HAWKE'S BAY REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Extraordinary meeting of the Hawke's Bay Regional Council

Date: 10 July 2024

Time: 9.30am

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

Attachments excluded from Agenda

Three Year Plan 2024-2027

Our recovery-focused Long Term Plan

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

hbrc.govt.nz

Our vision and values

Our vision

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

Healthy Environment
Resilient Community
Prosperous Community

Our purpose

We work with our community to protect and manage the region's precious taonga of rivers, lakes, soils, air, coast and biodiversity for health, wellbeing, and connectivity.

BIODIVERSITY

Healthy, functioning, and climate-resilient BIODIVERSITY

WATER

WATER quality, safety, and climate-resilient security

LAND

Climate-smart and sustainable LAND use

INFRASTRUCTURE & SERVICES

Sustainable and climate-resilient INFRASTRUCTURE & SERVICES

Adopted 10 July 2024

Prepared in accordance with the requirements of the Local Government Act 2002

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He kupu nā te Toihau me te Kaiwhakahaere Matua

Message from the Chair and Chief Executive

Supporting our region's resilience

As a region, we are still in recovery from a tough few years. We acknowledge the incredibly significant impact of Covid and then Cyclone Gabrielle on the people and communities of Hawke's Bay. As this Three-Year Plan is finalised, we think especially of Wairoa and Haumoana, affected by a recent rain event and storm surges.

Our plan for the next three years is about supporting people to recover and communities to build resilience. We will build significant new post cyclone flood infrastructure to adapt to a more unpredictable climate change future. It will move properties in Category 2 to Category 1 to enable people to move on with their lives.

We have significant work to do, and this comes at a time, when affordability is a real issue for our community. We have heard you and, based on your feedback, we have reduced rates increases and will offer remissions to help the most severely impacted ratepayers. 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.

How we rate for the new flood schemes was a key topic of consultation, and it was decided to use the general rate for the capital costs for the largely residential post-cyclone schemes in Whirinaki and Pōrangahau. The flood infrastructure in Waiohiki, Pākōwhai, and Omāhu will become part of the existing Heretaunga Flood Scheme.

To contain costs and redirect spending to recovery work, we asked you about potentially stopping and temporarily slowing some services. In response to your submissions, we will maintain funding of $1.52 million to Hawke's Bay Tourism for one year to give them time to secure alternative funding, and maintain our annual contribution to Te Mata Park. We are returning biodiversity funding back to pre-cyclone levels faster, given its importance in building climate resilience and ecosystem health for our region.

We will bolster funding by $1.3 million for Civil Defence over three years as, together with all councils in the region, we will work on implementing the review of the Civil Defence Emergency Management response to Cyclone Gabrielle.

Our partnerships are incredibly valuable, and we acknowledge the leadership of Māori Committee Co-Chairs Katarina Kawana and Mike Paku, and Tania Hopmans, Co-Chair of the Regional Planning Committee. We continue to focus on fostering close and collaborative relationships with the district and city councils and many environmental organisations. We also value relationships with Ngāti Kahungunu Iwi, Post Settlement Group Entities, taiwhenua, hapū and marae - for the wellbeing of our region. We value our relationship with our national partners, where the assistance of third-party funding helps us to achieve much more than would otherwise be possible.

We encourage you to read Part Two which contains a summary of public consultation undertaken on this plan community feedback, and the key consultation decisions made by the Regional Council.

The remaining sections contain our Financial Strategy, Infrastructure Strategy, Groups of Activities, Financials and Policies.

Our door is open – we welcome your views and engagement.

Te Toihau

Chair

Hinewai Ormsby

H Ormsby

Tumu Whakarae

Chief Executive

Dr Nic Peet

He kupu nā ngā Toihau Kōmiti Māori

Message from the Māori Committee Co-Chairs

Kei ngā Reo, kei ngā Waka, kei ngā Kārangatanga maha, tēna koutou, tēna koutou, tēna tātou katoa.

Kei ō tātou tini mate tini aituā, haere okioki atu rā ki roto i te uma a tō tātou Matua-Nui-I-Te-Rangi.

Tē tāea e te kupu me te kōrero te whakatakoto i te aroha me te mamae kei roto i te ngākau ī tēnei wā.

Koutou o Te Wairoa me Haumoana. Koutou ngā uri, ngā marae, me ngā whānau maha I pākia anō ki ngā mahi kikino a te waipuke me te marangai, kia kaha, Kia māia, kia manawanui.

Ki te kotahi te kākano, ka whati, ki te kapuia e kore e whati.

If there is but one reed it will break, but if it is bunched together it will not.

The Māori Committee of the Regional Council supports this Three-Year Plan and recognises the need to shift focus to meet our communities' immediate needs. The devastation of recent weather events on lives, kāinga, marae, and whenua has deeply affected our whānau and hāpori.

In these tough times, it's crucial to support our communities in their recovery and build resilience for the future. The Regional Council's plan to improve flood infrastructure is a big step towards dealing with the impacts of climate change. This is about more than just rebuilding – it's about creating a safer and stronger environment for our mokopuna.

Despite the necessary shift towards recovery, the commitment to te ao tūroa me ngā ahuatanga o te taiao – *the natural world and environment* – remains, the mauri of the whenua and wai must be restored and protected.

Me tiro whakamuri kia anga whakamua. We must look back to move forward - today's decisions must lead to a better tomorrow.

Ngā Toihau Kōmiti Māori

Māori Committee Co-Chairs

Katarina Kawana

Mike Paku

Wāhanga 2 - Tirohanga Whānui

Part 2 - Overview

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Mō tēnei rautaki

About this plan

Hawke's Bay Regional Council's Three-Year Plan 2024-2027 is our organisation's overarching plan that sets our strategic direction and priorities for the next three years.

We would normally develop a ten-year Long Term Plan, as all councils are required to under the Local Government Act 2002 (LGA 2002). However, special temporary legislation following Cyclone Gabrielle in February 2023 has changed the planning cycle 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.

Cyclone Gabrielle had disastrous impacts on our region. Lives were lost, many people lost their homes and livelihoods, and critical infrastructure was damaged or destroyed. A lot of work has been undertaken to help the region recover and build resilience, but there is still much to do, particularly in the face of a changing climate.

This plan is focused on our continued recovery from Cyclone Gabrielle and the ongoing impact of Covid, and, importantly, continuing our investment in building resilience for future events.

We have a significant work programme ahead of us to build new, and improve current, flood protection schemes across the region. The nearly $250 million Flood Resilience 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 and are committed to completing the programme as quickly as we can.

We will review this plan in three years' time and develop our next Long Term Plan, returning to the 10-year cycle for 2027-2037.

This plan provides information on:

- engagement and consultation we have undertaken with our community to help develop this plan and the key decisions made following consultation.
- the work we have planned for the next three years by Groups of Activities. This includes why we do the work, how much it is expected to cost, and how we will fund it.
- our Financial and Infrastructure Strategies, and Forecasting Assumptions.
- key financial information including financial statements, accounting policies, benchmarks, rate funding impact statements, and information about our Council-Controlled Organisations
- our supporting policies that guide Council decision-making:
  - Treasury, Liability Management and Investment Policies
  - Revenue and Financing Policy
  - Fees and User Charges Policy
  - Rates Remission and Postponement Policies
  - Significance and Engagement Policy.

Our planning cycle

Mō Te Kaunihera ā-Rohe o Te Matua-a-Māui

About Hawke's Bay Regional Council

Your councillors

Hinewai Ormsby
Chair
Ahuriri/Napier
Cr.Hinewai.Ormsby@hbrc.govt.nz

Will Foley
Deputy Chair - Tamatea/Central Hawke's Bay
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For more information and contact details go to hbrc.govt.nz, search: #councillors

How is council made up?

As a regional council we have responsibility for managing the use of natural resources (including air, water, land, coast, biodiversity) while the four local councils – Wairoa District, Napier City, Hastings District and Central Hawke's Bay District - manage local services such as water supply, sewerage, rubbish/recycling, roading, and civic amenities such as sports, event and library facilities. District council ward boundaries may be different to the Regional Council constituencies, particularly for Ngaruroro and Hastings-Heretaunga.

Hawke's Bay region also includes small parts of Taupō and Rangitīkei districts. This is because regional council boundaries were largely set based on catchments and these districts contain headwaters of some of our rivers.

Our committees and our organisational structure

Committee structure

The Regional Council and committee meetings and workshops are open to the public, except where items of business exclude the public for specific reasons. Meeting dates and times are published in *Hawke's Bay Today* and on our website **hbrc.govt.nz, search: #meetings**

Permanent committees

- Environment and Integrated Catchments Committee
- Corporate and Strategic Committee
- Risk and Audit Committee
- Regional Planning Committee
- Māori Committee
- Regional Transport Committee
- Tenders Committee

Joint committees

- Hawke's Bay Civil Defence Emergency Management Group Joint Committee
- Clifton to Tangoio Coastal Hazards Strategy Joint Committee
- Climate Action Joint Committee
- Napier-Hastings Future Development Strategy Joint Committee
- Ahuriri Regional Park Joint Committee

Executive Leadership Team

Ngā hua ā-hapori

Community outcomes

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

Our areas of strategic focus

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) which is 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 Māori 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 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 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
- 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 administered by the Regional Council:
  - Civil Defence Emergency Management Group
  - Climate Action Joint Committee
  - Regional Transport Committee
  - Clifton to Tangoio 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.

The Regional Council 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.

30.6% of our population is of Māori descent (Census 2023)

There are **11** iwi groups, over **200** hapū and **79** marae throughout the Hawke's Bay region[1]

8 of **9** post-settlement governance entities (PSGEs) are currently represented on the Hawke's Bay Regional Planning Committee

Ngāti Kahungunu with **Rongomaiwahine** have coastal rohe running from **Paritū** – north of **Mahia** – to **Tūrakirae** – on the south **Wellington Coast**

Ngāti Kahungunu Iwi Incorporated comprises **6 taiwhenua**[2] with governance entities and operations on the ground, four of which are in the Hawke's Bay region

6.8% Hawke's Bay residents speak te reo Māori (Census 2018)

Over **11%** of Hawke's Bay's 1.42 million hectares is Māori freehold land[3]

There has been **$466 million** of financial redress in recent Treaty settlements. This will increase with future settlements.[4]

Te urupare ki te huringa āhuarangi

Responding to climate change

We know our regional climate is changing. Extreme weather events are increasing in frequency and intensity, and this impacts our communities, livelihoods, economy, and the environment.

Cyclone Gabrielle in February 2023 showed us the kind of widespread and long-lasting impacts a catastrophic severe weather event can have for our region. In the future, we can expect significant changes to our climate in Hawke's Bay. Climate change impacts will mean an increase in extreme hot days, fewer frost days, and a shift to more frequent large, extremely severe rainfall events.

As a council we have responsibilities for emissions reduction (climate mitigation) and building resilience in response to a changing climate (adaptation).

Hawke's Bay Regional Council declared a climate emergency in June 2019. We set a goal for our organisation to be carbon zero by 2025 and for us to play a leadership role in the region's goal of net zero greenhouse gases by 2050. This supports our national goal of net zero emissions for Aotearoa New Zealand by 2050.

Climate change is a focus in all our planning and decision-making as a council. Climate mitigation and adaptation work spans council work programmes, including flood protection, land-use and resource management, transport, coastal hazards, and emergency management.

Climate change will also form a key part of our revised Regional Policy Statement. The statement identifies significant issues around the management of the region's natural and physical resources and sets out what needs to be achieved and how.

Understanding climate change impacts for Hawke's Bay

To find out more, visit our Climate Action Hub at **hbrc.govt.nz, search: #climateactionhb** and find out what is happening for climate action in Te Matau-a-Māui Hawke's Bay and ways you can get involved.

	By 2040	By 2090
Annual average temperatures are projected to rise. This comes on top of the 1°C increase over the last century	↑ 0.5°C - 1°C increase	1.5°C - 3.5°C increase ↑
Heat waves (defined as 3 or more days above 25°C) will become more common (excluding high elevation inland areas)	↑ 10 to 20 more days per year	20 - 60 more days per year ↑
Frost days are projected to become fewer for inland areas	↓ 5 - 20 fewer days	10 - 50 fewer days ↓
Annual rainfall is set to drop in parts of Hawke's Bay	↓ 5% decrease	15% decrease ↓
Likelihood of extreme weather events is set to increase		
Sea level rise will worsen coastal erosion	↑ 26.5cm - 28.5cm rise	74.5cm - 1 metre rise ↑

The data in this infographic is based on a report commissioned by Envirolink, Gisborne District Council and Hawke's Bay Regional Council and delivered by NIWA called 'Climate change projections and impacts for Tairāwhiti and Hawke's Bay', November 2020.

