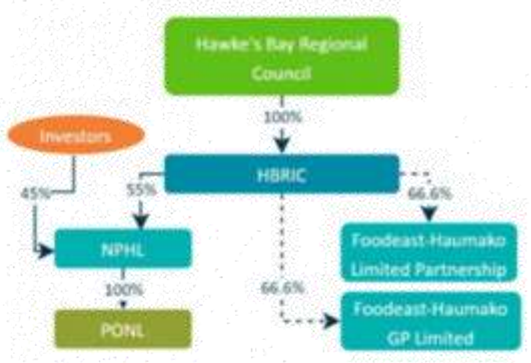
The primary objective of HBRIC is to maximise the commercial benefits for the Regional Council over the long term, and thereby the region, via a constantly growing dividend, while the Regional Council retains its primary goal of serving the community.

HBRIC is to assist in building resilience through the retention of any outperformance of the LTP investment income expectation.

Hawke's Bay Regional Investment Company Limited (HBRIC)

HBRIC Ltd, the Regional Council's investment company, commenced activities in February 2012. In August 2019, as part of a capital restructure, HBRIC reduced its ownership in the Port of Napier Limited (PONL) from 100% to 55%. HBRIC maintains majority ownership of PONL through its share (55%) of ownership of the PONL's holding company, Napier Port Holdings Ltd (NPHL). The capital restructure also saw the successful NZ Stock Exchange listing of NPHL in August 2019.

Figure 10: Structure of HBRC subsidiaries



Dividends payable to the Regional Council will be determined by the HBRIC directors after considering the group investment income and cash returns in the period, HBRIC's profitability, future investment and cash flow requirements and requirements to meet the solvency test under provisions of the Companies Act 1993.

An updated Statement of Investment Policy and Objectives (SIPO) has been created for the Group Managed Fund portfolios which reflect the Group's desire to actively grow its portfolio while meeting the cash returns and minimum capital growth expectations required.

Table 11: Summary of the significant forecasting assumptions in respect of HBRC's cash return expectation

Year	2024-25	2025-26	2026-27
$'000	12,500	13,000	13,500

Leasehold Properties

Napier

The Regional Council owns leasehold endowment property within and around Napier city. Ground rents paid by lessors are predominantly set at 5% of current land value, or 'fair annual ground rental' and reviewed every 21 years.

In 2013, the Regional Council sold the annual rentals due from its portfolio over the next 50 years (i.e. until July 2063) to ACC for a lump sum of $37.8 million. As the annual rents have been sold, this Plan assumes that the income received will be paid out as an expense with a small margin to be kept by the Regional Council as an administration fee for the ACC contract.

The underlying properties continue to be owned by the Regional Council and sales to lessors have continued, and may continue in the future in the same way as they have done in the past.

Wellington

The Regional Council holds a portfolio of 12 leasehold properties in inner city Wellington which were purchased from the historic proceeds of the sale of Napier leasehold properties. These leases provide a return of $0.9 million per annum with leases renewed every 14 years.

Forestry

Returns on the forestry investments are determined by the harvest revenue received.

Tangoio forestry is treated differently from all the other forestry investment as the Regional Council does not own the land on the soil conversation reserve but does have responsibility for the management and control of the forest. Any income received from harvest is kept on reserve to fund the continuing maintenance programme and is not available for the funding of general Regional Council operations.

Managed funds

Managed funds were created from proceeds of listing 45% of the Napier Port which is considered a strategic asset, and using funds divested from the Ruataniwha Water Storage Scheme.

Under HBRIC management the portfolio structures may change to deliver the requirements set out by the Regional Council in this Plan. The Plan assumes the priorities on managed funds will be:

1. Cash returns to minimise rate impact.
2. Funding of projects defined in the Plan.
3. Protection of the capital for future generations by retaining a minimum of 2.5% growth per annum.
4. Creation of a volatility reserve to be utilised should investments be impacted by events outside of council control.

6. Infrastructure capital expenditure

A key element of this Three-Year Plan is the increased capital expenditure on infrastructure. This is described in detail in the Infrastructure Strategy with the programmes of work including:

- Flood Resilience Programme – up to $250m capital expenditure funded by Government and 20-year loans
- IRG/Kānoa - Heretaunga Plains Flood Control Scheme (HPFCS) IRG Level of Service Improvements (on-hold until post-cyclone reviews have been completed).
- Upper Tukituki Flood Control Scheme (UTTFCS) review and gravel extraction
- Regional Water Security Programme
- Clifton to Tangoio Coastal Hazards Strategy
- Regional Cycleways
- No new capital works for Open Spaces portfolio in this three-year plan period.

Infrastructure Strategy

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

Contents

1. Executive summary

Hawke's Bay Regional Council manages significant infrastructure assets on behalf of the community. This includes flood and drainage schemes, regional parks, cycleways, and forestry blocks.

We set out how we intend to manage those assets in our Infrastructure Strategy. We normally outline a plan for 10 years in the document, with forecasts out to 30 years, and review every three years as part of our organisation-wide long-term plan process.

Cyclone Gabrielle has meant we had to pivot and focus on recovery and building resilience for future events.

The cyclone had a devasting impact on the Hawke's Bay region. The intense rainfall in a short period was more than our river management network was designed and built to manage. Recent NIWA (National Institute of Water and Atmospheric Research) data showed the cyclone was the largest flood on record at 13 of the 20 river monitoring sites it analysed. Nearly 6km of stopbanks across our 248km stopbank network was breached and a further 28km weakened.

We had to be agile and stand things up very quickly. We formed a Rapid Rebuild team that worked around the clock to urgently repair stopbanks. They completed an extraordinary amount of work that would typically take years to design, plan, and execute. Repairs to restore the stopbanks back to pre-cyclone levels of service were completed in populated areas within four months, and 99% of repairs to the network were completed in October 2023 We have spent around $40 million on infrastructure repairs to date and have forecast a further $35 million.

We were the lead agency to undertake risk assessment for the land categorisation process developed by the Government. This process identified areas that were safe for people to continue living (known as Category 1), areas that needed improved flood protection to be deemed safe (known as category 2), and areas that weren't safe due to an intolerable risk to life (known as Category 3).

The focus of our 2024 Infrastructure Strategy is to deliver a nearly $250 million Flood Resilience Programme. This is part of the region's cost-share recovery package negotiated with the other councils in Hawke's Bay and the Government

The programme is a massive undertaking - it is the biggest construction programme for our organisation - and we are committed to doing this work as quickly as we can.

Most of this work is to work with communities to build new flood protection schemes in Category 2 areas.

Prior to Cyclone Gabrielle we had already started significant work to accelerate flood resilience in our stopbanks. Work is continuing on our Heretaunga Plains Flood Control Scheme upgrade programme which is made possible with substantial Government Covid-recovery co-funding.

Under this programme we completed the upgrade of the stopbank in Taradale in December 2022. This helped protect the Taradale community from Cyclone Gabrielle flooding.

The impact of Cyclone Gabrielle, a changing climate with more storms expected for Hawke's Bay, and difficult financial times for our communities has challenged some of the basic assumptions of the flooding and drainage schemes we operate. We also know our planning cannot remove the risk of our flood protection being overtopped by extreme weather events.

We need to reimagine our long-term approach to managing infrastructure and this will require healthy challenging debate on levels of service, affordability, and risk with our communities.

This Infrastructure Strategy outlines some of the key concepts forming our long-term approach. This includes looking at options such as developing alternative flowpaths or floodpaths, and nature-based solutions such as making room for rivers.

The process for the development of this Infrastructure Strategy has been dynamic and is continuing to evolve as additional review and design information becomes available and funding sources are scoped and agreed. This will continue as the response and options development.

2. Introduction

This is our fourth Infrastructure Strategy since legislation was introduced in 2014 through the Local Government Act 2002 (LGA 2002) that required local authorities to develop an Infrastructure Strategy as part of their long-term plan.

Local authorities need to prepare and adopt a strategy that covers ten years in detail and forecasts to at least 30 years. Strategies are formally reviewed every three years as part of councils' long-term plan process.

Cyclone Gabrielle, the significant severe weather event in February 2023, has required a change in approach to this Infrastructure Strategy to deal specifically with supporting our regional cyclone recovery programme.

In September 2023, an Order in Council under the Severe Weather Emergency Recovery Act 2023 (SWERLA) was made to replace the 10-year 2024 Long Term Plan with a three-year unaudited plan and changed some disclosure requirements for the councils impacted by the severe weather events in the North Island in January and February 2023. This recognises that impacted councils will find it hard to meet forecasting spending beyond three years with enough certainty to meet the standards required under normal long term plan requirements. It was also to enable severe weather impacted councils to focus on cyclone recovery.

The 2024 Infrastructure Strategy has been developed within this temporary legislation to:

- provide a one off three-year recovery focussed plan prioritising Cyclone Recovery, rather than the regular 10-year plan with forecasts to 30 years
- provide a description of the major infrastructure capital projects that we are proposing or implementing, including those to facilitate recovery
- outline the likely funding options and the impact of these options for rates and debt
- outline any significant infrastructure issues, the principal options for managing those, and the implications of those options.

We continue to work hard with Government supported recovery programmes to complete the initial recovery work, related technical reviews, and ramp up the significant longer-term recovery programme. There is known uncertainty in this process which reflects the complex situation Cyclone Gabrielle recovery has generated in planning and sustaining our community wide response.

We have committed to deliver a nearly $250 million Flood Resilience Programme, see *Part 8: Key work planned*. This is a result of the land categorisation work with most of the planned work to build protection schemes in areas deemed unsafe to live in without improved flood protection (known as Category 2 areas).

The proposed programme is a massive undertaking - it is the biggest construction programme for our organisation – and we are committed to doing this work as quickly as we can.

3. Long-term vision

The impact of Cyclone Gabrielle, a changing climate with more storms expected for Hawke's Bay, and difficult financial times for our communities has challenged some of the basic assumptions of the flooding and drainage schemes we operate.

We need to reimagine our long-term approach to managing infrastructure and this will require healthy challenging debate on levels of service, affordability, and risk with our communities.

Some key concepts that will form part of our vision and approach are outlined below.

Building resilience to better manage over-design events

Our planning cannot remove the risk of our flood protection being overtopped by extreme weather events, however an approach to develop options for alternative flow paths/floodways, detention features, and stopbanks with greater overtopping resilience could limit the impact.

This thinking forms part of the current flood scheme reviews and options under consideration for future scheme development.

Nature-based solutions

We are undertaking work to assess the feasibility of nature-based solutions in reducing flood peaks and providing additional layers of resilience for flooding events. These mitigations may include wetland restoration/creation, soil and land management, detainment bunds, ponds, making room for rivers and forest/understorey restoration/creation. This Ministry for the Environment funded feasibility work is due in June 2025.

Making room for rivers

This is about giving rivers more space to manage high flows. The thinking is that rivers with more room can cope better with bigger river flow events. Other benefits of this approach are that it can provide more habitat for native species and make these areas more accessible for people to explore and play.

This concept will require a long-term approach and represents a significant change to be incorporated into future river management in our 30-year planning cycle.

There will be challenging conversations to work through as options are explored with our communities.

Integrated planning

Cyclone Gabrielle has reiterated the importance of integrated planning and flood mitigation decisions. Recommendations from scheme reviews based on new flood probabilities after Cyclone Gabrielle will challenge existing scheme levels of service and identify new scheme requirements. These will require option development and investment planning to agree a sustainable way forward with our communities.

4. Strategic alignment

The Infrastructure Strategy is a key component of the Regional Council's long-term planning. It is a high-level strategic document that is aligned with and supports other key Council strategies and plans to help us achieve our strategic direction.

Name of Council strategy/plan	How the Infrastructure Strategy supports or aligns with the strategy/plan
Strategic Plan 2020-2025	Supports the organisation's overarching strategic goals and focus, being; **Our vision:** We want a healthy environment, and a resilient and prosperous community. **Our focus:** We prioritise • Water quality, safety, and climate-resilient security • Climate-smart and sustainable land use • Healthy, functioning, and climate-resilient biodiversity • Sustainable and climate-resilient services and infrastructure
Three-Year Plan 2024-2027	Prepared and adopted as part of the long-term plan process. The assets and activities managed within the Infrastructure Strategy primarily contribute to the following community outcomes: • A resilient community • A prosperous community
Financial Strategy	The Infrastructure Strategy and Financial Strategy are co-dependent and are prepared in alignment for the development of the Long-Term Plan, noting our new plan is for a three-year period. The Infrastructure Strategy brings the infrastructure programme detail together with the related Financial Strategy for the period.
Asset Management Policy	Provides a high-level synopsis of organisational direction and asset management focus and expectation. This Policy informs the Infrastructure Strategy.
Asset Management Plans (AMPs)	Operational plans that outline the scheme level approach to achieve indicated levels of service, compliance, and provide for the whole-of-life management of the asset. This information feeds into the Infrastructure Strategy, and the Infrastructure Strategy also helps to inform the AMPs.
Programme Management Office (PMO)	The Programme Management Office sits within the Asset Management Group. The PMO oversaw the initial response to the cyclone and is being expanded further to manage the delivery of the Flood Resilience Programme.

5. What infrastructure do we manage?

As a regional council, we are required to plan for flood protection and drainage works in our Infrastructure Strategy. Our Strategy is broader and includes the following assets we manage on behalf of the community:

- River flood control and land drainage schemes
- Regional parks
- Cycleways
- Forestry

In the term of this Infrastructure Strategy, the assets we manage will change. We are constructing new flood schemes, through our Flood Resilience Programme. We may transfer Napier urban drains to Napier City Council for more consistent asset management. This is subject to a detailed business case process underway and councils' decisions.

We may take on managing existing and building new coastal hazard mitigation structures if the Regional Council agrees to implement the Clifton to Tangoio Coastal Hazards Strategy 2120.

We are consulting on the Strategy 2120 later this year. The Strategy will include proposed interventions, costs, and how they could be funded.

If Regional Council agrees to implement the Strategy, Hastings District Council (HDC) and Napier City Council (NCC) may transfer the ownership of existing coastal assets that manage coastal hazard risks to the Regional Council

Taking on these existing assets means we would be responsible for ongoing maintenance, monitoring, any debt, and collecting associated rates. Actioning the Strategy would also require building new structures. Significant capital and operational funding would be needed. New structures would also need resource consents.

5.1 River Flood Control and Land Drainage schemes

Hawke's Bay has 24 river catchments comprising seven major rivers - the Wairoa, Mohaka, Esk, Tūtaekurī, Ngaruroro, Tukituki, and Waipawa - and numerous smaller rivers and streams. Between the mountain ranges and the coast lie flat river plains (Heretaunga, Ruataniwha, and Wairoa) containing rich alluvial soils which provide the basis for the important Hawke's Bay rural and horticultural sectors.

Historically, where frequent flooding or poor drainage have been an issue for local landowners, Hawke's Bay Regional Council and its predecessor organisations have worked with landowners to establish flood control and/or drainage schemes provided landowners have been willing to contribute to both the capital and ongoing operations and maintenance and costs. This has included planting and biodiversity consideration and community feedback in scheme planning and consultation.

The primary purpose of flood control schemes is to help protect life, economic activity, and property by reducing flood risk following a major rainstorm event and/or reducing time taken to drain stormwater runoff from the land. Drainage schemes allow increased land productivity in the scheme area through a network of drains, structures, and pumps to enable water tables to be lowered to a level to support a wider range of productive economic activity. Changes in land use and community development continue to challenge scheme levels of service.

We administer 25 flood control and drainage schemes throughout the region, see Figure 1 . Our schemes are grouped into three scheme groupings – Heretaunga Plains Flood Control and Drainage Scheme, Upper Tukituki Scheme, and Small Schemes. The schemes include networks of stopbanks, river channels and edge protection, vegetation, drainage channels, culverts, pump stations, and hydraulic structures.

Schemes are designed to provide an agreed level of service, however scheme and some independent reviews following Cyclone Gabrielle may make recommendations on amending levels of service or operation that require changes or upgrades of assets or greater design resilience. Our asset recovery and related insurance recovery processes continue to be a major activity for our regional assets and finance teams.

Table 1 : HBRC scheme groupings

Infrastructure scheme grouping	Asset description	Quantity	Replacement value (June 2023 no Cyclone Impairment)	Critical* assets
Heretaunga Plains Flood Control and Drainage Scheme (HPFCS) NB: The HPFCS scheme has a river (flood control) and 9 drainage sub-schemes.	Stopbanks	157 km	$159M	Yes
	River channels and edge protection	129 km		
	Drainage channels	447 km		
	Pumping stations	18		
	Structures and culverts	217		
Upper Tukituki Flood Control Scheme (UTTFCS)	Stopbanks	76 km	$42M	Yes
	River channels and edge protection	206 km		
	Drainage channels	12 km		
	Structures and culverts	44		
Small Schemes We have 12 small schemes. These are a collection of small flood control, drainage and channel management schemes.	Stopbanks	15 km	$20M	Yes (Specific Asset Classes)
	River channels and edge protection	31 km		
	Drainage channels	85 km		
	Pumping stations	4		
	Structures and culverts	37		

**Critical asset in terms of scheme operation, not the NEMA (National Emergency Management Agency) definition of eligibility for essential infrastructure repair or rebuild.*

A change to our scheme funding was adopted in the 2024 Revenue and Financing Policy review. This means the Flood Protection and Drainage Scheme rates will be set based on:

- All flood schemes (Heretaunga Plains Flood Control and Drainage Scheme, Upper Tukituki Flood Control Scheme, Upper Makara Streams Catchment Scheme and Maraetotara Flood Maintenance Scheme) are rated at 30% general rate and 70% targeted rate based on capital value.
- 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.
- River and stream maintenance moves to the general rate.

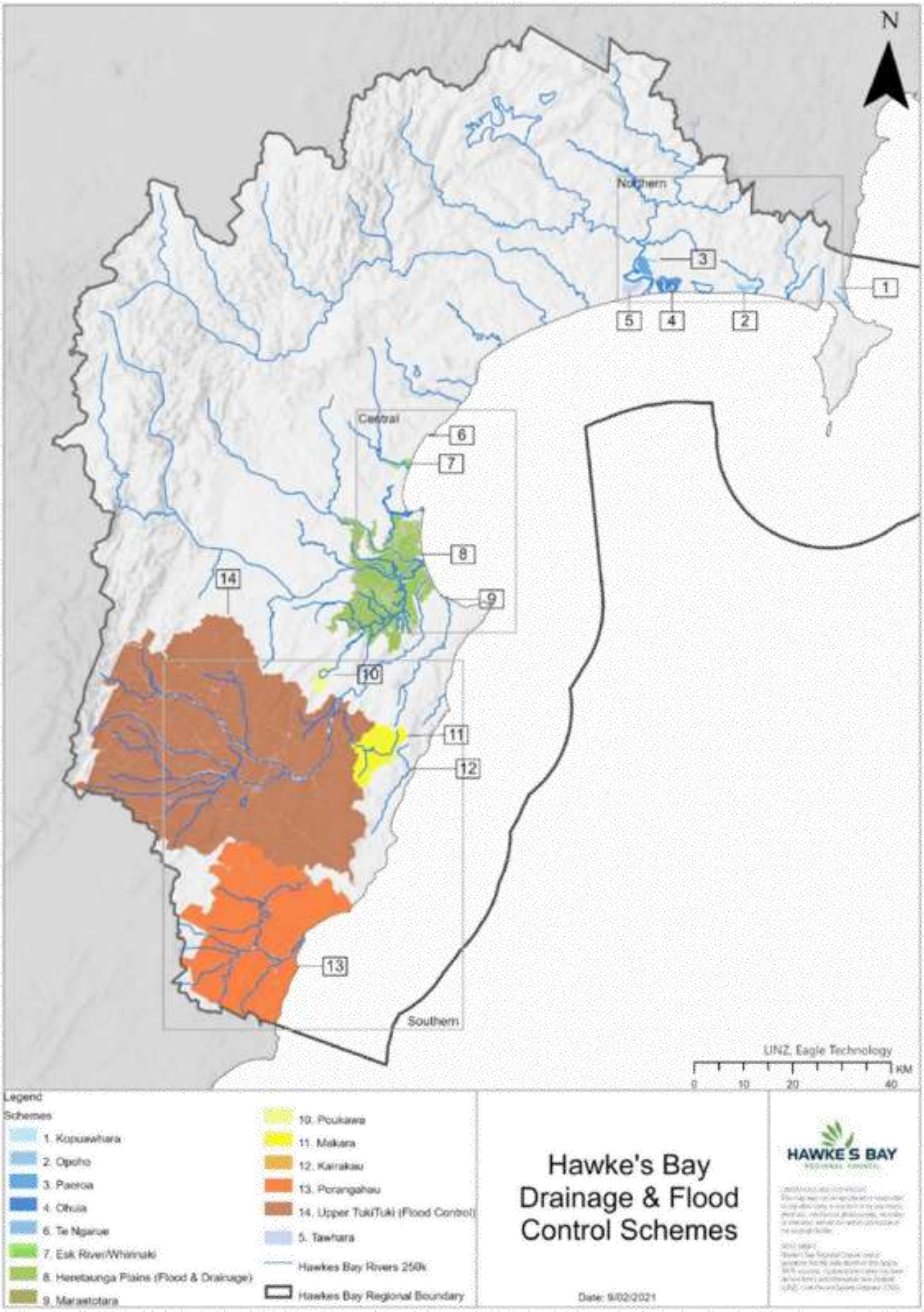


Figure 1: HBRC Schemes Map

5.2 Regional Parks

Our regional parks are often located around waterways and have multi-purpose functions. We undertake work including riparian planting to assist with flood control, soil conservation, and water quality enhancement. A key focus is also on protecting and enhancing biodiversity so we can have healthy, functioning ecosystems. We also have regional parks to protect and enhance cultural and historic values, and to also provide recreational opportunities.

Following Cyclone Gabrielle, the priority to focus on recovery and cut operational costs means we are proposing to reduce our current annual maintenance budget for regional parks for the next three years and defer contributing towards development costs for collaborative projects to develop regional parks at Ahuriri and Wairoa. These proposals are outlined in our consultation document in *Part 4: Tough choices – have your say.*

We own and manage four regional parks - Pākōwhai, Pekapeka, Tūtira, and Waitangi. We co-own Hawea Historical Park and co-manage it with the Hawea Historical Park Whenua Topu Trust. We also own Whittle Reserve (84 hectares) in Puketitiri.

Waipātiki Holiday Park is a Regional Council land asset which is managed independently.

Table 2: Regional Park assets

Infrastructure asset	Asset description	Quantity (hectares)	Replacement value (at June 2023)	Critical asset
Regional parks	Pākōwhai	19 ha	$5.3M	No
	Pekapeka	98 ha		
	Tūtira	464 ha		
	Waitangi	300 ha		
	Hawea Historical Park	9.15 ha		

5.3 Cycleways

We manage approximately 105km of cycleways which have been constructed along stopbanks and berm areas the Regional Council owns or administers. These cycleways form part of the Hawke's Bay Trails, which is one of the 23 Ngā Haerenga Great Rides of New Zealand. We are the lead agency for the Hawke's Bay Trails Great ride.

Cyclone Gabrielle had a major impact on cycleway sections on stopbanks in the Tūtaekurī and Ngaruroro lower reaches. Work is continuing to restore the cycleways and is expected to be completed in 2024-25.

We also maintain three main trail areas for recreation use – Tukituki Trail in Central Hawke's Bay, Clive-Tukituki, and Awatoto-Puketapu. Currently the Awatoto-Puketapu trail is closed due to Cyclone Gabrielle, but a programme of works is currently underway to look at opening sections within the Ngaruroro lower reaches.

We have a 2021 Memorandum of Understanding (MOU) covering participation with Central Hawke's Bay District Council, Rotary River Pathway Trust, and Ruahine Adult Riders Club in the management of the Tukituki Trails in Central Hawke's Bay. This is independent from other cycleways we are involved with in the Heretaunga Plains. The MOU will see non-critical trail assets added to our asset register and will require ongoing maintenance in future years and a funding stream to cover the activity.

We are also actively engaged with recreational interest groups who are keen to use Regional Council land and river areas that we own.

Table 3: Cycleway assets

Infrastructure asset	Asset description	Quantity	Replacement value (at June 2023)	Critical asset
Cycleways	Trails form part of the HB Trails (200km)	105km	$3.1M	No

5.4 Forestry

The Regional Council owns and manages forests at Māhia, Tūtira Regional Park and nearby Waihapua, Waipawa, and Waipukurau. We also manage the Tangoio Soil Conservation Reserve, which is a Crown-owned Forest area within the rohe of Maungaharuru Tangitū hapū. The mix of forests includes over 50 forest tree species, including pinus radiata, cedars, cypresses, redwoods, eucalypts, mixed natives, and mānuka for honey.

Table 4: Forestry assets

Infrastructure asset	Asset description	Land Area	Fair value (at 30 June 2023)	Critical asset
Forestry on HBRC-owned land	Tūtira Regional Park	368.5ha (87.6ha planted)	$6.17M	No
	Waihapua	319ha (51.2ha planted)		No
	Waipukurau	119ha (78.3ha planted)		No
	Waipawa	78ha (51.2ha planted)		No
	Waipawa River (Walker Road)	19ha (18ha planted)		No
	Tūtira Manuka Honey	95.5ha		No
	Māhia	54.8ha (36ha planted)		No
Forestry on HBRC-managed land	Tangoio Soil Conservation Reserve	550ha (309ha planted)	$5.230M (tree crop)	No

6. Main achievements since our last Infrastructure Strategy

The 2021 Infrastructure Strategy increased capital expenditure across 10 years, particularly in the first three years – a total of about $153 million. This was to cover infrastructure renewal and replacement, and major Government co-funded Covid recovery projects to upgrade river service levels in the Heretaunga Plains Flood Control Scheme and provide greater emphasis on gravel management in our rivers.

Status	Resilient River Communities programme
	We secured $19.2 million in co-funding in 2019 through Kānoa (the Government's Regional Economic Development & Investment Unit) to accelerate our flood resilience work. This programme includes four projects.
Completed	***Taradale and Ngatarawa stopbanks upgrade (part of the Heretaunga Plains Flood Control Scheme Upgrade programme)*** Completed the stopbank upgrade in Taradale in December 2022 from a 1 percent to a 0.2 percent likelihood of flooding in any given year (or 1-in-500-year level of flood protection). This project helped protect the Taradale community from Cyclone Gabrielle flooding. Completed the stopbank upgrade in Ngatarawa in November 2023. This was also upgraded to a 1 pecent to a 0.2 percent likelihood of flooding in any given year (or 1-in-500-year pre-Cyclone level of flood protection).
Completed	***Upper Tukituki Flood Control Scheme SH50/Waipawa erosion*** Undertook erosion control work on the Waipawa River, upstream of SH50, completed in August 2021. This included putting in akmons (large precast concrete blocks linked with steel cables) upstream of the bridge to deflect the flow of water back into the river.
Completed	***River Parade Scour Protection, Wairoa*** Installed steel sheetpile wall to protect Wairoa River Bridge and Wairoa District Council roading from further erosion, completed in June 2022.
Ongoing	***Heretaunga Plains Flood Control Scheme upgrade programme*** Focusing on stopbank design work for Moteo, Omarunui, East Clive, and Farndon Road river erosion.
Completed	***Upper Tukituki Gravel Extraction Flood Control Scheme*** Three tranches of gravel extraction from the Upper Tukituki Scheme were completed removing 800,000m^3 of gravel at the Makaretu, Tukipo, and Waipawa rivers. We are continuing to extract gravel funded by savings achieved in the first three tranches.

Status	Regional Water Security programme
	We received $30.6 million in co-funding from the Government's Provincial Growth Fund in 2020 to investigate water supply options aiming to ensure Hawke's Bay has long-term, climate-resilient, and secure supplies of freshwater. The programme involves four initiatives.
Completed	***Regional Water Assessment*** Completed Hawke's Bay's first Regional Water Assessment. It was publicly released in June 2023. This report, the first of its kind in New Zealand, provides a regional stocktake of the region's freshwater system and provides valuable baseline data and analysis for how we manage water and make our region more resilient, both when we have too much of it, with flooding, and not enough, in droughts.
Ongoing	***CD Aquifer Mapping project*** Processing of our 3D aquifer mapping aerial survey was completed and in July 2022 was made available to the public. This type of mapping was significant in that it gives us a view of our aquifers we've never had before and will help us improve the management of groundwater resources in the region. Ground water drilling was completed in 2022. Geological date modelling is due for completion in 2024.
Ongoing	***Managed Aquifer Recharge pilot in Central Hawke's Bay*** Resource consent was granted in August 2023 and the detailed design phase started in 2023-24. A decision to proceed with the pilot will be made after the designs have been confirmed and costed. The pilot aims to determine whether MAR is a viable water storage option and can contribute to water security in the area. The plan is to use excess flows from the Waipawa River in the wetter months to replenish the Ruataniwha aquifer and provide additional water supply in the drier seasons.
Ongoing	***Community-scale water storage feasibility investigation for Heretaunga*** Work continues on potential sites and regional governance, ownership, and operating models.

Status	Regional parks
Ongoing	Work to develop Ahuriri Regional Park got underway. A joint committee of the Regional Council, Napier City Council, and Mana Ahuriri is leading the project. We are continuing to contribute to project management costs but are proposing to defer contributing to development costs until 2027-28.

Status	Hawke's Bay Trails
Ongoing	In November 2022, Hawke's Bay Trails, a local collaboration led by Regional Council Asset Management staff, celebrated its 10th anniversary since it opened as one of the Great Rides of the Ngā Haerenga New Zealand Cycle Trails. It was the busiest of all the Great Rides in the country for the year ending June 2021, with 426,760 journeys including walkers.

7. Cyclone Gabrielle

7.1 Impact on our infrastructure and our response

NIWA's (National Institute of Water and Atmospheric Research) analysis released in March 2024 underlined the extraordinary magnitude of Cyclone Gabrielle. Its data showed the cyclone was the largest flood event on record at 13 of the 20 river monitoring sites it analysed. A feature of the event was the very high rainfall intensity and short duration (less than 24 hours) of the rainfall which was more than our river management network was designed and built to manage.

The cyclone had catastrophic impacts across the region's communities, flood control and drainage networks from Wairoa through the Heretaunga Plains and across Central Hawke's Bay. River record levels caused significant stopbank breaches and flooding of several drainage schemes adjacent to the Upper Tukituki, Ngaruroro, and Tūtaekurī rivers, and significant out of channel flows on the Esk and Wairoa rivers. This was on top of the region just having experienced its wettest six-month period on record.

Figure 2: Eskdale SH5/SH2 Intersection; Esk River in flood, Cyclone Gabrielle

Pre-Cyclone Gabrielle, NIWA's modelling puts the probability of a flood this size occurring in a given year, known as an Annual Recurrence Interval (ARI), as more than a one in 1,000-year event at some river sites.

When Cyclone Gabrielle hit all our flood stopbanks except two (Taradale and Whirinaki) were designed and built to a one in a 100-year standard, or a 1 percent likelihood of flooding in any given year. An upgrade of the Taradale stopbank completed in 2022 as part of our wider Heretaunga Plains Flood Control Scheme upgrade programme strengthened it to a one in 500-year level of protection (or a 0.2 percent likelihood of flooding in any given year). This substantially helped protect the Taradale community from Cyclone Gabrielle flooding and showed the value of our work and investment along with the Government (see *Figure 3*).

Figure 3: Taradale IRG upgraded stopbank, February 14, 2023

During Cyclone Gabrielle a region-wide State of Emergency was declared, followed by a national State of Emergency for four weeks. Wide-spread infrastructure asset inspections and assessments were required by experienced engineers to determine the priority and immediate safety of the community. These were often completed in very challenging conditions during and in the weeks after the event. River management staff from other regional councils supported us through this phase for several weeks. We formed Rapid Repair teams that involved our staff, local contractors, and consultants working around the clock to repair stopbanks. It was a substantial achievement to restore essential river protection and drainage function for the 2023 winter period. Priority was given to stopbanks, drainage and pumpstations over less critical infrastructure assets in the rapid response phase. We have spent around $40 million on infrastructure repairs to date and have forecast a further $35 million.

Figure 4: Redcliffe Bridge at Taradale, Tūtaekurī River (TK21)

Site & Site number	Flow estimate (m³/s)	ARI Pre Gabrielle	Post Gabrielle
Tūtaekurī River at Puketapu 23032	4,800	980	400
Mangaone River at Rissington	1393	>1,000	400
23019	1,610	>1,000	550
Ngaruroro River at Fernhill	5398	710	400
23102	6,000	>1,000	480
Ngaruroro River at Whanawhana 23103	1,012	120	70
Waipawa River at RDS 23235	1,810	>1,000	120
Tukituki River at Tapairu Rd 23207	1,805	160	70
Tukituki River at Red Bridge 23201	4,320	80	60
Esk River at Waipunga Bridge 22802	2,175	220	180
Esk River at Berry Rd 22809	350	550	120
Wairoa River at Marumaru 21401	4,100	250	120
Waiau River at Ardkeen 21493	1,656	50	40
Waiau River at Otoi 21409	838	30	30
Hangaroa River at Doneraille Park 21437	2,070	420	220
Ruakituri River at Tauwharetoi 21432	998	50	40
Taurekaitai Stream at Wallingford 24325	659	60	50
Mangaorapa Stream at Mangaorapa Rd 24304	690	>1,000	110
Pōrangahau River at Saleyards 24301	1,590	>1,000	80
Tukipo River at SH50 (Punawai) 23220	561	170	90
Kopuawhara Stream at Railway Bridge 20101	176	4	4
Awanui Stream at Flume 1123148	38	50	30

Figure 5: Pre and Post-Gabrielle Flood Average Return Interval (ARI)

Figure 5 shows the Cyclone Gabrielle site statistics for stations in the Regional Council catchments, and the estimated ARI with and without the Cyclone records included.

The shaded sites are locations where the uncertainty in the ARIs is especially high due to the size of the event and the shorter record lengths, see uncertainty section for details.

The extreme nature of the Gabrielle event has significantly revised the flood return interval for many stations we maintain. This has significance for design level of service planning. The full report can be found through the link below on the Regional Council website [1]

[1] https://www.hbrc.govt.nz/assets/Document-Library/Reports/External-Reports/NIWA-letterreport-230224.pdf

The table below gives a Summary of the impact on our flood control and drainage networks and our response.

Table 5: Summary of the impact on our flood control and drainage networks and our response

Cyclone impact on our infrastructure	Our response
• Approximately 5.6km of breaches in the 248km of stopbank networks across the region. • A further 28km of stopbanks weakened. • Three key pump stations were flooded – Pākōwhai, Mission, and Brookfields. • Provisioning of flood pumps and fuel for generators was a significant task for weeks as power was restored to the network. Electrical controls and pumps were compromised, and significant remediation and some full replacement required. • Significant volumes of silt and floating debris caused problems and blocked pumps, culverts, river berms, and drainage systems. • Widespread major damage to river channels, berms, and edge protection across the region. • Site access was compromised by the loss of major road bridges in the Heretaunga Plains Rivers and their tributaries. • Our telemetry network lost communication with over 100 rain and river level monitoring sites on Monday 13 February. Some sites were destroyed and other impacted by the severity of river flows, communication, and power supply disruption. • Nearly 30% of the Hawke's Bay trail network was damaged and unable to be used due to stopbank damage and roading/trail slips or destroyed bridges.	• An assessment, investigation, and prioritisation process was developed to inspect and assess damage, and then prioritise for repair based on existing stopbank inspection criteria. • A Rapid Response programme was set up to repair breached stopbanks and drainage scheme damage. • Rapid Rebuild teams worked around the clock to urgently repair stopbanks. They completed an extraordinary amount of work that would typically take years to design, plan, and execute. Repairs to restore the stopbanks back to pre-cyclone levels of service were completed in populated areas within four months, and 99% of repairs to the network were completed in October 2023. The practical construction access and logistics were significant. • Pump station and drainage system repairs required work in very challenging silt ridden conditions for some months. Some drains and inlet areas had to be cleared multiple times as silt continued to be washed into drainage systems. • A review of the telemetry system performance in the cyclone was commissioned and recommendations implemented. Restoration of these sites and building in redundancy for communications is progressing. • A Silt Taskforce was established and managed based on central government funding in conjunction with other local authorities. Waste and debris management has been a significant compliance and logistical issue in the last 12 months. • Basic community and staff wellbeing was a significant initial priority as our staff were impacted directly and indirectly by cyclone related situations in the months following the event. This continues over 12 months after the event. • A complex infrastructure insurance claim process involving commercial providers and NEMA will take significant time to close out.

7.2 Recovery and building resilience

Following Cyclone Gabrielle, we were the lead agency to undertake risk assessment for the land categorisation framework and process developed by the Government. The framework, the Future of Severely Affected Land (FOSAL), was used to identify areas that were safe for people to continue living (known as Category 1), areas that needed improved flood protection to be deemed safe (known as category 2), and areas that weren't safe due to an intolerable risk to life (known as Category 3).

Regional Council committed to a $247.65 million Flood Resilience Programme with most of the programme building flood protection schemes in Category 2. The programme is part of the region's cost-share recovery package negotiated with the other councils in Hawke's Bay and the Government. We have agreed to fund $44.15 million of the work.

The focus of this Infrastructure Strategy is to deliver this programme, see *Part 8 – Key work planned* for more details. This will be a massive undertaking - it is the biggest construction programme for our organisation. We are committed to do the work as quickly as we can. We need to keep the community engaged and aware of the wide range of decisions that need to be made. This is a challenging task for us and our communities and needs to be progressed at pace to meet stakeholder expectations.

We are building capacity in our staff and are expanding our Programme Management Office to coordinate the work, supported by industry experts, and assisted by the Regional Recovery Agency. We have also been working with the Government to speed up the usually lengthy resource consent process. This means we will be able to start work sooner.

New flood resilience schemes are planned for these locations:

- Wairoa
- Whirinaki
- parts of Heretaunga (Pākōwhai, Waiohiki, and Ohiti Road/Omāhu)
- Pōrangahau

The programme also includes additional work to rapid repair sites, telemetry, pumpstations and scheme reviews.

7.3 Reviews

A range of reviews were initiated after Cyclone Gabrielle which are outlined below. The process for the development of this Infrastructure Strategy has been dynamic and is continuing to evolve as additional review and design information becomes available and funding sources are scoped and agreed. This will continue as the response and options development.

Reviews	Who is undertaking review	Status of review
Government Inquiry into the Response to the North Island Severe Weather Events	Panel: Sir Jerry Mateparae GNZM QSO KstJ (Chair), John Ombler CNZM QSO, Rangimarie Hunia Ngati Whatua, and Julie Greene	Due April 2024
Independent Review of Hawke's Bay Civil Defence Emergency Management	Mike Bush, Gary Knowles, Paul Viaanderen, and Ngahiwi Tomoana	Released March 2024
HB Independent Flood Review	Dr Phil Mitchell, Bernadette Arapere, and Kyle Christensen	Due July 2024
Heretaunga Plains Flood Control Scheme	Tonkin & Taylor	Due July 2024
Upper Tukituki Flood Control Scheme (Review includes gravel)	Tonkin & Taylor	Due July2024
NIWA	NIWA Storm Review	Released March 2024
Review of HBRC Telemetry System	Graeme Horrell	Completed 2024

8. Key work planned

The 10-year capital and renewal forecast

The funding and investment forecast in Figure is a snapshot of known activities. These are described in further detail in the supporting table below.

This forecast shows additional recovery and level of service investment is expected following the Flood Resilience Programme completion in Year 2027-28. As post cyclone reviews are complete and funding and priority of recommendations are planned, agreed, and prioritised with stakeholders the investment from 2028-29 to 2033-34 is expected to be greater than the current documented forecast.

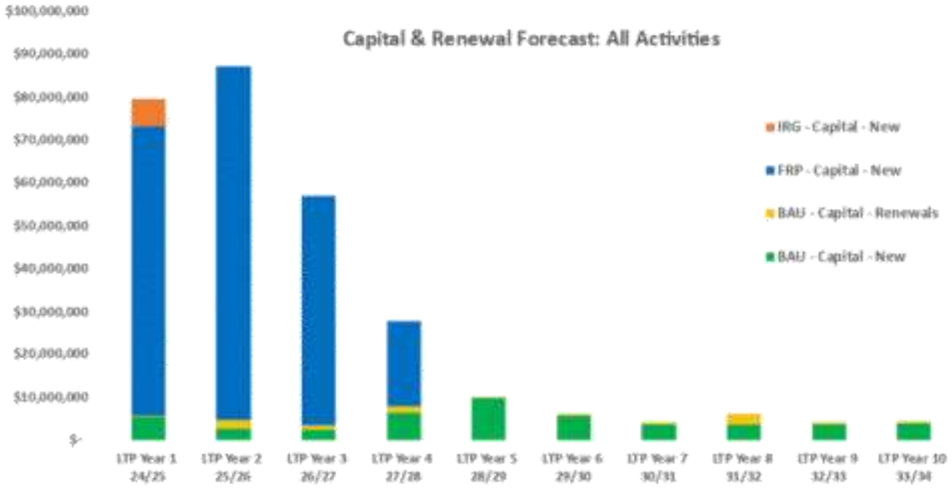


Figure 6: 10-Year Capital & Renewal Forecast

Legend:
IRG - Infrastructure Reference Group programme run through Crown Infrastructure
FRP - Flood Resilience Programme related to Cyclone Gabrielle recovery
BAU - business as usual

Capital projects and other initiatives

The scope and funding of forecast work in this Three-Year Plan 2024-27 continues to develop. This is a dynamic process and it is likely to evolve reflecting the complicated environment we are working through with stakeholders.

Major capital projects	Description	Timeline	Likely funding options	Implications of options for rates and debt
Flood Resilience Programme				
Land Categorisation 2 flood mitigation interventions	New flood resilience schemes are planned for these locations: • Wairoa • Whirinaki • parts of Heretaunga (Pākōwhai, Waiohiki, and Ohiti Road/Omāhu) • Pōrangahau	Years 1 – 4 2024-28	Recovery funding - total cost is $164.1M Funding split: Govt $139.2M / HBRC $24.9M Subject to consultation	New schemes will require funding for operating and maintenance costs HBRC contribution of $24.9M will need to be recovered through loan funding and rates

Major capital projects	Description	Timeline	Likely funding options	Implications of options for rates and debt
Drainage and pumpstation repairs/upgrades	Upgrade of Mission (Awatoto) /Brookfields/Pākōwhai pumpstations. In conjunction with scheme reviews to confirm Level of Service and resilience requirements.	Years 1-3 2024-27	Recovery funding-cost allocation is $30 million Funding split: Govt $22.54M / HBRC $7.46M	HBRC contribution of $7.5 million will need to be recovered through loan funding and rates
Stopbank Rapid Repair additional work	Provision for additional work to estimated 10km of stopbanks to meet new flood LOS from technical review. The LOS specification for the stopbanks from the review may change the design requirement.	Year 1 2024-25	Recovery funding total cost is $30m Funding split: Govt $22.54M / HBRC $7.46M	HBRC contribution of $7.5 million will need to be recovered through loan funding and rates
Scheme reviews – to configure and build resilience	Undertake scheme LOS reviews: Scheme reviews and post cyclone independent reviews may generate additional recommendations. *Programme:* • Heretaunga Flood Control Scheme – June 2024 • Upper Tukituki Flood Control Scheme - June 2024 • Nuhaka / Northern Minor • Makara • Karamu/Raupare/Twyford • Esk • Haumoana/Te Awanga/Maraetotara • Clive/Muddy Creek • Paeroa • Puninga • Te Ngarue • Poukawa • Kopuawhara	Year 1 – 2 2024-26	Recovery funding cost allocation $3 million Funding split: Govt $2.25M / HBRC $0.75M	HBRC contribution of $746,000 will need to be recovered through loan funding and rates
Telemetry – network repairs and upgrade	Replacement and possible upgrade of telemetry based on internal review.		$5M Funding split: Govt $3.76M HBRC $1.24M	Managed and delivered under Integrated Catchment Management (ICM)
Repairs to cycleways	Cycleways total cost of repair is estimated at $2.2M, with an expected delivery December 2024. Cycleway repairs underway on the Ngaruroro, Karamū, Waimārama Road sections underway. Tūtaekurī river corridor including resurfacing on rebuilt/repaired stopbanks to	Year 1 2024-25	MBIE $2.2M	No rate impacts

Major capital projects	Description	Timeline	Likely funding options	Implications of options for rates and debt
	Brookfields bridge estimated repairs mid-2024.			
Flood Protection & Control Works				
Resilient River Communities programme This is co-funded by Kānoa (Govt's Regional Economic Development & Investment Unit)	Increase level of service from current 1% likelihood of flooding in any given year (or a 1 in 100-year protection) with some spill protection. Continuing initiatives through to detailed design until we have confirmation of the variation with Kānoa (Projects will reflect Cyclone Gabrielle Level of Service revisions).	Year 1 2024-25	Work to date has been co-funded with Kānoa giving 64% and HBRC 36%	Reviews may recommend additional LOS requirements and related additional cost impacts. If Kānoa funding or recovery funding packages are not available, the burden would fall on schemes
Pump station fish passage	Installation of fish passages, when practical, across stream barriers at pump stations. New pump stations (Mission (Awatoto), Brookfields and Pakowhai) will have fish passage availability factored in.	No Funded Programme	No dedicated budget. Incorporated in new pump station works where possible	Would require rating support if implemented
TANK Plan Change – Capital works	Plan Change 9 - TANK address the identified overallocation of groundwater from the Heretaunga Aquifer. It focuses on water quality, quantity, flows and allocation in the Tūtaekurī, Ahuriri, Ngaruroro, and Karamū (TANK) catchments and the Heretaunga Aquifer system. The Plan Change is currently under appeal however holds legal weight and must be given affect to now. It requires consideration be given to riparian land management, riparian planting, land drainage and flood control, regional biosecurity and biodiversity, stormwater control, sedimentation, and water use and efficiency. Consideration will need to be given to how this will be achieved within scheme areas.	Ongoing	Likely to require substantial and ongoing funding	Any works would require rating support
Clive River – land for dredging	Dredging Clive River and discharge of silt to land Paused for four years as land for dredging disposal is not able to be obtained.	Year 4 2027-2028	May require future funding when land is available	Targeted rates, building up a reserve

Major capital projects	Description	Timeline	Likely funding options	Implications of options for rates and debt
River and Lagoon Opening	Installation of water level and some image capture devices for better monitoring of river and lagoon openings. Enhanced LOS for two river openings (Esk & Mahanga) CCTV and Telemetry requirement on river and lagoon openings.	Years 1- 3 2024-27 Year 1 2024-25	Increased in responsibility, LOS, costs, rising sea level and public expectations. Esk and Mahanga river openings to be managed within existing resources	General rate increase inflation only
Gravel Management - processing and new access to rivers	Have built new access to the location where gravel needs to be managed for flood protection with Kānoa support. Global consents commenced 2022. New monitoring and compliance conditions required including consultation with tāngata whenua and the wider community.	Ongoing activity	Increased monitoring and compliance costs	Potential adjustment to the gravel levies
Upper Tukituki-Gravel extraction	Tranche four has been surveyed to provide data for the next extraction point. Tranche three extraction was completed removing 800,000m^3 of gravel at the Makaretu, Tukipo, and Waipawa rivers.	Year 1 2024-25	This work is co-funded with the Govt 64% and HBRC 36%	HBRC proportion is loan funded
Opoho – new pump station	Options subject to scheme reviews.	Year 1 2024-25	Scheme review underway April 2024	Post review discussion on the scheme's ongoing management and operation
Ohuia – Whakakī new pump station	Options subject to scheme reviews.	Year 1 2024-25	Scheme review underway April 2024	Post review discussion on the scheme's ongoing management and operation
Transfer of Napier/Meeanee Drainage Assets to Napier City Council (NCC) as part of S17a Review	Initial Morrison Low review completed prior to the cyclone following Cyclone Fili event Dec 2020. HBRC business case under development. NCC has done some due diligence on potential transfer assets in 2023.	Pending business case report and mutual council agreement	Asset Transfer would have a net reduction in HBRC Drainage asset book value	Reduced rating inputs but reduced activity costs for this scheme area to HBRC
Karamū Enhancement Scheme	Enhancement of the Karamū Stream priority has been reduced due to low risk of life. No new capital spending.		Review required to undertake scope, funding, and timelines.	Direct rates, revenue, and targeted rates
Karamū Weed Harvesting Equipment	Equipment to be purchased to improve the weed boating programme.	Years 1- 3 (2024-25 to	Capital $500K over 10-year period	Direct rates, revenue, and targeted rates

Major capital projects	Description	Timeline	Likely funding options	Implications of options for rates and debt
		2026-27) and Years 9–10 (2032-34)		
Public use of rivers	Use of land within the flood protection for public use for recreational activity and for planting or productive activity.	Ongoing review activity	No capital in the 2024-26 period	General rates funded if required
Public use of Rivers review (Upper Tukituki and Heretaunga Plains)	Review the Public Use of Rivers to form a Strategy. Components of the review are underway with ongoing information/tasks required to form the Strategy.	Ongoing	No capital in the 2024-26 period	General rates funded if required
Regional Water Security Programme				
Managed Aquifer Recharge (MAR)	3-year pilot in Central Hawke's Bay	Years 1–3 2024-2027	Co-funded with Kānoa Ready to go to detailed design.	Both projects: Year 1: $3.2M Year 2 & 3: $2.8M
Heretaunga Water Storage	Community-scale water storage feasibility investigation for Heretaunga	Work continues on potential sites and regional governance, ownership and operating models)		
Open Spaces				
Hawea Historical Park - Stage 3 Waitangi Regional Park - Stage 3 Waitangi Regional Park - Stage 3	Deferring all planned capital works for regional parks for the next three years. Proposing to reduce annual current maintenance budget by 20% each year for the next three years.			
Wairoa Regional Park development	Feasibly study in collaboration with Wairoa District Council and stakeholders. Proposing to defer contributing towards development costs until 2027-28.	Year 1 2024-25		Loan/Rate funded impact
Ahuriri Regional Park	Joint venture with Hawkes Bay Regional Council, Napier City Council and & Mana Ahuriri Trust.	Year 1-3 2024-27 -	Funding allocation within LTP	Key project for community engagement; rates impacted.

Major capital projects	Description	Timeline	Likely funding options	Implications of options for rates and debt
	HBRC currently contributes to project Management. Proposing to defer contributing towards development costs until 2027-28.			
Regional Cycling Development	Existing projects with external funding are to be continued along with safety improvements on the cycleways of $50,000 annually.	Year 1 – 3 2024-27-		
	Renewals - pathways, trails counters, signage, boardwalks, signage planned from Year 4 onwards.	Years 4 – 10 2027-34		Included in Renewal Programme
	The Council is considering putting all new capital on hold except for the Ngaruroro trail feasibility study as part of a budget reprioritisation.			
	• Ngaruroro Explorer Extension*	Year 4 – 5		
	• Vineyard Experience*	Year 4 - 5	Budget to be confirmed for Ngaruroro. Anticipating a budget shortfall as project likely to exceed initial forecast.	Subject to 50:50 co-funding with MBIE
	• Heartland Ride (concept) *Subject to co-funding	Year 5		

9. Significant assumptions

The assumptions in this Infrastructure Strategy and in our Financial Strategy are evolving with the Flood Resilience Programme. The assumptions will develop as more information is available and decisions are made over the next three years.

Significant assumptions	Risk and impact
1. There is uncertainty about sources of funding to implement recommendations that will come from infrastructure planning currently.	The ability to adopt to modified flood control schemes to better cater for design events is significantly affected. The impact of this risk is that the time frame over which scheme modifications are made are significantly lengthened.
2. Cyclone Gabrielle and the consequent legislative changes have meant this Infrastructure Strategy is recovery focussed to respond to the post-cyclone period and its unique challenges.	Reduced audit and scope for this planning cycle as outlined in the SWERLA. This enables focus on core recovery processes for a specific period.
3. Current priorities for organisational recovery and resource planning will see changes to previous programme priorities.	Insufficient budget available to continue to deliver a continued level of service. Mitigation is being provided by the Programme Management Office (PMO) to manage planned programmes. The programme changes reflect agreed priorities and funding agreements. LOS may be impacted while response activities are completed.
4. The outcome of Cyclone Gabrielle-related reviews may generate additional requirements for drainage and river control, which are not currently resourced. This may include new flood control programmes and resources.	The scope of review recommendations may require funding agreements and stakeholder consultation if new LOS is required. Funding of these programmes may be limited and require external resourcing to proceed. Ongoing whole-of-operational costs of additional scheme capacity may be beyond the economic capacity of the rating base.
5. Investment in our new schemes as a result of Land categorisation is affordable for our community.	The long-term impact of additional land categorisation mitigation costs may be uneconomic or beyond the capacity of the rating revenue of schemes.
7. There will not be changes to land drainage and river control related legislation.	Should legislation change occur it will reduce our ability to undertake the work that we currently to and the way do it. We maintain our current role and vigilance on related legislative processes as they impact our activities and scheme operation.
8. The current multi-value approach to the management of waterways in the major schemes will continue to be accepted by the community. Co-governance or co-management arrangements under new Treaty of Waitangi settlement legislation will inform and enhance the multi-value approach.	Maintaining a pragmatic balance between critical scheme function and identified community and biodiversity values in the management of infrastructure assets.
9. The responsibility for coastal protection from Napier City Council and hastings District Council coastline will transfer to Regional Council at some point in the future.	Planning related to the Regional Council taking on coastal assets from Napier City Council and Hastings District Council is not currently included in resource planning. This will result in any transfer of responsibility being delayed and possible increase of coastal erosion.

10. Transfer of stormwater drainage assets within the Napier City boundary will occur within this planning cycle.	There is a risk this may not happen within this planning cycle which will impact on asset management planning and financial aspects of operating these assets. Dependent on mutual agreement between the Regional Council and Napier City Council. Formal transition and Memorandum of Understanding to cover operational and ownership transfer. Rating transfer changes will be required.
11. Climate change adaptation is a critical consideration in our future infrastructure asset management.	Our region is susceptible to the future impacts of climate change and this needs to be incorporated into future planning and review processes. Existing levels of service and asset capacity may need to be revised, and long-term climate change adaptation which will have funding requirements.

10. Significant issues

This section summarises the significant infrastructure issues facing the Regional Council over the next three years and beyond, and outlines the principal options for managing the issues, and the implications of those options.

The identified significant issues are:

1. Rebuilding critical flood infrastructure after Cyclone Gabrielle
2. Increasing insurance premiums and difficulties in getting affordable insurance policy cover
3. Adapting to climate change and increasing risk of natural disasters
4. Delivering within financial constraints and affordability of increasing Levels of Service
5. Responding to a changing regulatory environment
6. Land use change and growth

1. Issue 1: Rebuilding critical flood infrastructure after Cyclone Gabrielle

Known uncertainty in recovery planning – We know there are decisions yet to be made that may have implications for our current and future scheme Levels of Service (LOS), and our funding environment in our new normal business as usual (BAU). We expect that the outcomes of the post-cyclone reviews will increase funding and resource requirements for Asset Management. Reviews will be investigating options in scheme planning to develop greater resilience to accommodate overtopping in flood management, and drainage scheme capacity.

Financial and resourcing constraints – The impact of Cyclone Gabrielle on our infrastructure has caused significant unplanned costs. We are working through the claims process with our insurers and NEMA (National Emergency Management Agency). This will be a long and labour-intensive process which we expect to continue into 2025. In the interim we must progress with plans of action based on our current known assumptions to provide a safe and manageable environment for our communities.

Until these claims processes are completed there will be known uncertainty around how much money we will have available to manage our way forward. This has implications for our staff resources required to manage the claim process and the subsequent remediation, and on scheme LoS in the period while this activity is transacted.

Our new BAU following the reviews may require additional Asset Management staff resources in the period of the strategy to manage remediation activities. There will continue to be strong market competition for project management and engineering staff with significant recovery works being undertaken on the East Coast concurrent with this strategy. This is an industry risk in years following a major cyclone. Additionally, consultant and contracting resources will experience similar competitive demand which will have an impact on our ability to develop remediation options and deliver rebuild activity. This will direct impact on market resource availability and available rate increases in the period.

Financial affordability for ratepayers - All Council activities are significantly funded by rating income. Increasing LoS demand, regulatory compliance and costs of basic service contribute to increasing demand on rating to stakeholders. We are having challenging conversations with stakeholders about the viability of schemes where funding challenges for scheme activities create additional income to maintain LoS. **Community expectations** – Previously agreed (2015) LoS based on the 0.2% likelihood of flooding in any given year (or 1-in-500-year level of flood protection) has been put on hold subject to the outcome of the current scheme reviews. Recommendations from the reviews may not align with community expectations set in this period. Effort will be required to communicate any new recommendations to the community. In the last LTP we indicated it was our intention to upgrade other higher priority HPFCS river stopbanks to this level and substantial technical work has been completed in support of that objective on HPFCS river reaches. This will benefit the current post cyclone HPFCS river scheme reviews. Cyclone Gabrielle has changed community expectation on flood control schemes which will be reflected in the current reviews. Outcomes of the various reviews will need to be socialised with community stakeholders.	
Principal management options	**Implications of the options**
We have to work on the best estimate of the information available from consulting with central government, our technical advisors, insurers, and stakeholders. Maintain the Rapid Recovery Project delivery model and the Regional Response Plan. (This allows HBRC to adapt to the changing environment for our new BAU.)	We may have to make decisions based on current information with some uncertainty included to progress effectively and maintain a safe community environment. Some risk of re-work as outcomes are confirmed in the future. We anticipate costs to increase across the spectrum of our activities. We expect maintaining staff and contractor resources will continue to be challenging and generate higher activity costs. HBRC will need to communicate and manage community expectations on level of service options being considered. Current delivery of information to the community via LAWA and HBRC Web resources needs to be improved and made more resilient for provision of event data, level of service, and new land classification information. Ideally this would be consistent with other TLA environment planning information.

Issue 2: Increasing insurance premiums and difficulties in getting affordable insurance policy cover	
The current market conditions for re-insurance and the impact on affordability of commercial market options in the current market of changing worldwide weather, and reducing natural disaster risk appetite is of concern. Previous coverage options may be diminished or uneconomic going forward. Major asset risk is still major earthquake events for our East Coast location but the impact of climate change and changing weather intensity is increasingly significant in our continuing insurance cover approach. The insurance model for major event cover currently has 40% covered by commercial insurance and the 60% balance covered by NEMA coverage. NEMA cover requires insurance to be in place to trigger the cover. The feedback on the recovery of the 60% via the NEMA process is that it requires substantial work to transact and is necessarily strongly audited.	
Principal management options	**Implications of the options**
We are working with other councils in a similar risk position to resolve this situation. Potential for share service/self-insurance options under consideration by MWLASS* councils at present time. MWLASS representatives in continued direct contact with the Lloyds insurance market to outline our position and risk profiles. *Shared service company Manawatu-Wanganui Local Authority Shared Services	All councils are facing rising costs and the management approach to insurance risk management varies across the LASS members. There is some risk of options to risk share being unacceptable to fiscally stretched organisations, which may limit the effectiveness of the group approach and the affordability of available options.

Issue 3: Adapting to Climate Change and increasing risk of natural disasters	
Climate change is a significant issue in planning and managing our flood and drainage infrastructure. The key projected climate change issues that may impact our infrastructure assets and pose risk to communities are: • Increased severity of storms • Increased frequency of droughts • Sea level rise Major asset risk is major earthquake events. Additional risks may be identified in reviews yet to be finalised. *(See Regional Council's Three-year Plan Significant Forecasting Assumptions for more information about climate change projections for Hawke's Bay.)*	
Principal management options	**Implications of the options**
NIWA review of weather event statistics to reconfirm appropriate LOS for use in schemes underway. HBRC has been developing its infrastructure response to climate change through its planned work programmes and levels of service and scheme reviews.	Updated climate modelling is likely to result in planning and resilience assumption changes for infrastructure assets. Planning changes, level of service recommendations, consultation, and additional capital costs are likely.

Issue 4: Delivering within financial constraints	
Cyclone Gabrielle has had a significant impact on the Regional Council's budget and all parts of the organisation are looking to cut costs to keep rates down. Council is considering the below options in budget prioritisation.	
Principal management options	**Implications of the options**
Reducing maintenance for Regional parks for three years.	Reduced or delayed development projects and some potential for some reduction in levels of service. Consultation proposals on specific reductions include • 20% reduction on regional park annual maintenance for three years. • Stop $120,000 annual contribution to Te Mata Park Trust for three years
Not undertaking any new development in the Open Spaces activity, except for the Ngaruroro trail. Deferring contributing towards development costs for Wairoa and Ahuriri regional parks. (Open Spaces includes Regional Parks, HBRC trails, and forestry.)	No additional capacity or development available in the period. Community feedback maybe less positive as Open Spaces are often well used for recreation and exercise.
Pausing the Karamū Enhancement Project.	Delay in the current programme. Impact is not involving critical assets and is a long-term project which can be paused without any significant short-term impact. Existing planting will be maintained, and plan reactivated when resource priority allows.

Issue 5: Responding to a changing regulatory environment	
There have been significant changes in regulatory legislation, and we anticipate there will be further changes, which may impact how we manage our infrastructure. **RMA (Resource Management Act) and Essential Freshwater reforms** Freshwater management is a core priority for Regional Council. We have until the end of 2027 to deliver an improved freshwater policy for our rivers, lakes, aquifers, streams, and wetlands. The new Government has a pipeline of on-going reform in both the freshwater and broader resource management space. While we don't know the full scope of those changes, we are working to ensure we are as ready as we can be for them. This includes continuing to participate in sector lobbying to ensure those reforms are implementable. **Three waters reform –** While regional councils are not the core focus of Three Water reforms, we are responsible for regulating stormwater, freshwater supply, and wastewater discharge – and that is unlikely to change. We do however have some stormwater operations which may need to consider any Three Water reforms. **New dam safety regulations** – these will come into effect in May 2024 with dam owners having further 1-2 years to undertake the necessary work to classify their dam and put in place a dam safety assurance programme. **Forestry in the Emission Trading Scheme (ETS)** - Annual charge for post-1989 forest land registered in the ETS came into effect on 19 October 2023.	
Principal management options	**Implications of the options**
Maintain awareness of legislative requirements and potential operational impacts. Changes may be needed to regulation and compliance operational activity planning.	**Essential Freshwater reforms:** This area of legislative change has raised a lot of questions on the operation of our existing river and drainage assets. The retrospective application of the legislation is very challenging on legacy drainage and river systems as the original design and assumptions are decades older than the new regulations. All new activities going forward are impacted by the need to consider the requirements. There is a lot of potential for additional science and monitoring, and specific technical provisions for fish passage and the consenting of all current pumpstations (significant cost and staff resource implication). The Clive River Dredging project in the last LTP originally proposed repeating the ocean disposal option for the dredging material disposal but the consenting application now requires land disposal which has stopped the project until a suitable site can be found. The new regulations will require compliant options for future projects and operations which are likely to be more expensive to implement and require additional initial information and consultation. **Three Waters reform:** HBRC under the recommendation of the 2021 Morrison Low report working with NCC to transfer the drainage assets with the Napier City area to NCC for more consistent management in the NCC area. Urban Stormwater assets in Napier could transfer to the proposed Water Entity so due diligence work is being completed to enable an efficient asset transfer ahead of this. This asset transfer will impact on our asset value, mean one less drainage area to manage, and we would need to work through whether we relinquish or share the tidal gate consent. The transfer of assets to the new entity may require consultation. We also need to clarify how the work the Works Group does for HDC and NCC three waters teams translates to the new entity. There is little current indication for any other rural stormwater assets being significantly involved in the Three Water reforms on current

	information. We will continue to maintain watch as the changes develop to determine if there will be any further implications for our asset holding. **New dam compliance** will mean we have a new inspection standard for dams to adhere to. We do not have the professional resource to undertake this work so this will require additional costs to over this activity. In addition, there is a lack of qualified inspectors in New Zealand. Staff have anticipated this change and understand the compliance requirement

Issue 6: Land use changes and demand

The Government's land categorisation framework for the Future of Severely Affected Land (FOSAL) following Cyclone Gabrielle will result in land use change over the life of this three-year plan. Some land use will also change to accommodate flood mitigation solutions in Category 2 land.

We assume that the Hastings and Napier Future Development Strategy will guide development across existing urban areas and areas close by across the two districts over the next 30 years.

Changes to national regulation and policy will have an impact on land use in the region that affect both our policy and planning, and our Infrastructure Strategy. As the outcomes the official reviews on Cyclone Gabrielle are received and worked through, there is likely to be further demands and recommendations. Until this is forthcoming, this means uncertainty for our communities and our work programme.

Principal management options	Implications of the options
Work with TLA's to coordinate spatial planning and clearly articulate the issues and risks for flood prone land. This work has been obligatory with the post Cyclone Gabrielle land classification review. Develop improved sources of information from the land categorisation process and flood modelling. Maintaining reliable and up to date flood modelling (river and drainage systems)	The post cyclone has provided a graphic illustration of the risks of flood hazards in our communities which have required central government engagement with TLAs to work through a rapid land categorisation process which has required decisions which will continue to be worked through with landowners in Cat 2 and 3 zoned areas. We expect significant ongoing consultation, technical dialogue, and possible litigation on the detail of these assessments. The speed of the assessments was driven by the need to resolve insurance and investment decisions for landowners to move forward, and the scale of the co-funding buyout/remediation provisioning required for central government and TLAs. HBRC staff involvement in this process has been substantial and will continue as expert advisors until all matters arising from the Land Classification process are resolved. Zoning of land will have long term implications for land use and scheme requirements. It is likely that the post cyclone reviews may require specific remediations and service level changes with economic impacts for these areas.

Financial Statements 2024-2027

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

Financial Statements 2024-2027

Prospective Statement of Comprehensive Revenue and Expense

	Note	Regional Council				
		Report 22/23 $000	Annual Plan 23/24 $000	LPT1 24/25 $000	LTP2 25/26 $000	LTP 3 26/27 $000
Revenue						
Revenue from activities	1	10,502	11,752	10,801	9,607	9,788
Rates revenue	2	34,745	40,960	48,996	57,871	63,056
Subsidies and grants	3	40,531	33,109	69,563	77,017	56,075
Other revenue	3	17,107	70,962	14,682	15,235	15,775
Fair value gains on investments		8,048	1,179	4,179	4,080	4,224
Reduction in ACC Leasehold Liability		-	831	-	-	-
Total Operating Revenue		**110,933**	**158,793**	**148,221**	**163,810**	**148,917**
Expenditure						
Expenditure on activities	1	(110,989)	(170,117)	(82,574)	(82,723)	(84,920)
Finance costs		(3,503)	(4,207)	(5,450)	(6,064)	(6,800)
Depreciation & amortisation expense	5	(4,380)	(5,160)	(4,450)	(4,255)	(4,583)
Fair value losses		(6,213)	-	-	-	-
Impairment		-	(20)	-	-	-
Total Operating Expenditure		**(125,085)**	**(179,504)**	**(92,474)**	**(93,043)**	**(96,303)**
Total Expenditure		**(125,085)**	**(179,504)**	**(92,474)**	**(93,043)**	**(96,303)**
Operating Surplus / (Deficit) before Income Tax		**(14,152)**	**(20,711)**	**55,747**	**70,767**	**52,614**
Income tax expense		-	-	-	-	-
Operating Surplus / (Deficit) after Income Tax		**(14,152)**	**(20,711)**	**55,747**	**70,767**	**52,614**
Other Comprehensive Revenue and Expense						
Gain/(loss) in other financial assets		(20,627)	25,982	(1,194)	(1,224)	(1,254)
Gain/(loss) on revalued intangible asset		(4,283)	-	-	-	-
Gain/(loss) on revalued property, plant and equipment assets		(188)	-	-	-	-
Gain/(loss) on revalued infrastructure assets		(16,076)	3,133	-	-	-
Total Other Comprehensive Revenue and Expense		**(41,174)**	**29,115**	**(1,194)**	**(1,224)**	**(1,254)**
Total Comprehensive Revenue and Expense		**(55,326)**	**8,404**	**54,553**	**69,543**	**51,360**

Prospective Statement of Changes of changes in net assets/equity

	Note	Regional Council			
		Fair Value Reserves $000	Other Reserves $000	Accumulated Funds $000	Total $000
PARENT					
Balance at 1 July 2024		**285,305**	**134,590**	**300,224**	**720,120**
Total Comprehensive Revenue and Expense		(1,194)	-	55,747	**54,553**
Reserves		-	50	(51)	**(0)**
Balance at 30 June 2025		**284,112**	**134,641**	**355,920**	**774,673**
Total Comprehensive Revenue and Expense		-	-	70,767	**70,767**
Reserves		(1,224)	105	(105)	**(1,224)**
Balance at 30 June 2026		**282,888**	**134,746**	**426,582**	**844,215**
Total Comprehensive Revenue and Expense		-	-	52,614	**52,614**
Reserves		(1,254)	(344)	344	**(1,254)**
Balance at 30 June 2027		**281,634**	**134,402**	**479,540**	**895,576**

Prospective Statement of Financial Position

	Note	Regional Council				
		Annual Report 22/23 $000	Annual Plan 23/24 $000	LPT1 24/25 $000	LTP2 25/26 $000	LTP 3 26/27 $000
ASSETS						
Non-Current Assets						
Property, plant & equipment		37,558	36,705	36,443	35,492	37,179
Infrastructure assets		198,554	244,204	308,950	395,479	452,471
Investment property		67,194	69,220	69,088	70,395	71,763
Intangible assets		9,443	16,725	13,477	13,161	13,464
Forestry assets		11,745	12,382	12,657	12,990	13,331
Prepayments		168	-	195	195	195
Total non-current assets before other financial assets		324,662	379,236	440,810	527,712	588,404
Other financial assets		129,683	147,934	136,538	133,828	131,478
Investment in Council-controlled organisations		348,197	522,451	352,148	353,371	354,626
Advances to Napier / Gisborne Rail		-	1,486	-	-	-
Total other financial assets		477,880	671,871	488,686	487,199	486,104
Total Non-Current Assets		802,542	1,051,107	929,496	1,014,911	1,074,508
Current Assets						
Inventories		337	430	257	257	257
Trade & other receivables		25,062	13,104	15,306	15,306	15,306
Derivative financial instruments		2,071	2,807	2,010	2,010	2,010
Other financial assets		3,142	-	3,130	3,109	3,088
Cash and cash equivalents		94,171	3,424	48,590	49,376	45,745
Total Current Assets		124,783	19,765	69,293	70,058	66,406
TOTAL ASSETS		**927,325**	**1,070,872**	**998,789**	**1,084,969**	**1,140,914**
NET ASSETS / EQUITY						
Accumulated funds		269,477	273,055	355,920	426,582	479,540
Fair value reserves		285,035	486,293	284,112	282,888	281,634
Other reserves		128,150	134,330	134,641	134,746	134,402
Non Controlling Interest				-	-	-
Total Net Assets / Equity		**682,662**	**893,678**	**774,673**	**844,215**	**895,576**
LIABILITIES						
Non-Current Liabilities						
Derivative financial instruments				-	-	-
Borrowings		71,563	131,103	120,399	136,913	141,373
ACC Leasehold financing liabilities		29,283	26,779	29,250	29,269	29,269
Provisions for other liabilities & charges		19	510	19	-	-
Employee benefit liabilities		414	-	420	420	420
Total Non-Current Liabilities		101,279	158,392	150,088	166,602	171,062
Current Liabilities						
Borrowings		29,930	3,500	30,000	30,000	30,000
ACC Leasehold financing liabilities		1,416	1,500	1,492	1,615	1,740
Employee benefit liabilities		2,401		2,400	2,400	2,400
Trade & other payables		90,017	13,800	30,016	30,016	30,016
Funds held on Behalf		19,620		10,120	10,120	10,120
Total Current Liabilities		143,384	18,800	74,028	74,151	74,276
TOTAL LIABILITIES		**244,663**	**177,192**	**224,116**	**240,753**	**245,338**
TOTAL NET ASSETS / EQUITY & LIABILITIES		**927,325**	**1,070,870**	**998,788**	**1,084,969**	**1,140,913**

Prospective Cash Flow Statement

	Note	Regional Council				
		Annual Report 22/23 $000	Annual Plan 23/24 $000	LPT1 24/25 $000	LTP2 25/26 $000	LTP 3 26/27 $000
CASH FLOW FROM OPERATING ACTIVITIES						
Cash was provided from:						
Receipts from customers		6,517	12,730	10,801	9,607	9,788
Rates received		35,071	40,813	48,996	57,871	63,056
Dividends received		6,871	10,905	7,955	8,345	8,731
Interest received		2,087	6,261	4,228	4,315	4,404
Grants received		95,297	33,109	69,563	77,017	56,075
Funds held on behalf		19,527	-	-	-	-
Other Revenue		852	53,795	2,499	2,575	2,640
		166,222	157,613	144,042	159,730	144,694
Cash was applied to:						
Payments to suppliers		62,060	131,041	38,436	37,380	38,915
Payments to and on behalf of employees		32,251	40,739	43,897	45,085	46,329
Interest expense		2,845	4,207	5,450	6,064	6,800
Income tax expense						
		97,156	175,987	87,783	88,529	92,044
Net Cash Flows from Operating Activities		**69,066**	**(18,374)**	**56,259**	**71,201**	**52,650**
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Disposal of property, plant & equipment		513	-	-	-	-
Disposal of investment properties		498	-	-	-	-
Disposal of financial assets		1,100	1,640	-	-	-
Disposal of forestry assets		-	1,313	-	-	-
		2,111	2,953	-	-	-
Cash was applied to:						
Purchase of property, plant & equipment		4,622	3,561	2,345	2,236	5,184
Purchase of intangible assets		87	66	305	-	-
Construction of infrastructure assets		18,894	9,491	79,371	87,281	57,782
Community lending		1,291	5,000	-	-	-
Purchase of financial assets		434	-	-	-	-
Forestry assets development		74	-	-	-	-
Leasehold Liability		-	831	122	123	125
		25,402	18,949	82,143	89,640	63,091
Net Cash Flows from Investing Activities		**(23,291)**	**(15,996)**	**(82,143)**	**(89,640)**	**(63,091)**

Prospective Cash Flow Statement (continued)

	Note	Annual Report 22/23 $000	Annual Plan 23/24 $000	LPT1 24/25 $000	LTP2 25/26 $000	LTP 3 26/27 $000
		Regional Council				
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
Loans drawn		44,480	36,081	32,234	31,902	31,701
Community loans repaid		-	-	2,597	2,711	2,350
		44,480	36,081	34,831	34,613	34,051
Cash was applied to:						
Loans repaid		6,375	5,336	6,835	15,388	27,241
Leasehold freeholding proceeds paid to ACC		366	-	-	-	-
		6,741	5,336	6,835	15,388	27,241
Net Cash Flows from Financing Activities		**37,739**	**30,745**	**27,996**	**19,225**	**6,810**
Net Increase / (Decrease) in Cash & Cash Equivalents		**83,514**	**(3,625)**	**2,112**	**786**	**(3,631)**
Opening cash & cash equivalents		10,657	7,047	46,478	48,590	49,376
Effect of exchange rate changes		-	-	-	-	-
Closing Cash & Cash Equivalents		**94,171**	**3,422**	**48,590**	**49,376**	**45,745**

Funding Impact Statements (whole of Council)

	Annual Report 2022/23 ($'000)	Annual Plan 2023/24 ($'000)	LTP 2024/25 ($'000)	LTP 2025/26 ($'000)	LTP 2026/27 ($'000)
Sources of operating funding					
General rates & uniform annual general charges	14,354	12,835	26,303	32,312	36,141
Targeted rates	20,391	28,126	22,693	25,559	26,915
Subsidies & grants for operating purposes	37,212	32,304	10,935	10,879	10,156
Fees & charges	10,502	12,989	10,928	9,735	9,918
Fines, infringement fees & other receipts	3,689	52,558	2,371	2,447	2,510
Interest and dividends from investments	10,159	17,167	12,183	12,660	13,135
Total operating funding	96,306	155,979	85,414	93,593	98,775
Applications of operating funding					
Payments to staff & suppliers	110,989	172,418	86,208	86,397	88,644
Finance costs	2,845	4,207	5,450	6,064	6,800
Internal charges & overheads applied	-	2,301 -	3,654 -	3,694 -	3,744
Other operating funding applications		-	-	-	-
			-	-	-
Total applications of operating funding	113,834	174,324	88,004	88,768	91,700
Surplus / (deficit) of operating funding	(17,528)	(18,345)	(2,590)	4,825	7,075
Sources of capital funding					
Subsidies & grants for capital purposes	3,320	806	58,628	66,137	45,919
Development & financial contributions			-	-	-
Increase / (decrease) in debt	37,475	30,745	25,399	16,514	4,460
Gross proceeds from sale of assets	513	-	-	-	-
Lump sum contributions	4,000	-	-	-	-
Total sources of capital funding	45,308	31,551	84,027	82,651	50,379
Applications of capital funding					
Capital expenditure:					
- to meet additional demand					
- to improve the level of service	6,700	9,261	79,453	85,411	56,257
- to replace existing assets	16,904	3,858	2,568	4,106	2,859
	23,604	13,119	82,021	89,517	59,116
Increase / (decrease) in reserves	0	-	1,595	255	275
Increase / (decrease) of investments	6659	(1,194)	(2,180)	(2,296)	(1,937)
Total application of capital funding	27,780	13,206	81,436	87,476	57,454
Surplus / (deficit) of capital funding	17,528	18,345	2,590	(4,825)	(7,075)
Funding balance	-	-	-	-	-

Accounting Policies

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

Accounting policies

General information

Reporting entity

Hawke's Bay Regional Council is a regional local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in Aotearoa New Zealand. The relevant legislation governing the Regional Council's operations includes the LGA and the Local Government (Rating) Act 2002

For the purposes of the LGA, HBRIC is a Council Controlled Trading Organisation (CCTO) as it is a Council Controlled Organisation (CCO) whose purpose is to return a profit.