Find this at hbrc.govt.nz, search #climateactionhb

Regional collaboration for regional climate resilience

Collaboration in building regional climate resilience has gained momentum.

The Hawke's Bay Climate Action Joint Committee was established in 2023, bringing together members of all the councils in the region, post settlement governance entities, and taiwhenua in our rohe.

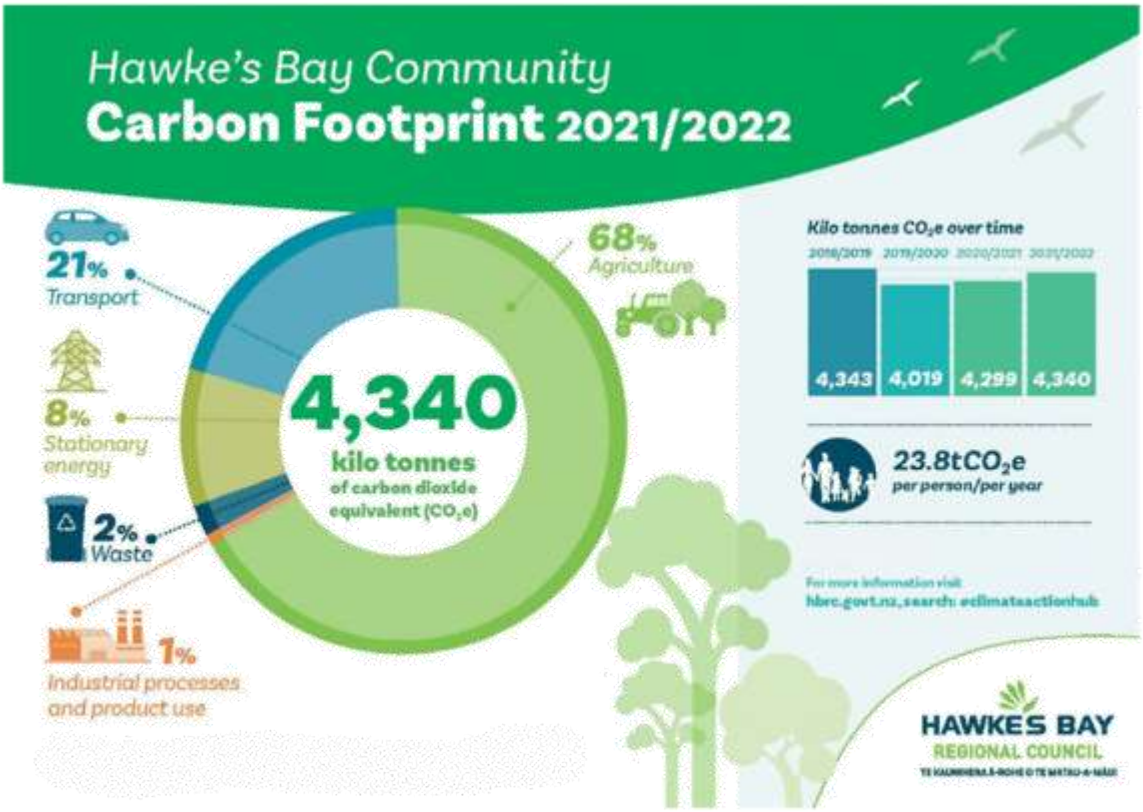
The Joint Committee's role is to guide and oversee the development of climate action plans and other work, including development of a Regional Climate Risk Assessment. The Joint Committee drives climate progress in the region through collaborating and promoting climate action to reduce emissions and adapt to a changing climate.

Work is ongoing to develop a Regional Climate Risk Assessment. A Risk Assessment can also show us what these risks will look like under a range of different future scenarios, based on current climate projections.

In 2022, our first regional community carbon footprint was published. This measured our gross emissions of greenhouse gases and showed how our footprint has changed from 2018-2019 to 2021-2022. There has been little overall change in our regional gross emissions over the past four years.

The footprint can also be broken down to a city and district level. This carbon footprint information forms a baseline for us to measure and report on changes in our gross greenhouses gas emissions over time. Over time, we expect to see our footprint decrease as more climate action is taken to reduce regional emissions.

Figure 2: Gross emissions of greenhouse gases in Hawke's Bay, including Wairoa, Napier, Hastings, Central Hawke's Bay



Source: Prepared by HBRC using the Global Protocol for Community scale Greenhouse Gas Emissions Inventory (GPC) methodology. Based on the latest available inventory data for 2021 from the Ministry for the Environment. Visit **environment.govt.nz**, search **New Zealand's Greenhouse Gas Inventory 1990-2021**

Three-Year Plan focus on building resilience

This Three-Year Plan is focused on recovery and building resilience. It's about investing in our flood infrastructure – we have the organisation's biggest ever flood resilience programme planned. This includes new flood protection schemes for Wairoa, Whirinaki, Pōrangahau, and parts of Heretaunga.

This plan is also about bolstering capability and capacity in civil defence in Hawke's Bay. The Regional Council, Napier City, Hastings, Central Hawke's Bay, and Wairoa District Councils work together to manage Hawke's Bay Civil Defence Emergency Management (HBCDEM). Additional funding in this plan will help HBCDEM implement recommendations from an independent review into the HBCDEM response to Cyclone Gabrielle.

What else are we doing to help the region build climate resilience?

Mitigation

To help reduce emissions we are:

- providing public transport. We manage the goBay Hawke's Bay bus network service to help Napier and Hastings locals reduce their carbon footprint and free up our roads
- supporting recreational and commuter cycling and walking. We manage about 105km of cycleways and trails. Some of those form part of the Hawke's Bay Trails Ride, which we are the lead agency for
- implementing a corporate sustainability programme to lower our own carbon footprint
- supporting planting programmes, such as Land for Life, the Erosion Control Scheme and planting of regional parks and riparian margins
- supporting a variety of biodiversity and biosecurity programmes that work to protect and improve forest remnants and wetlands.

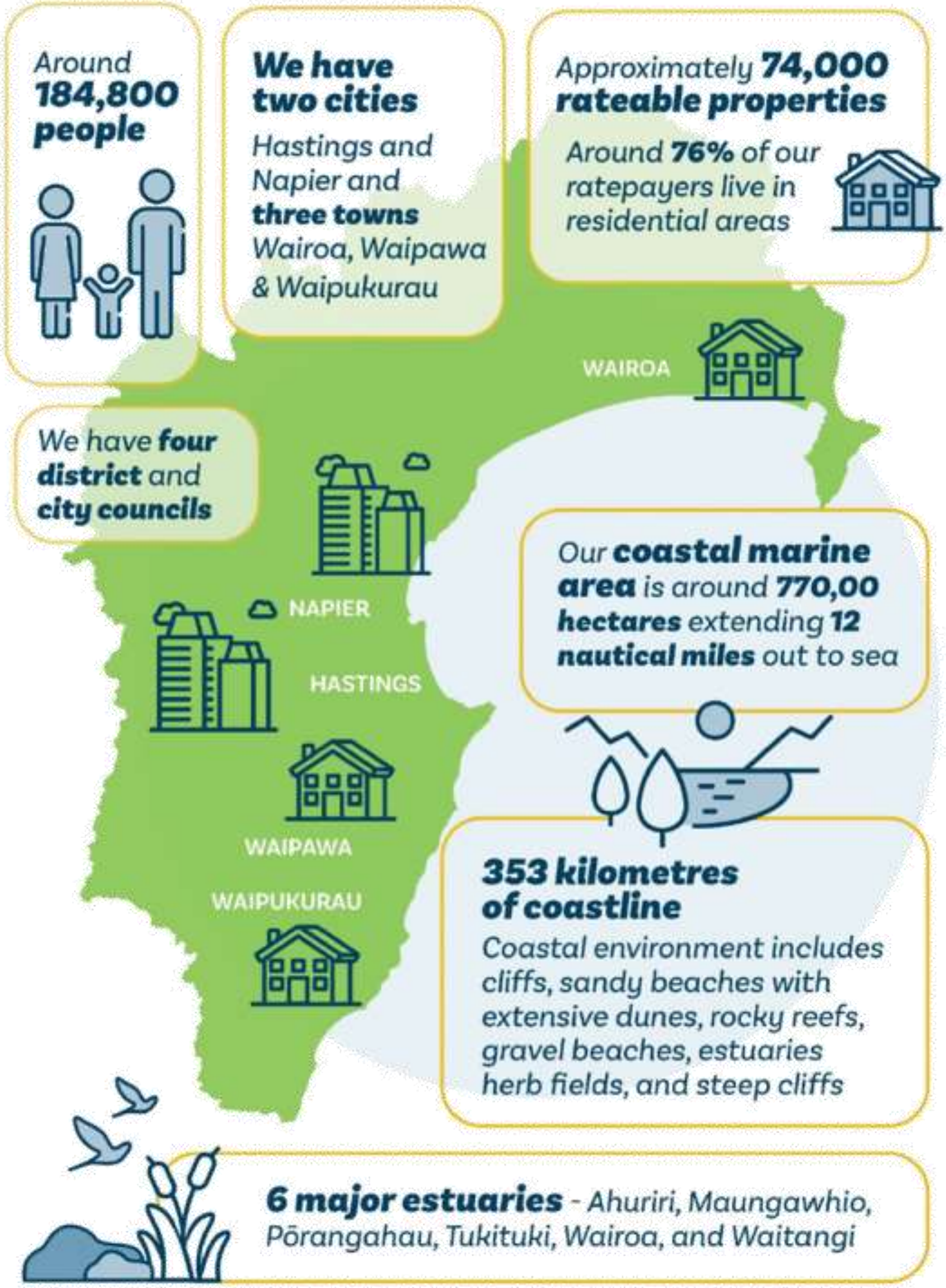
Adaptation

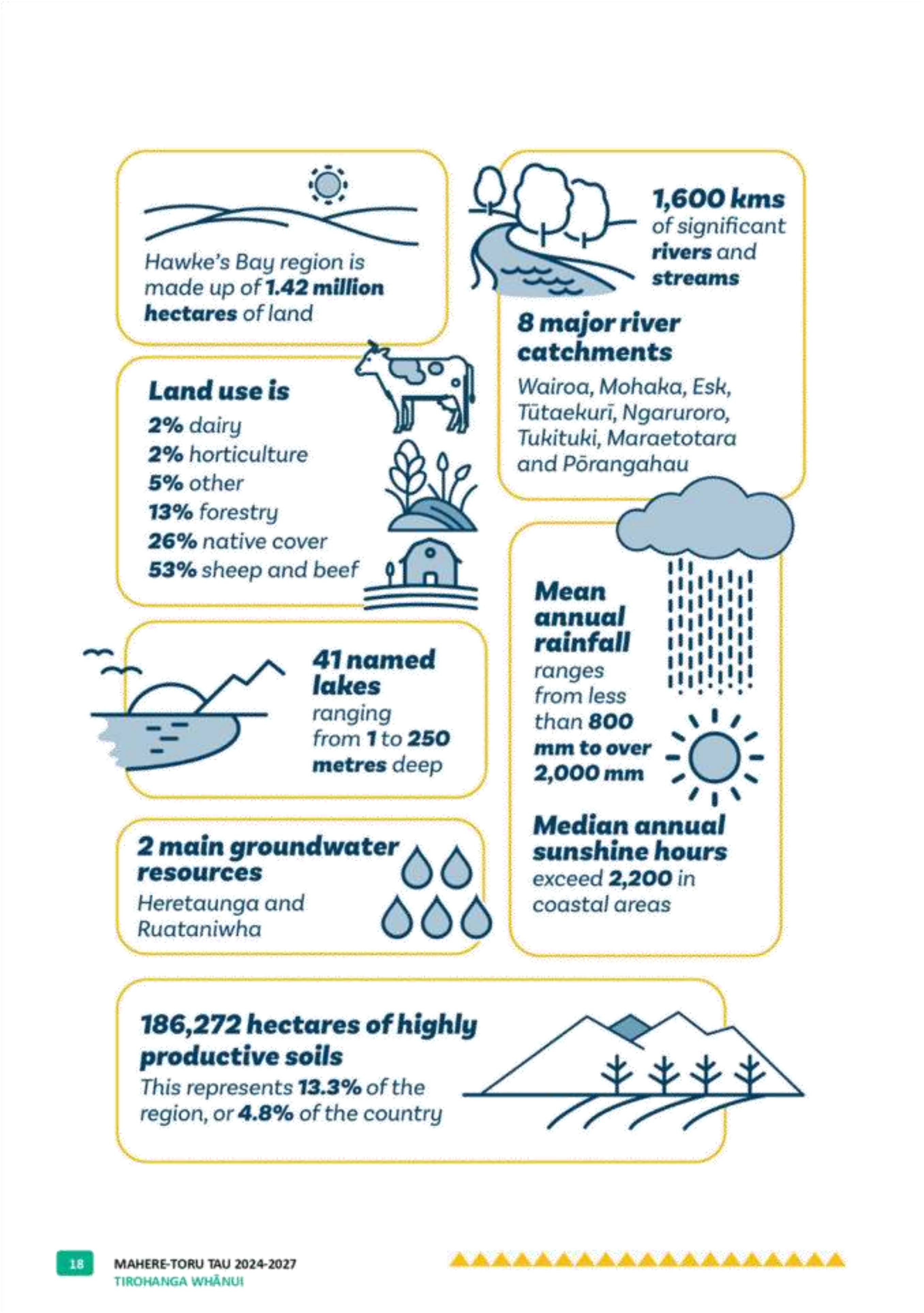
To help respond to a changing climate we are:

- working to ensure Hawke's Bay has a long-term, secure supply of clean freshwater through our Regional Water Security Programme
- investing in infrastructure to protect people and property from frequent flooding, for example, stopbanks, drainage, pumping and river and stream management
- working with communities, tāngata whenua, Napier City and Hastings District Councils on the Clifton to Tangoio Coastal Hazards Strategy 2120 to plan how to respond to the impacts of coastal erosion and inundation
- supporting climate-smart and sustainable land use and promoting good management practices on-farms, through rural partnerships
- working with community groups, including schools and businesses, to support local climate action.