The primary objective of the Regional Council is to provide services and social benefits for the community rather than make a financial return. The Regional Council is defined as a public entity under the Public Audit Act 2001. The Regional Council has designated itself as public sector public benefit entities (PBEs) for financial reporting purposes.

The prospective financial statements presented are for the three consecutive years beginning on 1 July 2024 and have been prepared in accordance with sections 93 and 111 of the LGA and were authorised for issue on 30 June 2024.

Basis of preparation

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period except where specifically stated within the notes to the financial statements.

The principal accounting policies applied in the preparation of these prospective financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The prospective financial statements of the Regional Council have been prepared in accordance with the requirements of the LGA, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R).

The prospective financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These prospective financial statements comply with PBE standards except where specifically stated within the notes to the financial statements.

The prospective financial statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, infrastructure assets, hydrological equipment, sea defences, investment property, forestry assets and certain financial instruments measured at fair value.

Presentation and currency

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

Changes in accounting standards

There are no new accounting standards and interpretations that have changed.

1. Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of GST, rebates and discounts and after elimination of sales within the Group. Revenue is recognised as follows.

1.1 Rates revenue

The following policies for rates have been applied:

- General rates, targeted rates and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Rate remissions are recognised as a reduction of rates revenue when the Regional Council has received an application that satisfies its Rates Remission and Postponement Policies.

1.2 Sales of goods and services

- Revenue from the sale of goods is recognised when a product is sold to the customer.

- Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service provided.

1.3 Interest and dividends

- Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.
- Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

1.4 Grants

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

2. Expenditure recognition

2.1 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

2.2 Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Regional Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Regional Council and the approval has been communicated to the applicant. The Regional Council's grants awarded have no substantive conditions attached.

2.3 Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

3. Income tax

Income tax expense includes components relating to both current tax and deferred tax.

- Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.
- Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.
- Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.
- Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.
- Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

4. Leases

4.1 Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Regional Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

4.2 Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

5. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

6. Receivables

Short-term receivables are recorded at their face value less any allowance for lifetime expected credit losses.

7. Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage exposure to foreign exchange arising from the Regional Council's operational activities and interest rate risks arising from the Regional Council's financing activities. In accordance with its treasury policy, the Regional Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The Regional Council designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The Regional Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Regional Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

7.1 Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.

7.2 Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of 'finance costs'.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

8. Financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Regional Council commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Regional Council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of initial recognition and subsequent measurement:

- amortised cost
- fair value through other comprehensive revenue and expense
- fair value through surplus or deficit.

The classification of a financial asset depends on the Regional Council's management model for financial assets, the nature of the instrument and the contractual terms of the instrument.

8.1 Amortised cost

Financial assets at amortised cost are financial assets held within a management model with the purpose of collecting the contractual cash flows and those cash flows solely consist of principal and interest. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses are recognised in the surplus or deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

8.2 Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit includes all financial assets not classified as at amortised cost or fair value through other comprehensive revenue and expense or those financial assets held for trading.

After initial recognition, financial assets in this category are measured at their fair value with gains or losses on remeasurement recognised in the surplus or deficit.

8.3 Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are:

- equity holdings and have been irrevocably designated into that category at initial recognition
- financial assets held within a management model with the purpose of both selling financial assets and collecting the contractual cash flows where those cash flows solely consist of principal and interest.

They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date.

The Regional Council includes in this category all shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

9. Impairment of financial assets

Impairment considerations on Financial Assets under PBE IPSAS 41 are limited to financial instruments whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a management model whose objective is to hold financial assets in order to either collect contractual cash flows or collect contractual cash flows and sell financial assets.

9.1 Financial assets at amortised cost

The Regional Council will measure the loss allowances as an amount equal to the lifetime expected credit losses to all receivables that result from exchange transactions (PBE IPSAS 9), non-exchange transactions (PBE IPSAS 23) and lease receivables (PBE IPSAS 13).

Lifetime expected credit losses on receivables recognised from revenue transactions under the Ratings Act will be limited to the historical remission of rates after seven years.

For Trade and other receivables, the Regional Council will review the outstanding balances at reporting date and assess the likely default based on the payment history of the debtor and the probability that the debtor will enter bankruptcy, receivership, or liquidation.

For debtors and other receivables, the carrying amount of the asset will be reduced using an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account.

9.2 Financial assets at fair value through other comprehensive revenue and expense

The management of debt instruments held in managed funds is performed by the fund managers within the guidelines of the Statement of Investment Policy and Objectives (SIPO). The SIPO requirements include:

- limiting the Regional Council's exposure to any single issuer
- maintaining a diversified investment portfolio
- investing in high quality issuers
- appropriately hedging all overseas investments
- actively monitoring the performance of all investments
- selling financial instruments to maintain the balance and credit risk of the portfolio.

The fund managers are required to report quarterly on the portfolio performance and compliance with the SIPO. Fund managers are expected to re-balance the portfolio to maintain compliance with the SIPO and any significant changes in the credit rating of an issuer would initiate the sale of any related holdings. Compliance with the SIPO by the fund managers limits the Regional Council's exposure to credit risk with these debt instruments.

The Regional Council will review the quarterly reporting and assess expected credit losses based on the current market performance and the forward-looking information provided by the fund managers. Any loss allowance will be recognised in other comprehensive revenue and expense.

10. Inventory

Inventory held by the Regional Council is predominantly for own use and is stated at the lower of cost (using the weighted average cost method) and net realisable value.

11. Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

12. Plant, property and equipment

12.1 Operational assets

The Regional Council land administration buildings are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by independent, professionally qualified valuers.

Hydrological equipment is shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

Sea defences are shown at fair value, based on periodic valuations by suitably qualified and experienced professionals, less accumulated depreciation and impairment. Revaluations are performed with sufficient regularity to ensure that the carrying value does not differ materially from its fair value.

PoNL land, PoNL cargo and other buildings and all other operational assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The costs of assets constructed by the Regional Council include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

12.2 Infrastructure assets

Infrastructure assets are tangible assets that are necessary to fulfil the Regional Council's obligations in respect of the Soil Conservation and Rivers Control Act 1941 and the Drainage Act 1908. Such assets usually show some or all of the following characteristics:

- they are part of a system or network that could not provide the required level of service if one component was removed
- they enable the Regional Council to fulfil its obligations to the region's communities in respect of flood control and drainage legislation
- they are specialised in nature and do not have alternative uses
- they are subject to constraints on removal.

Infrastructure assets are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Regional Council staff, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

12.3 Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Regional Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

12.4 Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

12.5 Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Regional Council or the Group and the cost can be measured reliably. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

12.6 Revaluation adjustments

Increases in carrying amounts arising from revalued assets are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset category are charged against revaluation reserves in equity. All other decreases are charged to the statement of comprehensive revenue and expense.

Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

13. Intangible assets

13.1 Software acquisition and development

Installed computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use where the Regional Council has control of the underlying platform are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the Regional Council's website are recognised as an expense when incurred.

Configuration and customisation costs associated with a Software as a Service platform will generally be treated as an expense when incurred as the Regional Council does not control the environment in which it operates and is reliant on annual licences fees to the provider for the continued functioning of the software.

13.2 Digital assets

The Regional Council capitalises work undertaken on digital groundwater models and aerial photography of the Hawke's Bay region as assets. The Regional Council considers it controls these assets, their cost can be measured, and they provide service and economic benefit as these assets provide long-term support to inform its work under the Resource Management Act 1991, Drainage Act, and Soil Conservation and Rivers Control Act.

13.2 Carbon credits

Purchased carbon credits are recognised at cost on acquisition.

Free carbon units received from the Crown are recognised at fair value on receipt. They are not amortised but are instead tested for impairment annually. They are de-recognised when they are used to satisfy carbon emission obligations.

13.3 Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

14. Depreciation and amortisation periods

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Table 1: Major depreciation and amortisation periods

Asset category	Years
Buildings	3 - 60
Site improvements	10 - 50
Hydrology equipment including weirs	5 - 100
Vehicles, plant & equipment	3 - 31
Computer software & licences	3 - 50
Infrastructure assets	5 - 100

Cranes are depreciated on a unit-of-production basis with estimated useful lives of 33,000 to 36,000 operating hours

No depreciation is provided for stop banks, berm edge protection, sea or river groynes, drainage works or unsealed roads. These assets are not considered to deteriorate over time and therefore will provide a constant level of service unless subjected to a significant adverse event.

15. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at each balance date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For revalued assets, an impairment loss is recognised in the prospective statement of comprehensive revenue and expense against the revaluation reserve. Any impairment in excess of the reserve is recognised in surplus or deficit. Subsequent reversals of impairment are recognised in surplus or deficit to the extent initially recognised in surplus or deficit with any further reversals recognised in the prospective statement of comprehensive revenue and expense.

For assets carried at cost, impairment and any reversals are recognised in surplus or deficit.

16. Investment property

Investment property is leasehold land, commercial land and buildings held to earn rental revenue and for capital appreciation. Such property is initially recognised at cost. At each balance date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in surplus or deficit for the period in which it arises.

17. Forestry assets

Forestry crops are measured at their fair value less estimated point-of-sale costs each balance date by independent, professionally qualified valuers. Fair value is determined by the present value of expected net cash flows discounted by the current market-determined pre-tax rate. A gain or loss in value is recorded in surplus or deficit for the period in which it arises.

18. Payables

Short-term creditors and other payables are recorded at their face value.

19. Borrowings

Borrowings are recognised initially at fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

20. ACC Leasehold Receivables Contract

In December 2013, the Regional Council entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows generated from the portfolio of Napier leasehold properties for a period of 50 years ending 30 June 2063 (after a free-holding initiative to lessees). A lump sum of $37.7 million was received for this to fund investment activity.

20.1 Base Loan

The base loan is the original receipt recognised at fair value, $37.7 million, and subsequently measured at amortised cost. Transaction costs were immaterial at recognition. The Regional Council has measured the liability as the remaining contractual cash flows over the full contractual term discounted at the effective interest rate of 6.88% less prepayments due to the freeholding of any units during the period. Freeholdings during the period are not considered a substantial modification as this prepayment mechanism is included in the contract.

20.2 Excess Payments

The ACC contract includes two embedded derivatives:

- payment to ACC of two-thirds of excess rental income received
- payment to ACC of two-thirds of the excess of any sale proceeds over the minimum future rental income for that unit.

The Regional Council has recognised the combined liability at fair value through surplus or deficit. In measuring fair value, the Regional Council has considered the following:

- Fair value is defined as *"the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction."*
- There is no active market or similar tradeable instrument for comparison.
- The excess cash flows are linked to rental and freeholding cash flows from the investment properties, which is driven from the property market.
- The investment property fair value factors in future property/rental growth, and the present value of those future cash flows.
- The Regional Council has assumed that the remaining leases will be sold within the term of the contract.
- It is not necessary to factor in the timing of the disposals as the investment property fair value at balance date factors in future land/rental growth.
- The investment property fair value assumes that all the units are sold in an arms-length transaction at the reporting date.

The Regional Council has determined that the fair value of the investment property can be used to calculate the fair value of the excess payments financial liability at reporting date. The fair value of the excess payments liability at reporting date has been assessed as two-thirds of the difference between the investment property fair value and the base loan liability.

21. Employee entitlements

21.1 Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave, time of in lieu and alternative leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

21.2 Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information
- the present value of the estimated future cash flows.

22. Provisions

Provisions are recognised when:

- the Regional Council has a present legal or constructive obligation as a result of past events
- it is more likely than not that an outflow of resources will be required to settle the obligation
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense and is included in 'Finance costs'.

Provisions are not recognised for future operating losses.

23. Equity

Equity is the community's interest in the Regional Council and is measured as the difference between total assets and total liabilities.

Equity is disaggregated and classified into the following components:

- accumulated funds
- fair value reserves
- cash flow hedge reserves
- other reserves.

23.1 Fair value reserves

This reserve relates to the revaluation of land, buildings, hydrological assets, infrastructure assets and financial assets measured at fair value through other comprehensive revenue and expense.

23.2 Cash flow hedge reserves

This reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedge instruments, related to hedged transactions that have not yet occurred.

23.3 Other reserves

Other reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Some of these other reserves are restricted by a Regional Council decision. Transfers to and from these reserves are at the discretion of the Regional Council.

24. Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

25. Basis of allocation of the Regional Council's indirect costs

Clearly identifiable costs are directly charged against each activity. Indirect costs are allocated to cost centres in the first instance under a variety of methods including:

- floor area occupied
- number of full-time equivalent employees
- assessed use of various services provided
- share of operating expenditure.

These costs are then charged to projects on a labour standard costing basis. The allocation unit is each working hour charged by employees at a pre-determined rate. Variances arising from this method will be allocated on the same basis as for costs of a fixed nature referred to above. Project costs are then summarised for each activity and group of activities.

26. Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Cyclone Gabrielle - it is acknowledged there is significant uncertainty regarding the extent of the impact of Cyclone Gabrielle on physical infrastructure assets. and impact the event will have on Hawke's Bay.

26.1 Fair value of assets

Various assumptions have been made in determining fair value of assets. These assumptions are set out under the individual assets notes.

26.2 Useful life of assets

The useful life of assets that are depreciated or amortised is based on best estimates and prior knowledge but may not reflect the actual true useful life of individual assets.

27. Implementation of new and amended standards

There are no new accounting standards published that need to be factored into these prospective financial statements.

28. Cautionary note

The prospective financial statements are prepared based on best estimates available at the time of preparing the accounts. Actual results are likely to vary from information presented and the variations may be material.

The purpose of the long-term plan is to consult the community on the spending priorities outlined within it and may not be appropriate for any other purpose.

Significance and Engagement Policy

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

Significance and Engagement Policy

Purpose and scope

Hawke's Bay Regional Council has developed this Policy to:

1. enable the Regional Council and our communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities
2. provide clarity about how and when communities can expect to be engaged in decisions made by the Regional Council
3. inform the Regional Council from the beginning of a decision-making process about the extent, form and type of engagement required.

The Local Government Act 2002 (the Act) has consultation principles to guide the Council when making decisions. With this in mind, the Regional Council commits to:

- identify and assess options
- place a value on benefits and costs
- consider an appropriate level of detail
- show evidence of how we comply with this Significance and Engagement Policy
- provide processes to encourage and engage with Māori.

Process

On every issue requiring a decision, the Regional Council will consider the degree of significance and the most appropriate level of engagement.

The Regional Council will refer to the criteria for significance when assessing matters, issues or proposals that require a Regional Council decision. Advice on significance and options will come from Regional Council staff or other professionals. The Regional Council will consider and make decisions, taking into account the degree of significance of the issue and referring to the engagement spectrum to identify the appropriate level and type of engagement.

Advice from Regional Council staff normally comes through the Regional Council-approved report format. This format specifically alerts elected members to significant impacts and engagement considerations.

Our general approach to significance

Significance means the degree of importance of the issue, proposal, decision, or matter – determined by the local authority – relating to its likely impact on and likely consequences for:

- the district or region
- any persons who are likely to be particularly affected by or interested in the issue, proposal, decision or matter
- the achievement of, or means to achieve, the Regional Council's stated levels of service as set out in the current Long Term Plan
- the capacity of the Regional Council to perform its role and carry out its activities, now and in the future
- the financial, resource and other costs of the decision, or that these are already included in an approved Long Term Plan.

The Regional Council will exercise its judgement when assessing the degree of significance for each decision to be made by the Regional Council.

Significant means that the issue, proposal, decision or other matter is judged by the Regional Council to have a high degree of importance. This is typically when the impact is on the regional community, or a large portion of the community or where the financial consequences of a decision are substantial.

If the issue, proposal, decision or related matters concerned involve a significant decision in relation to land or a body of water, the Regional Council will take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga. The Regional Council will also take into account the values of the whole community.

When making decisions, the Regional Council will:

- identify and assess as many options as are practical
- evaluate the costs and benefits resulting from the decision/s to be made
- provide detailed information, which will be accessible to the public
- maintain clear and complete records showing how compliance with this Significance and Engagement Policy was achieved.

As part of the engagement process for the adoption of this Policy, and subsequent reviews, the Regional Council will ask people in the region their engagement preferences and will review those preferences each three-year term via a regional Resident's Survey (results can be viewed hbrc.govt.nz, search: #hbrcsurvey).

The Regional Council will also take into account views already expressed in the community and make judgements on the level of support for those views, when determining the significance of a decision.

Criteria for significance

When looking at the significance of a matter, issue, decision or proposal, elected members will assess:

1. the likely level of community interest
2. the likely impact or consequences for affected individuals and groups in the region
3. how much a decision or action impacts on the rights and interests of tāngata whenua under the Treaty of Waitangi
4. how much a decision or action promotes community outcomes or other Regional Council priorities
5. the impact on levels of service identified in the current Long Term Plan
6. the likely impact of climate change factors in the region
7. the impact on rates or debt levels
8. the cost and financial implications of the decision to ratepayers
9. the involvement of a strategic asset.

Strategic assets

Strategic assets are owned by the Regional Council and defined as 'an asset or group of assets that the local authority needs to retain to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future wellbeing of the community.' This does not include strategic natural resources managed by the Regional Council. Regionally significant natural resources are served by the Resource Management Act and Regional Resource Management Plan.

Hawke's Bay Regional Council considers the following to be strategic assets:

- Napier Port Holdings Limited (NPHL)
- Future Investment Fund (inflation adjusted capital base retention of net proceeds from partial sell-down of 45% ownership of Napier Port following Initial Public Offering)
- Hawke's Bay Regional Investment Company Limited
- Heretaunga Plains Flood Control Scheme
- Upper Tukituki Catchment Control Scheme
- Tūtira Regional Park (excluding commercial forestry)
- Pekapeka Regional Park
- Pākōwhai Regional Park
- Waitangi Regional Park

The Regional Council owns a number of assets that, managed as a whole, we consider to be strategic. However not all trading decisions made regarding these assets are regarded as significant nor do they affect the asset's strategic nature, such as the Heretaunga Plains Flood Control Scheme is strategic, but small parcels of land that make it up may not be, and the purchase or sale of such parcels of land may not amount to a significant decision.

Our general approach to engagement

Engagement is a term used to describe the process of seeking information from the community to inform and assist decision-making. There is a spectrum of community involvement, and the Regional Council follows these general principles:

- We conduct our business in an open, transparent, democratically accountable manner.
- We stay aware of, and have regard to, the views of all of our communities.
- When making a decision, we consider: the diversity of the community and the community's interests in its district or region; the interests of future as well as current communities; and the likely impact of any decision on these interests.
- We recognise the constitutional status of Māori under the Treaty of Waitangi (Te Tiriti o Waitangi) and provide opportunities for Māori to contribute to our decision-making processes, guided by the Māori Partnerships Team's advice and methodology.

The Regional Council seeks authentic engagement with our community. We acknowledge that 'community' may be 'communities of place' or 'communities of issue' and will use appropriate tools and techniques to make meaningful and timely connections that result in feedback. Formal consultation is one of many approaches that can be used.

Guidance on obligations and timing to respond to public correspondence is addressed in the Local Government Official Information and Meetings Act 1987 (LGOIMA or OIA), which sets a maximum of 20 working days.

The Regional Council will prepare a communications or engagement plan for each major decision or group of inter-related decisions. Decisions are not usually delegated to those involved in the engagement processes, however they are likely to be informed by community and stakeholder engagement.

A communications or engagement plan will outline:

- engagement objectives – the feedback that is sought from communities
- timeframe and completion date
- communities to be engaged with
- engagement tools and techniques to be used
- resources needed to complete the engagement
- communication planning needed
- basis of assessment and feedback to the communities involved
- project team roles and responsibilities.

Engagement is not solely about providing information, is not always about reaching an agreement or consensus and is not always about negotiation. Engagement is not appropriate when outweighed by commercial sensitivity or when there is a threat to public health and safety.

Engagement spectrum

Community engagement is a process. It involves all or some of the public and is focused on decision-making or problem-solving. The Regional Council considers the significance of a decision to be made and uses an engagement spectrum to assess the approach we might take to engage the community.

In some circumstances the Regional Council is required to use the special consultative procedure, set out in section 83 of the Local Government Act 2002 and described in a separate section below.

The spectrum ranges from 'inform' to 'empower'. The level of engagement will be 'inform' as a minimum standard. Decisions of high significance will be at the very least informed to wider communities and will use engagement tools and techniques beyond inform for affected communities.

While community and stakeholder engagement improve decision-making, it is not the sole input into a decision. There are a wide range of information sources and perspectives that will inform a Regional Council decision. All the input gathered is harnessed and collated to help make a 'sustainable' decision such as, unlikely to require re-visiting because it is well-informed and well-considered). Decisions made by the Regional Council may differ from the prevailing public opinion.

The level of engagement will be agreed on a case-by-case basis. The significance of the decision will guide the selection of appropriate engagement tools and techniques to be used. A low level of engagement does not mean that engagement is diminished, inappropriate or necessarily that a decision is of lesser significance. Time and money may limit what is possible on some occasions.

Engagement spectrum[1] – our approach

Levels of Engagement[2]	1. Inform Whakamōhio	2. Consult Whakauiuia	3. Involve Whakauru	4. Collaborate Mahi Ngātahi	5. Empower Whakamanahia
What it involves	*One-way communication* - to provide public with balanced, objective information to assist them in understanding problems, alternatives, opportunities and/ or solutions	*Two-way communication* - to obtain public feedback on analysis, alternatives and/ or decisions	*A participatory process* - to work with public through the process to ensure that public concerns and aspirations are consistently understood and considered	*Working together* - to partner with Treaty partners and public in each aspect of the decision including the development of alternatives and identifying the preferred solution	*Public empowerment* - to place final decision-making in public hands
Types of issues that we might use this for	- Report adoption - Algal bloom - Pest control - Access issue	- Annual Plan - Long Term Plan - Regional Land Transport Plan	- Clifton to Tangoio Coastal Hazards Strategy	- Te Mana o Te Wai	- Election voting systems (STV or first past the post)
Tools Regional Council might use	- Website - Media release - Brochure/flyer - Public notice/s	- Formal submissions. hearings - Social media, email, video - Focus groups, phone surveys, surveys	- Workshops - Focus groups - Citizens' panel	- External working groups (involving community experts)	- Binding referendum - Local body elections
When the community can expect to be involved	The Regional Council will generally advise the community when a decision is made	The Regional Council will advise the community of a proposal and generally provides the community with up to four (4) weeks to participate and respond	The Regional Council will generally provide the community with a greater lead-in time to allow the time to be involved in the process	The Regional Council will generally involve the community at the start to scope the issue, again after information has been collected and again when options are being considered	The community will vote at a well-publicised date

The Regional Council engages with communities in many ways, from face-to-face to meetings, forums and surveys. Preferences for community engagement are periodically evaluated through regional surveys[3].

[1] Using the International Association of Public Participation (IAP2) Spectrum of Engagement

[2] Level of engagement also determined with reference to the Māori Partnerships Team's guidance and methodology on engagement

[3] hbrc.govt.nz, search: #hbrcsurvey

Special consultative procedure

In some cases, and as required under the Local Government Act 2002, the Regional Council will use the special consultative procedure to issue a proposal. When that happens, the proposal will be open to the community to provide their views for at least a month. The process we will follow is to:

- Prepare and adopt a statement of proposal, and in some cases a summary of the statement of proposal which is:
  - a fair representation of the statement of proposal
  - in a form determined by the Regional Council, such published online and/or in the newspaper so long as it is distributed as widely as reasonably practical
  - indicates where it is available
  - states how long it is open for public submission.
- Make publicly available (at Regional Council offices, through interest group distribution lists, at public libraries, on the Regional Council's website):
  - the statement of proposal
  - a description of how people can present their views
  - a statement of the period the proposal is open for comments.
- Make the summary of proposal widely available.
- Allow people to present their views to the Regional Council ensuring that they have a reasonable opportunity to do so and know how and when this opportunity will be available to them.
- Allow people to present their views by audio link or audio-visual link, or as agreed.

The Regional Council may also request advice or comment from a Regional Council officer or any other person.

Where the Regional Council is required to use the special consultative procedure as part of making or amending bylaws, the statement of proposal must include:

- a draft of the proposed bylaw, or the proposed amendment of the bylaw
- the reasons for the proposal
- a report on any determinations made under the Act on whether a bylaw is appropriate.

Where the Regional Council is required to, or chooses to use the special consultative procedure, the statement of proposal is a draft of any plan, policy or similar document or in any other case a detailed statement of the proposal which must include:

- the reasons for the proposal
- an analysis of options
- any other relevant information.

Review of policy

This Policy will be reviewed at least once every five years, when it will involve community engagement. It may also be amended from time to time. This Policy was last amended and adopted on 30 June 2021.

Treasury,
Liability Management,
and Investments Policies

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

Treasury, Liability Management, and Investment Policies

Purpose

The purpose of the Treasury, Liability Management and Investment Policies (the Policies) is to outline Hawke's Bay Regional Council's (Regional Council) principles for treasury activity. Where aspects of the Policies refer to the Regional Council and consolidated Group it will be referenced as the Council Group. The formalisation of such policies and procedures will enable treasury risks within the Regional Council and the Council Group to be prudently managed.

Scope and Objectives

Scope

This document identifies the policies of the Regional Council in respect of treasury, liability management and investment activities as required under Sections 102, 104 and 105 of the Local Government Act (2002) (LGA).

Statutory Objectives

These Policies are established in accordance with the following relevant legislation and includes the Regional Council's **Investment Policy** as well as the **Liability Management Policy** as required under:

- Local Government Act 2002, sections 101, 102, 104, and 105.
- In accordance with the LGA, and by resolution, the Regional Council may borrow on such terms and conditions that it considers appropriate. The Regional Council uses short-term and long-term funding to achieve an effective borrowing mix and to balance the requirements of liquidity and funding risk management.
- Trusts Act 2019 - when acting as a trustee or investing money on behalf of others, the Trusts Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trusts Act 2019 Part 4 *Investment Powers*.
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Part 2 governing *Financial Prudence*.
- The definitions of Strategic and Non-Strategic assets are outlined in the Regional Council's Significance and Engagement Policy.

Treasury Policy

Responsibilities

The Regional Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect, the Regional Council decides the level and nature of risks that are acceptable. The Regional Council is responsible for approving the Treasury Policy and any changes required from time to time.

In this respect, the Regional Council has responsibility for:

- Approving the long-term financial position, including debt limits and forecasts, of the Regional Council through the Long-Term Plan and Annual Plan.
- Approving the Treasury Policy, incorporating the following delegated authorities:
    - borrowing, investing and dealing limits and the respective delegated authority levels
    - counterparties and credit limits
    - risk management methodologies and benchmarks
    - guidelines for the use of financial instruments.
- Reviewing and approving the Treasury Policy at least every three years in conjunction with the Long Term Plan.

The Regional Council will also ensure that:

- It receives appropriate information from Hawke's Bay Regional Investment Company (HBRIC) (in respect of Investment Assets) and the Regional Council Executive (in respect of Debt Management) on risk exposure and financial instrument usage in a form that is understood.
- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the Treasury Function are resolved immediately.
- Approval is gained for any transactions falling outside Policy guidelines.
- It monitors performance measurement criteria for treasury activity.

- The information presented to the Regional Council is timely, accurate and identifies the relevant issues and is represented in a clear and succinct report It discusses treasury matters on a six-monthly basis (and informally as required).

The Regional Council may delegate all or any of the treasury responsibilities to a Regional Council subsidiary, Regional Council specified committee, or the Chief Executive.

Treasury Objectives

The objective of this Policy is to control and manage borrowing costs and investment returns that can influence operational budgets, public equity and the setting of debt levels. Specific objectives are to:

- Manage investment framework to optimise returns in the long term whilst balance risk and return considerations.
- Obtain an acceptable ongoing annual cash return from the investment portfolio as a whole.
- Ensure sufficient cash is available (liquidity) as needed to assist with the funding of the Regional Council's ongoing operations and to meet known and reasonably unforeseen funding requirements.
- Protect and maintain long-term gains in capital value of its investments for the benefit of future as well as current generations of ratepayers.
- Ensure externally managed investment funds protect the real capital value, and amounts available for distribution, between present and future ratepayer generations. Real capital value is the value that has been adjusted for the effect of inflation.
- Hold certain investments for strategic and non-strategic benefits as well as for the financial benefits to the region.
- Approve new and refinanced lending activity with Council Controlled Organisation (CCO)/Council Controlled Trading Organisation (CCTO)'s minimise liquidity risks and exposure to credit risk by investing and dealing with credit worthy counterparties.
- Develop and maintain relationships with financial institutions, credit agencies (if and when appropriate), the Local Government Funding Agency (LGFA), investment managers, investors and investment counterparties.
- Efficiently manage the Regional Council's overall costs and risks in the management of its borrowings.
- Invest and borrow funds and transact risk management instruments within an environment of control and compliance under the Policy to protect the Regional Council's costs, returns and assets.
- Arrange and structure appropriate borrowing for the Regional Council at the lowest achievable credit margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this Policy.
- Monitor and report on financing/borrowing covenants and limits under the obligations of the Regional Council's lending/security arrangements.
- Monitor, evaluate and report on Treasury performance.
- Ensure that all statutory requirements of a financial nature are adhered to.
- Ensure adequate internal controls exist to protect the Regional Council's financial assets and to prevent unauthorised transactions.

Investment Policy

The Regional Council Investment Policy has been prepared in accord with section 105 of the Local Government Act 2002. The purpose of this Investment Policy is to outline the Council Group's approach to managing its investment assets.

The LGA requires the Policy must include the Regional Council Policy on:

- the mix of investments.
- acquisition of new investments.
- outline the procedures by which Investments are managed and reported to Council.
- outline how risks associated with investments are assessed and managed.

The Investment Policy reflects the principles agreed upon with Councillors as part of the 2024-2027 Long Term Plan process and Statement of Expectations between the Regional Council and HBRIC. It builds on this work by providing detail regarding the operational elements required to implement the Investment Strategy.

Investment Objectives

The Regional Council has three principal investment objectives. These are outlined as follows:

- to optimise long term cash returns from the Investment portfolio

- to increase asset values within the investment portfolio, growing regional resilience
- to equitably benefit from the investment portfolio for both current and future generations.

The Regional Council has tasked HBRIC with the role of supporting these Investment Objectives through its management of the Group Investment Assets. HBRIC may change the mix of assets over time to best achieve the overall objectives of the Group and to meet the Groups overall liquidity needs.

Where such an opportunity involves the potential to transacting in a Strategic Asset, the Regional Council's Significance and Engagement Policy will apply, including any provisions with the LGA.

The Regional Council is accountable to its stakeholders to take care of the environment, meet community needs and deliver acceptable financial results. In assessing potential investment opportunities, the Group considers these high-level objectives alongside well-being outcomes and governance considerations. This includes the Group's role as a Socially Responsible Investor.

Socially Responsible Investment

The Council Group intends to behave as a socially responsible investor. The Group's position on Social Responsibility is contained within the Statement of Investment Policy and Objectives (SIPO) and is available on the Regional Council website.

The current SIPO includes:

> *"The Group recognises that Council has obligations to its community, including the delivery of social, environmental, cultural, and economic well beings. The values of the Council are similarly reflected by the Group.*
>
> *The Group expects its investment portfolio to demonstrate Corporate and Social Responsibility not only in the way it is managed, but also in the way that it determines its investments. This includes ensuring any Managers apply industry standard methods and principles in the way they operate and in how underlying investments are selected.*
>
> *Investments are to be thoroughly researched and screened where practical to ensure that they meet our responsible investment criteria, including consideration for mitigating and adapting to the impacts of climate change, without material negative impact on overall investment objectives. The following initiatives are to be adopted by any appointed Investment Manager.*
>
> - *Incorporate Environment, Social and Governance (ESG) considerations into investment processes to enhance understanding of the potential risk and reward of investments in the portfolio. Corporate engagement and voting encouraged where practical.*
> - *Using data from a globally recognised ESG research agency, avoid investing in entities that exceed the ethical exclusion criteria by prohibited activities and thresholds, as these activities are inconsistent with our values.*
> - *The Groups management and standards on Social Responsibility will be reviewed as part of the overall SIPO review and updated as necessary to reflect changes in best practices, and to ensure continued alignment with our values and mission.*
>
> *The Group excludes investment in any entity that is actively in opposition to the objectives of Council in the Hawke's Bay."*

The SIPO includes a list of investment exclusions in Appendix 1. This document can be found on the Regional Council's website.

Mix of Investments

Both the Regional Council and HBRIC own portions of the Council Group's investment assets.

Hawkes Bay Regional Investment Company Limited (HBRIC) is a council-controlled organisation and is a wholly owned (100%) subsidiary of the Regional Council. It was established in 2012 to manage and own various Council Group assets, including the holding in Napier Port. The Regional Council shareholding in HBRIC is a Strategic Asset. Today, HBRIC is the Manager of the Group's investment assets.

Table 1 details the investment assets covered by the Investment Policy and whom they are owned by. It also indicates whether the investment holding is strategic or not as defined by Section 5 of the LGA.

Collectively, the mix of Investment Assets are known as the Investment Portfolio. It is anticipated that HBRIC, through its investment management of the Regional Council's Investment Assets will change the mix of Investment Assets to help the Regional Council better achieve its long-term Investment Objectives. This may include the addition of new investments.

Councils may sell strategic assets (subject to the Significant and Engagement Policy), retaining the proceeds for a strategic purpose, and creating reserves.

A Strategic Asset is defined by Section 5 of the LGA. Under Local Government rules, Strategic assets are defined as:

"An asset or group of assets that the local authority needs to retain to maintain its capacity to promote any outcome it considers important to the current or future wellbeing of the community."

Any proposed transfer or sale of such assets requires the Regional Council approval, and community consultation through the Special Consultative procedure set out in Section 93 of the LGA.

Table 1: Investment assets covered by the Investment Policy

Investment asset	Owner	Current manager	Strategic/ non-strategic
Napier Port Holdings Ltd	HBRIC	HBRIC	Strategic
Foodeast-Haumako Ltd Partnership	HBRIC	HBRIC	Non-Strategic
Future Investment Fund (Managed Funds)	HBRIC & Regional Council	HBRIC	Strategic
Long Term Investment Fund (Managed Funds)	Regional Council	HBRIC	Non-Strategic
Forestry Investments	Regional Council	HBRIC	Non-Strategic
Property Assets Investments	Regional Council	HBRIC	Non-Strategic

A description of our Current Investment Assets are as follows:

Napier Port Holdings Limited: the Regional Council beneficially owns 55% of the shares in Napier Port Holdings Limited (NPHL) through HBRIC. NPHL is considered a strategic asset. The Regional Council's strategic objective is to continue to beneficially hold majority of the shares of NPHL as a key means of assisting economic development of the region. The investment is expected to be a significant source of non-rate revenue and has long-term prospects for growth and development.

As controlling shareholder, the Regional Council approves the appointment of the directors of NPHL recommended by HBRIC Ltd.

Foodeast-Haumako Ltd Partnership: the Regional Council owns 66.7% of the shares in Foodeast-Haumako Limited through HBRIC. Foodeast-Haumako is considered a non-strategic asset. It is a Food Innovation Hub that began as a concept to unlock potential growth in the Hawke's Bay economy through collaboration and technology in the food, beverage, and agri-tech space by facilitating and assisting our food producers, innovators and manufacturers to expand and develop their offerings to bring new products to the domestic and international markets.

Managed Funds: both the Regional Council and HBRIC hold investments in Managed Funds. These investments are governed by HBRIC under a single Group SIPO, approved by the Regional Council. HBRIC may utilise external manager to support the investment of managed funds.

There are two funds that collectively form the Regional Council's managed fund investments:

Future Investment Fund is held by the Regional Council and HBRIC. It was formed using proceeds raised from the Napier Port IPO. The value of these proceeds is Strategic Assets.

Long Term Investment Fund is held by the Regional Council. The liquid nature of any investment of this fund is determined by the timing and intended use for any ratepayer reserves this needs to back. These investments are classified as a non-strategic asset.

Forestry Investments: the Council Group holds a number of smaller forestry blocks in the region, both full forest, and trees only. The purpose of Forestry Investment holdings includes a mix of commercial harvest and environmental objectives. The Group may hold carbon credits associate with its forestry holdings.

Property Assets Investments: the Council Group owns various residential and commercial leasehold properties in Wellington and Napier. The Council Group also holds freehold interests in Commercial Property. Material property holdings include:

Napier Leasehold Property: the Regional Council owns leasehold endowment property within and around Napier City, inherited in 1989 as part of the reformation of Local Government, and are subject to certain legal restrictions. In 2013, the Regional Council sold the annual rentals due from this portfolio over the next 50 years (i.e. until July 2063) to ACC for a lump sum of $37.8 million. The underlying properties continue to be owned by the Regional Council and sales to lessors have continued in the same way as they have done in the past.

Wellington Leasehold Property: the Regional Council holds a portfolio of leasehold properties in Wellington.

The Council Group will also at various times hold treasury investments including cash and term deposits, both as part of the Managed Funds portfolio, general investments, and for operating purposes. The Regional Council retains control of its own treasury investments and daily operating cash flows.

Financial delegations for the transactional activities on an existing Investment of the Regional Council will be updated from time to time by the Regional Council as part of its financial delegations.

New Investments

The Council Group anticipates that the nature and mix of investment assets required to support the Regional Council's long-term objectives will change over time. The Regional Council has also asked HBRIC to look to grow the asset base of the Council Group, including the Council Group's long-term resilience.

New investment opportunities, or unsolicited offers for existing investment assets are expected to be evaluated by the Board of HBRIC in its capacity as professional Investment Manager.

HBRIC Board has the authority to undertake new investments for HBRIC within the principles of the Letter of Expectation and Statement of Intent. In fulfilling its mandate, HBRIC may borrow. This aligns with its wider objectives related to increasing the size of its in-region investments. When borrowing, there will be a range of parameters and debt limits which HBRIC must comply with. These will be outlined in HBRIC's Treasury Policy. This will ensure the level of leverage is appropriate and doesn't put the Regional Council or strategic Council Group assets at risk.

Management and Reporting on Investments

In 2023, the Regional Council endorsed an improved oversight and governance model for the Regional Council and HBRIC investments, such that from 1 July 2024 HBRIC would manage and oversee all the Council Group's investments on the Regional Council's behalf. This centralisation and oversight will ensure improved co-ordination and return expectations across all investments to the benefit of our rate payers.

The parameters of the HBRIC role are defined annually in both the Regional Council's Letter of Expectation to HBRIC and the HBRIC Statement of Intent back to the Regional Council. These documents include the roles and responsibilities that the Regional Council and HBRIC have in the management of Investment Assets. These documents are available on the Regional Council website.

HBRIC will report to the Regional Council quarterly on the performance of the Investment Assets against the objectives of the Regional Council.

Risk Management

The Regional Council acknowledges that there are risks associated with investment and seeks to protect the value of its investments, and associated returns, through applying the 'prudent person' principles and the use of experts. The Council Group is a long-term intergeneration investor by nature, and therefore holds long term assets and the associated volatility that the assets may bring.

Risk management associated with Managed Funds are managed through the SIPO. Risk management on other investment assets are managed by HBRIC as an Investment Manager for the Council Group assets, through the use of internal and external expertise and at times may change the mix of assets too.

Return Targets

In forecasting the 2024-2027 Long Term Plan (LTP), inflation is assumed and applied at 2.5% per annum over the life of the LTP. Asset growth equivalent to inflation, ensuring the value of asset is maintained over time.

The retention of any asset growth over and above the inflation target is used to build resilience for the Council Group benefit.

HBRIC has been tasked with managing the Investment Assets as a portfolio. The cash return targets take into account where the performance of the investment asset is today, and the growth that HBRIC anticipate can be achieved annually. The returns targeted in LTP are lower than forecast in the prior LTP as the impact of events like Cyclone Gabrielle are felt in assets such as the Napier Port.

The cash returns targeted to be delivered to the Regional Council over the first three years of the LTP are:

Cash return targets	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27
Cash return	$12.5M	$13.0M	$13.5M

Both the Regional Council and HBRIC have the opportunity to review the cash return targets as part of the annual Letter of Expectation and Statement of Intent.

Other Investment Assets

Treasury investments

The Regional Council maintains treasury investments for:

- Investing money allocated to accumulated surpluses, council-created special, and restricted reserves, and general reserves.
- Investing funds allocated for approved future expenditure in strategic initiatives or support inter-generational allocations.
- Investing funds arising from pre-funding upcoming maturing and new debt amounts.
- Investing surplus cash, to be used for operational and capital expenditure requirements.
- Investing proceeds from asset sales.

Treasury investments, that are not externally managed, will be managed within the Regional Council by the Chief Financial Officer (CFO) and will be prudently invested as follows:

- Investments which have the intention of supporting liquidity should be matched to meet future cash flow and capital expenditure projections.
- Interest income from financial investments is credited to general funds, except for income from investments for special funds, reserve funds and other funds where interest income may be credited to the particular fund.
- The CFO executes the Regional Council's Investment Policy within approved policy limits by regularly reviewing cash flow and debt forecasts (incorporating plans for approved expenditure and strategic initiatives).
- The Regional Council adopts a conservative risk position for these funds and only accepts investments that have a minimum risk of loss, accepting that a low-risk portfolio may result in lower returns.
- Treasury investments will have a maturity term of 12 months or less. The only exception relates to term deposits that are linked to an upcoming pre-funded debt maturity.
- Treasury investments must be compliant with the approved financial instruments and counterparty credit sections of this Policy.

Term deposits

The Regional Council may hold both treasury investment and reserve funds on term deposit with approved banking institutions for a term of 12 months or less. Funds may be deposited through a broker/investment manager arrangement only where the counterparty risk is with an approved banking institution.

Counterparty risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Regional Council is a party. The credit risk to the Regional Council in a default event will be weighted differently depending on the type of instrument entered into. External borrowing, treasury investment and interest/foreign exchange risk management related transactions would only be entered into with organisations specifically approved by the Regional Council. Risks within the external Investment Fund are managed within the SIPO.

Counterparties and limits can only be approved based on long-term credit ratings (Standard & Poor's or Moody's or Fitch). For liquidity and borrowing purposes all banks must be registered with the Reserve Bank of NZ and have a minimum long-term credit rating of A. Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

Treasury investments are only made in alignment with the following parameters:

- Investments (such as bank deposits) – Transaction Notional ´ Weighting 100%.
- Interest Rate Risk Management (such as swaps, FRAs) – Transaction Notional ´ Maturity (years) ´ 3%.
- Foreign Exchange Risk Management (such as FECs) – Transaction Notional ´ the square root of the Maturity (years) ´ 15%.

Table 2: Counterparty Limits

Issuer / counterparty	Instrument	Minimum short term credit rating	Minimum long term credit rating	Maximum exposure per counterparty (% of rates revenue[1])
New Zealand Government	Treasury bills, NZ government bonds, debt issued by entities explicitly guaranteed by the NZ Government	n/a	n/a	unlimited
RBNZ registered banks*	Cash, call and term deposits, bank bills, bonds	A-1	A	$25 million
	Interest rate and foreign exchange instruments	A-1	A	$15 million
LGFA	Borrower notes, commercial paper, bonds	A-1	AA-	Unlimited

Individual counterparty limits are kept on a register and updated on a day-to-day basis with specific approvals made by the General Manager Corporate Services (GMCS).

Credit ratings should be reviewed by the accountant(s) on an ongoing basis and in the event of material credit downgrades; should be immediately reported to the GMCS and assessed against exposure limits. Counterparties exceeding limits should be reported to the Regional Council.

Liability Management Policy

The Regional Council Liability Management Policy has been prepared in accord with section 104 of the Local Government Act 2002.

The LGA requires this Policy must include the Regional Council policy on:

- Interest Rate Exposure
- Liquidity
- Credit Exposure
- Debt Repayment.

Under section 113 of the LGA, the Regional Council can only enter into arrangements for borrowing under New Zealand Dollars.

Liability Management Objectives

The Regional Council has large infrastructure assets with long economic lives yielding long-term benefits for the community. The use of debt as a funding option is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future community members in relation to such assets. In addition, debt may allow scheme or other projects to progress at an earlier stage than might otherwise be possible as it reduces the cash flow burden on beneficiaries and therefore increases affordability.

The Regional Council may borrow for any of the following primary purposes:

- Funds for the acquisition of any assets expected to have a useful economic life of more than two years.
- Funds for specific one-off projects and capital expenditures.
- The acquisition of low-risk investments.
- Short-term debt to manage timing differences between cash inflows and outflows and to maintain the Regional Council's liquidity position and, if necessary, to fund emergency expenditure.
- The pre-funding of upcoming debt maturities or capital expenditure requirements.
- Fund the balance sheet as a whole, including working capital requirements.
- Raise specific debt for on-lending to CCO/CCTOs.

In approving new borrowing, the Regional Council will apply the following principles:

- Borrowings will be repaid over the economic life of the assets being funded, or such shorter period as determined, at its discretion.
- Interest costs and principal repayments will be funded by the beneficiaries of the borrowings.
- The extent of borrowings will be determined by the beneficiaries' ability and willingness to pay, as determined by consultation.

The Regional Council considers the impact on borrowing limits, and its consistency with the Annual Plan and Long Term Plan.

[1] Rates revenue is defined as general rates, targeted rates and uniform annual general charges. It also includes late payment penalties when rates become overdue but excludes rate remissions where they satisfy the Regional Council's Rates Remission Policy. Rates revenue was $30 million in the 2023 Annual Report.

In evaluating the strategy for new borrowing (in relation to source, term, size and pricing), the Regional Council considers:

- Available terms from banks, domestic capital markets and LGFA.
- The overall debt maturity profile to ensure concentration of debt is avoided at re-issue/rollover time.
- Prevailing interest rates and credit margins relative to domestic capital markets, LGFA and bank borrowing.
- Liquidity, funding and interest rate risk-management parameters as detailed in this Policy.
- Legal documents and financial covenants, together with any credit rating considerations.
- The market and the Regional Council's outlook on future credit margin and interest rate movements.

NZ LGFA Limited: the Regional Council is a guaranteeing borrower member of the LGFA borrowing from the LGFA and entering into the transactions relating to that borrowing.

In connection with LGFA borrowings, the Regional Council may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution or borrower's note to the LGFA.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA, if required.
- Secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Regional Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

Debt repayment

The Regional Council will repay borrowings from rates, surplus operating funds, proceeds from the sale of assets or investments, re-financing with new debt or from general and specific reserve funds.

Guarantees/contingent liabilities and other financial arrangements

The Regional Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, trusts, or business units, when the purposes of the loan are in line with the Regional Council's strategic objectives.

The Regional Council is not allowed to guarantee loans to council-controlled trading organisations (CCTOs) under section 62 of the LGA.

On-lending to council-controlled organisations (CCO and CCTO)

To better achieve its strategic and commercial objectives, the Regional Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs. Indirect debt funding relates to the CCO/CCTO becoming a member of the LGFA.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

The Regional Council does not lend money, or provide any other financial accommodation, to a CCTO on terms and conditions that are more favourable to the CCTO than those that would apply if the Regional Council were borrowing the money or obtaining the financial accommodation without providing rates as security.

Any direct or indirect debt funding arrangement to a CCO or CCTO must be approved by the Regional Council. In recommending an arrangement for approval the GMCS considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on the Regional Council's credit standing, lending covenants with the LGFA and other lenders and the Regional Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as CCO or CCTO credit profile, external Regional Council borrowing rates, borrower note and liquidity buffer requirements, term etc.

- Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All on-lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed and approved by the Regional Council's independent legal counsel.

Loan advances

The Regional Council may provide advances to charitable trusts and community organisations that are consistent with the Regional Council's objectives. Advances do not need to be on a fully commercial basis. The Regional Council does not provide guarantees.

The Regional Council will assess the risk and consider the following criteria:

- Consistency with the Regional Council's objectives.
- Credit risk profile of the borrowing entity and the ability to repay interest and principal amounts outstanding.
- Wherever practical, advances will be secured.
- The impact on the Regional Council's credit profile and the current and future borrowing capacity with the LGFA.

All loan arrangements must be executed under legal documentation reviewed and approved by the Regional Council's independent legal counsel.

No individual advance will be greater than $500,000 and the aggregate of all advances to be no greater than $2,000,000. Any new loan advances beyond $2,000,000 in aggregate are approved by the Regional Council. The term will not exceed three years.

Interest income is included as general revenue. Outstanding advances will be reported to the Regional Council and compliance reviewed at least annually.

Specific borrowing limits

The following table summarises the specific borrowing limits that the Regional Council adheres to, in conjunction with the LGFA's lending covenants. Should the Regional Council obtain a credit rating LGFA metrics outlined below may be increased.

Table 3: HBRC specific borrowing limits

	HBRC	LGFA Without Credit Rating	LGFA With Credit Rating
Net external debt as a percentage of total revenue	<250%	<175%	<280%
Net interest on external debt as a percentage of annual rates income	<30%	<25%	<30%
Net interest on external debt as a percentage of total revenue	<20%	<20%	<20%
Liquidity buffer amount comprising liquid assets and available committed debt facility amounts relative to existing total external debt	>10%	N/A	
Liquidity ratio comprising external debt plus available committed loan facilities plus liquid investments to existing total external debt	N/A	>110%	>110%

The first three borrowing limits are used by the Regional Council as the quantified limits on borrowing for the debt affordability benchmarks.

- Revenue is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue.
- Revenue excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net debt is defined as total external debt less liquid financial assets and investments.
- Liquid funds are cash and cash equivalents defined as being:
  - overnight bank cash deposits
  - wholesale/retail bank term deposits no greater than 30 days
  - bank issued registered deposits no greater than 181 days
  - allowable bonds as per approved investment instruments
  - term deposits linked to debt pre-funding activity are excluded from the liquidity ratio.

Debt will be repaid as it falls due in accordance with the applicable agreement. Subject to the debt limits, a loan may be rolled over or renegotiated as and when appropriate.

Borrowing limits are measured on the Regional Council only, not a consolidated group basis.

Liquidity and funding limits

Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. The Regional Council will maintain liquidity by:

- Matching average expenditure closely to revenue streams and managing cash flow timing differences to its favour.
- Avoiding concentrations of debt maturity dates.
- Maintaining a liquidity buffer amount of greater than 10% that comprises liquid assets and available committed debt facility amounts relative to existing total external debt.
- Having the ability to pre-fund up to 18-months of forecast debt requirements including new and re-financed debt. Debt refinancings that have been pre-funded, will remain included within the funding maturity profile until their maturity date.

Funding risk management centres on the ability to refinance or raise new debt at a future time at acceptable pricing (fees and borrowing margins) and maturity terms.

The debt maturity profile of the total committed funding in respect to all external debt and committed debt facilities is to be controlled by the following risk control limits.

Table 4: Risk control limits

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

A funding maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, a maturity profile outside these limits for greater than 90 days will require specific Council approval.

The LGFA require that no more than the greater of NZD 100 million or 33% of the Regional Council's borrowings from the LGFA mature within an immediate 12-month period.

Security

The Regional Council's external borrowings and interest rate risk-management instruments are secured by way of a charge over rates and rates revenue offered through the Debenture Trust Deed. Under the Debenture Trust Deed, the Regional Council's borrowing is secured by a floating charge over all Regional Council rates levied under the Local Government (Rating) Act 2002. The security offered by the Regional Council ranks equally or pari passu with all lenders to the Regional Council.

Other borrowing structures are possible, but the Regional Council does not normally offer assets, other than rates, as security. Under special circumstances, and if considered more appropriate, security may be offered over specific assets, but only with the Regional Council's prior approval.

Interest rate risk management

Interest rate risk refers to the impact that adverse movements in interest rates may have on the Regional Council's cash flows and interest expense.

The following interest rate risk control limits apply to forecast external core debt (as approved by the GMCS).

Table 5: Interest rate risk control limits

Debt interest rate policy parameters (calculated on a rolling monthly basis)		
Debt period ending	**Minimum fixed**	**Maximum fixed**
Current	40%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	20%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	50%
Year 9	0%	50%
Year 10	0%	50%
Year 11	0%	25%
Year 12	0%	25%
Year 13	0%	25%
Year 14	0%	25%
Year 15	0%	25%

- 'Fixed Rate' is defined as all known interest rate obligations on forecast external core debt, including where hedging instruments have fixed movements in the applicable reset rate. 'Floating Rate' is defined as any interest rate obligation subject to movements in the applicable reset rate

- Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast external core debt amounts for the given period (as defined in the table above). For interest rate calculation purposes pre-funded debt amounts are excluded from the forecast external core debt amounts.
- Core debt is the amount of forecast external debt for a given period that is expected to remain outstanding for a period of greater than one year. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved debt forecasts are changed, the amount of fixed rate protection in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.
- A fixed rate maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile that is outside the above limits for greater than 90 days requires specific approval by the Regional Council. Bank draw down advances may be for a maximum term of 12 months.

Approved financial instruments

Table 6: Approved financial instruments

Category	Instrument
Cash management and external borrowings	• Bank overdraft • Committed cash advance and bank accepted bill facilities (short-term and long-term loan facilities) • Bonds (fixed rate or floating rate) either through the LGFA or domestic capital markets • Committed standby facilities offered by the LGFA • Commercial paper (CP)
Interest rate risk management (for borrowing activity only)	• Forward rate agreements ('FRAs') on bank bills • Interest rate swaps including: - Forward start swaps (start date <36 months, unless linked to existing maturing swap/collar with notional amount amounts not exceeding maturing swap/collar) - Amortising swaps (whereby notional principal amount reduces) - Swap extensions, deferrals and shortenings • Interest rate options on: - Bank bills (purchased caps and one for one collars) - Interest rate swaptions (purchased swaptions and one for one collars with matching notionals only)
Foreign exchange risk management	• Spot foreign exchange • Forward exchange contracts (including par forwards)
Treasury investments	• Bank term deposits (senior unsecured) • Treasury bills (senior unsecured) • Bank bills, bank certificates of deposit (RCDs) (senior unsecured) • Government bonds (senior unsecured) • LGFA borrower notes • Note: bonds are either fixed rate or floating rate.

Foreign currency

The Regional Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment. All individual commitments over NZ$100,000 equivalent are hedged using foreign exchange contracts, once expenditure is approved and legally committed. Both spot and forward foreign exchange contracts are used.

The Regional Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency.

Foreign currency management of the Investment Funds is managed within the SIPO.

Review of Policy

This Policy will be reviewed no less than every three years and amendments can be made through the Regional Council resolution any time within the three-year period.

Management responsibilities

All of the Regional Council's treasury management activities are undertaken by the finance function. The following diagram illustrates those individuals and bodies who have treasury responsibilities.

Table 7: Treasury responsibilities

Council (elected representatives)

The Regional Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Regional Council decides the level and nature of risks that are acceptable.

The Regional Council is responsible for approving the Treasury, Liability Management and Investment Policies (the Policies) and any changes required from time to time. While the Policy can be reviewed and changes recommended by other persons, the authority to make or change Policy cannot be delegated.

In this respect, the Regional Council has responsibility for:

- Approving the long-term financial position of the Regional Council through the Long Term Plan and the Annual Plan.
- Approving the Regional Council's SIPO document, including the investment strategy, return objective, policies, manager configuration, and instructions to the investment manager.
- Approving the Statement of Intent for CCOs.
- Approving new debt funding via resolution of the Annual Plan.
- Approving the Treasury Policy, incorporating the following delegated authorities:
  - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive (CE), Group Manager Corporate Services (GMCS), Chief Financial Officer (CFO) and other managers
  - risk management control limits
  - guidelines for the use of financial instruments.
- Delegating authority to the CE and other officers.
- Reviewing and approving changes to the Treasury Policy as well as the SIPO document every three years.

The Regional Council will also ensure that:

- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved immediately.
- Approval will be gained by the GMCS for any transactions falling outside Policy guidelines.

Corporate and Strategic Committee

The Corporate and Strategic Committee will discuss investment matters on a quarterly basis.

Responsibilities are:

- Approving investments (in the instances where funding is required from the Regional Council) in HBRIC, NPHL, CCO and any CCTOs, other subsidiary companies or trusts, including authorisations of use of investment funds and the terms and conditions of investment for these purposes.

- As controlling shareholder, voting for the appointment of directors in HBRIC, NPHL, CCO and any CCTOs or other subsidiary companies established to manage the Regional Council's investments in future.
- Approving new investments to facilitate community infrastructure asset creation, whether by way of direct property ownership or by making loans to non-Regional Council entities for this purpose.
- Approving the investment strategy and SIPO.

Risk and Audit Committee (RAC)

The RAC will oversee the implementation of the Regional Council's borrowing and investment strategies and monitor and review the effective management of the treasury function, borrowing and investment activities.

The RAC will ensure that the information presented to the Regional Council is accurate, identifies the relevant issues and is represented in a clear and succinct manner.

The RAC will discuss treasury matters on a quarterly basis.

Responsibilities are:

- Recommending the Treasury Policy and SIPO document (or changes to existing policy) to the Regional Council receiving recommendations from the GMCS and make submissions to the Regional Council on all treasury matters requiring the Regional Council approval.
- Recommending performance measurement criteria for externally managed funds.
- Reviewing all matters concerning the SIPO as well as providing guidance and leadership on the appointment, management, monitoring and review of the appropriate investment manager(s).
- Monitoring quarterly performance of externally managed funds and borrowing activity against benchmarks.
- Completing an annual review of all investments.

Chief Executive Officer (CE)

While the Regional Council has final responsibility for policy governing the management of the Regional Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the CE. The Regional Council formally delegates to the CE the following responsibilities:

- Ensuring the Regional Council's policies comply with existing and new legislation.
- Approving the bank signatories.
- Exercising delegated authority to make and implement treasury decisions in accordance with authority delegated by the Regional Council.
- Monitoring financial market conditions and treasury performance and recommend initiatives and changes to the Regional Council as circumstances require.
- Granting delegated authority to implement treasury decisions to senior staff as appropriate.
- Approving new counterparties and counterparty limits as defined within this policy and recommended by the GMCS.
- Approving the opening and closing of bank accounts.

Group Manager Corporate Services (GMCS)

The CE formally delegates the following responsibilities to the GMCS:

- Approving new borrowing undertaken in line with the Regional Council resolution and approved borrowing strategy.
- Approving refinancing of existing debt.
- Approving all treasury deal tickets (borrowing, investment and risk management instruments) within delegated authority.
- Approving treasury transactions in accordance with policy parameters outside of the CFO's delegated authority.
- Authorising the use of approved risk management instruments within discretionary authority.
- Approving all foreign currency hedging activity.
- Receiving advice of breaches of Policy and significant treasury events from the CFO.
- Discretionary authority to refinance existing debt on acceptable terms. Such action is to be reported and ratified by the Regional Council at the earliest opportunity.

Chief Financial Officer (CFO)

The GMCS formally delegates the following responsibilities to the CFO:

- Recommending policy changes to the RAC for evaluation.
- Monitoring the ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- Receiving quarterly reporting from the Investment Manager(s).

- Proposing any new borrowing requirements falling outside the Annual Plan and Long Term Plan to the RAC for consideration and submission to the Regional Council.
- Designing, analysing, evaluating, testing and implementing risk management strategies to position the Regional Council's interest rate risk profile to be protected against adverse market movements within the approved Policy limits.
- Investigating financing alternatives to minimise borrowing costs, credit margins and interest rates, making recommendations to RAC as appropriate.
- Reviewing and making recommendations on all aspects of the Treasury Policy to the RAC including dealing limits, approved instruments, counterparties, and general guidelines for the use of financial instruments.
- Negotiating bank funding facilities.
- Managing bank, LGFA, investment manager(s), trustee, custodial and other financial institution relationships.
- Overseeing a triennial review of the Treasury Policy, treasury procedures and all dealing and counterparty limits.
- Managing the long-term financial position the Regional Council in accordance with the Regional Council's requirements.
- Ensuring that all borrowing and financing covenants/limits to lenders are adhered to.
- Ensuring management procedures and policies are implemented in accordance with this Policy.
- Monitoring and reviewing the performance of the treasury function in terms of achieving its objectives.

Accountant(s)

The CFO formally delegates the following responsibilities to the accountant(s):

- Executing treasury transactions in accordance with approved limits. In the absence of the CFO, the GMCS will execute treasury transactions.
- Completing documentation for all treasury transactions.
- Monitoring and updating credit ratings of approved counterparties on a continuing basis.
- Recommending changes to credit counterparties to the CFO.
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, treasury investment portfolio, interest rate exposures and borrowings.
- Checking compliance against limits and preparing reports on an exceptions basis.
- Preparing treasury reports.
- Delivering weekly reports to the CFO covering cash/liquidity, debt funding portfolio and interest rate risk position.
- Forecasting future cash requirements.
- Checking the written evidence of executed deals on an agreed form.
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.
- Managing the operation of all bank accounts.
- Handling all administrative aspects of bank, LGFA, trustee, custodial agreements and documentation.
- Completing, reviewing and approving treasury journals, bank, borrowing and investment spreadsheet reconciliations to the general ledger (ensuring segregation of completion, review and approval tasks amongst accountant(s)).
- Undertaking a triennial review of the Treasury Policy, treasury procedures and all dealing and counterparty limits.
- Updating treasury spreadsheets for all new, renegotiated and maturing transactions.
- Checking all treasury deal confirmations against internal deal documentation and reporting any irregularities immediately to the GMCS (ensuring the separation between the deal executor and deal checker).
- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Reviewing electronic batch payments to creditors and arranging for approval by authorised signatories.

Delegation of authority and authority limits

Treasury transactions entered into by the Regional Council without the proper authority are difficult to cancel given the legal doctrine of 'apparent authority'. Insufficient authority for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays). Therefore, the following procedures will apply:

- All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.

- A comprehensive letter will be sent to all bank and lender counterparties, at least every year, detailing all relevant current delegated authorities of the Regional Council and contracted personnel empowered to bind the Regional Council.
- Whenever a person with delegated treasury authority leaves the Regional Council, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.

The Regional Council has the following responsibilities, either directly, or via the following stated delegated authorities (see table over).

Activity	Delegated authority	Limited
Approving and changing policy	Council	Unlimited
Borrowing new debt	Council CE (delegated by Council) GMCS (delegated by Council)	Unlimited (subject to legislative and regulatory limitations) Subject to Council resolution and policy
Acquiring and disposing of investments other than financial investments	Council	Unlimited
Approving charging assets as security over borrowing	Council	Subject to terms of the Debenture Trust Deed
Approving Council guarantees	Council	Unlimited (subject to legislative limitations)
Approving of Council guarantees or uncalled capital relating to CCO/CCTO indebtedness	Council	Unlimited (subject to legislative and other regulatory limitations)
Approving new and refinanced lending activity with CCO/CCTOs	Council	Unlimited
Overall day-to-day treasury management	GMCS (delegated by Council) CFO (delegated by Council)	Subject to policy
Refinancing existing debt	GMCS (delegated by Council)	Subject to policy
Approving transactions outside policy	Council	Unlimited
Adjusting debt risk profile	GMCS (delegated by Council) CFO (delegated by Council)	Per risk control limits
Negotiation of lending arrangements to CCO/CCTOs	GMCS (delegated by Council)	Per approval/per risk control limits
Ongoing management of lending arrangements to CCO/CCTOs	CFO (delegated by Council)	Per approval/per risk control limits
Managing investments and funding maturities	GMCS (delegated by Council) CFO (delegated by Council)	Per risk control limits
Maximum daily transaction amount (borrowing and interest rate risk management) excluding roll-overs under bank debt facilities.	Council CE (delegated by Council) GMCS (delegated by Council) CFO (delegated by Council)	Unlimited $30 million $20 million $10 million
Maximum daily transaction amount (investing and cash management)*	Council CE (delegated by Council) GMCS (delegated by Council) CFO (delegated by Council)	Unlimited $30 million $20 million $10 million
Maximum daily transaction amount (foreign exchange risk management)	Council CE (delegated by Council) GMCS (delegated by Council) CFO (delegated by Council)	Unlimited $2 million $1 million $0.5 million
Approving bank signatories	CE	Unlimited
Approving the opening/closing bank accounts	CE	Unlimited
Reviewing Treasury Policy every three years	RAC	N/A
Ensuring compliance with Policy	GMCS	N/A

*Daily transaction amounts relate to internally managed Investment Funds only with external Investment Funds managed under Council's SIPO document.

Statement on Council-Controlled Organisations

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

Statement on Council-Controlled Organisations

Introduction

In February 2012 Hawke's Bay Regional Council established a Council Controlled Trading Organisation (CCTO) called the Hawke's Bay Regional Investment Company Ltd (HBRIC). The Regional Council has a 100 percent shareholding in HBRIC which has 55 percent shareholding in Napier Port Holdings Ltd (NPHL). Napier Port Holdings Ltd was listed on the NZX in August 2019 and has 100 percent ownership of PONL.

In April 2021, after a public consultation process, The Regional Council approved the creation of two new CCTOs to operate a proposed new regional food hub called Foodeast-Haumako. The CCTOs take the form of a Limited Partnership and a Limited Company (General Partner), of which HBRIC Ltd has 66.6 percent ownership. The other parties, being Hastings District Council (HDC) and Progressive Meats Limited (PML), will have 16.7 percent ownership each.

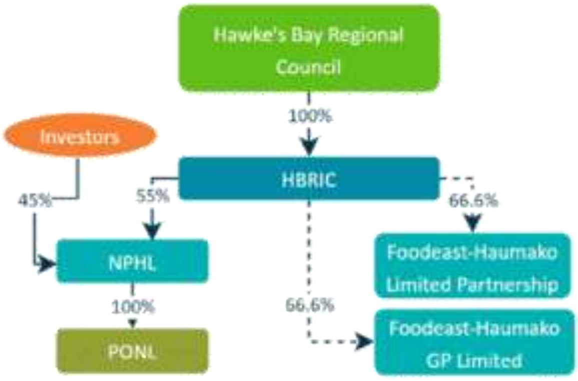


Figure 1: Structure of Hawke's Bay Regional Council subsidiaries

Hawke's Bay Regional Investment Company Limited

Policy and objectives in relation to ownership and control

The Regional Council retains majority ownership of NPHL/PONL through its wholly owned investment company. HBRIC, NPHL and PONL are strategic assets of the Regional Council and will therefore require a special consultative process if there was to be any dilution of the shareholding below 51 percent.

A strategic asset is defined in the Local Government Act 2002 (the LGA) as "*an asset or group of assets that the local authority needs to retain to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future well-being of the community*". The Regional Council's strategic assets are listed in its Significance and Engagement Policy.

The Regional Council's objectives for HBRIC are to:

- Enhance the Group's capability to actively manage the Group's Investment Assets.
- Improve net financial and economic returns from these assets.
- Provide flexibility of operation not otherwise available directly to the Regional Council which would increase returns to the Regional Council from its ongoing financial management.

Nature and scope of the activities

The nature and scope of HBRIC 's activities are to:

- Own and manage the Group's investment assets.
- Encourage and facilitate subsidiary and associated companies to increase shareholder value and regional prosperity through growth, investment, and dividend payments.
- Invest in equity investments providing long term commercial returns and where possible also provide a regional benefit.
- Invest in real assets providing long term commercial returns and where possible also provide a regional benefit.

- Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC's ownership.
- Monitor the performance of each subsidiary and associated company against their stated economic, environmental, and social performance objectives and against relevant benchmarks, ensure that they have proper governance procedures in place, and promote sustainable business practices.
- Advise the Regional Council on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return.
- Perform financial, custodial, and other functions required by the Regional Council which may include:
    - enabling diversification of the region's income streams for the benefit of ratepayers
    - enhancing the Regional Council's capability to manage an active investment policy
- Comply with the LGA provisions requiring a special consultative process, and with the Regional Council policies, in regard to any disposal or part-disposal of shares in any Strategic Asset.
- Advise the Regional Council of any material capital expenditure projects by HBRIC or via its subsidiaries.

Key performance targets

HBRIC is to actively manage the Group's investment portfolio and any new investment it makes to ensure:

- Growth in long term shareholder value.
- Increased financial and strategic returns.
- Investments are secure and sustainable over the long term.
- Investments will assist achievement of the Regional Council's regional strategic development objectives.
- Maintain a majority ownership of NPHL.
- Generate commercial returns across the managed funds portfolio, sufficient to protect and grow the capital base and contribute towards funding the Regional Council's operating costs.
- Invest in equity investments providing long term commercial returns and where possible provide a regional benefit.
- Invest in real assets providing long term commercial returns and where possible provide a regional benefit.

Napier Port Holdings Limited (NPHL)

Policy and objectives in relation to ownership and control

The Regional Council's and HBRIC's objectives for NPHL are to:

- Be a responsible and inquiring shareholder of PONL.
- Ensure a corporate and governance structure accountable to all shareholders. The constitution of NPHL will require its board to mirror the board of PONL.

Nature and scope of the activities

The nature and scope of NPHL activities are to:

- Own and oversee the successful operation of PONL..
- Meet NZX regulatory requirements and be the listed entity which is subject to the NZX listing rules and other financial markets legislation.
- Ensure that best practice governance procedures are applied to NPHL and PONL.

Key performance targets

The key performance targets of NPHL are:

- Encourage and oversee growth in long term shareholder value.
- Encourage and oversee increased financial and strategic returns.
- Ensure investments in PONL are secure and sustainable over the long term.
- Ensure socially responsible operation of PONL.
- Support ongoing growth of the regional economy.

Foodeast-Haumako

The proposed structure of the Foodeast-Haumako investment, including the CCTOs is shown in the diagram below.

Figure 2: Proposed Structure of Foodeast-Haumako

Policy and objectives in relation to ownership and control

The Regional Council's and HBRIC's objectives for Foodeast-Haumako are to:

- Establish an organisation that will contribute positively toward the region's economic development.
- Have a physical presence that will be designed to be an innovation centre to promote more cost-effective food and beverage product innovation.
- Facilitate innovation and collaboration in the Hawke's Bay food and beverage, agritech, horticulture industries and related activities.
- Provide a base for clustering food technology firms, improving co-operation and bringing in scientific and technical expertise in all areas relating to food innovation (including research activity).

Nature and scope of the activities

The nature and scope of the two CCTOs' activities are to:

- Own and oversee the successful operation of Foodeast-Haumako.
- Ensure that best practice governance procedures are applied in the operation of Foodeast-Haumako.

Key performance targets

- Achieve tenancy revenue targets.
- Develop a commercial strategy and supporting business model to deliver Foodeast-Haumako's commercial and innovation mandates.
- Ensure that Foodeast-Haumako has provision for food manufacture at bench and/or pilot and/or commercial scale.
- Secure supplementary revenue streams to support provision of innovation-related support services and commercial success.
- Communicate and share Foodeast-Haumako's purpose and stories.
- Establish a programme of events, activities, and projects to support and nurture an innovation ethos centred around Foodeast-Haumako.
- Maintain and develop local, regional, national and international connections to ensure that Foodeast-Haumako is a recognised and valued part of the innovation ecosystem.
- Seek a unique opportunity around which to create a centre of excellence – for example development of new products from horticultural by-products and/or fermentation.

Significant Forecasting Assumptions

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

Significant Forecasting Assumptions

Introduction

We have summarised a number of forecasting assumptions made in developing the special Three-Year Recovery Plan 2024-2027. There are other assumptions within the document, particularly in the Financial Strategy and Infrastructure Strategy. Significant forecasting assumptions are explained in the tables below.

Recovery for Cyclone Gabrielle

In September 2023, the Government enacted the Severe Weather Emergency Recovery Legislation Act 2023. This legislation enables us to forecast three years forward instead of the usual ten in recognition of the significant uncertainty that remains as we recover from Cyclone Gabrielle.

Forecasting assumptions

Assumptions have come from:

- Legislative requirements
- Funding and financial policies
- Financial reporting standards
- Asset management plans
- Demographic and economic information
- Industry best practices and norms

Part A – Financial Assumptions

Assumption		Risk	Comment on potential impact on the financial estimates
Financial assumptions			
1	**Financial presentation** The main purpose of prospective financial statements is to provide an opportunity for ratepayers and residents to review the projected financial results and position of the Regional Council.	**Risk**: Actual financial results don't align with prospective financial statements or the information provided is not sufficient for some parties. **Risk level**: Low	The Severe Weather Emergency Recovery Legislation Act 2023 changed the planning timeframe for this plan from 10 to three years, in recognition that it is too hard to forecast spending beyond three years with enough certainty to meet normal disclosure and audit requirements. An annual report is produced at the end of each financial year, documenting actual financial and service performance against the projected results.

Assumption		Risk	Comment on potential impact on the financial estimates
2	**Cost adjusters** We use our best estimates to predict what things will cost in the future. This includes inflation estimates. We have used Business and Economic Research Limited (BERL) Local Government Cost Index (LGCI) as a basis for estimating inflation. The staff related costs factors include an average performance-based adjustment of an additional 1.5% above the BERL figures. External expenditure inflation has been capped at BERL less 1%, to enact efficiency targets in each activity.	**Risk**: Actual inflation is greater than forecast. **Risk level**: Medium	Changes to cost adjusters impact on the Regional Council's costs, revenues and on projected rate increases. Budgets are modified each year as part of the annual plan and any material changes require consultation.
3	**Asset value adjusters** We based the asset value adjusters for Land & Buildings, Infrastructure Assets and Hydrological Assets on the capex inflation indices provided by Business and Economic Research Limited (BERL) in October 2023.	**Risk**: Growth in asset values differ from forecast. **Risk level**: Medium	• Property and Forestry Crops are revalued every year. • HBRIC shares are revalued every year (marked to market). • Operational Land and Buildings and Hydrological Assets are revalued every three years starting in the 2024-2025 year. • Infrastructure Assets are revalued every three years starting in the 2023-24 year. This is one year later than the previous 3-yearly cycle due to the impacts of Cyclone Gabrielle
4	**Interest rates** We use our best estimates to predict what things will cost in the future. This includes interest rate estimates.	**Risk**: Borrowing costs are higher than expected Interest received on deposits is lower than expected. **Risk level**: Low -Medium	The Regional Council's external borrowing is managed in accordance with the Regional Council's Treasury, Liability Management and Investments Policies. This ensures that only a portion of existing debt needs to be refinanced in any one year.