Mō te takiwā o Te Matau-a-Māui

About the Hawke's Bay region





Hawke's Bay region is made up of **1.42 million hectares** of land

1,600 kms of significant **rivers** and **streams**

8 major river catchments

Wairoa, Mohaka, Esk, Tūtaekurī, Ngaruroro, Tukituki, Maraetotara and Pōrangahau

Land use is

2% dairy
2% horticulture
5% other
13% forestry
26% native cover
53% sheep and beef

41 named lakes ranging from **1** to **250 metres** deep

Mean annual rainfall ranges from less than **800 mm to over 2,000 mm**

Median annual sunshine hours exceed **2,200** in coastal areas

2 main groundwater resources

Heretaunga and Ruataniwha

186,272 hectares of highly productive soils

This represents **13.3%** of the region, or **4.8%** of the country

18 MAHERE-TORU TAU 2024-2027
TIROHANGA WHĀNUI

Wāhanga 2 – Te tūhono ki te hapori

Part 2 - Engaging with our community

Contents

Te whakarāpopoto uiuinga

Consultation summary

This section outlines the consultation process we undertook, with public participation, to develop the Three-Year Plan 2024-2027.

Early engagement

Following Cyclone Gabrielle, we reassessed the early engagement we had planned for the long-term plan. Mindful of the community's capacity to engage after such a catastrophic event, we focused on recovery and used existing channels to gather early feedback.

In June 2023, the Annual Plan engagement document posed the question *"What is important to you in the region's recovery from Cyclone Gabrielle?"*. Two recurring themes from submissions were communities needing to feel safe and building back our infrastructure better.

Between December 2023 and January 2024, we consulted on a comprehensive review of our Revenue and Financing Policy. Rates affordability in a time of rising costs was raised by many submitters. These submissions were reconsidered during deliberations on our Three-Year Plan.

These two consultations gave us an early indication of public sentiment. Our approach to the Three-Year Plan 2024-2027 was to set ourselves up to deliver a $250 million flood resilience programme, being mindful of rates affordability, and keeping our focus on core business.

Consulting with the public

The consultation document *Have your Say, Hawke's Bay* was adopted on 10 April 2024. The formal consultation took place between 15 April to 16 May 2024. The consultation document and supporting documents, including a rates calculator, were made available on our website **hbrc.govt.nz, search: #haveyoursay**. Printed copies of the consultation document and a submission form, which included a high-level summary, were available at public libraries, regional council offices, our drop-in sessions, as well as posted on request.

Notification and promotion included a branded postcard to all ratepayers, advertisements in local newspapers, digital advertisements, social media posts and sponsored content, video clips by councillors and a Facebook Live session on 23 April 2024.

Twelve drop-in sessions provided accessible opportunities for people to talk to councillors face-to-face. The drop-in sessions were held across the main centres in Te Matau a-Maui: Wairoa, Napier, Taradale, Flaxmere, Hastings, Havelock North, Waipawa, and Waipukurau. These were held at different times during the day and evening, and in accessible venues such as outside New World Wairoa and the Hawke's Bay Farmers' Market in Hastings on a Sunday morning.

Targeted engagement was made with homeowners in Category 2 flood scheme areas using tools such as community meetings, newsletters and a mailbox drop.

The public was able to provide feedback in various ways including an online form, by email (free text or using the templated form), post or delivering in person to our offices and drop-in sessions.

We received 824 submissions in total.

During two days of hearings on 29 and 30 May, 60 submitters gave their feedback in person, or online, in front of elected members. The Regional Council deliberated on feedback provided by the public and staff responses at a meeting spanning two days on 18 and 20 June 2024. Decisions were made by topic culminating in the overall rating increases for the next three years.

The final Three-Year Plan was adopted and rates set on 10 July 2024.

Nga whakatau matua

Key consultation decisions

The following section summarises the key decisions made by the Regional Council on the topics outlined in our consultation document Have Your Say Hawke's Bay and in our Three-Year Plan.

Investing in resilient flood infrastructure

The majority of a nearly $250 million 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, parts of Heretaunga (Pākōwhai, Waiohiki, and Ohiti Road/Omāhu), Whirinaki and Pōrangahau.

Feedback was sought on who should pay for the Regional Council's share ($25 million) for the initial capital works, and for the ongoing operating and maintenance.

In addition to the flood schemes, the Regional Council proposed to fund its share ($17 million) of general works through the general rate. The general works include additional work to already repaired stopbanks, upgrading pumpstations, replacing and upgrading flooded telemetry, and accelerating scheme reviews. The general rate was considered appropriate as the works are spread across a range of assets, geographical areas, scheme types and years.

How the schemes and general works are funded are included in an amended Revenue and Financing Policy.

Decision

Hawke's Bay Regional Council resolved to apply 70% targeted rate and 30% general rate funding for:

- **Wairoa** for operating and maintenance
- **Whirinaki (Industrial)** for the initial capital build, and operating and maintenance
- **Whirinaki (Other)** for operating and maintenance
- **Heretaunga Plains extension** for the initial capital build, and operating and maintenance
- **Pōrangahau** for operating and maintenance.

It also resolved to apply 100% general rate funding for:

- **Pōrangahau** for the initial capital build
- **Whirinaki (Other)** for the initial capital build
- our share of the **General Works**.

Investing in resilient communities

Building a resilient community for future events was a key focus of this plan. The budget, as consulted on, included a $1.3 million increase in the CDEM rate collected on behalf of the region's councils.

Over half of the funding increase of $1.3 million is to bolster capability and capacity in the HBCDEM Group. This will help address recommendations in the independent review *HBCDEM Group Response to Cyclone Gabrielle* (Bush International Consulting, March 2024). The rest is to repay the HBCDEM Group reserve fund. Repaying the reserve deficit will start in Year 2 of the Three-Year Plan and will be repaid over 10 years.

Decision

Hawke's Bay Regional Council agreed to the $1.3 million increase over three years in the CDEM targeted rate for the HBCDEM Group as consulted on.

Public Transport

Although not a consultation topic itself, public transport was shown in the consultation documents as one of the five main drivers pushing up rates. The total targeted rate consulted on was:

- $3.1 million in 2023-24 (base year)
- $4.6 million in Year 1
- $6.6 million in Year 2
- $7.1 million in Year 3.

Increases were due to greater demand for Total Mobility services, growing costs to provide a public bus service and delivering an improved bus service (from Year 2).

Decision

In response to NZTA Waka Kotahi's indicative funding and to address rates affordability, the Regional Council resolved to set the public transport targeted rate at $5.35 million in Year 2 and $5.2 million in Year 3. Council also agreed that a rates remission will be available to ratepayers newly added to the public transport rate experiencing a greater than $200 impact. It was further agreed to undertake a review of rating for public transport in the following financial year.

Hawke's Bay Tourism

This consultation topic was one of four *Tough Choices* consulted on to reduce rates in a time of unprecedented financial pressure, and to help narrow our focus to recovery and core business.

Council's preferred option was to reduce current annual funding of $1.52 million to Hawke's Bay Tourism in stages over the next two years and stop our funding altogether from 2026-27. An alternative option was consulted on to maintain funding at $1.52 million for 2024-25, and reduce to $441,000 a year from 2025-26.

Decision

In response to submissions, and to give Hawke's Bay Tourism time to find alternative funding, Hawke's Bay Regional Council resolved to continue to fund Hawke's Bay Tourism $1.52 million in 2024-25 with no commitment beyond Year 1. Funding via the Regional Development targeted rate would contribute $520,000, as consulted on, and the additional $1 million would be sought from a special dividend from the Council's investment company - Hawke's Bay Regional Investment Company (HBRIC).

Sustainable Homes

This *Tough Choices* consultation topic proposed to stop Clean Heat grants and loans, and Sustainable Home loans from July 2024. This proposal would mark the end of a successful programme – started in 2009 – to improve winter air quality and build resilience into homes.

Decision

Hawke's Bay Regional Council resolved to end the programme as consulted on, including continuing to charge the targeted rate for the next 12 years to allow the programme to balance. Council asked staff to ensure that alternative providers offering financial assistance are promoted to our ratepayers. These include banks, ECCA's Warmer Kiwi Homes, Te Whatu Ora's Child Healthy Housing Programme, and Energymate.

Erosion Control Scheme, and Biodiversity and Biosecurity programmes

This *Tough Choices* consultation topic was proposed to continue a post-cyclone slow down in erosion control, biodiversity and biosecurity and bring that funding back over the three years of the plan.

Landowners have incurred significant repair costs since Cyclone Gabrielle, so demand for the Erosion Control Scheme has dropped in the short term. The reduced budget for biodiversity means less financial support for landowners and community groups to undertake environmental work. The reduced budget for biosecurity means pest management has to be prioritised, and some pests may have less or no control for a period of time.

Decision

Hawke's Bay Regional Council resolved to reduce funding for 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 in 2026-27 as consulted on.

In response to submissions against funding cuts to biodiversity and biosecurity – seen as core council business - the Regional Council resolved to increase biodiversity and biosecurity programme funding by $400,000 over Years 1-2. Council resolved to bring it back to pre-cyclone levels faster using a special dividend from HBRIC.

Regional Parks, including Te Mata Park funding

The fourth and final *Tough Choices* consultation topic proposed to cut the annual maintenance budget for our regional parks by 20% per year for three years, stop the annual contribution to Te Mata Park Trust for three years, defer development costs for Ahuriri Regional Park, defer development of Wairoa Regional Park, and defer all capital works on cycleways (aside from a commitment to safety improvements).

Decision

In response to overwhelming support to keep funding Te Mata Park Trust, Hawke's Bay Regional Council resolved to retain its annual contribution of $120,000 to Te Mata Park Trust, and otherwise reduce funding for regional parks as consulted on.

Fees and User Charges Policy

This consultation topic proposed two new Harbourmaster fees: a new fixed Harbourmaster charge for Napier City Council, and an anchorage levy to commercial vessels greater than 40 metres in length overall anchoring within the Hawke's Bay regional waters.

Decision

Hawke's Bay Regional Council resolved to adopt the amended Fees and User Charges Policy, including the implementation of two new Harbourmaster fees as consulted on.

Rates Remission and Postponement Policies

This consultation topic proposed a new remission called *Significant Impact Remission resulting from changes to the Rating Policy* aimed at helping ratepayers on utilities rolls transition to the new Revenue and Financing Policy settings. Most ratepayers on utilities rolls – including our local councils, as well as power and telecommunications companies – have their network infrastructure either underground, overhead or along existing structures (like bridges). As a result of the new way we calculate the general rate (on capital value rather than land value), these ratepayers will now be charged the general rate for the first time; in some cases, this will see their rates bill increase quite substantially.

Decision

Hawke's Bay Regional Council resolved to adopt a new remission policy that gives a 50% remission for one year for local councils on the utilities rolls. Council also resolved to investigate applying a cap on capital value for utility rolls for the general rate in future years.

Revenue and Financing Policy

Several submissions were received on recent changes to the Revenue and Financing Policy. Feedback included the impact on rates from the move from land value to capital value for the general rate, changes to flood schemes and the public transport footprint.