Cost adjusters (item 2):

	Salary related costs		External expenditure	
Year	Annual	Cumulative	Annual	Cumulative
2024-25	3.90%	3.90%	1.70%	1.70%
2025-26	3.70%	7.74%	1.00%	2.72%
2026-27	3.60%	11.62%	1.20%	3.95%

Asset value adjusters (item 3):

Year	Land & Buildings	Forestry Assets	Investment Property	Infrastructure Assets	Hydro Assets	HBRIC Shares
2024-25	2.8%	2.8%	2.8%	2.8%	2.8%	2.5%
2025-26	2.0%	2.0%	2.0%	2.0%	2.0%	2.5%
2026-27	2.2%	2.2%	2.2%	2.2%	2.2%	2.5%

The rates used for Investment Property are based on the capex inflation indices provided by BERL for Land & Building as most of this property is Leasehold land.
The rates for HBRIC Ltd Shares are based on an assumption of 2.5% as the long-term requirement for our capital returns.
The rate for forestry assets is a conservative estimate of an average growth in value which is similar to the growth in Hydro and Infrastructure assets.

Interest rates (item 4):

External borrowing			Interest on deposits		
2024-25	2025-26	2026-27	2024-25	2025-26	2026-27
4.5%	4.3%	4.3%	3%	3%	3%

The projected cost of funds rates have been calculated using forecast market rates, our external debt forecasts along with our current lending book and uses an assumed refinancing margin of 0.7%.

Assumption		Risk	Comment on potential impact on the financial estimates
5	**Investment Portfolio** We have issued a letter of expectation to HBRIC Ltd outlining cash and capital growth expectations for the investment portfolio. The portfolio comprises of Managed funds, Leasehold properties, forestry and carbon credits. Targeted returns for the next three years are as below. | | 2024-25 | 2025-26 | 2026-27 | | Cash income expectations | $12.5M | $13.0M | $13.5M | | Capital growth | 2.5% | 2.5% | 2.5% | Any excess returns are to be used to create an investment income equalisation fund, equivalent to one year's dividend from the Napier Port, to provide resilience and reliability in the future. Managed funds are part of the investment portfolio and contribute to the overall returns of the portfolio.	**Risk**: Returns from the Regional Council's Investment portfolio is lower than expected **Risk level**: Medium	A review of all assets in the investment portfolio will be undertaken by HBRIC Ltd with a particular focus on steadying returns and lessening the impact of financial market volatility. The collective portfolio may change in structure to ensure cashflow to the Regional Council is preserved.
6	**Leasehold properties** Leasehold properties in Napier and Wellington will continue to provide stable rental returns. Ten sales per year of Napier properties are assumed (no sales assumed for Wellington properties).	**Risk**: Returns from investments in leasehold properties are lower than expected. **Risk level**: Low	Leasehold revenues are primarily linked to long-term leases, so the revenue streams are reasonably stable.
7	**Forestry** Return on the forestry investments are determined by the harvest revenue received. | Site Name | Area (ha) | Assumptions | | Central Hawke's Bay | 168 | No material investment, maintenance only, no harvesting in LTP period | | Māhia | 36 | No material investment, maintenance only, no harvesting in LTP period | | Waihapua | 213 | No material investment, maintenance only, no harvesting in LTP period | | Tūtira | 114 | Harvesting proposed over the period from 2024 to 2027, with replanting after harvest. | | Tūtira Mānuka Honey | 90 | Honey contract/programme to resume from 2024-2025. Maintenance continues with yearly honey income of $7,000 assumed | | Tangoio* | 330 | Harvesting not likely to occur before 2025. Discussions are currently underway to explore feasibility of harvest due to possible impacts on State Highway 2. | ** Tangoio forestry is treated differently from all other forestry investments as the Regional Council does not own the land but has responsibility for the management and control of the forest. Any income received from harvest is kept in a reserve to fund the continuing maintenance programme and is not available for the funding of general Regional Council operations.*	**Risk:** Return's from the Regional Council's investments in forestry are lower than expected or the harvesting dates are later than expected. **Risk level:** Medium	Forestry returns are subject to market fluctuations driven by international demand for wood products. This is not known until harvesting although it can be delayed to some extent to align with favourable log prices.

Assumption		Risk	Comment on potential impact on the financial estimates
8	**Carbon credits** We assume carbon credits accrued on areas of our forestry will continue to have a value based on an active market. Prices are expected to continue to hold at similar levels to the June 2023 value of $41.00 per tonne.	**Risk:** The pricing of carbon changes significantly or the market disappears entirely. **Risk level:** Low	Carbon credit prices are hard to forecast, the price was $75.95 at June 2022, then $41.00 June 2023, and sits at $69.17 at 31 December 2023.
9	**Grants and subsidy rates** We assume funding assistance will be provided by Crown agencies as agreed. ***Flood Resilience Programme*** The Crown has committed to fund $205 million of a $250 million flood resilience programme to move a number of areas out of category 2 over the next four years. ***NZ Transport Agency/Waka Kotahi – operations funding assistance rates*** NZTA/Waka Kotahi provide various subsidies for the following services: Bus services – 51% of costs Total Mobility Scheme – 60% of costs Road Safe Community Programmes – 82% of costs Regional Land Transport Planning – 51% of costs Super Gold Cards – Up to $270k per annum	**Risk:** Crown funding changes from the agreed amounts. **Risk level:** Medium	If any significant change is made to levels of Crown grants and subsidies, the Regional Council may need to review the level of service for the relevant activity. This would be consulted on as part of an annual plan or LTP amendments
10	**Lifecycle of assets** For Fleet vehicles we have instituted a change to extend the useful life. Utes will now be replaced at eight years, cars at six (up from three years for both), or at 200,000km. This change is based on an external review and will allow us to reduce capital expenditure while also reducing our carbon footprint. An increase in repairs and maintenance costs for the additional years has been included in budgets. We forecast residual values of 20% for utes and 15% for cars.	**Risk:** That repairs and maintenance costs are greater or residual values lower than planned. **Risk level:** Low	Changes in costs or residual values would be seen gradually and would not have a significant impact on overall budgets.
11	**Assets (infrastructure and PPE)** All infrastructure assets (river, flood control and drainage schemes) will be operated, maintained and improved as set out in the asset management plans that have been prepared for each of the river, flood control and drainage schemes or as part of the Flood Resilience Programme. Schemes are funded to a level that ensures levels of service set for each scheme in the relevant asset management plan are achieved and maintained over the life of the assets. For the purposes of projecting annual movement in the values of this asset category to fair value, the property price adjusters covering projected movement in asset construction (Local Government cost index, capex) as set out by BERL have been used. Refer to the Infrastructure Strategy for further details on the lifecycle of infrastructure assets and funding of the replacement or creation of significant assets. It is assumed that our other fixed assets continue to be provided at the level required to carry out its activities.	**Risk:** That the funding in the Plan is not sufficient to adequately maintain the Regional Council's infrastructure and other assets, especially as various scheme reviews are completed. **Risk level:** Medium	The infrastructure asset budgets are based on funding requirements set out in the various asset management plans and the Flood Resilience Programme. If additional funding is needed this will impact on balance of reserves held and potentially on the level of the various rates charged for the Regional Council's flood control schemes. Budgets for other capital expenditure are based on the estimated costs to maintain and improve assets. If necessary, some assets may be able to be operated longer or on a reduced scale without an immediate

	Assumption	Risk	Comment on potential impact on the financial estimates
	The useful life of each category of asset is shown in the Accounting Policies included in this Plan.		impact on the council's ability to deliver services.
12	**Insurance of infrastructure assets** We currently provide cover for our infrastructure assets through a hierarchy of insurance and other available funding as follows. We use a commercial insurer to cover 40% of infrastructure value base on a total claim amount of up to $65 million, with an excess of $1.5 million. The balance (60%) is expected to be paid by the Government. The insurance will cover up to two events in any one year. Central Government, under the National Civil Defence Recovery Plan, will meet 60% of the value of infrastructure assets critical to the functioning of the community, above 0.002% of regional capital value and provided we have taken demonstrable steps to meet the remainder of the cost. Each flood control and drainage scheme has access to a disaster reserve account. The scheme disaster reserves are designed to meet the costs of damage that may occur in any relatively minor flood event. A Regional Disaster Damage Reserve is in place to provide 'last resort' funding for: • cost of responding to and managing an event • any difference between the deductible (excess on insurance) and the threshold for eligibility for Central Government assistance • cost of reinstatement of any uninsured assets (e.g.: pathways on top of stopbanks) • contribution towards the cost of reinstatement of infrastructure assets to an equivalent standard to that in place before the damage was incurred The Regional Disaster Damage Reserve is currently in deficit following Cyclone Gabrielle and while we await the finalisation of insurance claims. Once the final impact on the reserve is known we will build into plans the reinstatement of the reserve to a balance of between $2.75 million and $3.75 million.	**Risk:** That the Regional Council does not have sufficient insurance or reserves to recover/rebuild after a major adverse event or that another major adverse event occurs while we are still recovering from Cyclone Gabrielle. Cost of insurance becomes unaffordable. **Risk level:** Medium	Cyclone Gabrielle is showing that the Regional Council does have sufficient insurance and other cover to fund the costs of a major event. However, the increasing cost of insurance and the increasing frequency of major events means that the Regional Council will review this area during this three-year plan period.

Part B – Non-Financial Assumptions

	Assumption	Risk (consequence X likelihood)	Comment on potential effects of uncertainty/risk
Environmental			
13	**Natural hazards and business continuity** Our region is at risk from a range of natural hazards such as earthquakes, storms and floods, drought, tsunami, land instability, fire, volcanic activity as well as pandemics. The likelihood and/or consequences of most natural hazards is increased by climate change. As these events can not be predicted we do not plan for them. We assume that we will be able to continue operating to deliver essential services to the community in the event of a disaster. Experiences with Cyclone Gabrielle and Covid-19 have provided further evidence of this.	**Risk**: A significant event occurs during the 3-year life of this plan. This is unlikely but the consequences are increased if we have another event following so closely after Cyclone Gabrielle. Council's ability to respond and support recovery to the level expected could be impacted. **Risk level**: Medium-High	As we have recently experienced with Covid-19 and Cyclone Gabrielle, the Regional Council will focus on community needs in response and recovery and this will vary depending on the event. Cyclone Gabrielle has shown us that damaged infrastructure is costly to repair and can change community risk appetite. Building resilience into our assets will be a financial challenge for future long term plans.
14	**Climate change** A changing climate will impact our region in terms of environmental, social and economic resiliency. This will affect all aspects of Regional Council work with biodiversity loss, new pest species and pest incursions, loss of marine biodiversity, disruptions to economy, risks to food production and potential risks to governance. A changing climate will impact our region. The 2020 NIWA report[1] assumes that by 2040 annual average temperature rises (0.5°c to 1°c), annual rainfall drops (by up to 5%), and heat waves are more common (10 to 20 days per annum). Sea levels are expected to rise by up to 0.4 metres in 40 years. Climate change is a focus of all decision making at Regional Council and intersects with multiple work programmes such as asset management, policy, strategy and science.	**Risk**: The impacts of climate change on Council services and infrastructure may be felt sooner and/or be greater than assumed. Planned adaptation and design standards may not be sufficient. **Risk level**: Medium	There is uncertainty in the pace of climate change. Adaptive planning will be increasingly important going forward.
15	**Land use changes and demand** The Government's land categorisation framework for the Future of Severely Affected Land (FOSAL) following Cyclone Gabrielle will result in land use change over the life of this three-year plan. In particular, there are areas confirmed as too dangerous to live due to the flood risk and designated Category 3. Some land use will also change to accommodate flood mitigation solutions in category 2 land. Some land uses, particularly horticulture will take some time to recover from the cyclone.	**Risk**: Changes in land use impact on the environment and HBRC's infrastructure assets and services. **Risk level**: Medium	The Regional Council will continue to engage with affected landowners in category 2 areas and the wider community on findings from reviews post-Cyclone Gabrielle. There is known unknowns in this area. These are likely to advocate for building further resilience into our flood protection infrastructure including nature-based solutions. Changes to national regulation and policy will have an impact on land use in the region but land use will be gradual giving Council time to review and adjust

[1] This report from the National Institute for Water and Atmosphere (NIWA) was commissioned by Hawke's Bay Regional Council, Gisborne District Council and Envirolink

Assumption		Risk (consequence X likelihood)	Comment on potential effects of uncertainty/risk
	Longer term, we assume that the Hastings and Napier Future Development Strategy[1] will guide development across existing urban areas and areas close by across the two districts over the next 30 years. Outside the urban area, land use change to higher value uses is limited in Hawke's Bay due to the availability of water. Conversion from highly erodible hill country to afforestation continues to be a focus for Regional Council through programmes such as Land for Life and the Erosion Control Scheme. This will have positive impacts on water quality, carbon sequestration and soil health.		programmes and consult with interested and affected parties if required.
Organisational and legislative			
16	**Structural changes** We assume there will be no change to the current local government structure in Hawke's Bay over the three-year life of the plan – being one regional council and four district/city councils. We assume there will be no change in the Regional Council structure including a chair, deputy chair, nine general constituency councillors and two Māori constituency councillors. Our Treaty partners will continue to be represented on the Regional Planning Committee and the Māori Committee. The next Local Government Elections will be in October 2025.	**Risk:** The Government legislates unanticipated changes. **Risk level**: Low	Budgets are based on existing structure and any changes will likely come with some lead in time and funding.
17	**Central government policies and priorities and legislative change** The Government has signaled new priorities and that policy will be reviewed, notably the National Policy on Freshwater Management. We assume new policies and priorities will be developed with advanced notice to respond for local authorities.	**Risk**: The Government changes timeframes that affect our budgeted work programmes and/or there could be new issues requiring work that have not been budgeted for. **Risk level**: Medium	The timeline for implementing new policies and priorities still remains unknown. The policy workplan for this Three-Year Plan may be required to change or amended.
18	**Staff and contractor availability** We assume that we will be able to recruit and retain skilled staff and contractors to undertake the work programmes in this plan, to the agreed standards, deadlines and costs.	**Risk**: We are unable to recruit and retain staff and work programmes are disrupted. **Risk level**: Low-Medium	There are some skill sets that are more difficult to recruit, such as our environmental scientists where roles may lay vacant for periods of time. Staff and contractor availability can affect delivery of work programmes in a similar way as capital programme delays noted below.
19	**Capital works programme** The $250M Flood Resilience Programme agreed as part of the cost-share agreement with the Crown after Cyclone Gabrielle combined with existing capital expenditure, represents a significant increase in activity on previous years and far exceeds the delivery capacity of HBRC pre-cyclone. The Asset Management Group	**Risk**: The capital programme is not able to be delivered on time and with budget. **Risk level**: Medium- High	There is uncertainty over delivery of the programme due to a number of factors, including availability of professional expertise, resource consenting timeframes, constraints in the construction market, and community support for solutions.

[1] Partners included in developing the Strategy: Hastings District Council, Napier City Council, Hawke's Bay Regional Council, and iwi and hapū partners

Assumption		Risk (consequence X likelihood)	Comment on potential effects of uncertainty/risk
	has established a Programme Management Office (PMO) consisting of an integrated team of 30+ professionals and a Programme Governance Board to deliver the programme of infrastructure related projects simultaneously. Projects have appropriate contingencies, included in their budgets and project governance in place.		Where projects are not able to be completed as scheduled within any given year, the Regional Council will carry forward the budget and funding. The implications of delivery delays are projects may cost more than planned due to inflation, less funds will need to be borrowed in the short term which will impact financing projections, and ultimately delays in improved protection levels and services.
Population changes			
20	**Population growth** Population across the region is expected to reflect the population projections set out below. This is based on an estimated medium projection. *Dataset: Subnational population projections*	**Risk:** The forecast change in population will be greater or lower than forecast. **Risk level**: Low	Regional Council's work programmes, and associated expenditure or revenue are less reliant on projected population growth and rating units than territorial authority services.

	2024	2025	2026	2027
HB Population	184,949	186,207	187,473	188,748

Data extracted on 20 Mar 2024 20:45 UTC (GMT) from https://nzdotstat.stats.govt.nz/wbos

21	**Number of rating units** We assume that the number of rating units will increase each year as more dwellings are built or properties are divided. The projected number of rating units by district are:	**Risk:** The forecast change in rating units will be greater or lower than forecast **Risk level:** Low	The Regional Council's work programmes, and associated expenditure or revenue are less reliant on projected population growth and rating units than territorial authority services.

	July 2024	July 2025	July 2026
Wairoa District Council	6,623	6,668	6,713
Taupō District Council	37	37	37
Rangitīkei District Council	1	1	1
Napier District Council	26,531	26,711	26,893
Hastings District Council	32,336	32,556	32,777
CHB District Council	8,176	8,232	8,288
REGIONAL TOTAL	73,704	74,205	74,709
Percentage change	0.7%	0.7%	0.7%

22	**Regional Economic growth** We assume that recovery from Cyclone Gabrielle will impact on Hawke's Bay's economy over the three-year life of this plan. The impact will be different on each sector. Hawke's Bay's economy is dominated by export orientated primary production including value-added processing. It is therefore exposed to significant climatic and international market fluctuations.	**Risk**: The impact on the Hawke's Bay economy from Cyclone Gabrielle is greater than anticipated. **Risk level**: Medium	The economy directly impacts on the Regional Council's forecast revenue through things like the Napier Port dividend and consent fees and indirectly through ratepayers ability to pay. Affordability for ratepayers will be an ongoing challenge for the Regional Council.

Statement of proposal to amend the

Fees and User Charges Policy

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

Statement of proposal on the Fees and User Charges Policy

What is the proposal?

This proposal is to amend the Hawke's Bay Regional Council's *Fees and User Charges Policy* to introduce two new fees related to our Harbourmaster function, being:

1) An annual fixed charge for Napier City Council
2) An Anchorage Levy for commercial vessels anchoring within the Hawkes Bay Regional Waters.

In addition to the new fees outlined above, and as part of the normal long-term planning activity, the *Fees and User Charges Policy* has been reviewed and minor edits for clarification have been made.

We are consulting on this concurrently with our Three-Year Plan.

Why are we consulting on this?

Councils may prescribe fees under section 150 of the Local Government Act 2002 (LGA), following consultation with those who will or may be affected by the change (as set out in section 82 of the LGA).

Background

A new Revenue & Financing Policy was adopted on 28 February 2024. This included a change to the way the Harbourmaster function is funded, with a split of the Maritime safety activity into two distinct sub-activities:

1) Harbour Operations to be funded 100 percent from fees and user charges, and
2) Education and recreation users to be funded 100 percent from general rates after offseting other income.

As part of the Three-Year Plan development, the Regional Council has reviewed the fees and user charges collected to support Maritime Safety activities, and in particular around harbour operations.

What's the issue?

The Harbourmaster is responsible for managing maritime-related activities and navigation safety in the region. This includes monitoring and managing risks associated with vessels at anchor, and to direct vessels with regards to their movement or operations whilst at anchor. The Regional Council has set fees and user charges to organisations or individuals on a user/beneficiary pays basis to help recover some of the costs of running the Harbourmaster functions. Currently there are no charges levied to commercial vessels at anchor in the region.

What are we proposing?

We are proposing to introduce two new maritime safety charges:

1) ***Annual fixed charge to Napier City Council***

This fee is proposed to be 23 percent of the budgeted annual costs for the maritime safety regulation of port and harbour operations. This is an alternative to the current state of charging a variable fee based on actual Harbourmaster time and materials, for maritime safety activities within the inner harbour. The change is proposed for ease of administration and is consistent with the way the same type of charges are levied to Napier Port.

2) ***Anchorage levy***

This fee is proposed to be levied to commercial vessels greater than 40 metres in length overall, anchoring within the Hawke's Bay regional waters. The proposed fee is $1 per metre of length overall per day or part of a day. Currently there are no charges to commercial vessels anchoring in our region. The new fee is proposed to contribute to the costs of maintaining the anchorage areas and the region's maritime safety management systems.

Fee schedules have been updated for the 2024-25 financial year, based on fees required to recover costs for activities in this Three-Year Plan, in line with the new Revenue & Financing Policy. An annotated copy of the amended *Fees and User Charges Policy* is included with this Statement of Proposal, to highlight what changes have been made.

Submissions

Parties affected by the proposed new Harbourmaster fees are being contacted directly to advise them of the proposed change and invite submission on the proposal. Anyone else wishing to submit on this consultation proposal are invited to do so by 8pm on 15 May 2024.

Submissions can be made online at **hbrc.govt.nz, search: #haveyoursay** or in writing to the Regional Council. The easiest way to submit is by completing the online submission form for the Three-Year Plan consultation document.

Amended Fees and User Charges Policy for consultation

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

Fees and User Charges Policy

1. Resource management charges

Section 36 of the Resource Management Act 1991 (RMA) enables local authorities to allocate fixed charges for various administrative and monitoring activities to specific resource users. These fixed charges can be either specific amounts or determined by charging scales.

There are four types of resource management charges and they relate to:

- consent applications
- compliance monitoring
- freshwater science research and monitoring
- contaminated sites.

There is also a charging regime for gravel taken under independent resource consents, or taken under the Regional Council global resource consents that apply to the Tūtaekurī, Ngaruroro and Tukituki river catchments. This is not a resource management charge but is established to identify how the Regional Council will recover the costs of managing the abstraction of gravel resources from these rivers while maintaining and managing the river and flood control schemes.

These charges will reflect actual and reasonable costs agreed and adopted in the 2024-2027 Three-Year Plan following consultation, and applied in the year 2024-2025.

1.1 Charges relating to resource consent applications

Charges for receiving, processing, and deciding on applications for:

- resource consents
- certificates of compliance
- changes to, cancellation of, or review of resource consent conditions
- transfers of resource consent

are comprised of an initial fixed fee payable in advance (a deposit) and an additional charge payable once the application has been decided. An additional fixed charge will be required before notification and the start of a hearing, if the application requires these processes.

Initial fixed fees for processing resource consent applications

Table 1 and Table 2 set out the initial fixed charges payable for processing resource consent applications. These fees are charged in accordance with section 36(1)b of the RMA.

Section 36(7) of the RMA specifies that where a fixed charge has not been paid, the Regional Council need not perform the action to which the charge relates until it has been paid in full. The Regional can suspend processing an application until a fixed charge has been paid.

Table 1: Charges payable for processing resource consent applications, 2024-2025

Item	Initial fixed fee - payable upon lodgment (excl GST)	Additional charge - payable subsequent to processing
- Land use application for bore permit	$1,000	Fee increase from 2023/24
- Land use for bore field where 3 or more bores are to be drilled for the same purpose on the same site (or in close proximity	$1,500	
- Land use consent for gravel extraction	$1,000	
- Other consent applications	$2,000	Based on actual and reasonable costs[1]
Other changes or cancellations of consent conditions	$750	
Review of conditions as per RMA s128 1a, 1c or 2	$1,500	
Transfer a consent to another site	$1,500	
Extensions to lapse dates	$1,000	
Transfer of resource consent (1 only, with transfer form completed and signed) to a new owner/occupier	$200	
Transfer of resource consent (2 or more, with transfer form completed and signed) to a new owner/occupier, or change of name	$250	Based on actual and reasonable costs[1] for non-standard process

Item	Initial fixed fee - payable upon lodgment (excl GST)	Additional charge - payable subsequent to processing
Certificate of compliance/deemed permitted activity		
Bore sealing	no charge	N/A
Issuing a notice under s87BA or BB stating whether an activity is a permitted activity	$1,500	Based on actual and reasonable[1] (likely to be lodged as a consent)
Certificate of compliance	$1,500	Based on actual and reasonable costs[1]

Fee increase from 2023/24

Table 2: Charges for resource consent applications requiring notification or a hearing, 2024-2025

Application type	Type of fixed fee (excl GST)			Additional charge – payable subsequent to processing
	Initial fixed fee: payable upon application	Fixed fee: payable upon notification	Fixed fee: payable 5 days before hearing	
Individual resource consent application (including applications for ancillary activities)	(per Table 1)	$5,000	$10,000	Based on actual and reasonable costs[1]
Application processed as part of a catchment-wide replacement process	(per Table 1)	$1,500	$2,000	Based on actual and reasonable costs[2]
Request for independent commissioner under section 100A	**Fixed fee payable on requesting a commissioner (excl GST)**			**Additional charge - payable subsequent to processing**
Fixed fee payable on requesting an independent commissioner	$3,000 per commissioner			Based on actual and reasonable costs[1] of additional cost incurred as a result of using an independent commissioner

Note 1: Actual and reasonable costs include time spent by staff in receiving, processing, and deciding on the applications, hearing costs and any external disbursements (which shall include any external expert advice from consultants at cost). Staff costs shall be calculated by multiplying the actual hours involved in receiving, processing and granting a consent by the hourly rates for the staff involved and adding any actual disbursements (as in Table 15); and adding any hearing costs and any costs of consultants and commissioned reports; and then subtracting the fixed charge that was paid in advance. The total calculated amount shall then, if necessary, be adjusted to reflect HBRC's actual and reasonable costs having regard to the factors referred to in section 36(4) of the RMA and any relevant discounts. (This does not apply to applications which are not subject to additional charges or refunds).

Note 2: Where an activity requires multiple ancillary consents, and the application will be processed in a bundle, HBRC may require payment of only one initial fixed fee (deposit). The deposit shall be equal to the highest deposit required for any of the applications required, as per Table 1.

Additional resource consent charges
In addition to these fixed charges, in most cases additional charges will be payable subsequent to processing, in accordance with section 36(3) of the RMA.

Refunds
Except for applications for bore permits, minor administrative changes or cancellations, a portion of the charge as set out in Table 1 and Table 2 will be remitted if the actual cost of receiving processing and deciding on the application is less than that already paid.

Hearings
The Regional Council is conscious of the cost that can be incurred by applicants when a resource consent application goes to a hearing. Therefore, the Regional Council will carefully assess the number of members who will participate in each hearing. Also, they may appoint independent commissioners if there is a need to ensure that areas of expertise are covered, to avoid conflicts of interest or to expedite the process. The numbers involved in a hearing panel will usually range from three to a maximum of five. Where a hearing is required, the following charges shall be payable by the applicant, except for those costs incurred under section 100A of the RMA.

- Actual meeting fee allowances at the rate approved for elected members by the Remuneration Authority, which is currently $93 an hour for each hearing panel member other than the chairperson who is paid $116 an hour.
- Actual mileage for hearing panel members travelling to and from the hearing at the rate approved by the Remuneration Authority which is currently 95¢ per kilometre for petrol, diesel, hybrid or electric vehicle.
- Actual accommodation costs for a hearing panel member to stay overnight rather than return home.

- Actual meeting fee allowances for each of the hearing panel members attending and participating in a formal site inspection, or any meeting subsequent to the hearing for formal deliberations.
- Mileage and accommodation costs associated with any formal site inspection or deliberation meetings.
- Actual costs (including disbursements) of any commissioner appointed by the Minister of Conservation.
- The actual cost of staff attendance at a hearing (typically the reporting officer, hearings administrator, decision writer, relevant technical officers, and the manager consents or the group manager policy and regulation).
- The costs associated with the use of an independent hearing commissioner where the use of a commissioner has been occasioned by the application. The apportionment of costs when an independent hearing commissioner is requested by an applicant and/or submitters is noted below. Independent hearing commissioner costs will be calculated on an actual and reasonable basis and include fees for disbursements, reading the application material, site visit, hearing attendance, deliberations and drafting the decision.
- The costs for photocopying, hall hire, catering (for the panel and decision writer), and any administration services relating to hearings and deliberations will be recovered from the applicant on a case-by-case basis.

Independent hearing commissioners (section 100A)
Applicants and/or submitters have the ability to request that independent commissioners hear and decide publicly on limited notified applications. If an applicant makes the request, he or she is responsible for paying all costs associated with the use of the independent commissioner (as noted above). In accordance with section 36 (1) (ab), if one or more submitters requests an independent commissioner (and the applicant does not), those submitters are responsible for paying the extra costs incurred as a result of an independent commissioner being used (compared with the cost of using an elected member).

If a request is made for an independent commissioner, a fixed charge of $3,000 per commissioner shall be paid at the time of the request. The actual and reasonable costs of the commissioner will also be charged as an additional charge in accordance with section 36(3) of the RMA. The Regional Council decides which accredited independent commissioner(s) will be appointed to the hearing panel.

Hearing decision writers
The following charges shall be payable by the applicant except for those costs incurred under section 100A of the RMA:

- The cost of the decision writer to attend the hearing and deliberations, and the decision writing time.
- Where the decision writer is an independent commissioner sitting as a panel member, the commissioner's time to attend the hearing, deliberate and write the decision will be charged at actual cost.
- Where an independent consultant is engaged as the decision writer their time to attend the hearing and deliberations, and to write the decision will be charged at actual cost.

Charging for consultants
Where the use of consultants are required to provide particular technical or cultural input to the consent process, the applicant will be responsible for the actual costs charged by the consultant.

Contribution to the costs of commissioning reports in accordance with section 92(2)
The Regional Council from time to time may commission reports in accordance with section 92(2) of the RMA to determine the cumulative effects of an activity or activities. Where the activity meets the following criteria, the Regional Council may contribute to the costs of preparing the report to a maximum of 25% or $5,000, whichever is lower.

The Regional Council's contribution is at the discretion of the Group Manager, Policy and Regulation and the following criteria must be met for a discount to be considered:

- The commissioned report must directly inform a plan change that the Regional Council has committed to in the applicable long term plan; and/or
- The commissioned report must develop a method, or provide information that is applicable to sites beyond the immediate scope of the application; and
- The commissioned report must contain information that is of benefit to the regional community as a whole.

1.2 Charges to holders of resource consents for administration, compliance and impact monitoring

Annual consent monitoring and admin charges are made up of the following:

Annual resource consent charges = Compliance administration charges *(see 1.2a)* + Compliance monitoring charges *(see 1.2b)* + Freshwater science charges *(see 1.3)*

Not all the charges in the diagram above are applicable to all resource consents. Refer to the relevant section below for further detail.

Fee increase from 2023/24

1.2a Compliance administration charges

Annual consent administration fee

Holders of consents that require ongoing monitoring will be charged an annual administration fee (as set out in Table 3). This annual charge covers routine administration costs such as consent database and file system maintenance, compiling and monitoring accounts, correspondence to consent holders (e.g.: around expiring consents) and general administration and enquiries.

Newly included

Exemptions to the annual compliance administration charge include the following consent types; gravel extraction, water takes, residential domestic effluent systems (permitted activity and accredited/non-accredited systems), bore permits, forestry permitted activities, land use permitted activities, and consents that no longer require monitoring.

Water measuring device administration charge

Holders of resource consents to take water which require a water measuring device, will be charged an annual administration fee for:

- administration and checking of the records for the installation and verification of the water meters; and
- the retrieval, checking and processing of water meter data.

The fixed charges are set according to the number of meters required per consent, as outlined in Table 3. Where water measuring devices do not meet the Regional Council's approved devices criteria, or are not installed by an approved installer, a full compliance audit will be undertaken and charged on an actual and reasonable costs basis.

Table 3: Charges for compliance administration, 2024-2025

	Annual charge (excl GST)
Annual consent administration fee	$85
Annual water measuring device admin charge (for first meter)	$230
PLUS, each additional water measuring device	$55
Annual water measuring device admin charge - non exercised consent	$45

1.2b Compliance monitoring charges

Consent holders whose consents require annual inspection, and/or information return, and/or a sampling undertaken by the Regional Council staff will be charged based on the actual and reasonable costs to undertake the total annual monitoring activity. This shall be calculated by multiplying the actual hours involved in undertaking the monitoring of the consent by the hourly rate for the staff involved and adding any actual disbursements (as in Table 15). The total calculated shall then, if necessary, be adjusted to reflect the Regional Council's actual and reasonable costs having regard to the factors referred to in section 36(4) of the RMA.

These charges are invoiced after inspections or invoiced quarterly for the consents that either have more than one inspection or ongoing monitoring throughout the year.

Consent holders should check the conditions of the consent to determine whether sampling, water use or other information is required. For new consents, the consent holder will be advised of the likely annual monitoring requirements when the consent is issued; thereafter the previous year's monitoring costs will act as an indication of monitoring costs.

Monitoring of National Environmental Standards for Plantation Forestry (NES-PF) permitted activities

Charges for monitoring of NES-PF permitted activities will be for actual and reasonable costs as permitted by the regulations, including:

- site inspection (where required)
- reporting
- associated administration; and
- non-compliance follow ups.

Monitoring of all other permitted activities will be undertaken in accordance with the relevant National Environment Standards or relevant legislation for the activity. Those undertaking the activity may be charged based on the actual and reasonable costs to the Regional Council for monitoring the activity, where charges are permitted to be made by the relevant regulations.

Monitoring of domestic on-site wastewater treatment systems charges

Consent holders with a domestic on-site wastewater treatment system type that is not on the Regional Council's Accredited Manufacturer list, and who do not have that system installed and serviced by a person or company on the Accredited Installer and Service Agent list will be subject to an annual monitoring cost as set out in Table 4.

Consent holders with an on-site wastewater treatment system type that is on the Regional Council's accredited list and is installed and maintained by an accredited installer/service person or company, and is compliant with all conditions of consent, will not be subject to routine compliance inspection fees.

Charges for non-compliance

Additional monitoring charges will be made to consent holders where extra compliance monitoring is required as a result of non-compliance with consent conditions; or where extra time is spent following up suspected non-compliance where a consent holder has not supplied sufficient information to demonstrate compliance. The additional charge will be based on actual and reasonable costs to undertake the monitoring.

Consent holders will be charged an additional administration fee for late submission of records and monitoring reports required to be supplied under the conditions of the consent. Anyone who is issued an abatement notice will be charged an administration fee to recover the costs associated with issuing that notice. These fees are set out in Table 4.

Charges to holders of resource consents for low flow monitoring

For holders of consents to take water where the abstraction is subject to low flow limits (directly or via gallery intake or wells), the cost of monitoring the low flows will be recovered for each water take subject to low flow restrictions (excluding frost consents that are from the same take point as an irrigation consent, held in the same name). Consent holders will be charged an annual fixed charge as set out in Table 4. Should the fixed charges not cover the actual and reasonable costs associated with the low flow monitoring programme, an additional charge shall be made against all consents subject to the low flow condition monitoring, to recover the actual and reasonable costs incurred.

Table 4: Charges for compliance monitoring, 2024-2025

	Charge (excl. GST)
On-site wastewater treatment - non-accredited - annual monitoring fee	$400
Low flows annual monitoring fee	$250
Issuing of abatement notice	$187
Late submission of data and information returns	$187
Monitoring of consents which require annual inspection, and/or information return, and/or sampling undertaken	Actual and reasonable costs[3]
Monitoring of National Environmental Standards for Plantation Forestry permitted activities	
Additional monitoring as a result or non-compliance with consent conditions	

Note 3: Actual and reasonable costs shall be calculated by multiplying the actual staff hours taken to perform the activity, by the hourly rates for the staff involved and adding any actual disbursements (as per rates in Table 15).

1.3 Charges to holders of resource consents for freshwater management research/investigations and monitoring (annual freshwater science charges)

Discharges to water or land and water take consent holders are charged for the costs of performing science investigations and monitoring to manage and inform on effects, or potential effects, on the region's freshwater resources. These charges are authorised by section 36 of the RMA. Benefits to consent holders of this science and monitoring include the protection of the resource through its management on a sustainable basis and early warning of changes in resources. Consent holders pay for only a part of the costs of this science. The regional community pays for the rest via the general rate and a targeted rate, as the wider community also benefits from the information gained. The proportion of the freshwater science costs recovered from consent holders is set in the Revenue and Finance Policy.

Allocation of charges
Costs related to water quantity science and monitoring are allocated to water take consent holders. Costs related to water quality science and monitoring are allocated to consent holders of discharge to water consents and discharge to land consents in a manner that may enter water.

Water take consents – basis for charges
Freshwater quantity science charges are levied against consents to take ground water and surface water (and including stream depletion takes), based on the maximum consented weekly volume of take (m^3/week). Charges are levied using the tiered rate applied to the volume in the range set out in Table 5. If the weekly consented volume is less than 3,200 m^3/week, then the minimum charge in Table 5 applies. Charges are levied against consented volumes, not actual use.

Consents that share a defined volume of water will have their charges apportioned between them in a way that recognises (but does not duplicate) their effective entitlement.

Where a maximum weekly condition is not specified in the consent, a deemed weekly volume will be calculated by conversion of the consented maximum daily/28 day/monthly/annual volume and the larger derived weekly volume will be applied.

Charges for water take consents for dam fill for irrigation with low flow conditions will be levied against consented weekly volume (m^3/week), modified by a differential reduction of 25%, due to these activities occurring for short periods during the year, at times where water resources are less stressed.

Charges for water take consents for shingle washing will be levied against consented volume (m3/week), modified by a differential reduction of 80% due to the non-consumptive nature of this activity.

Charges for water take consents for hydro power generation will be levied against consented weekly volume (m^3/week), modified by a differential reduction of 99.25% due to the large volumes and non-consumptive nature of this activity.

Fees reduced from 2023/24 due to the change in the Revenue & Financing Policy (proportion of costs to be recovered from discharge consent holders reduced from 35% to 15%).

Table 5: Charges to consent holders for Freshwater Quantity Science: WATER TAKE CONSENTS

	Annual variable charge rate 2024-2025 (excl GST)	
	$	**Units**
Minimum charge	$240.00	Per consent
Volume up to 100,000 m3	$0.075	Per m^3 maximum consented weekly volume
Volume from 100,000 to 1,000,000 m3	$0.054	
Volume from 1 million to 2 million m3	$0.027	
Volume above 2 million m3	$0.007	

For example, if your consented weekly take is 110,000m^3 your charge will be calculated as follows: 100,000m^3@$0.075 per m^3 = $7,500, plus 10,000$m^3$ @ $0.054 per m^3 = $540. Total charge (excluding GST) = $8,040.