Decision

Hawke's Bay Regional Council resolved to undertake a further review of the banding used in differential rating for Upper Tukituki Flood Control Scheme and Upper Makara Stream Catchment Special Rating Scheme, and to investigate the impact on residential/lifestyle properties before the next Annual Plan.

Council also resolved to fund a rates remission budget up to $1.2 million in 2024-25 from a special dividend from HBRIC to help ratepayers facing large increases from the new policy settings (as well as facing hardship through natural calamity.

Wāhanga 3 – Ngā Whakarōpūtanga Kaupapa

Part 3 – Groups of Activities

Contents page

How to read this section

We have aggregated the work we do into 23 activities under six groups of activities as below:

1. Governance and Partnerships
2. Policy and Regulation
3. Integrated Catchment Management
4. Asset Management
5. Emergency Management
6. Transport.

Under the Local Government Act 2002 we are required to aggregate and report our financial and performance information in groups of activities for ease of understanding.

Each group of activity describes:

What we do

We give a brief description of the activities that make up the group of activities.

Why we do it

We describe the legislative, strategic and/or other rationale for delivery of the group of activities. We also include the community outcomes to which the group of activities primarily contributes. Community outcomes are what we aim to achieve in order to promote social, economic, environmental, and cultural wellbeing for our region in the present and for the future.

Our community outcomes are represented by the following icons:

Significant negative effects

We outline any significant negative effects that any activity within the group of activities may have on the social, environmental or cultural wellbeing of the local community.

What we are going to do

We describe the routine work we do each year and any key projects during the three-year period of the plan.

Levels of service

We describe the intended levels of service for major aspects of the group of activities, including measures, targets and previous performance. We also show how the levels of service contribute to community outcomes and regional strategies/plans if relevant.

There are some new measures that have not been previously reported on, however, if we have the information to determine past results we have included it - these results have been marked with an asterisk*.

Funding impact statement

We show the planned operating and capital expenditure for each group of activities and how they will be funded. Note that funding sources and the reason these were selected is covered in detail in the Revenue and Financing Policy in Part 6, and was last adopted in February 2024.

Mana Whakahaere me te Mahi Ngātahi

Governance and Partnerships

What we do

The Governance and Partnerships group of activities combines a diverse range of activities that allow us to be strategic, make good decisions, engage and build meaningful partnerships.

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

- Community Partnership and Leadership
- Tangata Whenua Partnerships
- Community Sustainability
- Regional Development

Community Partnership and Leadership

This activity provides democratic representation and supports elected members in their governance roles to make robust and transparent decisions. It covers the costs and maintains the integrity of council processes, such as triennial elections, representation reviews, official information requests, Ombudsmen's office enquiries and council meetings.

Tāngata Whenua Partnerships

This activity covers our engagement with tāngata whenua as required by legislation, including representation on the Māori and Regional Planning Committees, and project-based engagement with hapū and marae.

The Māori Partnerships team's focus is to support tāngata whenua representatives, grow council-wide cultural capability, and facilitate technical input to meet statutory requirements.

Community Sustainability

The aim of this activity is to work together with the community for a sustainable and resilient future, and to also ensure we 'walk the talk' for climate action in the region.

Environmental education, including the longstanding Enviroschools Programme, is crucial for developing environmentally responsible attitudes and ensuring a safe and secure future for generations to come. Our programme offers a range of resources and support for schools, aiming to ignite sustainable behaviours, promote collective action against climate change, and encourage innovation.

Regional Development

Hawke's Bay Regional Council, as a whole, plays a broad role in regional economic development by ensuring the natural resource platform, on which both the economy and community relies, is managed to meet the reasonably foreseeable needs of future generations.

The Regional Economic Development Agency (REDA) was newly formed in 2023 following an independent review. The Regional Council and the region's territorial authorities (Napier, Hastings, Central Hawke's Bay and Wairoa councils) are its primary funders. Our share of funding for REDA is in Years 1 to 3 of the plan.

The Regional Council is currently the sole local government funder of Hawke's Bay Tourism by agreement with the region's councils. Funding of $1.52 million for Hawke's Bay Tourism is in Year 1 of the plan, $1 million of which will be funded by a special dividend from the Council's investment company.

The remainder (and REDA funding) is via the regional economic development targeted rate. Regional Council will work with Hawke's Bay Tourism to secure alternative funding.

Why we do it

This group of activities supports these community outcomes:

Healthy Environment	We lead from the front and put the environment at the centre of all our decisions. We provide environmental education to inspire behaviour change.
Resilient Community	We plan for the big issues coordinate action and give tangata whenua and communities a meaningful say on the direction of the region.
Prosperous Community	We invest in regional economic development for the benefit of the Hawke's Bay economy.

Most of what the Regional Council does in this group is prescribed by the following legislation:

- Local Government Act 2002
- Local Electoral Act 2001
- Local Government Official Information and Meetings Act 1987
- Local Authorities (Members' Interests) Act 1968
- Hawke's Bay Regional Planning Committee Act 2015.

Significant negative effects

Engagement in Regional Council processes requires time and resources, and people's capacity to engage varies so some people may have more opportunity than others to participate.

What we are going to do

Each year we will:

Community Representation and Leadership	• Support the elected members to represent the Hawke's Bay community • Produce statutory plans and reports to ensure transparency and accountability to our residents and ratepayers. These include long term plans, annual plans and annual reports, as well as quarterly reporting to Council on financial and service performance.
Tāngata Whenua Partnerships	• Ensure the effective operation of the Regional Planning Committee and the Māori Committee • Work with the region's councils (Napier, Hastings, Central Hawke's Bay and Wairoa) as part of a network - Te Kupenga - in developing and sharing cultural capability initiatives.
Community Sustainability	• Measure and report HBRC's corporate carbon footprint and implement initiatives to reduce it • Measure and report regional emissions annually, with three-yearly externally verified reports • Administer the Climate Action Joint Committee and convene the Technical Advisory Group to support it and drive its work programme. • Deliver the Enviroschools programme to over 70 schools and early childhood centres throughout Te Matau a-Māui Hawke's Bay • Provide and deliver educational resources available to all schools (primary to secondary).
Regional Development	• Contribute HBRC's share to the Regional Economic Development Agency (REDA) • Regularly review reporting requirements.

Key projects in the next three years

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)	Years 4+ (2027+)
Local elections Preparation of the pre-election report and implementation of the Local Government (Electoral Legislation and Māori Wards and Māori Constituencies) Amendment Bill				
Flood resilience education resource for schools and communities Develop and deliver new resources around the region's flood infrastructure, with support from the Asset Management Group.				

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 A resilient community	HBRC provides for democratic representation and maintains the integrity of Council processes through transparent and legally compliant practices.	Triennial election processes are undertaken in accordance with the Local Electoral Act 2001.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
		Percentage of Council and committee meetings that comply with statutory requirements and Standing Orders.	Achieved (22/23) Achieved (21/22)	100%	100%	100%
		Percentage of official information requests responded to within 20 working days.	79% (22/23) 95% (21/22)	100%	100%	100%
		Long Term Plans and Annual Reports receive 'unmodified' audit opinions.	Not achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
Tāngata Whenua Partnerships						
A healthy environment	HBRC actively involves Māori in its decision-making processes, both at a governance and operational level, and engages in strategic relationships with tāngata whenua.	Annual satisfaction survey of Treaty partners on HBRC's partnership approach to engagement and decision-making. (*source: annual survey of Treaty partners*)	New measure	Baseline	Maintain or improve	Maintain or improve
		The number of decision-making arrangements for Treaty partners that are supported and in place.	New measure	Baseline	Increasing trend	Increasing trend
		Annual reporting to the Māori Committee on mātauranga Māori monitoring and reporting activities.	Not achieved (22/23) Not 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)
Community Sustainability						
A healthy environment	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.	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	HBRC administers the Hawke's Bay Regional Climate Action Joint Committee to support a coordinated approach to drive climate adaption and mitigation.	Annual reporting to Council on climate change action progress.	Achieved (22/23) Achieved (21/22)	Develop programme	Achieved	Achieved
A resilient community	HBRC delivers a coordinated programme to reduce its own carbon footprint	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	HBRC will co-invest in regional economic development organisations for the benefit of the Hawke's Bay economy.	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

Prospective funding impact statement

Governance and Partnership – year ending 30 June

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,291	3,489	3,530	3,573
Targeted rates	2,958	2,016	1,273	1,292
Subsidies and grants for operating purposes	37	38	38	39
Fees and charges	1,001	-	-	-
Interest and dividends from investments	-	1,740	740	740
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
Total operating funding	7,287	7,282	5,582	5,645
Applications of operating funding				
Payments to staff and suppliers	4,559	4,468	2,972	3,002
Finance costs	1,102	1,165	1,045	940
Internal charges and overheads applied	2,397	1,642	1,401	1,397
Total applications of operating funding	8,058	7,275	5,418	5,339
Surplus / (deficit) of operating funding	**(772)**	**7**	**164**	**306**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	1,319	(2,709)	(2,333)	(2,051)
Total sources of capital funding	1,319	(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	(11)	(105)	541	605
Increase / (decrease) of investments	558	(2,597)	(2,711)	(2,350)
Total application of capital funding	547	(2,702)	(2,169)	(1,745)
Surplus / (deficit) of capital funding	**772**	**(7)**	**(164)**	**(306)**
Funding balance	-	-	-	-

Kaupapa Here me te Waeturei

Policy and Regulation

What we do

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

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

Policy and Planning

This activity develops, reviews and evaluates Resource Management Act 1991 (RMA) planning documents. A significant current focus of this activity is the development of the Kotahi Plan. The Kotahi Plan will update the existing plans and implement the Essential Freshwater policies and regulations that came into force in September 2020.

The current Regional Policy Statement, Regional Resource Management Plan and Regional Coastal Environmental Plan are under review, combined with the required freshwater catchment policies.

Regulatory Implementation

This activity ensures that the Regional Council has the necessary internal processes in place to be able to implement the regulation required by both national and regional regulation as set out in the Regional Resource Management Plan, Regional Coastal Environment Plan, as well as any National Environment Standards, and section 360 regulations under the RMA.

The activity also ensures that external stakeholders are informed and have access to the right guidance to enable them to comply with the regulations or apply for a resource consent.

Consents

This activity implements our Regional Resource Management Plan, Regional Coastal Environment Plan, National Environment Standards, and s360 Regulations through the processing and issuing of resource consents. Orders in Council have established specific consenting processes for recovery activities, such as flood protection works and highway and rail recovery work.

In addition to processing consents, part of this activity is to give advice and education on resource management matters to both internal and external parties.

Compliance and Pollution Response

This activity involves monitoring resource consents, checking that activities comply with regional plan rules or national regulations and standards. Enforcement tools may be used when conditions are breached.

The Regional Council provides a 24-hour/7-day-a-week pollution response service and also ensures compliance by acting on environmental complaints, incidents and breaches. This includes investigation of contaminated land, management of hazardous substances and response and management of marine oil spills within the Hawke's Bay Coastal Marine boundary. We maintain a Tier 2 oil spill response plan which identifies priority areas in Hawke Bay for protection.

Maritime Safety

This activity regulates maritime safety within regional waters under the Maritime Transport Act and the Navigation Safety Bylaw. This applies to commercial ships and recreational vessels operating in coastal areas (up to 12 nautical miles from the shore) and inland waterways (lakes, rivers, streams).

The Harbourmaster is responsible for overseeing maritime safety within the region and engaging with the community and stakeholders to promote, monitor and facilitate safe maritime activities.

Why we do it

This group of activities supports these community outcomes:

Healthy Environment Resilient Community Prosperous Community	We seek 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. This, therefore, contributes to all three community outcomes.

The empowering legislation for these regulatory functions includes the:

- Resource Management Act 1991 (RMA)
- Local Government Act 2002 (LGA)
- Soil Conservation and Rivers Control Act 1941
- Building Act 2004
- Marine and Coastal Area (Takutai Moana) Act 2011
- Hazardous Substances and New Organisms Act 1996
- Maritime Transport Act 1994.

Significant negative effects

Policy development under the National Policy Statement for Freshwater Management 2020 (NPSFM) places a significant burden on our community especially tāngata whenua, who have limited resources and capacity to be actively involved in these processes. The Regional Council acknowledges this and has secured additional funding to support tāngata whenua. However, it is likely that the timeframes and expectations imposed by central government will adversely impact our community, tāngata whenua and organisation.

There are significant costs associated with developing and implementing plans and National Environmental Standards and other regulations.

There is a risk of the reform of the RMA and other legislation affecting current resource consents and resource management arrangements/strategies.

As resources reach limits, there could be conflicts between uses. Traditional uses may be affected, disputes may arise, environmental and cultural values may be ignored, compromised, or lost. Resource consent processes that seek to address over-allocation can be subject to challenge through the Courts, with significant associated costs.