Discharges to water or land consents – basis for charges
Freshwater quality science charges are levied against consents to discharge to freshwater, or to discharge to land in a manner that may enter water, as set out in Table 6. Charges are levied against each consent based on:

- the receiving body of the discharge (land or water), and
- the scale of consented activity (not actual discharges) as defined in Table 7.

Some activities are not scaled, though the Regional Council may apply a scale factor to charges if outliers become apparent.

Table 6: Charges to consent holders for Freshwater Quality Science: DISCHARGE CONSENTS

Annual fixed charge 2024-2025 (excl GST)			
Primary purpose: Drainage, sewage, stormwater & wastewater			
Discharge to:		**Water**	**Land**
Small	1	$343	$171
	2	$685	$343
	3	$1,028	$514
Medium	4	$1,370	$685
	5	$1,713	$856
	6	$2,055	$1,028
Large	7	$2,398	$1,199
	8	$2,740	$1,370
	9	$3,083	$1,541
Activities not scaled:			
Discharge to:		**Water**	**Land**
Solid waste		$1,370	$685
Other		$685	$343

Invoicing

Invoices will be raised during the fourth quarter (April/May) of each financial year for an annual charge amount, with due date for payment by the 20th of the following month. In June, any new eligible consents issued since the first invoice round may be invoiced. New consents issued during the year will only be charged for the portion of the year beginning from the date the consent was granted.

During the financial year, if a consent is surrendered or expires and is not replaced by a subsequent consent, then the water science charges only apply to the period that the consent was current. The consent holder can request a refund of freshwater science charges for the period from the date of the surrender/expiry to the end of the financial year. The Regional Council may not accept a surrender of consent unless the freshwater science charges owed have been paid. Consents that have expired but are able to be exercised due to section 124 protection, will not quality for this refund, and will be charged as if the consent is still current.

Charges are levied against current consent holders at the time of invoicing. If a consent has not been transferred prior to invoicing, or if the consent is transferred partway through the year (after the invoice has been issued), the annual charge will stand with the consent holder at the time of invoicing. Any apportionment of freshwater science charges after a consent transfer has taken place remains the responsibility of the respective owners.

Some consents have been authorised by the Regional Council but can only be utilised on the surrender of another consent. The new consents only become subject to the freshwater science charging regime upon the surrender of the prior consent.

Exemptions

The following consent activities are excluded from the freshwater science charges:

- Discharges to land or water, or water takes exercised once or intermittently for a short period (less than six months), and which have a negligible environmental impact.
- Discharges or water takes exercised for activities with the primary objective of improving the environment, as assessed by Regional Council consents staff.
- Discharges to water for the primary purpose of generating hydroelectricity (due to this being a consequential activity of a water take consent, which will still attract a freshwater science charge).
- Discharge to land consents for domestic effluent from a single domestic dwelling, or where the maximum daily discharge is less than or equal to 2m^3 (excluded based on the minor nature of this activity).
- Discharges to coastal waters are exempt from freshwater science charges, as the Regional Council has determined under the Revenue and Financing Policy that Marine Science costs are funded 100% from general rates. The majority of consent holders discharging to coastal water are mandated under their consent conditions to undertake considerable environment monitoring in the location around their discharges and submit these results to the Regional Council annually.
- Water take consents for the purpose of frost protection only are exempt, based on the short period of use, and that typically the consent holder also has another water take consent at the same location for irrigation purposes. Note that if frost protection activities are included in a water take consent for irrigation or other purposes, the charges will be calculated on the main purpose water take volume conditions.
- Where there are two or more discharge to land consents relating to the same activity at the same location, only the largest scaled discharge consent will attract the freshwater science charge.
- Where there are two or more discharge to water consents relating to the same activity at the same location, only the largest scaled discharge consent will attract the freshwater science charge.

Fee remissions

The Regional Council may consider a remission of any, or part thereof, the annual freshwater science charges, under Section 36 AAB (1) of the Resource Management Act.

Reference to discounts on partially exercised or non-exercised consents have been removed and replaced with this statement.

Table 7: Definition of discharge consent scale of activity

Primary purpose of discharge	Small			Medium			Large		
	1	2	3	4	5	6	7	8	9
Drainage	Max discharge rate: < 10 l/s	Max discharge rate: 10 - 25 l/s	Max discharge rate: 26 - 75 l/s	Max discharge rate: 76 - 200 l/s	Max discharge rate: 201 - 1,000 l/s	Max discharge rate: 1,001 - 5,000 l/s	Max discharge rate: 5,001 - 10,000 l/s	Max discharge rate: 10,001-20,000 l/s	Max discharge rate: > 20,000 l/s
Sewage	Max discharge: 2-5 m³/day	Max discharge: 6-10 m³/day	Max discharge: 11-50 m³/day	Max discharge: 51-100 m³/day	Max discharge: 101-200 m³/day	Max discharge: 201-500 m³/day	Max discharge: 501-1,000 m³/day	Max discharge: 1,001-2,000 m³/day	Max discharge: > 2,000 m³/day
Stormwater	Catchment area: < 1 ha	Catchment area: 1 to 5 ha	Catchment area: 6 to 10 ha	Catchment area: 11 to 20 ha	Catchment area: 21 to 40 ha	Catchment area: 41 to 60 ha	Catchment area: 61 to 80 ha	Catchment area: 81 to 100 ha	Catchment area: > 100 ha
Wastewater	*Dairy & Piggery operations:* Herd size < 100 cow equiv. *All other operations:* Max discharge < 15 m³/day	*Dairy & Piggery operations:* Herd size 100-400 cow equiv. *All other operations:* Max discharge 16-50 m³/day	*Dairy & Piggery operations:* Herd size 401-700 cow equiv. *All other operations:* Max discharge 51-250 m³/day	*Dairy & Piggery operations:* Herd size 701-1,000 cow equiv. *All other operations:* Max discharge 251-1,000 m³/day	*Dairy & Piggery operations:* Herd size 1,001-1,300 cow equiv. *All other operations:* Max discharge 1,001-2,000 m³/day	*Dairy & Piggery operations:* Herd size 1,301-1,600 cow equiv. *All other operations:* Max discharge 2,001-5,000 m³/day	*Dairy & Piggery operations:* Herd size 1,601-2,000 cow equiv. *All other operations:* Max discharge 5,001-10,001 m³/day	*Dairy & Piggery operations:* Herd size 2,001 to 3,000 cow equiv. *All other operations:* Max discharge 10,001-20,000 m³/day	*Dairy & Piggery operations:* Herd size >3,000 cow equiv. *All other operations:* Max discharge > 20,000 m³/day
Solid waste and other	No scale applied. HBRC may apply scale factor to "non-scaled" discharge consents if outliers become apparent.								

Note: Sheep, goats and pigs are converted to cow equivalents using the following conversions; 6.5 sheep = 1 cow equiv, 8.13 goats = 1 cow equiv, 3.75 pigs = 1 cow equiv.

1.4 Charges relating to contaminated site management

These charges outlined in Table 8, are set in accordance with section 150 of the Local Government Act 2002.

Table 8: Charges relating to contaminated site management

	Charge (excl GST)
Where a party requests information about the 'contaminated site' status of a property	Actual and reasonable costs[4]
Where a party requests HBRC review and comment on contaminated site investigation and remediation reports	
Where a party requests more extensive involvement of HBRC staff	

Note 4: Actual and reasonable costs shall be calculated by multiplying the actual staff hours taken to perform the activity, by the hourly rates for the staff involved and adding any actual disbursements (as per rates in Table 15).

1.5 Charges for gravel extraction

1.5a Charges for gravel taken under HBRC resource consents

Charges will be levied for gravel taken under the Regional Council resource consents:

- AUTH-123467-02, AUTH-123469-02 (Ngaruroro River)
- AUTH-123447-02, AUTH-123453-02 (Tukituki River)
- AUTH-123452-02, AUTH-123458-02 (Tūtaekurī River).

Permissions, compliance monitoring and administration charges

The Regional Council is required to monitor each river to determine gravel availability and the effects of gravel abstraction on flood carrying capacity and on the integrity of flood control schemes, on the environment and on the community. It is also required to ensure that parties taking gravel under the Regional Council global consents are compliant with the conditions of those resource consents. Each party taking gravel under the Regional Council consent will be required to obtain a permission from the Asset Management Group and pay compliance monitoring and administration charges based on the volume of gravel extracted, the source of the gravel, and its quality, as set out in Table 9. The charges include the provision of infrastructure to access the resource (i.e.: roading and stockpile areas).

The categories are:

- inferior grade material (as determined by Regional Council staff)
- material extracted from above the confluence of the Tukipo and Mangaonuku River tributaries of the Tukituki and Waipawa rivers (Upper Tukituki catchment)
- material from Heretaunga Plains Flood Control Scheme (HPFCS) rivers including lower and middle Tukituki.

Charges for receiving, processing, and issuing permissions to extract gravel under the Regional Council resource consents, are payable to the Regional Council in advance. Charges for gravel extraction are due and payable to the Regional Council monthly, on the same day as extraction declarations.

Table 9: Charges for gravel extraction under HBRC resource consents, 2024-2025

Permissions to extract gravel under HBRC resource consents:	Charge (excl GST)
0-50 cubic metres	$80
Greater than 50 cubic metres	$120
Extraction charge for compliance monitoring, environmental mitigation and administration:	**Charge per m³ extracted (excl GST)**
Upper Tukituki	$0.80
HPFCS rivers including lower & middle Tukituki	$1.20
Inferior grade	$0.40

1.5b Charges for gravel extraction taken via individual resource consents

Resource Consent applications

The charge for receiving and processing a consent application for extraction of gravel from rivers are as set out in Table 1. Additional costs may be charged if the processing costs exceed the initial fixed fee (deposit).

Resource Consent monitoring

If you hold a resource consent to extract gravel, you will be required to pay compliance monitoring for that consent. Refer to section 1.2b for the costs related to consent compliance monitoring.

Gravel extraction, river state, cultural and environmental monitoring fees and charges

In addition to direct compliance monitoring of your consent, you will be required to pay a gravel extraction fee based on the volume of gravel extracted, the source of the gravel and its quality as set out in Table 10. The gravel extraction fees cover the costs borne by the Regional Council to monitor the state of rivers, the impact of gravel abstraction on flood carrying capacity, and on the ecological, cultural and other values of the rivers.

Charges for gravel extraction are due and payable monthly on the same day as extraction declarations.

Table 10: Charges for gravel extraction via individual resource consents based on $ per cubic metre extracted per annum, 2024-2025

Extraction charge for river state, cultural and environmental monitoring: *(State of Environment monitoring charge s35 of RMA)*	Charge per m³ extracted (excl GST)
Upper Tukituki	$0.80
Ngaruroro, Tūtaekurī, lower and middle Tukituki Rivers and their tributaries	$1.20
All other rivers	$0.80
Inferior grade	$0.40

Clarification of what charges will be levied for gravel extraction where not taken under permissions for gravel extraction via HBRC held resource consents.

Fees have been updated to align with gravel extraction under HBRC's resource consents.

2. Building Act charges for dams

The processing of building consents for dams, issuing of project information memoranda (PIMs) for dams and administering dam safety regulations are statutory functions for the Regional Council under the Building Act (2004) and its amendments. Dam safety regulations become operative on 1 July 2010. Note that PIMS can be requested from Local Authorities under the Building Act for any property (other than dams). The Regional Council will recover costs of providing information on a property to the local authority requesting that information, based on actual costs.

Building consent costs

The function for consenting dams under the Building Act (2004) has been transferred to Waikato Regional Council. The transfer agreement specifies that building consent costs will be recovered on an actual and reasonable basis, with hourly rates and fixed charges as set and recovered directly by Waikato Regional Council.

Any Regional Council processing costs not associated with the Building Act will be charged as specified in Table 1 under Resource Management charges.

PIM costs

A fixed charge (deposit) listed in Table 11 is payable in advance and an additional charge may be payable once the PIM has been provided, based on actual costs.

Certificate of Acceptance costs

This function is retained by the Regional Council, but Waikato Regional Council will provide technical advice into the process. A fixed charge (deposit) is payable in advance, and an additional charge may be payable once the application has been decided. The fixed charge for this is listed in Table 11.

Ministry of Building, Innovation & Employment and Building Research Authority of New Zealand levies

Ministry of Building, Innovation & Employment (MBIE) and Building Research Authority of New Zealand (BRANZ) levies are required by the Building (Levy) Regulations 2019, and the Building Research Levy Act 1969. The Regional Council is required to collect and pay MBIE and BRANZ levies as regulated for all Building Consent applications and certificate of Acceptance applications (as listed in Table 11). These levies may change in accordance with amendments made to regulations.

Additional Building Act charges

Where an additional charge is to be made, the charge will be recovered on an actual and reasonable basis. This shall be calculated by multiplying the actual hours involved in undertaking monitoring of the application by the hourly rate for the staff involved and adding any actual disbursements (as in Table 15).

An additional charge will apply to:

- all PIMs, applications for a Certificate of Acceptance, and applications for an Amendment to a Compliance Schedule, when the fixed charge (deposit) does not cover the costs of processing
- all other unspecified Building Act duties that deal with its application, processing, or compliance, and are attributable directly to a dam. These charges are payable by the owner of a dam.

Table 11: Charges for Building Act applications, 2024-2025

Activity	Deposit (excl GST)
Building consent for dams - Project Information Memorandum (PIM)	$500
Certificate of acceptance - Dam valued up to $20,000 - Dam valued between $20,000 and $100,000 - Dam valued over $100,000	$500 $2,000 $4,000
Amendment to compliance schedule	$1,000
MBIE Levy For building work value greater than $65,000 (incl. GST) *(effective from 1 July 2024)* Value limit change as per MBIE	$1.75 incl. GST for every $1,000 incl. GST (or part of $1,000) of the estimated value of the building work.
BRANZ Levy For building work value greater than $20,000	0.1% of the contract value (above $20,000) of the estimated value of the building work.

3. Maritime Transport and Maritime Safety charges

3.1 Standard charges under the Maritime Transport Act 1994 - Marine Tier 1 Oil Transfer Sites

New fee proposed

Maritime Rule Part 130B requires that the operator of an oil transfer site obtain approval for a site marine oil spill contingency plan from the director of Maritime New Zealand. The power to approve these plans has been delegated by the director to the chief executive (sub-delegated to HBRC Regional On Scene Commanders) of the Regional Council in an Instrument of Delegation pursuant to section 444(2) of the Maritime Transport Act 1994. Section 444(12) of the Maritime Transport Act 1994 allows the Regional Council to charge a person a reasonable fee for:

- approving Tier 1 site marine oil spill contingency plans and any subsequent amendments
- inspecting Tier 1 sites and any subsequent action taken thereafter in respect of preparation of inspection reports or reporting on non-conformance issues.

Changed from fee per craft

Permit fees extended to all permits (previously only hot work permits).

Approval of contingency plans, inspecting Tier 1 sites, auditing response exercises and subsequent follow up reports and corrective actions shall be charged the actual and reasonable cost of the required work. Actual and reasonable charges shall be calculated using the hourly rates listed in Table 15

Table 12: Tier 1 Marine Oil Response charges, 2024-2025

	Charge (excl GST)
Review or approval of a Tier 1 marine oil spill response plan, including an initial audit	Actual and reasonable costs[5]
Attendance at Tier 1 plan site visit, exercise, or audit	

Note 5: Actual and reasonable costs shall be calculated by multiplying the actual staff hours taken to perform the activity, by the hourly rates for the staff involved and adding any actual disbursements (as per rates in Table 15).

Update of definition of charge in line with changes to the Revenue & Financing Policy.

3.2 Maritime Safety charges

The role of the Harbourmaster's office includes managing maritime-related activities and navigation safety within the region. Internal and external costs incurred in ensuring maritime safety, shall be charged to the organisation and/or individual(s) responsible. Maritime safety charges to Napier Port and Napier City Council will be an annual fixed charge. Other maritime safety charges are as outlined in Table 13.

Table 13: Maritime Safety charges, 2024-2025

	Charge (excl GST)
Responding to maritime incidents	Actual and reasonable costs[6]
Anchorage Levy Fee for commercial vessels greater than 40 metres in length overall, anchoring within the Hawke's Bay regional waters	$1 per metre of length overall per day/part of a day
Hire boat licence	Actual and reasonable costs[6]
Pilot Exemption Certificate Examination/Revalidation	$600
Pilotage assessment fee	$250
Fee for issuing permits	$150
Temporary reservations, suspensions or exemptions under the Navigation Safety Bylaw	$150
Personal watercraft (jet ski) registration	$100 per craft

Note 6: Actual and reasonable costs shall be calculated by multiplying the actual staff hours taken to perform the activity, by the hourly rates for the staff involved and adding any actual disbursements (as per rates in Table 15).

Fee increase from 2023/24

Charges for Napier Port
An annual fixed charge will be levied to Napier Port, based on 70% of the budgeted annual costs for the maritime safety regulation of port and harbour operations.

Charges for Napier City Council
An annual fixed charge will be levied to Napier City Council, based on 23% of the budgeted annual costs for the maritime safety regulation of port and harbour operations.

New annual fixed charge proposed in line with same charge approach as Napier Port.

4. Charges for the preparation of, or change to a regional plan

Applications for the preparation of, or change to, any regional plan will be subject to a fixed charge deposit, payable in advance as set out in Table 14.

Table 14: Charges for preparation or changes to a regional plan, 2024-2025

	Deposit (excl GST)	Additional charge – payable subsequent to processing
Application for the preparation of, or change to, a regional plan	$40,000	Based on actual and reasonable costs

If the actual costs incurred by the Regional Council in preparing, varying, or changing the regional plan exceed the charge payable in advance, then these costs may be recovered by way of an additional charge. The additional charge shall be based on actual costs as calculated by multiplying the actual hours involved in preparing or changing the regional plan by the hourly rates for staff involved and adding any actual disbursements (see Table 15) and subtracting the charge referred to above. The total calculated amount shall then, if necessary, be adjusted having regard to the factors referred to section 36 of the Resource Management Act.

5. Charges for the provision of information

The Regional Council shall charge for the provision of information as follows:

- The first hour of time spent actioning a request for information on each or any occasion relating to the same general matter or issue arising from the Regional Policy Statement, regional plans or resource consents shall be provided free of charge.
- The Regional Council reserves its rights under section 13 of the Local Government Official Information and Meetings Act 1987 (LGOIMA) to charge for the provision of information above one hour. The Regional Council delegates the decision for treating requests made by the same person and in quick succession as one request, to the Chief Executive.
- In accordance with the LGOIMA, the Regional Council does not consider requests for explanations in its definition of information requests.
- Staff time spent actioning any request over and above the time provided free of charge shall be charged at the rates set out in Table 15. The Regional Council may also choose to require payment in advance.
- The first 20 pages of black and white photocopying on standard A4 or A3 paper shall be provided free of charge.
- Where the total number of pages of photocopying is more than 20, then the rates set out in Table 15 will apply.

Table 15: Charge rates for the purpose of calculating actual costs, 2024-2025

Item	Per hour (excl GST)
Executive officers	$216
Policy & Planning advisors	$157
Project Management & Engineers	$157
Environmental Scientists	$157
Resource consent processing & compliance monitoring officers	$157
Resource consent administration officers	$113
Harbourmaster	$300
Other staff not listed above	$103
Disbursement costs shall be charged at the rates set out below:	
– Accommodation	- Actual cost but not exceeding $200 per night
– Public notification	- Actual advertising costs
– Photocopying	- 25c per A4 page B&W - 50c per A4 page colour - 50c per A3 page B&W - $1 per A2 page B&W
– External laboratory testing	- Actual cost
– Consultant fees	- Actual cost

Table of roles simplified and hourly rates increased from 2023/24, with the exception of resource consent processing where compliance monitoring and consent processing hourly rates have been aligned.

6. Other charges related information

Leasehold properties

Hawkes Bay Regional Council owns multiple leasehold properties. Charges for changes related to these properties are listed in Table 16.

Table 16: Administration charges for leasehold property changes

Item	Amount (excl GST)
Consent to transfer administration fee	$50
Freeholding valuation fee (refundable to applicant if freehold transaction proceeds in the allocated time)	$600

Fee increase from 2023/24

Charges by the Crown

The Regional Council is responsible for collecting the following Crown fees, rents, and royalties in addition to its charges:

- In the Coastal Marine Area:
    - Restricted coastal activity application fees as specified
    - Extraction of sand and gravel - $1.51 excl. GST per cubic metre royalty
- Rent for the occupation of land from the Crown
- Geothermal royalties.

Due dates for payment

- Charges payable in advance for consent applications are due on the filing of an application.
- Charges for receiving, processing, and issuing permissions to extract gravel under the Regional Council Resource Consents, are payable to the Regional Council in advance. Charges for gravel extraction under individual consents are due and payable to the Regional Council monthly, on the same day as extraction declarations.
- Charges payable for photocopying of less than $20 are due on collection of the copies.
- All other charges will be due and payable on the 20th of the month following date of the invoice.

Cost of debt recovery

All debt collection costs incurred by the Regional Council in relation to the activities covered in this fees and user charges document shall be borne as a debt by the party whose actions caused the initial charge.

Statement of proposal to amend the

Revenue and Financing Policy

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

Statement of proposal to amend the Revenue and Financing Policy

What is the proposal?

This proposal is to amend the Hawke's Bay Regional Council's *Revenue and Financing Policy* to specify the rating for Category 2 flood protection schemes and general works agreed as part of the cost-share agreement with the Government to support recovery from Cyclone Gabrielle.

We are consulting on this concurrently with our Three-Year Plan.

Why are we consulting on this?

The Regional Council agreed to its share of a flood mitigation package as part of a cost-share agreement with the Government in August 2023. It was the best deal on the table to help communities in Category 2 areas – those areas deemed unsafe to live without improved flood protection following Cyclone Gabrielle. At the time the Regional Council agreed to debt fund its share and consult later on how to repay the debt including interest costs.

The process and criteria the Regional Council must consider when determining the most appropriate sources of funding to use to repay the debt is set out in section 103(2) of the LGA 2002. This is documented in the Revenue and Financing Policy and allows the Regional Council to charge ratepayers.

The Regional Council can amend its Revenue and Financing Policy at any time after consulting on the proposed amendments.

A marked-up copy of the amended Revenue and Financing Policy including the rating options the Regional Council's in consulting on is included with this Statement of Proposal. We are seeking feedback on these changes.

More discussion on rating options is covered in the Three-Year Plan consultation document.

Background

Under section 102 of the Local Government Act 2002, every local authority must adopt a revenue and financing policy. A revenue and financing policy is required to provide predictability and certainty about the Regional Council's sources and levels of funding for operating and capital expenditure.

The current Revenue and Financing Policy was adopted on 28 February 2024.

What's changing?

The Regional Council is proposing to add two new lines to the table in Section A of the current Revenue and Financing Policy, shown in red below. The percentages are subject to the outcome of community consultation.

Activity	Targeted rate	General rate
Asset Management group		
Flood Protection & Control Works		
Flood protection schemes	70%	30%
Drainage and pumping	90%	10%
River & stream maintenance		100%
Initial capital to build Category 2 Flood Schemes	0-70%	30-100%
Initial costs for Category 2 General Works		100%

And two new lines in the *Appendix: Step One Funding Needs Assessment and Step Two outcomes* to show the rationale.

Submissions

People wishing to submit on this consultation proposal are invited to do so by 8pm on 15 May 2024.

Submissions can be made online at **hbrc.govt.nz, search: #haveyoursay** or in writing to the Regional Council. The easiest way to submit is by completing the online submission form for the Three-Year Plan consultation document.

Ko te Kaupapa Heremoni Whiwhi me te Ahumoni

Amended Revenue and Financing Policy for consultation

Last adopted 28 February 2024

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

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 Tāngata Whenua Partnerships				100%
Community Sustainability Environmental education, corporate sustainability, and climate action				100%
Sustainable Homes, including Clean Heat			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
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%

Activity	Fees & user charges	Grants, subsidies & other	Targeted rate	General rate
Water Information Services	90% from consent holders			10%
Sustainable Land Management			25%	75%
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%
Initial capital to build Category 2 Flood Schemes		Percentages subject to the outcome of community consultation.	0-70%	30-100%
Initial costs for Category 2 General Works				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		
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 Clean Heat 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.

			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 Regulation							
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.

			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**
Maritime Safety (harbour operations)	Resilient Community	Napier Port Limited is the primary beneficiary of Harbourmaster activities to support safe commercial shipping in the Napier harbour. Other users (commercial and non-commercial) also benefit from harbour operations.	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 who benefit or create the need.	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 should fund those costs using fees and user charges. *100% fees and user charges.*	No change from step one.
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.

			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 (includes rural partnerships & 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.
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.
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.

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**
Asset Management							
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. *30% general rate and 70% targeted rate for all schemes, except for Pōrangahau at 50% general rate and 50% targeted rate (subject to the outcome of consultation)*	Differential targeted rates on capital value using the following rating factors: Upper Tukituki – 3 Heretaunga Plains – 2 Makara FCS – 3 Wairoa – 2 Whirinaki (Other) – 2 Whirinaki (Industrial) has no differentials Pōrangahau – 2
Initial capital to build Category 2 Flood Schemes	Resilient Community	Property owners and residents in Category 2 flood schemes are the primary beneficiaries from the construction of flood mitigation agreed as part of the cost-share agreement with the Crown to support recovery from Cyclone Gabrielle. All ratepayers in the region benefit from the co-funded flood mitigation which enables affected property owners to rebuild rather than funding Category 3 property rights purchase.	There are intergenerational benefits due to significant infrastructure.	Natural disaster exacerbated by climate change that everyone has contributed to.	There are benefits from funding the initial capital to build Category 2 flood schemes separately to target those who benefit.	*30-100% general rate and 0-70% targeted rate (subject to outcome of consultation):* • *Whirinaki (Other)* • *Whirinaki (Industrial)* • *Heretaunga Plains (Ohiti Rd/Omahu, Waiohiki and Pākōwhai* • *Pōrangahau*	Differential targeted rates on capital value using the following rating factors: Whirinaki (Other) – 2 Whirinaki (Industrial) has no differentials Heretaunga Plains -2 Pōrangahau – 2
Initial costs for Category 2 General Works	Resilient Community	The community as a whole benefit from the agreed infrastructure repairs, upgrades and planning across a range of assets, area, and schemes.	There are intergenerational benefits.	Natural disaster exacerbated by climate change that everyone has contributed to.	There is no particular need to fund this activity separately.	As there are regionwide and whole community benefits the general rate is considered the most appropriate funding source. *100% general rate.* Future operational and capital expenditure will be funded through the rating for the particular activity.	No change from step one.
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	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	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.*	Differential targeted rates on capital value except Raupare Enhancement Scheme (by Area), and Opoho Scheme (fixed charge).

		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**
		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.			transparency to the ratepayers who fund the activity. Separate funding is useful to demonstrate the benefits from drainage are less regional than flood protection.	*90% targeted rates and 10% general rate.*	
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. *100% general rate. Certain works are recovered on a proportional basis.*	No change from step one.
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	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*	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**
					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.	*(Total expenditure evenly split between NCC, HDC and HBRC)*	
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 models for water storage and demand management solutions.	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 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.	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	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.

		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**
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.
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.

Statement of proposal to amend the

Rates Remission and Postponement Policies

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

Statement of proposal on the Rates Remission and Postponement Policies

What is the proposal?

This proposal is to amend the Hawke's Bay Regional Council's *Rates Remission and Postponement Policies* to create a new Rates Remission Policy.

We are consulting on this concurrently with our Three-Year Plan.

Why are we consulting on this?

When the Regional Council recently adopted its revised Revenue and Financing Policy, it committed to further consult on options to reduce the impact on stand-out ratepayers on utilities rolls. These ratepayers are considered stand-out, or outliers, if their capital value is disproportionately high compared to others.

A marked-up copy of the Rates Remission and Postponement Policies showing the changes is is included with this Statement of Proposal. We are seeking feedback on these changes..

More discussion on options is covered in the Three-Year Plan consultation document.

Background

Under section 102 of the Local Government Act 2002, every local authority must adopt both a rates remission policy and a rates postpontment policy. These policies provide detail on what relief is available and in what circumstances.

The current *Rates Remission and Postponement Policies* were adopted on 28 February 2024.

What's the issue?

Most ratepayers on utilities rolls – including our local councils as well as power and telecommunications companies – have their network infrastructures either underground, overhead or along existing structures (like bridges). Their infrastructure (such as pipes for drinking water, wastewater, and stormwater) is generally not on land they own. This means that most rating units on utilities rolls have a capital value but not a land value.

As a result of the Regional Council's recent decision to change the way we calculate the general rate, from land to capital value as part of a comprehensive rates review, these ratepayers will now be charged the general rate for the first time. In some cases, this will see their rates bills increase quite substantially.

During the submission process for the policy review, the Regional Council received a joint submission from the four district and city councils in Hawke's Bay requesting relief to lessen the impact on their utility rolls rates from the policy change. The rationale given was that the capital value of Three Waters assessments stand-out as being disproportionate to other rateable assessments in the rating database, and that their community infrastructure assets do not impose a significant burden on regional council services.

What are we proposing?

We are proposing a new remission policy called *Significant Impact Remission resulting from changes to the Rating Policy*, which provides a 50% remission for the most affected outliers on utilities rolls for one year to help the transition to the new policy settings. Outliers are Hastings District Council, Napier City Council, and one utility company.

The policy amendment is set out over the page.

5. Significant Impact Remission resulting from changes to the Rating Policy

Objective

To assist providers of utility network infrastructure, where the change from land to capital value rating for the general rate has resulted in significant financial impact, to transition to the new rating structure.

Conditions and criteria

This policy only applies to those rating units on the Utility Valuation Rolls (99930-99932) and is limited to utilities defined as 'outliers' by capital value cap.

The remission will apply for the 2024-2025 rating year and will be set at 50% of the general rate charge, for those rating units where a general rate has not previously been applied under land value rating.

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.

Submissions

People wishing to submit on this consultation proposal are invited to do so by 8pm on 15 May 2024.

Submissions can be made online at **hbrc.govt.nz, search: #haveyoursay** or in writing to the Regional Council. The easiest way to submit is by completing the relevant section of the online submission form for the Three-Year Plan consultation document.

Kaupapa Muru me te Whakatārewa Reiti

Amended Rates Remission and Postponement Policies for consultation

Last adopted 28 February 2024

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

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. Significant Impact Remission resulting from changes to the Rating Policy

Objective

To assist providers of utility network infrastructure, where the change from land to capital value rating for the general rate has resulted in significant financial impact, to transition to the new rating structure.

Conditions and criteria

This policy only applies to those rating units on the Utility Valuation Rolls (99930-99932) and is limited to utilities defined as 'outliers' by capital value cap.

The remission will apply for the 2024-2025 rating year and will be set at 50% of the general rate charge, for those rating units where a general rate has not previously been applied under land value rating.

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.

6. 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.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Tukua mai ō whakaaro Te Matau-a-Māui
on our special
Three-Year Plan 2024-2027
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TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI
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Our Long Term Plan consultation

Contents

Message from our Chair & Chief Executive

We all have seen the phenomenal effort by so many in our communities to work positively together with the same goal – to build back Hawke's Bay, safer, smarter and more resilient.

It's been a tough few years. Covid's disruption, closely followed by a disaster of the scale of Cyclone Gabrielle has had a significant impact across the region.

Our proposed three-year plan is focused on recovery and resilience.

Our key work includes delivering a $250 million flood resilience programme which will see us build flood infrastructure to move properties in Category 2 areas to Category 1 to enable people to move on with their lives.

We are investigating the long-term design and management of flood schemes in the face of our changing climate, and continuing to invest in critical partnerships and the core functions of the Regional Council.

We are setting up the Regional Council's investment arm - the Hawke's Bay Regional Investment Company - to improve returns to ratepayers from our investments.

We are also proposing to bolster funding for Civil Defence, as together with all the councils in the region we work on implementation of the review of the Civil Defence Emergency Management response to the cyclone.

At the same time, we have to make some tough choices as the costs of recovery and day to day work increase. We are mindful of the impact of these increased costs on ratepayers.

To contain costs and redirect spending to recovery work, we are proposing to stop and temporarily slow some services. We have also made internal cuts which combined with the proposed service changes save $4.6 million in 2045-25.

You can find more details of the plan in the consultation document, available online and in hard copy in libraries and our Wairoa, Napier and Waipawa offices.

Getting the balance right between savings, and delivering services communities value is always difficult which means your feedback is critical.

The proposed plan sets an average rate increase of 19.6 percent for the first year (2024/25), 18.1 percent in 2025/26 and 9 percent in 2026/27.

You can see how it affects your property by looking at our online rates calculator at hbrc.govt.nz, search #haveyoursay

Please have your say on how we support recovery and resilience in Te Matau-a-Māui. Your opinions matter to us and we encourage your feedback.

Find out more at hbrc.govt.nz, search #haveyoursay

Hinewai Ormsby

Te Toihau Chair

Dr Nic Peet

Tumu Whakarae
Chief Executive

Part 1: Introduction

Setting the scene

What is this document?

This document outlines our plan for the next three years, 2024-27, and seeks your feedback to help guide the Regional Council's decisions.

We would normally develop a 10-year long term plan as all councils are required to under the Local Government Act 2002. However special temporary legislation following Cyclone Gabrielle has changed the timeframe to three years for the worst affected councils.

The legislation also removes the need to have our plan audited given it is too hard to forecast beyond three years with enough certainty to meet the normal audit requirements.

Our focus is on recovery and building resilience for future events

The Regional Council's financial position has been impacted by two significant disasters in quick succession – the Covid pandemic and Cyclone Gabrielle.

Cyclone Gabrielle was one of the worst storms to hit New Zealand in living history and Hawke's Bay was one of the worst affected regions.

This Three-Year Plan is about recovering from Covid and the cyclone and building resilience for future events.

This includes the huge job of building new, and improving current, flood protection schemes across the region.

A lot of our recovery work has already been negotiated with the Government. However, there are some decisions to be made where we want your input.

How should we rate for our share of the flood resilience programme? We also need to decide who pays for ongoing operations and maintenance.

Financial challenges

Our costs are increasing significantly – these are outlined in Part 2. In response we are proposing to stop and slow down some community services to reduce our costs and your rates.

We encourage you to read these proposals in Part 4 and let us know what you think. These are important community conversations we need to have.

What do you think of our proposals to stop/slow down some work to reduce costs and rates?

You can give us your feedback in a number of ways – see the back page of this document for options.

We have also made lots of internal cuts and these, with the proposed service changes, save about $4.6 million in 2024-25.

We thought about selling assets, however, this only delivers a one-off short-term benefit and we are looking at better future returns to reduce the rates burden over the long term.

Still a lot of uncertainty after the cyclone

There are still a lot of moving pieces at play as a result of Cyclone Gabrielle making planning and budgeting challenging.

We know further big constructions costs are coming
The findings of the Hawke's Bay Independent Flood Review and the reviews into two of our significant flood schemes – Heretaunga Plains and the Upper Tukituki – are due in June and July 2024.

We anticipate significant investment will be needed. This will be a key affordability challenge for our next Long Term Plan.

Ongoing insurance claim process
Staff are still working through the very complex and labour-intensive claims process with our insurance providers and NEMA (National Emergency Management Agency) for the necessary repairs we undertook, and continue to undertake, on damaged assets such as stopbanks and pump stations. We expect this process to continue into 2025.

Cleaning up
We continue to play a huge role in the clean-up of the region after Cyclone Gabrielle. We are supporting the administration of the Silt Taskforce and the Commercial Silt Fund, and are managing distribution of the Government funding that has enabled this work.

Given the clean-up work is still underway it is difficult to plan with certainty as to whether the final funding of $40 million allocated to Hawke's Bay in March 2024 will be enough for our region.

We will also incur costs to close and ensure the safety of dedicated silt sites.

Part 2: What's happening to rates?

What will the rates increase be?

The proposed average rate increases for the next three years are outlined below.

Proposed rates increases		
2024-25	2025-26	2026-27
19.6%	18.1%	9.0%

19.6 percent is the average rates increase for all rates for the first year, but this doesn't mean everyone's yearly rates bill will be increased by 19.6 percent.

HOW MUCH YOU PAY CAN DEPEND ON:

- The value of your property
- The revaluation cycle for your district or city
- The services your property is rated for

On average we estimate residential ratepayers will pay $587 in 2024-25.

See Part 8 for rate impacts on a sample of properties in Hawke's Bay. You can see how it affects your property by looking at our online rates calculator at hbrc.govt.nz, search #haveyoursay.

Why are rates going up?

Like many households, businesses, and councils we are facing financial challenges on many fronts.

Covid and Cyclone Gabrielle in quick succession have put unprecedented strain on our financial position. Our investment returns are down, we are repaying money we have borrowed since Covid to keep rates down, and we've faced unplanned costs to repair infrastructure; and there's more to come to build resilience for future events.

The main drivers pushing rates up are:

1) Continuing cyclone recovery costs
2) Repaying money we borrowed to help keep rates lower
3) Lower than expected income from our investments
4) Insurance and inflation
5) Increasing costs to provide public transport.

1) Continuing cyclone recovery costs

Since the cyclone, we have incurred and helped administer the following activities:

- ~$40M – infrastructure repairs plus $35M forecast still to be completed
- $15M – general cyclone costs including Civil Defence
- $142M – local government silt and debris
- $52M - commercial silt and debris
- $8.5M – Disaster Relief Trust
- $7M – Regional Recovery Agency
- $4.7M – woody debris

We have incurred significant unplanned costs in responding to Cyclone Gabrielle and we still have further costs. We are going to be feeling the impacts for a long time. However, we expect most to be covered by our insurance and NEMA.

We introduced a Cyclone Recovery Rate in 2023-24 to raise around $5.9 million (including GST) to help pay for response and recovery costs we didn't expect to be covered by other sources. This is helping with some of the costs.

We still require funding to:

- continue to repair assets that were damaged in the cyclone
- cover loan and interest costs incurred to fund remediation of damaged cyclone assets not covered by insurance
- continue to support silt and debris waste management
- collect environmental disaster impact data.

This year, you will not see a separate charge for this on your rates bill as this has been absorbed into the General Rate.

Proposed rates for new flood schemes

In August 2023, as part of the region's cyclone recovery funding package negotiated between the Government and Hawke's Bay's five councils, we agreed to fund $44.15 million of the nearly $250 million flood mitigation programme. Delivering this programme is a top priority.

We will borrow this funding but need to decide how to repay it; a variety of options exist as discussed in Part 3.

2) Repaying money we borrowed to help keep rates lower

In 2020-21 the then Council resolved to have a zero-rate increase to lessen the financial impacts of Covid across our region (deferring the 7.3% rates increase).

This happened at the same time we were implementing a step-change in activity, particularly in areas of land and water to achieve results on-the-ground at pace and scale, as well as in other areas of capital expenditure such as sustainable homes, asset management, and system integration software.

As a result, Regional Council borrowed to fund the proposed works for four years and defer the impact on ratepayers.

While beneficial at the time for our ratepayers, that decision is now having a significant cumulative impact on rates required. Not only are we replacing loan funding with rates funding, but we also need to repay the original loans with interest. This has a $4.44 million impact to rates in 2024-25 and another $4.12 million in 2025-26. The 2024-25 year will be the fourth and final year of borrowing for operating expenditure.

3) Lower than expected income from our investments

We have investments that our ratepayers benefit from.

Investment income is used to reduce general rates and allows ratepayers to realise some of the benefits from the investment portfolio each year.

Our investment portfolio includes:

- Managed funds
- Leasehold property in Wellington and Napier
- Majority shareholdings in Napier Port and FoodEast Limited Partnership
- Forestry
- Carbon credits.

On average over the last five years, we have received $11.8 million of normal income each year from having these investments. However, this is substantially less income than we had planned due to Covid, Cyclone Gabrielle, and other global events impacting local and international markets.

Compared to what was forecast in the 2023-24 Annual Plan, we anticipate our cash income to be down $3.8 million in 2024-25, $3.3 million in 2025-26 and $2.8 million in 2026-27, should no other changes be made.

We have reset our expected returns in line with the current financial outlook.

4) Inflation and insurance

We expect inflation to increase costs by $1.35 million in 2024-25. In the two years after that we are expecting annual increases of around $1 million.

Our insurance premiums are also increasing significantly jumping from $1 million in 2023-24 to $2 million over the three years of this plan.

5) Increasing costs to provide public transport

Public transport is important because it connects people to jobs, education, healthcare, and social activities while reducing traffic congestion and pollution. It is vital particularly for people who can't drive for one reason or another, such as those with disabilities, the elderly, young people, and people on low incomes.

Through contractors and on behalf of the Regional Transport Committee we provide public bus services (in and around Hastings, Flaxmere, Havelock North, Taradale, and Napier) and Total Mobility taxi services. We charge a targeted rate to Napier and Hastings urban ratepayers to help cover these costs.

The Regional Transport Committee is made up of representatives from the region's five councils and Waka Kotahi NZ Transport Agency plus advisory members.

The cost to provide public transport is increasing significantly over the three years of this plan.

Year	Amount to be collected through a targeted rate	Total cost*
2023-24 (base year)	$3.1M	$6.6M
2024-25	$4.6M	$10.3M
2025-26	$6.6M	$14.4M
2026-27	$7.1M	$15.6M

** The total cost is covered by the targeted rate plus passenger fares and Waka Kotahi NZ Transport Agency subsidies.*

The increases are due to:

Greater demand for Total Mobility taxi services
Uptake of this service has increased since a government subsidy introduced in July 2023 made it cheaper for eligible people to use. More trips taken come at a cost.

Growing costs to provide public buses
Driver salaries have increased and we're facing significantly higher than planned indexation costs in our bus contract. Indexes are used to adjust the price paid for fluctuating costs such as fuel, road user charges and maintenance.

Providing a better bus service

In the 2022 consultation of the updated Regional Public Transport Plan many of you told us that we need to improve the bus service so you will use it.

We are planning to make bus trips faster using more direct routes with more frequency and better times. Improving the service comes at a cost. The MyWay Hastings on-demand pilot will continue for one more year. On-demand services could be reconsidered in the future to complement our new improved service.

What levers have we pulled?

We've looked closely at our budgets and identified ways to cut costs to lessen the impact on our ratepayers.

We can save around $4.6 million in 2024-25 by cutting some internal costs, and by stopping and slowing down some proposed community services. We have also changed the way we fund Kotahi – an intergenerational regional plan review – by switching from rates to borrowing as and when required.

We outline the services we are proposing to cut or slow down in Part 4. We encourage you to read this and give us your feedback. These are the difficult conversations we need to have as a community together.

Internal cuts include:

- capping staff numbers
- not filling some vacancies
- slowing down technology development
- reducing our fleet size and keeping our cars for longer.

We've changed our Financial Strategy

Our 2021-2031 Long Term Plan consolidated the growth initiated in 2018 and continued to accelerate and scale up work to achieve more, sooner. The focus of this plan has changed from growth to one of recovery post-cyclone, concentrating on the must-dos and repaying borrowing for operational purposes to defer rate increases since Covid.

We want our investments to work harder

We have investigated selling assets from our investment portfolio to free up some money. Potential options are selling leasehold properties in Wellington or liquidating managed funds that exist as a result of the sale of 45% of Napier Port in 2018.

Although an initial cash injection would address short-term cash needs, selling off assets would eliminate forward investment income that our next generation should benefit from, and may expose the Regional Council to lack of financial resilience in the future.

After much consideration, we have tasked our investment company Hawke's Bay Regional Investment Company (HBRIC) to look at how we can build inter-generational financial stability, through using our investment portfolio to provide better returns to supplement our rates in the future.

We'll continue to look for ways to improve our financial position

Over the next three years we will continue to look for savings across the organisation. We want to know we are delivering services and programmes as efficiently as we can.

Especially during this recovery time, we need to consider what work we can and should do as a regional council. Should we narrow our focus even more? Or are there some services we should do more of?

We will continue to advocate for fairer funding sources to address the infrastructure costs that have grown over the years with a changing climate, ageing assets, and long-term underinvestment.

What's impacting rates?

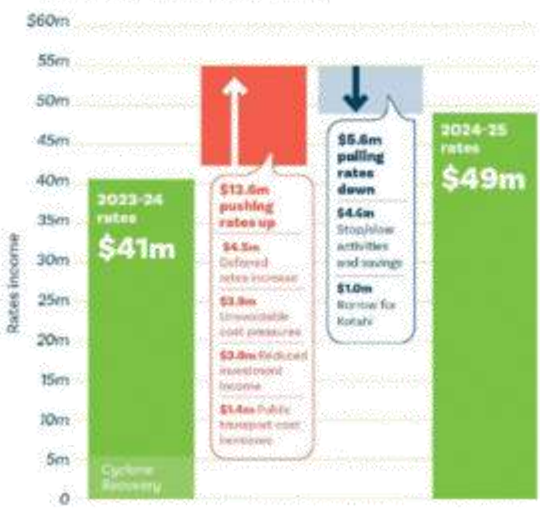


Figure 1: Draft rates increase from 2023-24 Annual Plan to 2024-25

Part 3: Focus of our Three-Year Plan

Investing in resilient flood infrastructure

Living with rivers

The Regional Council has a huge task ahead over the next 3-4 years to deliver the nearly $250 million Flood Resilience Programme negotiated with the Government.

It is the largest flood resilience construction programme for Hawke's Bay since many of the existing flood and drainage schemes were built in the 1950s-1980s.

Currently, we have budgeted $230 million of planned activity. This excludes Beach Road, Tangoio and Joll Road, Havelock North. Since the cost-share agreement was negotiated, Beach Road has been changed to Category 3 as there was no feasible flood mitigation solution. Funding for implementing solutions for Joll Road is under discussion.

The majority of the Flood Resilience Programme is to build flood protection schemes in areas deemed unsafe to live in without improved flood protection.

These areas are known as Category 2 and are in:

- Wairoa
- Whirinaki
- parts of Heretaunga (Pākōwhai, Waiohiki, and Ohiti Road/Omāhu)
- Pōrangahau.

As part of the Flood Resilience Programme we also committed to fund our share ($17 million) of $68 million of general works. This includes additional work to rapid repair sites, telemetry, pumpstations and scheme reviews.

Pulling out all the stops

We are pulling out all the stops to support the community and deliver the programme as quickly as we can.

We have been working with the Government to speed up the usually lengthy resource consent process. This means we will be able to start work sooner.

We are building staff capacity and expanded our Programme Management Office to do this significant programme of work.

Staff are committed to working with impacted communities to identify and deliver feasible solutions. Staff will also be working closely with the Crown Infrastructure Partners. They are responsible for approving business cases and granting funding on behalf of the Government at each key stage of the projects.

How to rate for Category 2 flood mitigation

The Regional Council agreed to its share of the flood mitigation cost-share arrangement in August 2023. It was the best deal on the table to help communities in Category 2 areas. At the time, it agreed to debt fund its share and consult later on how to repay this debt including interest costs.

We want your feedback on these choices:

Should we pay it back quicker or spread it longer?

One of the choices is the term of borrowing – we can spread capital and interest repayments over a short time or a longer time. This is important as a shorter term results in higher costs now and in the coming years, while a longer term lowers initial costs now but creates a repayment burden for many years into the future.

Council has looked at the impacts of this and its preferred option is to spread the costs over 20 years. This reflects the intergenerational benefits from the flood protection schemes with long life cycles and our desire to reduce the accumulated interest costs of borrowing.

Who should pay?

The major decision we are seeking community views on is who should pay for the four new Category 2 flood schemes in Wairoa, Whirinaki, parts of Heretaunga , and Pōrangahau.

More information by scheme is in the following pages.

How to determine who should pay for the new schemes is set by legislation (section 101 of the Local Government Act 2002). Councils must consider a number of factors including community outcomes, distribution of benefit, period of benefit, who creates the need, and the costs and benefits for transparency and accountability of funding the activity distinctly from other activities. Council must then consider the overall impact on current and future well-being (such as affordability) and seek community views.

To consider affordability, we have used the best information available to:

- spread the initial capital costs (negotiated with the Government) across four years with planning, consenting, and land acquisition occurring in the first year across all schemes
- estimate operating and maintenance costs for each scheme (noting these costs aren't included in the three years of this plan but are shown in the tables below to help assess affordability)
- estimate new scheme footprints split by direct and indirect beneficiaries..
- consider the average direct and indirect rate for a community within a targeted rate footprint under a range of funding splits.

In the tables below we show the average rates over 20 years to give an indication of affordability. Further refinement of capital costs, ongoing operating and maintenance costs, and scheme footprints is dependent on community conversations on the best solution in each area and these will have an effect on average rates shown. For example, applying the costs over a larger indirect scheme footprint will bring the average targeted rate down.

The timing of expenditure will also impact on actual yearly rates. For example, the average rates in 2024-25, in Whirinaki in particular, will be lower than the dollar amounts shown because the full cost of the work and borrowing is yet to come.

To progress business cases with Crown Infrastructure Partners, we must agree how the Council's share of the funding will be rated. We are using the best information we have to progress this at pace.

Should we apply existing policy settings or apply bespoke arrangements?

The Regional Council's starting point was to apply the existing Revenue and Financing Policy (R&F Policy) settings for flood schemes - 70% Targeted Rate and 30% General Rate, based on capital value (shaded green in the tables).

The advantage of applying existing policy settings is consistency between like schemes (existing flood schemes with similar levels of service are funded this way) and there is recent precedent for this approach. The Taradale stopbank and Upper Tukituki gravel extraction IRG projects that received Covid Government funding used the existing R&F Policy settings at that time to fund the Council's share of the capital spend.

Where the rating impact could be unaffordable for a community within a targeted rate footprint, we have proposed bespoke or specific options for consultation. The Regional Council agreed to consult on a specific option for Pōrangahau and part of Whirinaki (shaded blue in the tables). For all four areas, we have included other possible rating models with dollar impacts for comparison.

How we rate doesn't change the overall rates impact, it just changes whether it is paid across the region (General Rate) or by the most impacted (Targeted Rate).

Which rating models do you prefer? Tell us what you think.

Wairoa Flood Scheme

Wairoa was badly affected in Cyclone Gabrielle, resulting in over 600 houses identified as Category 2 under the Government's land categorisation framework. A similar area was also flooded during Cyclone Bola in 1988.

As part of the cost-share agreement the Government agreed to 100% fund the capital build of a new flood mitigation solution to overcome affordability barriers experienced after Bola. We now need to decide how to rate for the ongoing operations and maintenance of the scheme.

A further option for Wairoa is to extend the indirect scheme footprint. Direct scheme beneficiaries are assessed for risk and benefit based on the flood solution; they will typically be properties flooded in Cyclone Gabrielle or likely to flood in a similar event. Indirect scheme beneficiaries are those who benefit from a more resilient township and could include Fraser Town or all of the Wairoa District Council's boundary. Extending the indirect footprint would lower the average targeted rate shown below, and benefit properties with high capital values within the indirect footprint.

Operating and Maintenance

Rating models	Average General Rate (GR) increase	Average* Targeted Rate (TR) increase	
		Direct (476 properties)	Indirect (2,376 properties)
70% TR/30 GR% split (as per R&F Policy)	0.44	$ 109.77	$9.46
50% TR/50% GR split	0.73	$ 78.40	$6.75
100% GR	1.46	-	-

Whirinaki Flood Scheme

The Whirinaki flood scheme has been split into two parts – Whirinaki (Industrial) and Whirinaki (Other).

Whirinaki (Industrial) relates to the flood mitigations to protect the commercial/industrial activities in the area flooded during Cyclone Gabrielle up to 1 in 500-year level of service. There are four rating units in this scheme owned by Pan Pac, Transpower, and Contact Energy. These ratepayers require this protection to insure their assets and continue operating.

Another rating model for this scheme could be a greater targeted component to reflect the more direct benefit such as 90% Targeted Rate and 10% General Rate split.

Initial Capital

Rating models	Average General Rate (GR) increase	Average* Targeted Rate (TR) increase
		Direct (4 properties)
70% TR/30 GR% split (as per R&F Policy)	$0.60	$25,758.57
50% TR/50 GR% split	$1.01	$18,398.78
100% GR	$2.01	-

average of 20 years of rates and all properties within the footprint

Operating and Maintenance

Rating models	Average General Rate (GR) increase	Average Targeted Rate (TR) increase
		Direct (4 properties)
70%/30% split (as per R&F Policy)	$0.27	$11,491.21
50%/50% split	$0.45	$8,208.41
100% GR	$0.90	-

Whirinaki (Other) relates to the predominately residential area covering Pohutukawa Drive which was flooded during Cyclone Gabrielle and the wider Whirinaki community who have a more indirect benefit such as road access. It's also about retaining community.

The Regional Council agreed to consult on a specific option for Whirinaki (Other) of 50%/50% split to fund the capital build of the scheme. This would improve affordability for the small scheme footprint.

Initial Capital

Rating models	Average General Rate (GR) increase	Average* Targeted Rate (TR) increase	
		Direct (37 properties)	Indirect (198 properties)
70%/30% split (as per R&F Policy)	$0.63	$2,080.20	$162.10
50%/50% split (specific option for consultation)	$1.05	$1,485.87	$115.74
100% GR	$2.09	-	-

average of 20 years of rates and all properties within the footprint

Operating and Maintenance

Rating models	Average General Rate (GR) increase	Average Targeted Rate (TR) increase	
		Direct (37 properties)	Indirect (198 properties)
70%/30% split (as per R&F Policy)	$0.28	$928.00	$72.36
50%/50% split	$0.47	$662.87	$51.69
100% GR	$0.93	-	-

Heretaunga (Ohiti Road/ Omāhu, Pākōwhai, Waiohiki)

Enhancements to the Heretaunga Plains Flood Control Scheme (HPFCS) aim to address the areas most impacted by Cyclone Gabrielle. As these improvements form part of a larger scheme, the targeted portion of the costs are shared across all existing scheme ratepayers. This results in the additional costs per scheme ratepayer being lower than the other new schemes. In Ohiti Road, Omāhu the impacted community of 17 rateable units will become direct (as well as indirect) beneficiaries. Pākōwhai and Waiohiki properties that will be protected by the new solutions are already direct and indirect ratepayers.

Initial Capital

Rating models	Average General Rate (GR) increase	Average* Targeted Rate (TR) increase	
		Direct (~40,800 properties)	Indirect (~58,500 properties)
70%/30% split (as per R&F Policy)	$7.80	$22.86	$1.47
50%/50% split	$13.01	$16.28	$4.84
100% GR	$26.01	-	-

*average of 20 years of rates and all properties within the footprint

Operating and Maintenance

Rating models	Average General Rate (GR) increase	Average Targeted Rate (TR) increase	
		Direct (~40,800 properties)	Indirect (~58,500 properties)
70%/30% split (as per R&F Policy)	$0.85	$1.04	$0.32
50%/50% split	$0.51	$1.47	$0.42
100% GR	$1.71	-	-

Pōrangahau Flood Scheme

This new scheme covers the predominately residential area in Pōrangahau where flooding occurred during Cyclone Gabrielle plus the wider Pōrangahau township which has a more indirect benefit. There are four small-scale commercial or industrial properties which also fall within the footprint.

The Regional Council agreed to consult on a specific option for Pōrangahau of 100% General Rate to fund the capital build of the scheme and 50%/50% split for operating and maintenance once it is built.

The bespoke arrangement is being considered due to the small scheme footprint and socio-economic status of the area. The 100% General Rate funding of the capital build is aligned with the approach for Wairoa, who are not incurring the capital costs of the flood mitigation scheme.

In addition, the recently released NIWA flood analysis indicates that the annual return interval for an event the size of Cyclone Gabrielle is around 80 years at Pōrangahau River (noting a high level of uncertainty due to short records). This reinforces the need for appropriate flood protection for this community to reduce the risk of future flooding, which will increase with a changing climate.

Initial Capital

Rating model	Average General Rate (GR) increase	Average* Targeted Rate (TR) increase	
		Direct (91 properties)	Indirect (130 properties)
70/30 split (as per R&F Policy)	$1.45	$1,900.58	$570.18
50%/50% split	$2.42	$1,357.55	$407.25
100% GR (specific option for consultation)	$4.83	-	-

*average of 20 years of rates and all properties within the footprint

Operating and Maintenance

Rating model	Average General Rate (GR) increase	Average Targeted Rate (TR) increase	
		Direct (91 properties)	Indirect (130 properties)
70%/30% split (as per R&F Policy)	$1.45	$1,900.58	$507.18
50%/50 %split (specific option)	$2.42	$1,357.55	$407.25
100% GR	$4.83	-	-

How will we rate for our share of general works?

In addition to the flood schemes, the Regional Council agreed to fund $17 million of $68 million of general works as part of the cost-share agreement with the Government. As these are spread across a range of assets, geographical areas, scheme type (flood, drainage and river maintenance) and years, we are proposing to fund initial costs through the General Rate. Future operational and capital expenditure will be funded using the existing policy settings for the particular activities.

What	Why	Total	HBRC's share
Additional work to already repaired stopbanks	Funding to access immediately to ensure that a 1% AEP level of protection is and can be provided after NIWA flood analysis work	$30M	$7.5M
Pumpstations	Replacing and upgrading to the Brookfields, Mission, and Pākōwhai pumpstations which were flooded in Cyclone Gabrielle	$30M	$7.5M
Telemetry network repairs and upgrades	Improving flood warning systems across Hawke's Bay	$5M	$1.25M
Scheme reviews	Accelerating infrastructure planning	$3M	$750,000
TOTAL		**$68M**	**$17M**

Changes to our Revenue and Financing Policy

The proposed rating models for new flood schemes and the general works require amendments to our Revenue and Financing Policy. We are consulting on this at the same time as our Three-Year Plan. A Statement of Proposal with a marked-up copy of the policy showing the changes is in the supporting information.

Investing in resilient communities

Being prepared and responding when needed | Civil Defence

Cyclone Gabrielle in February 2023 was the worst adverse weather disaster we have experienced in living memory. Recent NIWA (National Institute of Water and Atmospheric Research) modelling has shown an increase in the probability of a flood the size of Cyclone Gabrielle happening. Building a resilient community for future shocks is a key focus of this plan.

We saw first-hand how many different people and organisations are needed in the response and recovery from such an event. Emergency management in New Zealand has four levels – national, regional, local, and community. Experience shows us that all four levels are needed to function independently and co-ordinate for the best outcome in an event. The current system is explained below.

Level	Role and responsibility
National (use NEMA logo)	**NEMA** The National Emergency Management Agency (NEMA) is an autonomous government agency and has three key functions – stewardship, operator of the system, and assurance.
Regional (use HBCDEM logo)	**Hawke's Bay Civil Defence Emergency Management (HBCDEM) Group** The HBCDEM Group is made up of the region's councils. The Group is governed by a Joint Committee (made up of mayors and HBRC Chair). The Group is managed by a Coordinating Executives Group (chief executive officers from the region's councils, regional emergency service leads, and representatives of central government agencies). **HBRC's role:** • We collect a regional rate on behalf of the region's councils. • We are the administering authority for the Group and manage the HBCDEM Group office on behalf of the Group. This includes employing staff and providing office support.
Local (5 councils' logos)	**Napier City Council, Hastings District Council, Wairoa District Council, Central Hawke's Bay District Council, and HBRC** Councils plan and provide for civil defence emergency management within their districts, and ensure that their organisations can fully function, even though this may be at a reduced level, during and after an emergency. They do this by: • actively participating and supporting the HBCDEM Group • providing staff to assist the HBCDEM Group office in readiness and in an emergency • having their own Business Continuity Plan • having their own Incident Management Team to stand up their own Emergency Operations Centre • delivering local level welfare support.
Community	Communities are often the first responders. We saw the vital role communities and marae played in the Cyclone Gabrielle response and supporting our communities to recover through the setting of up community hubs, marae-based hubs, and community-led centres. Since the cyclone, it has been recognised that communities need to have well-resourced facilities, where people can get critical supplies and information if their area is cut off in an emergency. Councils and communities have been working to set up these community emergency hubs across the district.

Bolstering Civil Defence in Hawke's Bay

On 25 March 2024, an independent review of the HBCDEM response to Cyclone Gabrielle, led by former Commissioner of NZ Police, Mike Bush was released.

This review was commissioned by the HBCDEM Group Joint Committee soon after Cyclone Gabrielle to identify a range of learnings and opportunities to improve resilience for future events. The review recommends significant transformational change.

The Regional Council, together with Napier City, Hastings, Central Hawke's Bay and Wairoa District Councils work together to manage HBCDEM.

This plan includes a $1.3 million increase in the CDEM targeted rate collected by the Regional Council on behalf of the region's councils. Over half ($661,000) is to bolster capability and capacity in the CDEM Group and the balance ($611,000) is to repay the reserve deficit starting in year 2 of this plan (2025-26). The reserve was depleted as a result of Covid and the cyclone response.

Councils will use the additional funding to drive change with urgency. Individual councils will likely review the funding they provide at a local level.

Additional funding will help to implement the recommendations of the review, as well as a Government Inquiry looking at the broader New Zealand emergency management system.

Part 4: Tough choices – have your say

As a regional council, we play a core role in the management of natural resources including: land, air, and water; supporting biodiversity and biosecurity; providing regional transport services; and building more resilient communities to climate change and natural hazards.

Most of what we do is set by legislation. We do, however, have limited discretion over some services and some service levels.

To make savings and to reduce your rates we are proposing to stop some services we provide to the community and temporarily slow down some others.

Cutting services is a difficult conversation that we want to hear from you on. Below is some information about our proposals and the impacts of them. We encourage you to have a read and let us know if we have got it right by making a submission.

What should we stop or slow?

We propose to:

1. phase out our funding for Hawke's Bay Tourism
2. stop our Clean Heat/ Sustainable Homes programme
3. reduce funding available through our Erosion Control Scheme
4. continue a slow down of our biodiversity and biosecurity programmes
5. reduce maintenance on our regional parks, defer development of new parks, and stop grant funding Te Mata Park.

For all these proposals, the Regional Council's preferred option has been included in our draft budget, resulting in rates increases of 19.6% in 2024-25, 18.1% in 2025-26 and 9.0% in 2026-27.

1. Phase out our funding for Hawke's Bay Tourism

What we currently do

- We collect a targeted rate on behalf of Hawke's Bay's five councils to promote economic development for the region. Of this we give $1.52 million to Hawke's Bay Tourism.
- As part of the funding agreement with Hawke's Bay Tourism, they must report quarterly against key performance indicators such as visitor numbers and spend per visitor number.

What we are proposing to do

Phase out our funding for Hawke's Bay Tourism.

Option A:

The Regional Council's **preferred option** is to reduce current annual funding of $1.52 million in stages over the next two years and stop our funding altogether from 2026-27 onwards. This is what is modelled in the 19.6% average rates increase.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 520,000	$ 260,000	$ Nil
Impact on debt	Nil	Nil	Nil

Option B:

We could maintain funding at $1.52 million for 2024-25, and then reduce to $441,000 per annum from 2025-26.

This option gives Hawke's Bay Tourism more time to secure funding from other sources.

Our continued funding would be dependent on an agreement reached with the other Hawke's Bay councils for joint funding. The $441,000 is based on the existing Regional Economic Development Agency funding split between councils. The Regional Council's share is 29 percent.

This would increase the total average rate increase by 2.4% from 19.6% to 22% in 2024-25. The biggest impact would be on the business/rural community and, in particular, on commercial/industrial ratepayers.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 1.52M	$ 441,000	$ 441,000
Rate increase (additional to the preferred option)	2.4%	0.4%	0.8%
Impact on debt	Nil	Nil	Nil

The status quo would be to maintain funding at $1.52 million ongoing.

Why?

The preferred option reduces the regional council rates in a time of unprecedented financial pressures and narrows our focus to recovery and core business to deliver our mission of 'Enhancing our environment together'.

Tourism is important to the Hawke's Bay region. Finding a sustainable funding model has been an ongoing challenge.

Background

We have been collecting rates on behalf of the region's councils – Wairoa, Napier, Hastings, and Central Hawke's Bay – for regional tourism for nearly ten years. Before that the councils collected rates from their own ratepayers and contributed individually.

In the 2015-2025 Long Term Plan, we committed to a new three-year funding agreement which increased Hawke's Bay Tourism's funding from $850,000 to $1.82 million over three years.

We proposed to step back funding in our 2018-2028 Long Term Plan as Council believed the additional investment had paid off and that the sector should have the momentum to sustain strong visitor numbers.

Following community consultation, we didn't go ahead with this and instead decided to support Hawke's Bay Tourism with funding of $1.52 million per year for three years, with future funding levels to be reviewed through the 2021-31 Long Term Plan.

We also adjusted the targeted rate spilt so commercial ratepayers paid more than residential ratepayers. This was to better reflect the ratepayers who benefit the most from economic development. Among our requests was that Hawke's Bay Tourism look at other specific initiatives to find support from within the tourism industry.

We kept the funding the same in the 2021-2031 Long Term Plan, which was prepared in the early stages of the Covid pandemic.

2. Stop our Clean Heat and Sustainable Homes programme

What we currently do

The Sustainable Home Programme has two offerings:

1) Clean Heat

We offer financial assistance to eligible ratepayers through a grant of up to $700 or a loan of up to $4,500 for clean heating, for example heat pumps, gas fires, and wood burners. The interest rate is subsidised by 50%.

We charge a targeted rate on urban areas in Napier and Hastings to cover this. The community benefits from reduced emissions and less air pollution.

2) Sustainable Homes

We offer a loan of up to $20,000 for specific products and systems from accredited providers. The interest rate is not subsidised. Products include:

- insultation and ventilation
- solar hot water and power
- double glazing
- water storage and septic tanks
- clean heating (for ratepayers outside the Napier/Hastings airsheds).

Ratepayers who take up the clean heat and/or the sustainable homes loan pay this money back to us over 10 years through a voluntary targeted rate on their property.

What we are proposing to do

Option A:

The Regional Council's **preferred option** is to stop the Clean Heat grants and loans and stop the Sustainable Home loans from July 2024.

We will need to continue to charge the targeted rate for the next 12 years to allow the programme to balance.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$624,000	$649,000	$ 675,000
Impact on debt	Nil	Nil	Nil
Term of rates required	Targeted rate continues until 2035-36		

Option B:

We could continue offering Clean Heat grants and loans and Sustainable Home loans for the next 10 years.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$624,000	$649,000	$ 675,000
Rate increase	Nil	Nil	Nil
Impact on debt	$ 5.3M	$ 5.4M	$ 5.5M
Term of rates required	Targeted rate continues until 2044-45		

Why?

This would mark the end of a successful programme to improve winter air quality and build resilience into homes. Uptake of clean heat in particular has slowed down in the past few years.

The Sustainable Homes programme led the way and now other providers offer similar assistance through banks' green financing e.g. ANZ zero interest loans and ECCA (Energy Efficiency and Conservation Authority).

Impact of our proposals

- Ratepayers who have taken up a loan will continue to repay their loans through their voluntary targeted rate.
- Stopping the service removes the requirement for borrowing, freeing up some debt capacity.

Background

The Clean Heat programme was originally set up in 2009 to incentivise people to replace old fireplaces (the carrot) when new regulations (the stick) came into place. Over the 15 years of Clean Heat we have approved 11,791 grants or loans which has contributed to reduced air pollution.

We have provided a further 6,408 loans under the Sustainable Homes programme which was set up in 2018 to mitigate and adapt to a changing climate.

3. Reduce funding available through the Erosion Control Scheme

What we currently do

This scheme provides a subsidy to incentivise landowners to undertake erosion control work to help keep soil on their hills and sediment out of the region's streams and rivers.

It targets 252,000 hectares of land in the region that is at high risk of erosion.

Landowners can currently apply for up to 75% of the project costs (up to $100,000) for work such as non-commercial tree planting, fencing, and land retirement.

We borrow for the Council's share of the cost and spread the cost of that borrowing over the general rate. We believe erosion control has strong intergenerational community benefits. This includes improved water quality and retention, soil conservation and retention, less soil-loss impact on the marine environment and improved habitat for birds, fish, and plants.

What we are proposing to do

Option A:

The Regional Council's **preferred option** is to reduce what we make available to landowners through the Erosion Control Scheme from $3.4 million per year to $2 million in 2024-25, $2.5 million in 2025-26, and $3 million the year after that.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 1.6M	$ 1.8M	$ 2.1M
Impact on debt	$ 2M	$ 2.5M	$ 3M

Option B:

We could continue our Erosion Control Scheme at 2023-24 Annual Plan levels.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 1.6M	$ 2.0M	$ 2.5M
Rate increase (additional to the preferred option)	0.1 %	0.5 %	0.6 %
Impact on debt	$ 3.4M	$ 3.4M	$ 3.4M

Why?

Landowners have incurred significant additional costs since Cyclone Gabrielle so demand for this support has dropped in the short term.

Impact of our proposals

Less investment means fewer landowners will be supported. We will use this opportunity to revisit previous sites to check progress and learn what is working and what is not.

We will also be able to focus on expanding our pole nurseries to meet future expected demand. Staff working in this area will also be engaged is supporting Land for Life.

Background

We consulted on setting up the Erosion Control Scheme as part of our 2018-2028 Long Term Plan when we signalled our intention to accelerate our work to address environmental issues. It was estimated that Hawke's Bay's eroding land (predominantly hill country) loses, on average, more than 3 million tonnes of sediment into the region's waterways every year.

The scheme encourages landowners to undertake erosion control work where commercial measures are not appropriate or feasible; this includes pastoral or retired land, and on areas too small, steep, or remote.

The Regional Council approved $30 million to be spent over 10 years and to date we have received additional funding of $2.1 million from the Ministry of Primary Industries' Hill Country Erosion Fund . When we set the scheme up in 2018, we established nurseries to grow and sell trees to landowners, and have supported 1,097 projects, helping protect 5,300 hectares of highly erodible land.

4. Continue a slow down of our biodiversity and biosecurity programmes

What we currently do

We undertake a range of work across Hawke's Bay to protect and enhance the region's unique biodiversity.

Our targeted key work includes:

- Environmental Protection and Enhancement Programme – we provide a grant fund and, in partnership with Biodiversity Hawke's Bay, a contestable fund to support landowners and community groups undertaking projects that support our strategic direction. We also provide a Marine Protection and Enhancement Programme.
- Priority Ecosystem Programme – we fund pest management, planting, and fencing at rare and threatened terrestrial sites. These include wetlands, forest remnants that are becoming scarce and fragmented, and other important ecosystem types. The sites provide important habitat for native wildlife, filter and retain water in the environment, and are essential for living things.
- A biosecurity programme - this funding is to limit the adverse effects of unwanted plants, animals, horticultural, and marine pests to meet our Regional Pest Management Plan 2018-2038.

What we are proposing to do

In 2023-24 we reduced our biodiversity and biosecurity programmes by about $1 million to re-prioritise funds into cyclone recovery activities.

Option A:

The Regional Council's **preferred option** is to bring that funding back over the three years of this plan.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 5.6M	$ 6.2M	$ 7.0M
Impact on debt	Nil	Nil	Nil

Option B:

We could reinstate our environmental enhancement, biodiversity and biosecurity programmes to pre-cyclone levels from 2024-25. This option would increase rates by $770,000 in 2024-25 and $420,000 in 2025-26 compared to option A.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 6.4M	$ 6.6M	$ 7.0M
Rate increase (additional to the preferred option)	1.9 %	0.9 %	Nil %
Impact on debt	Nil	Nil	Nil

Impact of our proposals

- A reduced budget for our Environmental Protection and Enhancement Programme means less financial support for landowners and community groups to undertake environmental work.
- A reduced budget for biosecurity means that plant and animal pest management will have to be prioritised and some pests may have less or no control for a period of time, for example, some possum control monitoring will be reduced to cover the unbudgeted alligator weed incursion programme and to fund wilding conifer control.

Background

Biodiversity is the huge variety of living things and how they are all connected, including plants, animals and micro-organisms, as well as the ecosystems where they live. Our indigenous biodiversity is sadly in decline across New Zealand.

Over the previous two Long Term Plans, Council has stepped up funding to address biodiversity decline. This remains a strategic priority for Regional Council.

5. Reduce maintenance on our regional parks, defer development of new parks, and stop grant funding Te Mata Park

What we currently do

- We own and manage four regional parks - Pākōwhai, Pekapeka, Tūtira, and Waitangi. We co-own Hawea Historical Park and co-manage this with the Hawea Historical Park Whenua Topu Trust.
- We also own Waipātiki Holiday Park which is managed independently.
- We provide financial support of about $120,000 per year to Te Mata Peak Trust for maintenance of the park. Over the past five years our support has increased.
- We are also involved in collaborative projects to develop regional parks at Ahuriri and Wairoa.

What we are proposing to do

Option A:

The Regional Council's **preferred option** is to:

- Reduce our current annual maintenance budget of $1 million for our regional parks by 20% each year for the next three years – that's a saving of about $200,000 per year.
- Stop our annual contribution to Te Mata Peak Trust of $120,000 for three years.
- Defer contributing towards development costs for Ahuriri Regional Park project until 2027-28. A joint committee of the Regional Council, Napier City Council, and Mana Ahuriri Trust is leading the project. We will, however, continue to pay $100,000 annually towards project management costs.
- Defer development of Wairoa Regional Park so we can focus on developing the $70 million flood mitigation scheme for Wairoa.
- Defer all new capital works on cycleways aside from $50,000 per year for safety improvements, and existing projects that are externally funded.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 1.7M	$ 1.7M	$ 1.8M
Impact on debt	$ 132,000	$ 134,000	$ 135,000

Option B:

We could continue funding regional parks maintenance and the Te Mata Peak grant at 2023-24 levels and continue development of the new regional parks.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 2.1M	$ 2.4M	$ 2.6M
Rate increase (additional to the preferred option)	0.9 %	1.2 %	1.4 %
Impact on debt	$ 1.9M	$ 1.6M	$ 1.5M

Impact of our proposals

This reduces rates for all ratepayers and enables the Asset Management Team to focus on delivering the Flood Resilience Programme.

Background

Our regional parks are constructed around waterways and have multi-purpose functions. We undertake work including riparian planting to assist with flood control, soil conservation, and water quality enhancement. A key focus is also on protecting and enhancing biodiversity so we can have healthy, functioning ecosystems. We also have regional parks to protect and enhance cultural and historic values, and provide recreational opportunities.

We leverage government funding to support these initiatives and partner with landowners with the aim to improve public access to these areas where practicable and sustainable.

Part 5: Draft policies for consultation

During the development of our Three-Year Plan we identified the need to amend and consult concurrently on changes to three policies.

Revenue and Financing Policy

This is related to how to rate for the Flood Resilience Programme, see Part 3.

Proposed changes to our fees and user charges

We apply fees and user charges to fund operating expenses where the people who benefit can be directly identified and charged. This includes charges for work such as processing resource consent applications, charges for compliance administration and monitoring, and freshwater science charges for water takes and discharges.

We review our fees and user charges every year to ensure we recover our expected costs, and that the costs are fairly shared amongst those who contribute to the need for the work.

We are consulting on our Fees and User Charges Policy including the fee schedule at the same time as our Three-Year Plan. A Statement of Proposal with the marked up changes is in the supporting information.

We are proposing two new Harbourmaster fees

Hawke's Bay's waterways are used by recreational users and commercial operators for a variety of activities. Our Harbourmaster is responsible for ensuring maritime safety within regional waters, from Mahanga in the north, to Pōrangahau in the south.

1) We are proposing to introduce a fixed Harbourmaster charge for Napier City Council

We currently charge Napier City Council a variable fee based on actual Harbourmaster time and materials for our costs of regulating maritime safety activities within the Ahuriri Inner Harbour.