The increase in compliance costs may add a lot more stress to consent holders. The Regional Council is committed to working closely with resource users and industry organisations to manage change.

What we are going to do

Each year we will:

Policy and Planning	• Develop policy in order to address key environmental issues within the region, ensuring consistency with the RMA and any other relevant legislation • Partner with Post Settlement Governance Entities on policy and plan development • Engage and consult with tāngata whenua, stakeholders and the community • Make submissions at local and/or national level to advocate for the Regional Council's resource management policies and interests, including advocating to seek effective changes to the RMA.
Regulatory Implementation	• Ensure that any new processes that are required due to the introduction of any new National Environmental Standards or regional plan change are thoroughly understood, and are communicated within the Regional Council and to the affected community • Work with communities and external stakeholders to ensure consistent messaging regarding implementation of new regulations • Work with internal teams across the Regional Council to ensure there are processes in place to implement new and existing regulations.

Consents	• Process resource consent applications in accordance with RMA requirements • Maintain up-to-date guidance and application information packs to ensure that accurate information about resource consent requirements and processes is readily available • Maintain clear communication with resource consent holders and applicants over consent processing timelines, costs, and information requirements to ensure consents are processed within statutory timeframes • Recognise and consider all statutory acknowledgements arising from Treaty settlements at the time of consent processing • Maintain, improve, and establish monitoring and accounting systems to set, record and meet allocation limits.
Compliance and Pollution Response	• Maintain an accurate Dam Register and help dam owners prepare Dam Safety Assurance programmes in accordance with Building Act timeframes • Maintain an up-to-date risk-based Compliance Monitoring Strategy that programmes inspections to ensure consent holders comply with the resource consent conditions imposed to protect the environment • Manage non-compliance using a graduated compliance model • Appoint appropriate staff to maintain a 24/7 duty management/pollution management response system.
Maritime Safety	• Monitor maritime activities to ensure compliance with applicable regulations • Respond to maritime incidents within the region and undertake investigations as required • Maintain HBRC-owned aids to navigation (lights, leads, buoys, electronic aids) and signage throughout the region • Remove hazards to navigation from regional waters • Promote safe boating in the region and collaborate with other organisations in that pursuit • Liaise with the community and stakeholders to address maritime safety concerns • Review applications for maritime events and notify the public of event reservations • Issue Harbourmaster Directions as required.

Key projects in the next three years

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)	Years 4+ (2027+)
The Kotahi Plan A new Regional Policy Statement and Regional Plan will replace current plans making them compliant with National Planning Standards, National Policy Statements (including freshwater management) and the RMA.				
Freshwater Farm Plans (FW-FP) Recent changes to the National Policy Statement on Freshwater Management do not affect FW-FPs, which continue to be implemented. The roll out date for Hawke's Bay is currently mid-2025.				
Catchment Context Challenges and Values This is a significant component of the FW-FP project (above). Catchment context is a compilation of material about a catchment that is made publicly available. Farm operators are required to have regard to the catchment context when preparing their freshwater farm plan.				
TANK Plan Working with teams across HBRC and external stakeholders, we will prepare for the implementation of the TANK plan once it has completed the hearing process. This plan will require significant resourcing which needs to be well understood in preparation for the next Long Term Plan.				

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	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	The Policy team meets the statutory timeframes as set by legislation.	Achieved (22/23) Achieved (21/22)	Regional Policy Statement completed ready for a notification decision	Draft Regional Resource Management Plan prepared	Regional Resource Management Plan completed ready for a notification decision
	HBRC actively engages in national resource management policy reforms, and local resource management plans and consenting matters.	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	HBRC supports landowners, industry and communities through education and information to comply with current regulations.	The Regulatory Implementation team meets the statutory timeframes for implementation as set by legislation.	New measure	Achieved	Achieved	Achieved
Consents						
A healthy environment	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.	Percentage of resource consents processed within statutory timeframes.	100% (22/23) 100% (21/22)	100%	100%	100%
		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%
		Percentage of expiring water permits in the TANK catchment processed in accordance with TANK Plan Change.	New measure	20%	50%	100%

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)
Compliance and Pollution Response						
A healthy environment	HBRC will monitor consent holders and enforce noncompliance to ensure resource consent conditions are met to protect the environment and human health.	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
		Percentage of monitored consents which receive an overall grade of full compliance.	88% (22/23) 91% (21/22)	90%	90%	90%
		Percentage of significant noncompliance where action is taken in accordance with HBRC's Enforcement Policy.	80% (22/23) 100% (21/22)	100%	100%	100%
	HBRC will provide a pollution response service for public complaints, reports of environmental incidents and unauthorised activities.	Maintain a 24-hour/7 day a week duty management/pollution management response system.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
	HBRC will identify and maintain a register of contaminated sites to ensure public health and safety and environmental protection.	A Selected Land Use Register of potentially and confirmed contaminated sites is maintained and up-to-date.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
	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.	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
Maritime Safety						
A resilient community	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.	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
		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^

^ based on a 3-yearly rolling average

Prospective funding impact statement

Policy and Regulation – year ending 30 June

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,218	8,067	8,563	8,824
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	107	57	58	58
Fees and charges	3,636	3,299	3,360	3,428
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	5	5	5	6
Total operating funding	11,966	11,429	11,987	12,316
Applications of operating funding				
Payments to staff and suppliers	2,037	2,192	2,214	2,270
Finance costs	1	19	57	91
Internal charges and overheads applied	9,901	10,040	10,466	10,622
		-	-	-
Total applications of operating funding	11,938	12,251	12,737	12,983
Surplus / (deficit) of operating funding	**27**	**(822)**	**(750)**	**(668)**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	(20)	830	756	672
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)	8	6	4
Increase / (decrease) of investments	14	-	-	-
Total application of capital funding	7	8	6	4
Surplus / (deficit) of capital funding	**(27)**	**822**	**750**	**668**
Funding balance	-	-	-	-

Te Whakahaere Tōpū i Ngā Wai

Integrated Catchment Management

What we do

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

- Environmental Information
- Environmental Science
- Sustainability Land Management
- Biodiversity and Biosecurity
- Rural Partnerships.

Environmental Information

This activity involves monitoring the state, condition and use of land, air, water, coast, and marine resources within the region, to provide information for reporting against relevant standards and guidelines. It includes setting the strategic direction, governance and optimisation of processes and systems for Integrated Catchment Management (ICM) governed data.

Environmental Information also contains the Water Information Services team who provide the stewardship and management of legal requirements relating to water take, use and measurement and provide timely data to both internal and external customers.

Environmental Science

This activity involves interpretation of data and reporting on the state, condition and use of land, air, water, coast, and marine resources within the region as well as reporting against relevant standards and guidelines. Science investigations into causes and effects are undertaken, as well as new and existing initiatives to improve environmental outcomes such as water demand management. Regional resource management plan changes are supported with science, so that plan changes are informed with rigorous evidence.

The Regional Council has a statutory responsibility for monitoring the State of the Environment locally. This is reported on every three years, with monthly updates, providing important information on any risks of resource use and to inform policy setting. It also enables the Regional Council to respond in a timely manner to any adverse effects from resource use from an operational perspective.

Sustainable Land Management

This activity is about actively engaging with landowners, fostering a collaborative approach to support the sustainable use of land. Together, we build resilience to climate change impacts and reduce environmental pressures. This includes protecting waterways, managing erosion, and enhancing biodiversity outcomes.

We manage and maintain a soil conservation nursery in Pākōwhai, producing poplar and willow poles for erosion control on highly erodible land. To meet increasing demand locally and nationally, we will be enhancing the current nursery and expanding its operations across the region.

Biodiversity and Biosecurity

This activity is dedicated to safeguarding and enhancing Hawke's Bay's indigenous ecosystems. Our vision is to not just halt biodiversity decline, but to foster a thriving natural environment in the region. To accomplish this, we collaborate with various organisations and landowners to identify and manage high-value biodiversity sites, ensuring the protection and restoration of native species and ecosystems.

We are actively involved in the development and implementation of the multi-stakeholder Biodiversity Strategy and Action Plan, which is owned by a wide range of organisations. We are one of a few organisations that has an overview of the Hawke's Bay region and, together with the Department of Conservation, we hold much of the information about the state of the region's biodiversity.

Biosecurity delivers animal, plant, horticultural and marine pest management through information and advice, research, surveillance, monitoring and inspections, direct control, pathway management, and working within catchments with landowners and community groups. We set objectives, methods, and rules through the Regional Pest Management Plan.

Rural Partnerships

This activity involves building enduring partnerships with our rural communities through community groups and community collectives and understanding issues communities are facing at the catchment level. We support community groups and collectives by being the connector and providing opportunities for the rural community to engage with the Regional Council. We provide the stable and constant connection for us to share information and knowledge with our rural communities.

Why we do it

This group of activities supports these community outcomes:

Healthy Environment	Integrated Catchment Management activities are a mix of statutory requirements and non-regulatory methods. This approach enables the Regional Council to direct funding and resources in a strategic and prioritised manner based on the specific needs of each catchment and the best available science.

Our statutory requirements relate to roles and responsibilities under the:

- Resource Management Act 1991 (RMA)
- Biosecurity Act 1993
- Soil Conservation and Rivers Control Act 1941
- Marine and Coastal Area (Takutai Moana) Act 2011.

Significant negative effects

There are no perceived significant negative impacts relating to the collection and analysis of information about regional resources, unless the information raised more questions than answers and results in delays in decision-making.

There are no significant negative regional impacts relating to Sustainable Land Management programmes, however it is acknowledged that land use change may result in localised positive and or negative effects on specific aspects of the environment and or productive farming systems.

Pest control activities can have negative effects mitigated by following national best practice guidelines and rules set by the Environmental Protection Authority and WorkSafe. Staff and contractors are trained experts in pest management and use a range of tools to maximise control outcomes while minimising any negative impacts. Also, we use the least toxic chemical that will be effective in any given situation.

What we are going to do

Each year we will:

Environmental Information	• Collect, monitor, and manage environmental data to enable science, planning, and other key deliverables to be met • Collect data from a wide range of sites, including sandy beaches and dunes, rocky reefs, air quality sites, lakes, estuaries, wind erosion sites, nearshore coastal water quality sites, climate stations, sediment sites, river flow sites, swimming sites, wetlands, stream ecosystems health sites, river water quality sites, soil monitoring sites, groundwater wells and riparian areas • Ensure that all water consent holders in Hawke's Bay who have to record their water take are doing so and that the records of the water takes are as accurate as possible.
Environmental Science	• Interpret and analyse biophysical environmental data, and disseminate and communicate environmental information to continue to build our understanding of the state of our environment and identify trends and potential issues for further investigation or action • Analyse data from a wide range of sites including sandy beaches and dunes, rocky reefs, air quality sites, lakes, estuaries, wind erosion sites, nearshore coastal water quality sites, climate stations, sediment sites, river flow sites, swimming sites, wetlands, stream ecosystems health sites, river water quality sites, soil monitoring sites, groundwater wells and riparian areas

	• Lead targeted investigations to describe how systems work and quantify pressure-environmental response (cause-effect) relationships associated with resource use activities, and hazards including from climate change • Support regional resource management plan changes with science, so that decisions are informed by sound evidence.
Sustainable Land Management	• Partner with our region's farmers and growers to raise awareness of environmental issues and promote sustainable land (and water) management • Provide technical advice, planning and financial assistance for soil conservation and other sustainable land management challenges • Align activities promoting good management practices with Hawke's Bay primary industry groups • Help our region's landowners prepare for and adapt to changing environmental regulations • Provide an interface between rural communities and HBRC • Continue to develop and improve the effectiveness of the region's Erosion Control Scheme (ECS) and Land for Life (LFL) programme through strategic relationships and investment in research and development.
Biodiversity and Biosecurity	• Provide advice and funding for site-specific restoration or enhancement work on high-value sites across the region (e.g., original forests, wetlands, and scrub) to protect key species and habitat by fencing these areas from stock, feral deer and goats, retiring adjoining land and managing or eliminating pest plants and animals, and providing remediation for sites affected by severe weather events • Collaborate with partners and stakeholders to support the implementation of the Hawke's Bay Biodiversity Strategy and Action Plan, which aims to enhance biodiversity health and functionality • Delivering on the Regional Pest Management Plan objectives in preventing, reducing, or eliminating the adverse effects of 33 pest plants and 25 pest animals • Continue to prevent Mediterranean fanworm and Clubbed tunicate from establishing in Hawke's Bay waters • Work with land occupiers in the Possum Control Area (PCA) programme, covering over 700,000 hectares, to manage possums across Hawke's Bay • Support Predator Free Hawke's Bay and other partners to maintain progress in the Whakatipu Māhia area.
Rural Partnerships	• Work with farmers, growers and industry to transfer knowledge on environmental risks and impacts, and support the adoption of good management practice on-farm to achieve smart, sustainable land use • Host targeted capacity building events to improve understanding and uptake of good practices • Encourage efficient and effective water use to maximise the benefits of allocated water.