For ease of administration, we are proposing to change this to an annual fixed charge based on a proportion of the total expenditure on harbour safety operations, like the way Napier Port is charged.

We are in discussions with Napier City Council on this new proposed fee.

2) We are proposing to introduce an Anchorage Levy

We are responsible for maintaining two anchorage areas plus the risks associated with vessels that anchor there. The areas we manage are outside of the Napier harbour which Napier Port is responsible for.

We currently don't charge for this work and are proposing to introduce a levy to contribute towards this.

Vessels anchor in these areas for a variety of reasons (including port congestion, repairs, or maintenance) and the process of anchoring the vessel, the duration at anchor, and heaving the anchor to set sail pose significant pollution hazards and risks to maritime safety.

The proposed new levy would be a variable fee like those in place at some other ports in New Zealand. It would be charged to commercial vessels based on the length of the vessel and duration at anchor.

We plan to recoup about $60,000 per annum (based on an estimated 300 vessels anchoring for two days each).

We will be contacting shipping agents and Napier Port for their feedback on this proposed levy.

Proposed change to Rates Remission & Postponement Policies

When the Regional Council recently adopted its revised Revenue and Financing Policy, it committed to further consult on options to reduce the impact on stand-out ratepayers on utilities rolls. These ratepayers are considered stand-out, or outliers, if their capital value is disproportionately high compared to others.

We are consulting on this at the same time as our Three-Year Plan. A Statement of Proposal with a marked-up copy of the Rates Remission and Postponement Policies showing the changes is in the supporting information.

What's the issue?

Most ratepayers on utilities rolls – including our local councils as well as power and telecommunications companies – have their network infrastructures either underground, overhead or along existing structures (like bridges). Their infrastructure (such as pipes for drinking water, wastewater, and stormwater) is generally not on land they own. This means that most rating units on utilities rolls have a capital value but not a land value.

As a result of the Regional Council's recent decision to change the way we calculate the general rate, from land to capital value as part of a comprehensive rates review, these ratepayers will now be charged the general rate for the first time. In some cases, this will see their rates bills increase quite substantially.

During the submission process for the policy review, the Regional Council received a joint submission from the four district and city councils in Hawke's Bay requesting relief to lessen the impact on their utility rolls rates from the policy change. The rationale given was that the capital value of Three Waters assessments stand out as being disproportionate to other rateable assessments in the rating database, and that their community infrastructure assets do not impose a significant burden on regional council services.

What are we proposing?

In response to this submission, we are proposing a new remission called *Significant Impact Remission resulting from changes to the Rating Policy* for ratepayers on utilities rolls for one year to help the transition to the new policy settings.

We are consulting on three options. The Regional Council's preferred option is Option B. Given the significant change in their rates bill, we think a one-year remission of 50% would give the most affected outlier ratepayers time to set their budget to incorporate these new rates.

Option A: No remission.

Councils and private utility companies would pay their utility rolls rates invoices on the full General Rate calculated on capital value, in line with the new Revenue and Financing Policy.

Impact on ratepayers on utility rolls: ~$483,000 across 60 rating units.

Impact for all other ratepayers: no impact on other ratepayers. Note that of the four local councils, this cost will likely be passed onto their ratepayers through district and city rates.

Option B: 50% remission for one year, outliers only (preferred option)

Councils and utility companies with capital values ranging from $59M to $194M (outliers) would receive a remission for one year on 50% of the amount payable. This includes Hastings District and Napier City Councils, and one utility company.

Impact on the outliers: ~$167,000 remitted and $167,000 still to be paid.

Impact on CHBDC and WDC: ~$32,000 still to be paid in full.

Impact for all other ratepayers across the region from reallocating the remitted amount: ~$2.27 general rate increase per year on average*.

Option C: 50% remission for one year, local councils only

Councils would receive a remission for one year on 50% of the amount payable. This includes Wairoa, Hastings and Central Hawke's Bay District and Napier City Councils only.

Impact on the councils: ~$180,000 remitted and $180,000 still be paid by the four councils.

Impact for all other ratepayers across the region from reallocating the remitted amount: ~$2.45 general rate increase per ratepayer on average.*

**Note this will impact ratepayers differently depending on their capital value; properties with large capital values will be the most affected.*

Part 6: What else is happening?

We are continuing our work in key areas such as Land for Life, mātauranga Māori, and regional water security. An update on this planned work is provided below.

Some other important work we have been doing has either been impacted by the new government, or we have chosen not to fund in this three-year plan to focus on recovery. We provide an update of that work below.

Land for Life

Land for Life is a public-private partnership project aimed at supporting landowners to plant trees in the right place, to improve freshwater quality, and build regional resilience to climate change.

A pilot has been running for three years, growing to 12 farms, to set up a model and understand the details in set-up costs, partnership, and delivery options. We are working with our partners, the Ministry for Primary Industries and an international organisation The Nature Conservancy, to secure funding to scale up the programme with the aim to deliver the programme to up to 300 farms in the next three years.

We have not allocated further funding in our proposed Three-Year Plan. Our role will change from project funder to a connector between farmers and funding. We will provide in-kind staff support of $1.1 million in the next two financial years from within existing work programmes. This includes project management, farm planning support, science and technical support, and communications.

For more information go to hbrc.govt.nz, search #landforlife

Mātauranga Māori

We are committed to enhancing the capability of our staff to meaningfully engage with mātauranga Māori. This initiative is an important step in our longer journey to ensure mātauranga Māori and te ao Māori perspectives are appropriately acknowledged and understood across our organisational functions, especially environmentally monitoring, science and policy setting.

The development of this framework will be informed by tāngata whenua expertise and guided by the Māori Committee and Regional Planning Committee.

Regional Water Security

With climate change impacting our environment, the gap between how much water we will use and how much we can access is growing. The Regional Water Security Programme aims to ensure Hawke's Bay has long-term, climate-resilient and secure supplies of freshwater, for all.

In 2020, the Government's Provincial Growth Fund (PGF) allocated $30.6 million for a package of freshwater security initiatives, co-funded and led by Hawke's Bay Regional Council. These include:

- Regional Water Assessment (publicly released June 2023)
- Managed Aquifer Recharge three-year pilot in Central Hawke's Bay (resource consent granted August 2023)
- Community-scale water storage feasibility investigation for Heretaunga (work continues on potential sites and regional governance, ownership and operating models)
- 3D Aquifer Mapping project (aerial survey completed 2020, ground water drilling completed 2022, geological data modelling due for completion 2024).

More information on all these projects is available on at hbrc.govt.nz, search: #watersecurity.

RMA (Resource Management Act) and Essential Freshwater reforms

Freshwater management is a core priority for Regional Council, and we have until the end of 2027 to deliver improved freshwater policy for our rivers, lakes, aquifers, streams, and wetlands.

Specific funding has been allocated to build the capacity and capability of PSGEs (Post Settlement Governance Entities) and taiwhenua to ensure the perspectives of mana whenua are embedded in these policies from start to end.

Central government has a pipeline of on-going reform in both the freshwater and broader resource management space. While we don't know the full scope of those changes, we are working to ensure we are as ready as we can be for them. This includes continuing to participate in sector lobbying to ensure those reforms are implementable.

Three Waters reforms

While regional councils are not the core focus of Three Water reforms, we are responsible for regulating stormwater, freshwater supply, and wastewater discharge – and that is unlikely to change.

We do, however, have some stormwater operations which may be impacted by Three Water reforms.

Clifton to Tangoio Coastal Hazards Strategy 2120 implementation

We've been working with communities, tāngata whenua, Napier City Council, and Hastings District Council for around 10 years to plan how our coastal communities can respond to the impacts of climate change over the next 100 years.

Last year, the community was consulted on which organisation should lead the Clifton to Tangoio Coastal Hazards Strategy and an in-principle decision was made that it would be Regional Council. Later this year, Regional Council will consult on the strategy, including proposed interventions, costs, and how they could be funded.

No funding for strategy implementation has been allocated in this Three-Year Plan. If Regional Council agrees to implement the strategy following consultation it will amend this plan and rate accordingly.

Part 7: Infrastructure and Financial Strategies

Infrastructure Strategy overview

Hawke's Bay Regional Council manages significant infrastructure assets on behalf of the community. This includes flood and drainage schemes, publicly accessible regional parks and cycleways, and forestry blocks.

We set out how we intend to manage those assets in our Infrastructure Strategy. We normally plan for 10 years, with forecasts out to 30 years, and review every three years as part of our organisation-wide long-term planning process.

Cyclone Gabrielle has meant we had to pivot and focus on recovery and building resilience for future events.

The cyclone had a devasting impact on the Hawke's Bay region. The intense rainfall in a short period was more than our river management network was designed and built to manage. Recent NIWA (National Institute of Water and Atmospheric Research) data showed the cyclone was the largest flood on record at 13 of the 20 river monitoring sites it analysed. Nearly 6km of stopbanks across our 248km stopbank network was breached and a further 28km weakened.

We had to be agile and stand things up very quickly. We formed a Rapid Rebuild team that worked around the clock to urgently repair stopbanks They completed an extraordinary amount of work that would typically take years to design, plan, and execute. Repairs to restore the stopbanks back to pre-cyclone levels of service were completed in populated areas within four months, and 99 percent of repairs to the network were completed in October 2023. We have spent around $40 million on infrastructure repairs to date and have forecast a further $35 million.

We were the lead agency to undertake risk assessment for the land categorisation process developed by the Government. This process identified areas that were safe for people to continue living (known as Category 1), areas that needed improved flood protection to be deemed safe (known as category 2), and areas that weren't safe due to an intolerable risk to (known as Category 3).

We are continuing our investment in building resilience. The focus of our 2024 Infrastructure Strategy is to deliver a nearly $250 million Flood Resilience Programme. This is part of the region's cost-share recovery package negotiated with the other councils in Hawke's Bay and the Government. We have agreed to fund $44.15 million of the work.

The programme includes working with communities to build new flood protection schemes in Category 2 areas, additional work to already repaired stopbanks, replacing and upgrading three pumps stations and telemetry that was flooded, and accelerating scheme reviews.

The programme is a massive undertaking - it is the biggest construction programme for our organisation - and we are committed to doing this work as quickly as we can.

Prior to Cyclone Gabrielle we had already started significant work to accelerate flood resilience in our stopbanks. Work is continuing on our Heretaunga Plains Flood Control Scheme upgrade programme which is made possible with substantial Government Covid-recovery co-funding.

Under this programme we completed the upgrade of the stopbank in Taradale in December 2022. We strengthened it from a 1% to a 0.2% likelihood of flooding in any given year (or from a 1 in 100-year to a 1 in 500-year level of protection). This helped protect the Taradale community from Cyclone Gabrielle flooding.

The stopbank upgrade in Ngatarawa was completed in November 2023, and planning and investigation for the other four sites in the flood scheme were well underway before Cyclone Gabrielle hit. These were Moteo, Omarunui, East Clive, and Farndon Road river erosion.

New long-term approach needed for flood mitigation

The impact of Cyclone Gabrielle, a changing climate with more storms expected for Hawke's Bay, and difficult financial times for our communities has challenged some of the basic assumptions of the flooding and drainage schemes we operate.

We need to reimagine our long-term approach to managing infrastructure and this will require healthy challenging debate on levels of service, affordability, and risk with our communities.

Some key concepts that will form part of our vision and approach are outlined below.

Building resilience to better manage over-design events

Our planning cannot remove the risk of our flood protection being overtopped by extreme weather events, however an approach to develop options for alternative flow paths/floodways, detention features, and stopbanks with greater overtopping resilience could limit the impact.

This thinking forms part of the current flood scheme reviews and options under consideration for future scheme development.

Nature-based solutions

We are undertaking work to assess the feasibility of nature-based solutions in reducing flood peaks and providing additional layers of resilience for flooding events. These mitigations may include wetland restoration/creation, soil and land management, detainment bunds, ponds, making room for rivers and forest/understorey restoration/creation. This Ministry for the Environment funded feasibility work is due in June 2025.

Making room for rivers

This is about giving rivers more space to manage high floods. The thinking is that rivers with more room can cope better with bigger river flow events. Other benefits of this approach are that it provide more habitat for native species, and make these areas more accessible for people to explore and play.

This concept will require a long-term approach and represents a significant change to be incorporated into future river management in our 30-year planning cycle. There will be challenging conversations to work through as options are explored with our communities.

Integrated planning

Cyclone Gabrielle has reiterated the importance of integrated planning and flood mitigation decisions.

Recommendations from scheme reviews based on new flood probabilities after Cyclone Gabrielle will challenge existing scheme levels of service and identify new scheme requirements. These will require option development and investment planning to agree a sustainable way forward with our communities.

Financial Strategy overview

The Financial Strategy for our proposed Three-Year Plan has multiple prongs, but primarily has been developed to ensure we are focused on providing good value for ratepayers' investment by delivering the right services at the best cost. We have applied the following four principles in the development of our plan:

- Financial prudence (not taking undue risks).
- Meeting our statutory requirements (we are required to undertake certain functions under various legislation).
- Ensuring fairness across generations (by spreading the cost of major capital over several years).
- Transparency (through providing information on options and choices to the community).

In planning the next three years, we expect there will be continued pressures on costs of delivery along with the tension of needing to keep rates affordable. The factors that we expect to have a significant impact on our financial position during this period include:

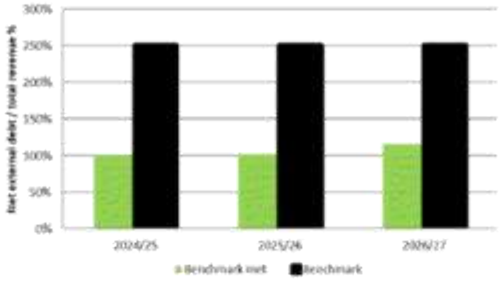
- recovery from the impacts of Cyclone Gabrielle
- changes to our expected investment cash returns
- increased capital costs for the Flood Resilience Programme with up to $44.15 million borrowing committed over the next four years
- balancing the risk of reducing core programmes of work with the environmental needs of our work
- increased risk of severe weather events
- the likelihood of further financial hardship challenges for our ratepayers
- increased staffing costs incurred with recruitment and attracting talent to the Regional Council
- uncertain economic forecasts
- population growth and its impact on land use.

Borrowing

A core principle from 2025-26 onwards is we will only borrow to support capital programmes and intergenerational activities that benefit our community; we will not borrow for operational purposes.

We are seeking a credit rating that will give us access to cheaper borrowing to help keep our interest costs down and give us further capacity to borrow to help fund infrastructure.

With a credit rating, we are proposing an increase in net external debt as a percentage of total revenue from 175% to 250% within the Local Government Funding Agency's (LGFA) policy regulations.



Making our investments word harder

We are also supporting activities undertaken within our investment company, HBRIC, to set them up for better future returns and reduce the rates burden over the long term.

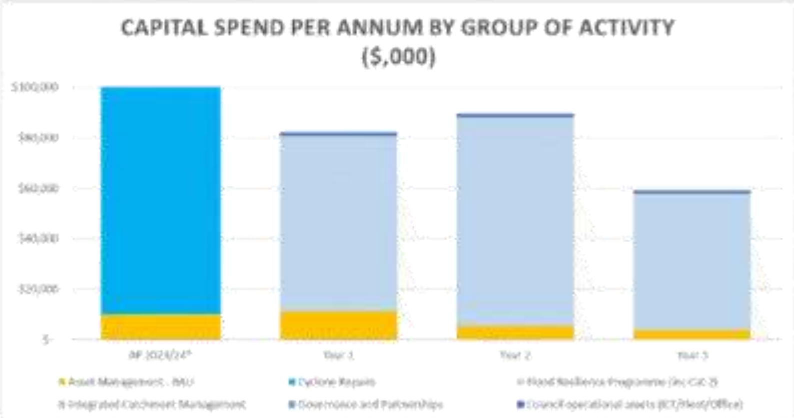
To do this, we are proposing the following actions:

1. Allow investment assets that are currently tagged as "strategic" to be sold and to reinvest in better returning investment assets. This will support the mandate given to HBRIC for growth of our investment portfolio.

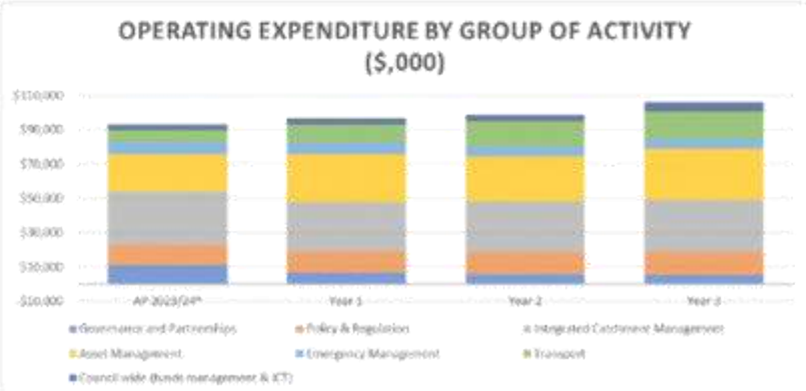
2. Build an Investment Income Equalisation Reserve with gains made in investment portfolios over and above returns expected within the Statement of Expectations.

[Please note: These tables will be designed]

The cost of our work for the next three years



Capital expenditure over the term of this Three-Year Plan is dominated by our Flood Resilience Programme, as outlined in *Part 3: Focus of our Three-Year Plan*. Year 1 in Asset Management – BAU (business as usual) includes the Heretaunga Plains Flood Control Scheme upgrade programme ($6.4 million) and the Regional Water Security programme ($3.2 million).

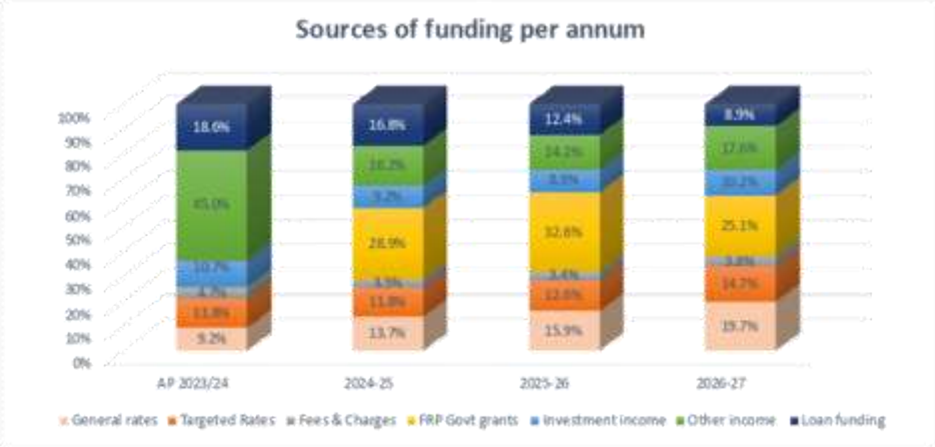


The key drivers for increased spend is in Asset Management as we begin the repayments of our borrowing to deliver the Flood Resilience Programme, and in Transport as we implement the Regional Passenger Transport Plan. The Emergency Management group of activities includes increased capability for CDEM as proposed in *Part 3: Focus of our Three-Year Plan* offset by reducing expenditure related to the cyclone response.

Key decreases in operating spend include the proposed reduction in funding for Hawke's Bay Tourism in Governance and Partnerships, and the scaling back of activity in biosecurity and biodiversity in Integrated Catchment Management (which then scales back up in Years 2 and 3).

How we fund our work

We fund our operational costs through a mix of funding sources. This includes rates, subsidies and grants received from other parties, returns on our investments, fees and user charges for activities such as consents, reserves, and where required we will loan-fund for intergenerational projects where is spend is capital in nature.



Nearly half (44%) of our income in 2023-24 is from Government grants for the response and immediate recovery activities following the cyclone. For the following three years, a large proportion of our funding is from the Government to fund our Flood Resilience Programme.

Part 8: Sample rates

The infographics over the page provide **sample** rates to show the impact of proposals in this Three-year Plan.

However, the difference between actual rates in 2023-24 and proposed rates in 2024-25 for a sample ratepayer is partly due to changes proposed in this plan and partly due to recent changes to our Revenue and Financing Policy.

We implemented many changes to how we rate in the Revenue and Financing Policy – one of the biggest changes was the change from land value to capital value for the General Rate. How these changes impact individual ratepayers will depend on a range of factors including the ratio of capital to land value, the location of the property, and the activities provided in that area.

See our online rates calculator at hbrc.govt.nz, search: #haveyoursay for an estimate of what your rates are likely to be in the 2024-25 financial year. Noting that actual rates will not be known until the Regional Council's Rating Information Database (including the rating footprints for flood protection schemes) is finalised for 2024-25. We rely on our Territorial Authorities to provide us updated information.

	Sample properties	Capital value	Land value	Proposed rates 2024-25	% increase	Increase from 2023-24
Residential	Taradale*	$670,000	$360,000	$577.40	17.07%	$84.17
	Napier Hill	$890,000	$520,000	$549.14	21.34%	$96.57
	Napier South	$620,000	$380,000	$551.04	12.04%	$59.23
	Flaxmere	$520,000	$285,000	$484.79	20.19%	$81.45
	Havelock North	$1,230,000	$870,000	$762.06	24.38%	$149.37
	Hastings*	$810,000	$470,000	$640.16	17.78%	$96.62
	Central HB*	$405,000	$265,000	$620.48	21.99%	$111.85

	Sample properties	Capital value	Land value	Proposed rates 2024-25	% increase	Increase from 2023-24
Commercial	Napier*	$5,300,000	$1,950,000	$3,580.30	21.81%	$641.15
	Hastings	$3,720,000	$1,490,000	$2,382.52	21.76%	$425.74
	Hastings	$2,890,000	$1,140,000	$1,990.16	10.67%	$191.91
	Central HB	$295,000	$90,000	$306.83	14.93%	$39.86
	Wairoa*	$310,000	$280,000	$299.95	-8.54%	-$28.01

	Sample properties	Capital value	Land value	Proposed rates 2024-25	% increase	Increase from 2023-24
Rural	Hastings *	$1,240,000	$970,000	$1,527.33	14.66%	$195.26
	Central HB*	$500,000	$320,000	$384.30	20.22%	$64.65
	Wairoa*	$1,070,000	$1,030,000	$625.61	-11.24%	-$79.25

*These properties have been used for the illustration over the page.

RESIDENTIAL (Taradale)

Proposed Increase 17.1%
CV valuation $670,000
Current rates 2023/24 **$493.23**
Proposed rates 2024/25 **$577.40**

An extra **$1.62** per week

RESIDENTIAL (Hastings)

Average Increase 17.8%
CV valuation $810,000
Current rates 2023/24 **$528.31**
Proposed rates 2024/25 **$640.16**

An extra **$1.86** per week

RESIDENTIAL (CHB)

Proposed Increase 22.0%
CV valuation $405,000
Current rates 2023/24 **$508.63**
Proposed rates 2024/25 **$620.48**

An extra **$2.15** per week

COMMERCIAL (Napier)

Proposed Increase 21.8%
CV valuation $5,300,000
Current rates 2023/24 **$2,939.15**
Proposed rates 2024/25 **$3,580.30**

An extra $12.33 per week

COMMERCIAL (Wairoa)

Proposed Increase -8.5%
CV valuation $310,000
Current rates 2023/24 **$327.96**
Proposed rates 2024/25 **$299.95**

$0.54 less per week

RURAL (Wairoa)

Proposed Increase -11.2%
CV valuation $1,070,000
Current rates 2023/24 **$704.86**
Proposed rates 2024/25 **$625.61**

$1.52 less per week

RURAL (Hastings)

Proposed Increase 14.7%
CV valuation $1,240,000
Current rates 2023/24 **$1,332.07**
Proposed rates 2024/25 **$1,527.33**

An extra $3.76 per week

RURAL (CHB)

Proposed Increase 6.8%
CV valuation $500,000
Current rates 2023/24 **$384.30**
Proposed rates 2024/25 **$448.95**

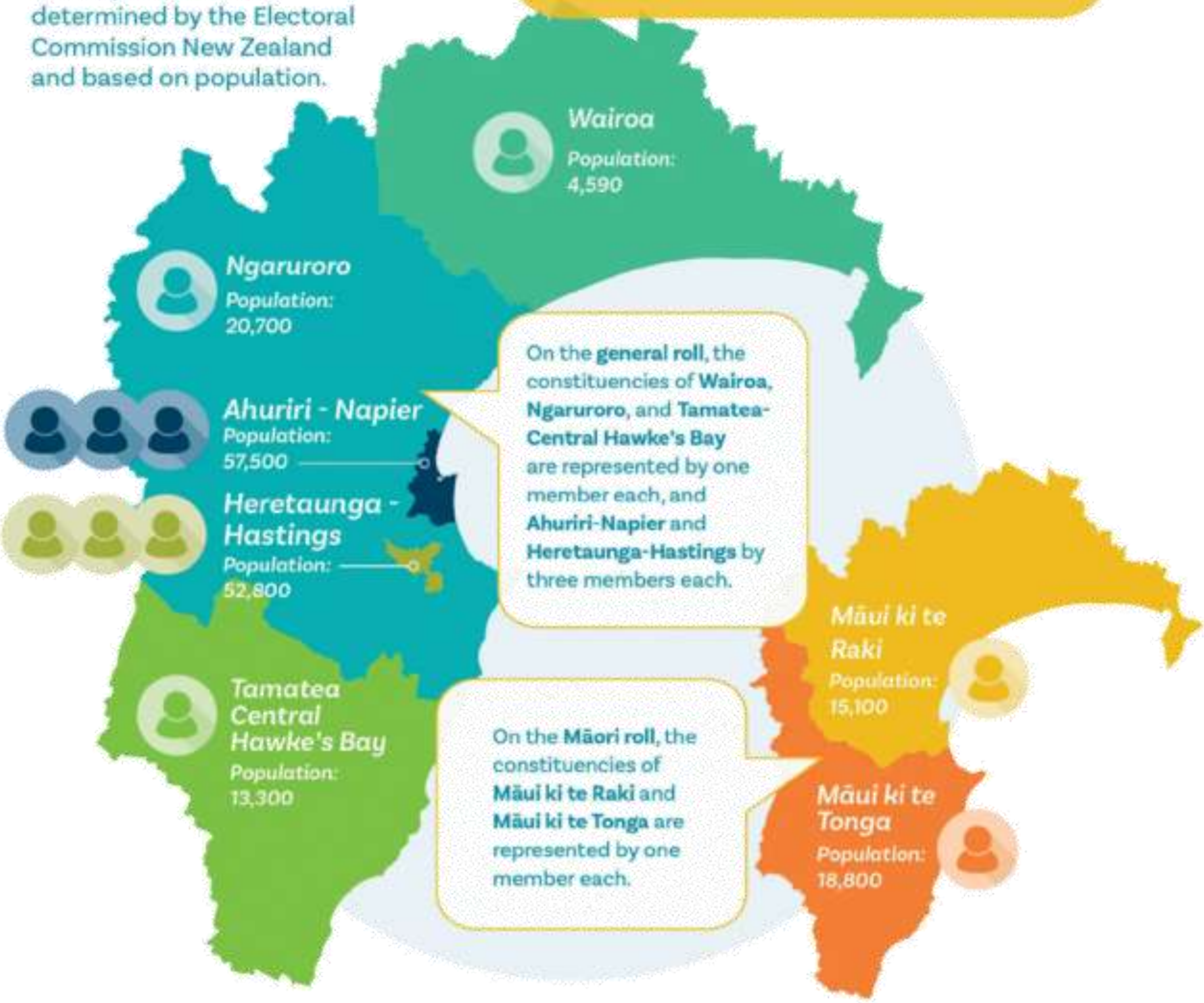
An extra $1.24 per week

Your elected representatives

How is council made up?

The Hawke's Bay region has **seven constituencies** represented by **11 councillors**, with representation determined by the Electoral Commission New Zealand and based on population.

Elected members are responsible for setting the strategic direction and adopting all major policies to enable the Regional Council to achieve its vision for a healthy environment and a resilient and prosperous community.



Councillors elect a Chair at the first Regional Council meeting following a local body election.
The most recent election was on **8 October 2022.**

The next election will be held in 2025.

Your councillors

Hinewai Ormsby
Chair
Ahuriri - Napier
Cr.Hinewai.Ormsby@hbrc.govt.nz

Will Foley
Deputy Chair - Tamatea Central Hawke's Bay
Cr.Will.Foley@hbrc.govt.nz

Di Roadley
Wairoa
Cr.Di.Roadley@hbrc.govt.nz

Martin Williams
Ahuriri/Napier
Cr.Martin.Williams@hbrc.govt.nz

Neil Kirton
Ahuriri/Napier
Cr.Neil.Kirton@hbrc.govt.nz

Xan Harding
Heretaunga/Hastings
Cr.xan.harding@hbrc.govt.nz

Sophie Siers
Heretaunga/Hastings
Cr.sophie.siers@hbrc.govt.nz

Jock Mackintosh
Heretaunga/Hastings
Cr.Jock.Mackintosh@hbrc.govt.nz

Jerf van Beek
Ngaruroro
Cr.Jerf.vanbeek@hbrc.govt.nz

Thompson Hokianga
Māui ki te Tonga Māori Constituency
Cr.Thompson.Hokianga@hbrc.govt.nz

Charles Lambert
Māui ki te Raki Māori Constituency
Cr.Charles.Lambert@hbrc.govt.nz

For more information and contact details go to hbrc.govt.nz, search: #councillors

[back page]

How to have your say

**Consultation is now open.
We need your feedback by
8pm on Wednesday 15 May 2024**

Online:
hbrc.govt.nz, search: #haveyoursay
or scan our QR code on this form

Email: haveyoursay@hbrc.govt.nz

Post: Hawke's Bay Regional Council,
Private Bag 6006, Napier 4142

Hand deliver: 159 Dalton Street, Napier
26 Ruataniwha Street, Waipawa
46 Freyberg Street, Wairoa

Scan here

*The easiest way
is online at
**hbrc.govt.nz
search #haveyoursay***

Have your say Hawke's Bay

on our special

Three-Year Plan 2024-2027

Over the next three years, we are focused on supporting the community to recover and build resilience for future events

It's been a tough few years. Covid's disruption, closely followed by a disaster of the scale of Cyclone Gabrielle has had a significant impact not just on the community, but on the Regional Council's financial position.

Delivering flood resilience

Our three-year plan is all about recovering from these, and especially building flood resilience.

We are delivering a nearly $250 million flood resilience programme as negotiated with the Government in August last year. This is the largest programme of its kind ever delivered in the region. This will move properties in Category 2 areas to Category 1 so people can move on with their lives.

We have proposed options and want your feedback on how we rate for our share of the new flood schemes.

Rates

The plan proposes an average rate increase of **19.6%** for the first year (2024-25)

See our online rates calculator at

hbrc.govt.nz search #haveyoursay

for an estimate of what your rates are likely to be in the 2024-25 financial year

In year two (2025-26), there is a proposed average rates increase of **18.1%**, and in year three (2026-27) a rates lift of **9%**

Tough choices

Meanwhile, we need to make some tough choices. We're facing significant unavoidable cost pressures, such as insurance increases and need to redirect spending to recovery work so we are proposing to stop and temporarily slow some services. This will reduce our costs and your rates.

We are proposing to phase out our funding for Hawke's Bay Tourism, stop our Clean Heat and Sustainable Homes programme, reduce funding available through our Erosion Control Scheme, continue a slow down of our biodiversity and biosecurity programmes, reduce maintenance of our regional parks, defer new parks, and stop grant funding Te Mata Park.

What do you think about our proposals to stop and slow some services?

Bolstering Civil Defence

The Regional Council, together with Napier City, Hastings, Central Hawke's Bay and Wairoa District Councils work together to manage Hawke's Bay Civil Defence Emergency Management (HBCDEM).

Our Three-Year Plan includes a $1.3 million increase in the CDEM targeted rate collected by the Regional Council, on behalf of the region's councils.

This funding will help to implement the recommendations of the independent review of HBCDEM's response to Cyclone Garbrielle.

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

Puka tāpaetanga Submission form

Your submission form must include your name and either an email or postal address.

Name: ....

Address: ....

Email address: ....

Are you submitting as an individual or on behalf of an organisation?
Individual Organisation/ Iwi/ Hapū

Name of organisation..

Do you want to speak about your submission at a Regional Council meeting on 29-30 May 2024? This can be in person, from one of our regional offices (Waipawa or Wairoa), or online. No Yes

Please include a daytime phone number so we can contact you to arrange a time ....

Which area/s is your property in?
Wairoa Napier Hastings District
Central Hawke's Bay Out of region Don't know

We need your feedback by 8pm, 15 May 2024.

Investing in flood resilience

1. How should we rate our share of the new flood mitigation schemes?

For more information read page XX of the Consultation Document.

	Option 1 (Preferred option) Apply our policy rating	Option 2 Specific rating option	Option 3 Other (tell us)
Wairoa			
Operating and maintenance	☐	—	
Whirinaki (industrial)			
Capital build	☐	—	
Operating and maintenance	☐	—	
Whirinaki (other)			
Capital build	☐	☐	
Operating and maintenance	☐	—	
Heretaunga extension (Ohiti Road/Omahu, Pākōwhai, Waiohiki)			
Capital build	☐	—	
Operating and maintenance	☐	—	
Pōrangahau			
Capital build	☐	☐	
Operating and maintenance	☐	☐	

See the Statement of Proposal on the Revenue and Financing Policy for the resulting change. Find this in the supporting information or on page XX of the consultation document.

Tough choices

Services we are proposing to stop or slow down

For more information read page XX of the Consultation Document.

2. Hawke's Bay Tourism

We propose to phase out our funding for Hawke's Bay Tourism over the next two years.

What do you think? Tick one.

Option 1 (Preferred option)	Option 2
Phase out over 2 years ☐	Maintain year 1 then reduce ☐
Other (tell us)	

3. Sustainable Homes

We propose to stop the Sustainble Home loans and CleanHeat grants and loans.

What do you think? Tick one.

Option 1 (Preferred option)	Option 2
Stop from July 2024 ☐	Phase out over 10 years ☐
Other (tell us)	

4. We propose to temporarily slow a number of activities over the next three years.

What do you think? Tick below.

For more information read page XX of the Consultation Document.

	Option 1 (Preferred option) Reduce or slow for 3 years	Option 2 Continue at previous levels	Option 3 Other (tell us)
Erosion Control Scheme pg XX	☐	☐	
Biosecurity and Biodiversity programmes pg XX	☐	☐	
Regional Parks and Te Mata Park funding pg XX	☐	☐	

More questions and how to submit over the page

Policy changes we are consulting on

- Amendment to our Fees and User Charges Policy pg xx
- Amendment on our Rates Remission and Postponement Policies pg xx

Your feedback on anything else is welcome, please comment below.

Consultation is now open. We need your feedback by 8pm on Wednesday 15 May 2024

Online: hbrc.govt.nz, search: #haveyoursay or scan our QR code on this form

Email: haveyoursay@hbrc.govt.nz

Post: Hawke's Bay Regional Council, Private Bag 6006, Napier 4142

Hand deliver: 159 Dalton Street, Napier
26 Ruataniwha Street, Waipawa
46 Freyberg Street, Wairoa

Scan here

*The easiest way is online at **hbrc.govt.nz search #haveyoursay***

Privacy statement: Submissions are public information. Your name and feedback will be included in public documents as part of the decision-making process. All other personal details will remain private. This information will be held by Hawke's Bay Regional Council but only used for the purpose of this consultation process.

Your councillors

Hinewai Ormsby - Chair - Ahuriri/Napier
Cr.Hinewai.Ormsby@hbrc.govt.nz
Will Foley - Deputy Chair - Tamatea/Central Hawke's Bay
Cr.Will.Foley@hbrc.govt.nz
Di Roadley - Wairoa
Cr.Di.Roadley@hbrc.govt.nz
Martin Williams - Ahuriri/Napier
Cr.Martin.Williams hbrc.govt.nz
Neil Kirton - Ahuriri/Napier
Cr.Neil.Kirton@hbrc.govt.nz
Xan Harding - Heretaunga/Hastings
Cr.Xan.Harding@hbrc.govt.nz
Sophie Siers - Heretaunga/Hastings
Cr.Sophie.Siers@hbrc.govt.nz
Jock Mackintosh - Heretaunga/Hastings
Cr.Jock.Mackintosh@hbrc.govt.nz
Jerf van Beek - Ngaruroro
Cr.Jerf.vanBeek@hbrc.govt.nz
Thompson Hokianga - Māui ki te Tonga Māori Constituency
Cr.Thompson.Hokianga@hbrc.govt.nz
Charles Lambert - Māui ki te Raki Māori Constituency
Cr.Charles.Lambert@hbrc.govt.nz

Talk to a councillor at a drop-in session near you

Wairoa

Tuesday 16 April, 4.30pm to 6.30pm outside New World, Wairoa
Thursday 18 April, 1pm to 3pm, Function Room, Wairoa Community Centre, 33 Marine Parade

Napier

Wednesday 17 April, 12pm to 2pm, pop-up cnr of Emerson Street and Market Street, Napier
Wednesday 8 May, 5pm to 7pm, Regional Council chambers, 159 Dalton Street, Napier
Thursday 9 May, 1pm to 3pm, Taradale Town Hall

Hastings

Sunday 21 April, 8.30am to 12.30pm, Hawke's Bay Farmers Market, Hawke's Bay Showgrounds
Tuesday 23 April, 1pm to 3pm, Flaxmere Community Centre, Hastings
Tuesday 23 April, 5pm to 7pm, Wairaoha Discovery Centre, Hastings
Saturday 11 May, 10am to 12pm, Havelock North Function Centre

Central Hawke's Bay

Tuesday 30 April, 1pm to 3pm, Waipukurau Club, 11 Russell Street, Central Hawke's Bay
Thursday 2 May, 4.30pm to 6pm, Waipawa Municipal Theatre, Central Hawke's Bay

Facebook Live

Info t/c

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

THREE YEAR PLAN 2024-2027