Key projects in the next three years

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)	Years 4+ (2027+)
Land for Life Collaboration with The Nature Conservancy and Ministry for Primary Industries to drive holistic and sustainable land use change commercially through business planning and enabling third-party investment.	■	■	■	■
State of the Environment Report Produce the three-yearly regional publication.	■			
Tukituki Catchment groundwater and surface water modelling Help set water allocation and water quality limits.	■	■		

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)	Years 4+ (2027+)
Soil erosion modelling Identify the spatial likelihood of landslides connecting with streams. The topographic wetness index will be used to determine areas prone to saturation, and this work will assist with targeting erosion control to reduce water quality impacts.				
Air emissions inventory (undertaken 5 yearly) Quantify air quality emissions from anthropogenic (human) sources and identify any changes or trends from past inventories. The information can support reducing emissions from key sources.				
Roadside monitoring of traffic Monitor the related national environmental standards for air contaminants, such as NO_2, in Napier and Hastings (undertaken 4-yearly) for approximately 2 months in winter to compare against standards/ guidelines and past monitoring campaigns.				
Providing scientific knowledge to NPSFM Assess, analyse and provide scientific knowledge to support key steps in the process to implement the National Policy Statement for Freshwater Management, particularly to identify attribute baseline states, and setting attribute target states to achieve the desired environmental outcomes.				
Phosphorus source investigation Understand the source of Ahuriri Catchment's universally high phosphorus concentrations within both the urban waterway network and the rural system.				
Nursery expansion programme Increase supply of poplar and willow poles for our region by expanding our current nursery and looking for other opportunities across the region.				
Alligator Weed Management Plan In April 2023, the exclusion pest Alligator weed was identified in and around Lake Whatumā in our region. We will implement our plan to eradicate this invasive pest.				
Senegal Tea Management Plan In May 2024, exclusion pest Senegal Tea was located near the Te Awa o Mokotūāraro (Clive River) and the Karamū Stream. We will implement our plan to eradicate this invasive pest.				

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	HBRC will collect, monitor and provide accurate and timely environmental data, and provide a reliable regional environmental telemetry network.	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
		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%
Environmental Science						
A healthy environment	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.	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
	HBRC will undertake targeted science research and investigations on matters relevant to policy development to inform the Council and community.	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

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)
Sustainable Land Management (renamed from Catchment Management)						
A healthy environment	HBRC will work with industry, communities and landowners, to implement good management practices in catchments to improve water quality, help mitigate erosion, and increase the protection and enhancement of the region's biodiversity.	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
Biodiversity and Biosecurity						
A healthy environment	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.	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
		Number of biodiversity projects delivered per annum under the Targeted Catchment Works Fund	New measure	3	5	7
	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.	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
		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%

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)
Rural Partnerships (new activity)						
A healthy environment	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.	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
		Number of active Catchment Groups and Collectives across the region.	New measure Baseline: 4 Catchment Collectives, 22 Catchment Groups	Maintain or increase	Maintain or increase	Maintain or increase

Prospective funding impact statement

Integrated Catchment Management – year ending 30 June

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	18,693	18,490	19,953	20,804
Targeted rates	3,922	2,607	2,697	2,728
Subsidies and grants for operating purposes	1,837	2,784	2,290	958
Fees and charges	3,490	2,589	2,637	2,649
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
Total operating funding	27,943	26,469	27,576	27,139
Applications of operating funding				
Payments to staff and suppliers	8,752	8,253	9,278	8,687
Finance costs	744	819	846	892
Internal charges and overheads applied	19,565	17,121	17,466	17,905
Total applications of operating funding	29,061	26,192	27,590	27,485
Surplus / (deficit) of operating funding	**(1,119)**	**277**	**(14)**	**(346)**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	3,620	415	728	1,007
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	1,300	50	50	51
- to replace existing assets	381	387	391	396
	1,681	437	441	447
Increase / (decrease) in reserves	(821)	255	273	215
Increase / (decrease) of investments	1,641	-	-	-
Total application of capital funding	2,501	692	714	661
Surplus / (deficit) of capital funding	**1,119**	**(277)**	**14**	**346**
Funding balance	-	-	-	-

Te Whakahaere Rawa

Asset Management

What we do

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

- Flood Protection and Control Works, comprising:
  - flood schemes
  - drainage and pumping
- Flood Risk Assessment and Warning
- Coastal Hazards
- Regional Water Security
- Open Spaces.

Flood Protection and Control Works

Regional Council currently administers 27 flood control and drainage schemes throughout the region to reduce the risk of flood and erosion damage. We maintain networks of stopbanks, hydraulic structures and pump stations and manage the river, stream, and drainage channels to ensure they work as expected during floods to help protect life and property. This includes gravel management to maintain flood capacity and allocation of gravel from riverbeds.

The flood control and drainage schemes are grouped into three major schemes: the Heretaunga Plains Flood Control Scheme (HPFCS), the Upper Tukituki Flood Control Scheme (UTTFSC), and Small Schemes. For more information on the schemes see the Infrastructure Strategy in *Part 4 – Strategies and Assumptions*.

Flood protection schemes are designed to provide an agreed level of service, for example, a 1 percent likelihood of flooding in any given year, or a 1-in-100-year level of protection.

During Cyclone Gabrielle in February 2023 the intense rainfall in a short period was more than our river management network was designed and built to manage. 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 the 248km network was breached and a further 28km weakened. Teams completed an extraordinary amount of work to restore the stopbanks to pre-cyclone levels.

Prior to Cyclone Gabrielle we had already started significant work (as part of our Resilience River Communities Programme) to accelerate flood resilience in the region, including strengthening the stopbank in Taradale which helped protect that community from Cyclone Gabrielle flooding.

This Three-Year Plan continues our investment in building flood resilience supported by accelerated reviews of our flood schemes. All schemes are under review with the review programme expected to be completed in 2026.

Draft review reports of our two largest schemes, Heretaunga Plains and Upper Tukituki, are due in July 2024 and will form the basis for further engagement with our community.

Findings and recommendations from *the Hawke's Bay Independent Flood Review - Pae Matawai Parawhenua*, looking into circumstances and contributing factors that led to the flooding in Hawke's Bay during Cyclone Gabrielle, are also due in July 2024.

We expect the reviews, which include responding to the impacts of climate change, are likely to require further investment in our flood protection schemes. This will require healthy challenging debate on levels of service, affordability, and risk with our communities. We need to re-imagine our long-term approach including:

- building resilience to better manage over-design events
- nature-based solutions
- making room for rivers
- integrated planning.

We have two substantial flood resilience work programmes underway:

1. NIWE Flood Resilience Programme

This is the biggest construction programme the organisation has ever undertaken, and we are committed to doing this work as quickly as we can.

It is part of the region's Cyclone Gabrielle recovery package enabled by $203 million of Crown (North Island Weather Event/NIWE) funding. Regional Council agreed to fund $44.15 million of the work.

The programme is made up of five components:

a) Working with communities to build new flood protection schemes in Category 2 areas. These areas are deemed unsafe to live in after Cyclone Gabrielle without improved flood protection.

b) Additional work to already repaired stopbanks.
c) Upgrading pumpstations which were flooded during the cyclone.
d) Replacing and upgrading telemetry that was also flooded.
e) Accelerating planned flood control scheme reviews.

2. Resilient River Communities Programme

We plan to complete this programme in 2025, subject to scheme review recommendations. This includes geotechnical investigations and design work for Brookfields Lower, Raupare, Pākōwhai Park and East Clive, undertaking river erosion control work at Farndon Road, and further tranches of gravel extraction from the Upper Tukituki catchment.

Through this programme we completed stopbank upgrades in Taradale (completed December 2022) and Ngatarawa (completed November 2023). We extracted 801,639m^3 of gravel from various sites across the Upper Tukituki Flood Control Scheme over the past four years. We undertook erosion control work on the Waipawa River (upstream of SH50) and on the Wairoa River.

Regional Council secured $19.2 million in co-funding in 2019 through Kānoa (the Government's Regional Economic Development and Investment Unit) to accelerate our flood resilience work.

Flood Risk Assessment and Warning

The Regional Council identifies, monitors, and plans for major climate change hazards, such as increased storm intensity, flooding, sea level rise, and coastal erosion.

Flooding is a significant hazard with extreme weather events projected to increase in frequency and intensity with climate change.

We operate a comprehensive network of rainfall and river level recorders across the region. Modelling has been updated to continuously run rather than being manually operated in response to a rain event.

We also work with other local councils through liaison, provision of floodplain mapping, catchment management planning, and investigation of specific flooding issues.

This activity also provides advice on rainfall and water flows during flood conditions and hazard information for land use planning purposes to encourage community resilience and preparedness.

Coastal Hazards

This activity seeks to better understand causes and effects of coastal hazards and works with communities, tāngata whenua, and local councils to find solutions to reduce their impact.

Coastal erosion and inundation threats from climate change and associated sea level rise is a significant issue facing our region.

A key project is the Clifton to Tangoio Coastal Hazards Strategy 2120. We have been working with stakeholders for around 10 years on this. Following community consultation in July 2022, Regional Council made an in-principle decision to lead and implement the strategy.

Consultation on the strategy and options on how to fund its implementation is being planned for 2024-25. No funding for 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.

Regional Council's current work in coastal hazards includes gravel renourishment of Westshore Beach, Napier, so that erosion is managed seaward of the 1986 erosion line. The 1986 line was the extent of erosion before beach renourishment began and is identified on a series of posts along the foreshore.

Regional Water Security

We are investigating water supply options aiming to ensure Hawke's Bay has long-term, climate-resilient, and secure supplies of freshwater for all. This supports the Kotahi Plan and includes:

- Heretaunga Water Storage - exploring above ground, medium-scale water storage options in the Ngaruroro catchment for and on behalf of the community
- setting up a Managed Aquifer Recharge (MAR) trial in Central Hawke's Bay to determine whether MAR is a viable water storage option and can contribute to water security in the area.

These projects are enabled by Government's Provincial Growth Fund (PGF) co-funding.

Open Spaces

The Regional Council owns and manages four publicly-accessible regional parks – Pākōwhai, Pekapeka, Tūtira and Waitangi – and various river berm areas. These areas have multi-purpose functions including flood control, soil conservation and water quality enhancement, as well as protecting and enhancing biodiversity, cultural and historic values and providing recreational opportunities. Regional Council leverages government funding to support these initiatives and partners with landowners with the aim to improve public access to these areas where practicable and sustainable.

We also co-own and co-manage Hawea Historical Park 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 but managed independently. The Regional Council also contributes towards the management of Te Mata Park.

Regional Council manages more than 100km of shared cycling/walking trails which have been constructed along stopbanks and berm areas the Regional Council owns or administers. Some of these form part of the Hawke's Bay Trails one of the 23 Ngā Haerenga Great Rides of New Zealand. Regional Council is the lead agency for the Hawke's Bay Trails Great Ride, managing the whole network (177km) on behalf asset owners. We also maintain some shared trails for recreation use in Central Hawke's Bay – The Tukituki Trail.

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

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.

Works Group

The Works Group maintains our river and drainage schemes, and open spaces throughout the region. It operates at arm's length to the Regional Council to ensure the cost-effective delivery of services in a transparent contractual manner.

The Works Group also provides civil and structural contracting services associated with river and drainage maintenance for other organisations.

Why we do it

This group of activities supports these community outcomes:

Healthy Environment	We protect and enhance flood schemes' riparian land and regional parks for a range of purposes, including biodiversity, to have healthy, functioning ecosystems.
Resilient Community	We seek to protect communities from frequent flooding through well-maintained flood and drainage schemes and regional parks. We provide regional monitoring and flood hazard information. We are aiming to develop and deliver water storage and management solutions.
Prosperous Community	We seek to reduce the likelihood of damage from flooding on people, property, productive land, and businesses for long-term benefits to our economy. We oversee gravel extraction from the region's rivers which is essential for the economic development of the region's construction industry, and used for roads, cement production, or landscaping.

The empowering legislation for this group of activities is:

- Soil Conservation and Rivers Control Act 1941
- Land Drainage Act 1908
- Local Government Act 2002
- The Local Government (Rating) Act 2002
- Civil Defence Emergency Management Act 2002
- Resource Management Act 1991
- Building Act 2004.

In addition to the legislative mandate and responsibility, these activities are undertaken by Regional Council because it has the necessary river engineering skills, historical understanding, and regional overview required to integrate and manage large-scale schemes.

The flood protection schemes, in particular, impact on a wide area, so a consistent management approach across the region is important. The Regional Council works to ensure flood protection infrastructure can meet the challenges of a changing climate.

Significant negative effects

The construction of flood protection and drainage systems has resulted in significant changes to the natural hydrology of their associated catchments, including reduction in areas frequently flooded, diversion and straightening of waterway reaches, removal of streamside vegetation, and the use of structures to control flows and erosion. The changes have resulted in some adverse effects on river and stream ecology and habitats, as well as affecting the social and cultural values of the waterways.

We aim to minimise potential adverse effects of flood protection projects and maintenance operations on the environment by using a range of methods such as working within our Code of Practice, undertaking riparian planting and integrating land use and water management planning. Regional Council has also initiated an enhancement and ecological improvement programme, including alternative management of riparian areas, which will promote improvements in water quality and aquatic and terrestrial habitats.

The management of sediment through gravel management in rivers has both positive and negative impacts. All impacts need to be understood, considered, and communicated to stakeholders when determining how the resource should be managed.

There are no significant negative impacts on the environment as a result of the flood risk warning and assessment activity. As a result of research to date, there are now restrictions on development in some areas to avoid hazards, such as coastal erosion, flooding and earthquakes, which have impacts on the cultural and social aspects of the community.

There will be both positive and negative effects if we build interventions as part of the Clifton to Tangoio Coastal Hazards Strategy 2120. These will be identified through the consenting process.

Stock grazing riparian land administered by the Regional Council has high impacts on a range of ecosystem services, recreation amenity values, and organisational reputation as custodian of parks for the community. We are reducing grazing on river berms and looking at alternative management practices.

What we are going to do

Each year we will:

Flood Schemes; Drainage and Pumping	• Prepare an annual programme of works, including a maintenance schedule, prior to the commencement of each financial year • Audit river assets annually by a chartered professional engineer, and make a full assessment of each of the major rivers every 12 years • Inspect river mouths and lagoon outlets regularly and open when required, and when river, sea and weather conditions allow, so private land above a specified contour is not flooded by river mouth closure • Monitor plant pest damage and plant alternative species • Continue environmental enhancement of schemes through native planting on riparian margins and waterway enhancement • Maintain rivers and extract gravel to maintain the channel capacity and integrity of flood protection assets • Conduct research to better understand the impacts of river sediment management on sediment supply, and make changes to the way rivers are managed resulting from this research, where appropriate • Respond to queries and provide advice.
Flood Risk Assessment and Warning	• Monitor flood events in accordance with the Flood Manual • Continue to develop and upgrade flood forecast models of flood plain areas • Calibrate models to significant storm events • Collect and distribute flood hazard information for identified high and low risk areas.
Coastal Hazards	• Complete and report against annual coastal monitoring and investigation including: beach profiling; storm monitoring; sediment transport and processes investigation and modelling; hazard prediction including tsunami, inundation, erosion and storm surge • Gravel renourishment of Westshore Beach, Napier.

Regional Water Security	• Progress special projects identified and planned for each year.
Open Spaces	• Continue to implement the Open Spaces Asset Management Plan, however, with a 20 percent reduction in the standard budget for the next three years.

Key projects in the next three years

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)	Years 4+ (2027+)
NIWE Flood Resilience Programme				
Category 2 flood mitigation interventions Develop new flood protection schemes for:				
• Wairoa				
• Whirinaki (Pohutukawa Drive)				
• Waiohiki				
• Omāhu (Ohiti Road)				
• Pākōwhai				
• Pōrangahau.				
Additional work to repaired stopbanks Provision for addition work to meet flood levels of service from review.				
Upgrading pumpstations Upgrade the Mission (Awatoto), Brookfields and Pākōwhai Pumpstations to improve capacity and resilience.				
Telemetry Replace and upgrade telemetry, based on review recommendations.				
Flood control scheme reviews Complete reviews of all 27 flood protection schemes.				
Resilient River Communities Programme:				
Heretaunga Plains Flood Control Scheme stopbank upgrades Upgrades include geotechnical investigations and design work for Brookfields Lower, Raupare, Chesterhope, Pākōwhai Park and East Clive, undertaking river erosion control work at Farndon Road.				
Upper Tukituki gravel management Further gravel extraction.				
Regional Water Security Programme:				
Heretaunga Water Storage Undertake commercial analysis (concept level) and assess potential governance and ownership structures.				
Progress development stage (pending decisions).				
Managed Aquifer Recharge pilot, Central Hawke's Bay Complete detailed design and testing prior to construction of pilot site.				
Commission site and undertake trial.				

Coastal Hazards

Clifton to Tangoio Coastal Hazards Strategy 2120
Undertake consultation on the strategy and options on how to fund its implementation. The strategy will include costs of proposed interventions.

Implementation (pending decisions to progress)

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	HBRC will maintain cost-effective flood protection schemes that provide resilience from frequent flooding to communities and productive land within designated flood protection schemes.	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) An annual capital programme is prepared and delivered.	Mandatory measure Not achieved (22/23) Not achieved (21/22)	>80% of programmes delivered	>80% of programmes delivered	>80% of programmes delivered
		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 are 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.	HBRC will maintain cost-effective drainage schemes that provide drainage and remove surface water from beneficial land use within designated scheme areas.	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) An annual capital programme is prepared and delivered.	New measure	>80% of programmes delivered	>80% of programmes delivered	>80% of programmes delivered
A resilient community	HBRC will build new flood infrastructure in accordance with the *Future of Severely Affected Land* contract with the Government to improve protection resilience to communities for future flooding events.	A capital programme for new flood infrastructure is prepared and delivered	New measure	80%-100% of annual programme delivered	80%-100% of annual programme delivered	80%-100% of annual programme delivered
A healthy environment	HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council.	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	HBRC provides reliable regional environmental telemetry network monitoring and flood hazard information via a regional web-based platform.	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%
Regional Water Security						
A resilient community	HBRC will progress 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.	A capital programme for regional water security is prepared and progressively delivered.	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)
Open Spaces						
A healthy environment	HBRC will maintain, develop, and provide public access to HBRC-owned regional parks and trails, and investigate affordable new opportunities for multi-purpose benefits.	Regional parks and HBRC trails are maintained as per HBRC's Asset Management Plan.	Not achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved
	HBRC will demonstrate smart sustainable land use in maximising the multi-purpose benefits of its forestry investments and the Tangoio Soil Conservation Reserve.	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

Prospective funding impact statement

Asset Management – year ending 30 June

	Annual Plan 23/24 $000	Regional Council 3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	8,044	8,112	9,831	11,769
Targeted rates	10,147	9,953	10,607	11,464
Subsidies and grants for operating purposes	26,138	1,994	709	723
Fees and charges	4,582	4,245	2,808	2,870
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receip	51,000	158	199	222
Total operating funding	99,911	24,461	24,154	27,047
Applications of operating funding				
Payments to staff and suppliers	101,674	9,813	4,179	4,362
Finance costs	269	760	1,360	2,133
Internal charges and overheads applied	11,032	15,636	16,253	17,331
Total applications of operating funding	112,976	26,210	21,791	23,826
Surplus / (deficit) of operating funding	**(13,065)**	**(1,748)**	**2,363**	**3,220**
Sources of capital funding				
Subsidies and grants for capital expenditure	806	58,675	66,097	45,746
Increase / (decrease) in debt	16,163	23,634	17,596	6,324
Total sources of capital funding	16,969	82,308	83,693	52,070
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	7,711	79,458	85,310	55,992
- to replace existing assets	2,401	957	2,487	1,300
	10,112	80,415	87,797	57,292
Increase / (decrease) in reserves	5,585	144	(1,741)	(2,002)
Increase / (decrease) of investments	(11,793)		0	0
Total application of capital funding	3,904	80,560	86,055	55,290
Surplus / (deficit) of capital funding	**13,065**	**1,748**	**(2,363)**	**(3,220)**
Funding balance	-	-	-	-

Te Whakahaere Mate Whawhati Tata
Emergency Management

What we do

Emergency Management has two activities:

- Hawke's Bay Civil Defence Emergency Management (CDEM) Group
- Hawke's Bay Regional Council Emergency Management.

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

Under the CDEM Act 2002 (the Act), the region's local authorities must form a CDEM Group which is governed by a Joint Committee (the region's mayors and Regional Council chair). The Group is managed by the Coordinating Executives Group (chief executives from the region's councils, regional emergency service leads, and representatives of central government agencies).

Under the Act, the CDEM Group is required to undertake many functions including to maintain an operative CDEM Group Plan that outlines a strategy to coordinate CDEM activities within the region.

The CDEM Group operates as a shared service across the region's five councils delivering emergency management outcomes in risk reduction, readiness, response, and recovery.

The Regional Council is the administering authority for the Group and manages the CDEM Group office on behalf of the Group. This includes providing accommodation, employing staff, and office support. The functions of the Group are the responsibility of the Joint Committee.

The Group's work is funded by a separate targeted rate set as a fixed annual charge (CDEM Emergency Management) on all rateable properties in Hawke's Bay, which Regional Council collects on behalf of the CDEM Group.

Individual councils are responsible for their own incident management teams and delivering essential services during and after an emergency event.

Regional Council Emergency Management

Regional Council maintains an emergency response capability to support the Hawke's Bay CDEM Group. We do this by ensuring that staff are trained and available to participate in and help coordinate an emergency response.

We also ensure Regional Council essential business can continue, even though this may be at a reduced level, during and after an emergency. We have an Incident Management Team to operate our own Incident Management Centre. We also operate a 24-hour CDEM and Regional Council Duty Management Service to maintain a Regional Agency Warning Systems respond to urgent public enquiries and complaints.

Why we do it

This group of activities supports these community outcomes:

Resilient Community	We help the community build resilience to hazards and potential civil defence emergencies.
Prosperous Community	We reduce the impact of emergency events on people, property, businesses, and the economy.

The relevant legislation for this function is:

- Civil Defence Emergency Management Act 2002
- Civil Defence Emergency Management Regulations 2003
- Civil Defence Emergency Management Amendment Act 2016.

Many other Acts also play a role in CDEM by, for example, assisting in land use planning, hazard identification and management, and emergency response.

Significant negative effects

There are no anticipated significant negative effects from the delivery of the Emergency Management group of activities on the environment. As a result of hazard research there may be restrictions on development in some areas.

Both community and organisational expectations of what is delivered in emergency management has increased significantly and, at times, is beyond the resourced capability of the overall system.

What we are going to do

Each year we will:

Hawke's Bay Civil Defence Emergency Management (CDEM) Group	• Review and implement the Hawke's Bay CDEM Group Plan • Support ongoing science and research, leading to a greater understanding of the hazards and the associated risks and consequences for the region • Publicly share hazard and risk information, and actively encourage risk reduction for our significant hazards to build community resilience • Improve and maintain training and exercise programmes across all the region's councils to improve capability and inter-operability, including training Group Emergency Coordination Centre staff and undertake continuous improvement processes • Work with councils and the emergency services to support individual Hawke's Bay communities to improve their resilience to hazards that impact on them and where appropriate develop community emergency hubs • Maintain and support the Hawke's Bay CDEM Joint Committee and Coordinating Executives Group • Maintain and support the HB Welfare Coordination Group and develop Group-wide welfare capability with our welfare partner agencies • Support the Hawke's Bay Lifelines Group • Maintain a primary Group Emergency Coordination Centre in Hastings, and an alternate, which are capable of coordinating a Group response • Where CDEM is the lead agency, effectively and efficiently manage the response to any emergency event from initial warning until the transition to recovery occurs (or support the lead agency as requested to achieve their response objectives) • Support other regions during significant emergency events.
HBRC Emergency Management	• Operate an effective 24-hour CDEM and HBRC duty management service, issue regional agency warnings and respond to urgent public enquiries and complaints in a timely professional manner • Maintain established teams, training programmes, Emergency Operations Centre, manuals and Business Continuance Plan • Ensure HBRC staff have been assigned emergency management roles and are having regular training • Advocate coordination between the HBRC works programme and the readiness priorities in the Hawke's Bay CDEM Group Plan.

Key projects in the next three years

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)	Years 4+ (2027+)
HBCDEM Transformation Analyse and identify corrective actions to be implemented from the recommendations of reviews, most recently the response to Cyclone Gabrielle. Develop a clear, prioritised action plan to change the HBCDEM system including improving clarity of roles and responsibilities. Advocate for system change at a national level.	Develop Action	Implement Action Plan	Implement Action Plan	Implement Action Plan
HBCDEM Group Plan review Imbed identified changes into the Group Plan at a strategic level.	■	■		

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)	Years 4+ (2027+)
Incident Management Teams Capability Continue to develop and implement competency-based training and exercising.				
Operational Response Systems and Processes Improve or adopt operational systems that support the response.				
Operational Planning Review and improve the Regional Disaster Readiness Plan.				
Community Resilience Continue to support councils and communities in the development of community emergency hubs.				
Risk Reduction Develop a Regional Disaster Reduction Plan				

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	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
	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.	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
		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	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.	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
	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.	Maintain established team, training, procedures including Emergency Operations Centre Manual and Business Continuance Plan.	Achieved (22/23) Achieved (21/22)	Achieved	Achieved	Achieved

Prospective funding impact statement

Emergency Management – year ending 30 June

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	3,122	2,160	1,736	1,651
Targeted rates	2,892	3,496	3,864	4,115
Subsidies and grants for operating purposes	100	326	20	23
Fees and charges	118	120	121	122
Total operating funding	6,232	6,101	5,742	5,911
Applications of operating funding				
Payments to staff and suppliers	1,194	719	516	521
Finance costs	304	596	565	535
Internal charges and overheads applied	5,298	4,099	3,668	3,863
Total applications of operating funding	6,797	5,414	4,750	4,919
Surplus / (deficit) of operating funding	**(564)**	**687**	**992**	**992**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	-	(687)	(687)	(687)
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	564	-	306	306
Increase / (decrease) of investments	(1,129)	-	-	-
Total application of capital funding	(565)	-	306	306
Surplus / (deficit) of capital funding	**565**	**(687)**	**(992)**	**(992)**
Funding balance	-	-	-	-

Ngā Waka

Transport

What we do

There are two activities within Transport group of activities:

- Transport Planning and Road Safety
- Public Transport.

Transport Planning and Road Safety

The Regional Council is responsible for regional transport planning under the Land Transport Management Act 2003 and co-ordination of road safety education across Hawke's Bay. Key deliverables are the Regional Land Transport Plan and the Regional Public Transport Plan. Both plans are reviewed every three years. This function also includes other statutory requirements, such as coordinating the Regional Speed Management Plan.

The Regional Transport Committee is a permanent committee required by statute and is involved in the development of the above plans. It comprises one representative from each of the four territorial authorities, one representative from the Waka Kotahi New Zealand Transport Agency, two representatives from the Regional Council and one representative from the Regional Council's Māori Committee. It is supported by advisory members from the community with transport interests.

RoadSafe Hawke's Bay is a business unit of the Regional Council and delivers a regional programme of education and intervention. This includes road safety education, raising driver awareness of key road safety issues, and working with other key stakeholders to reduce the incidence and severity of road traffic crashes. The key focus is to change road user behaviour, making roads safer for people to use. Through RoadSafe Hawke's Bay, the Regional Council has taken a leadership role in education and awareness building to help achieve some of the objectives of the Regional Land Transport Plan.

Public Transport

A major part of HBRC's transport role is to plan for and provide contracted bus and Total Mobility services for the community to access work, education, social and recreational opportunities. Public bus services are provided in and around the main urban areas of Hastings and Napier.

The region's public transport system forms a key component of the region's strategic land transport network. The Regional Council is the most appropriate authority to deliver consistent and cohesive public transport services.

The Total Mobility Scheme provides subsidised services for those who can't use their own vehicle or use public transport due to a significant impairment. Services are provided in urban areas in the region and are funded by the Regional Council and Waka Kotahi New Zealand Transport Agency.

Why we do it

This Group of Activities supports these community outcomes:

Healthy Environment	We provide sustainable transport options and reduce emissions to help create a healthier environment.
Resilient Community	We provide transport options for the disadvantaged to access essential services and amenities. We provide road safety education programmes that support good driver decision-making.
Prosperous Community	We coordinate regional infrastructure planning that supports economic development, and enables the region to better advocate to central government to secure funding.

The relevant legislation for this activity is:

- Land Transport Management Act 2003
- Resource Management Act 1991
- Local Government Act 2002
- Climate Change Response Act 2002.

Significant negative effects

The region relies heavily on fossil fuels for its transport system, with private cars providing around 21% of our carbon emissions (*Hawke's Bay Community Carbon Footprint report 2021-22*). Our public transport network uses diesel buses that contribute to emissions. We seek to offset this impact through an efficient and more frequent services that will shift more people from their private vehicles, pending availability of funding.

Other priority implementation areas are land-use planning integrated with transport planning to minimise the demand for travel, support and encouragement to increase use of low emission vehicles, and promotion and support of rail and coastal shipping for freight.

What we are going to do

Each year we will:

Transport Planning and Road Safety	• Coordinate the implementation, monitoring, reporting and review of the Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycle Plan through to the relevant governance group • Review Road Safety Action Plans annually for Wairoa, Napier, Hastings and Central Hawke's Bay to keep them up-to-date and addressing key causes of road crashes. Loss of control on rural roads, speed, intersections, restraints, distractions, and motorcycle crashes are issues in the region • Undertake road safety education activities as outlined in the Road Safe Action Plan, in partnership with the TLAs, Police and other road safety stakeholders, to address the key causes of road crashes in our region.
Public Transport	• Continue to regularly market current bus services, increase awareness, and investigate and implement cost-effective means of delivering public transport to increase patronage to help locals reduce their carbon footprint and free up our roads • Review bus services regularly to cater for demand and reduce any operational inefficiencies • Work with Napier City and Hastings District Councils to install bus stops and shelters and revise routes where necessary, in order to meet public demand • Deliver the Total Mobility taxi service for residents who can't access public transport to retain access to work, education social and recreational activities.

Key projects in the next three years

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)	Years 4+ (2027+)
Regional Public Transport Plan 2025-2035 Three-yearly development and public consultation.				
Regional Land Transport Plan 2027-2037 Three-yearly development and public consultation.				

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)
Transport Planning and Road Safety						
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."*	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.	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
	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.	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
Public Transport						
A prosperous community	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.	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^
		Percentage of scheduled bus services operating.	New measure	98%	98%	98%
		Percentage of all Hawke's Bay bus service trips that depart their timetabled starting location on time.	New measure	95%	95%	95%

^ across a five-year rolling average

Prospective funding impact statement

Transport – year ending 30 June

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Sources of operating funding				
General rates, uniform annual general charges, rates penalties	229	167	170	173
Targeted rates	3,091	4,576	5,355	5,197
Subsidies and grants for operating purposes	4,085	5,885	6,631	6,496
Fees and charges	-	350	500	550
Interest and dividends from investments	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipt	-	-	-	-
Total operating funding	7,405	10,979	12,656	12,415
Applications of operating funding				
Payments to staff and suppliers	5,459	9,259	11,030	10,819
Finance costs	3	3	2	2
Internal charges and overheads applied	1,645	1,482	1,608	1,581
Total applications of operating funding	7,107	10,744	12,640	12,402
Surplus / (deficit) of operating funding	**299**	**235**	**16**	**14**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	(14)	(14)	(14)	(14)
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)	221	2	-
Increase / (decrease) of investments	570	-	-	-
Total application of capital funding	285	221	2	-
Surplus / (deficit) of capital funding	**(299)**	**(235)**	**(16)**	**(14)**
Funding balance	-	-	-	-

Wāhanga 4 - Ngā Rautaki me ngā Pūmāramarama

Part 4 – Strategies and Assumptions

Contents

Te Rautaki Pūtea

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 taken out for operational purposes to smooth rate increases after 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 intergenerational 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.
- The Regional Council has recently received an AA credit rating which provides both increased capacity to borrow and interest rate savings. This Plan reflects both 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%.
- Hawke's Bay Regional Investment Company Limited (HBRIC) has been mandated to manage and grow the Group's Investment assets to ensure these 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 that appropriate debt repayments and terms are in place over capital lending programmes and 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 its 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 Three-Year Plan 2024-2027 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.

The Regional Council has obtained an AA credit rating through Fitch Ratings agency to mitigate planned future borrowing costs, as well as increase our potential debt capacity covenants via LGFA. The credit rating gives a 0.2% reduction to interest rates on new borrowing.

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 $4.9 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	187,669	189,569	191,518	193,487

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 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.

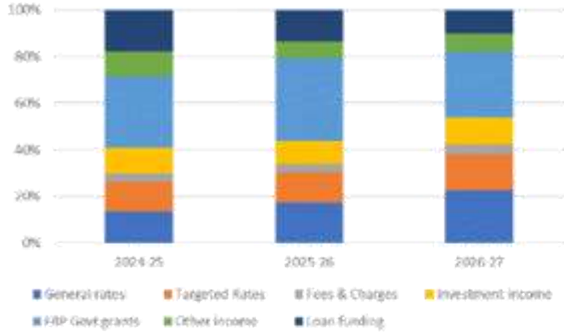


Figure 1: Sources of funding for the 2024-27 Three-Year Plan

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, including special dividends following consultation, from the Group Investment Assets as follows:

	2024/25	2025/26	2026/27
$000	15,050	13,300	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 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 $109 million over 3 years with a total outstanding loan balance of $176 million by the end of 2026-2027 after repayments of $62 million during the three-year period. External debt peaks in 2027 at $177 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.

The Regional Council has received an AA 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 the Regional Council ranks equally and without preference (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 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.

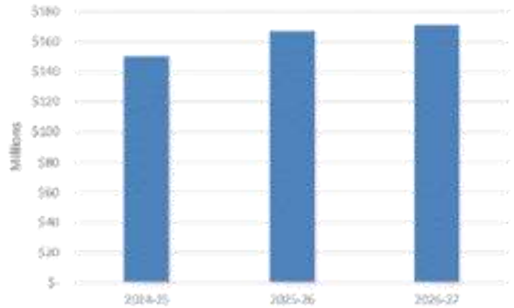


Figure 2: External debt levels

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 that follow show the proposed limits on debt for this Plan.

Figure 3: Debt as a percentage of revenue

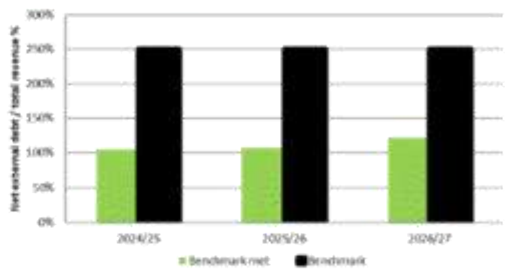
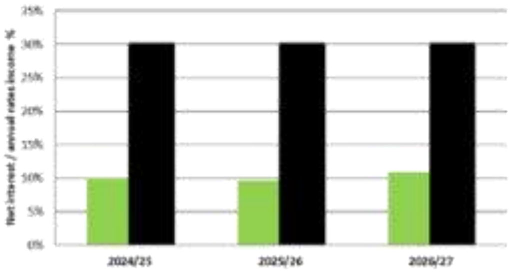


Figure 4: Net interest as a percentage of rates income



4.5 Rates

The balance of the Regional Council's funding requirements is 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 second year of the Plan we will exceed the rates (increase) affordability limit by 1.2% as we reduce and then start to repay rates smoothing borrowing.

Figure 5: Rates revenue as a percentage of total revenue

Table 2: Total rates increase from previous year

2024/25	2025/26	2026/27
↑ 16.0%	↑ 18.3%	↑ 8.5%

Table 3: Rates revenue forecast

Rates ($000's)	2023/24	2024/25	2025/26	2026/27
General Rates	18,450	26,056	32,407	36,208
Targeted Rates	23,010	22,646	23,796	24,795
Rates Remissions	(500)	(1,205)	(5)	(5)
Total Rates	**40,960**	**47,497**	**56,198**	**60,998**

Note: The 2023/24 Regional Cyclone Recovery Charge has been transferred from targeted rates to general rates in the above graph and table for ease of comparability.

Table 4: Forecast number of rating units

2023/24	2024/25	2025/26	2026/27
74,317	75,008	75,694	76,388

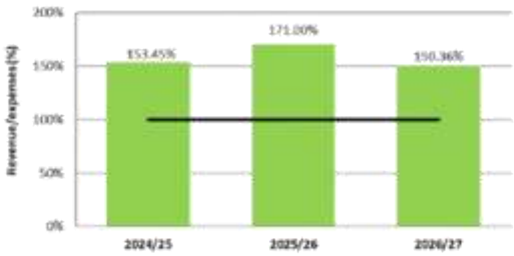
4.6 Impact on planned service levels

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 6: 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 was instructed in October 2023 to manage and grow the Group Investment Assets to ensure cash returns and long-term capital growth across the portfolio.

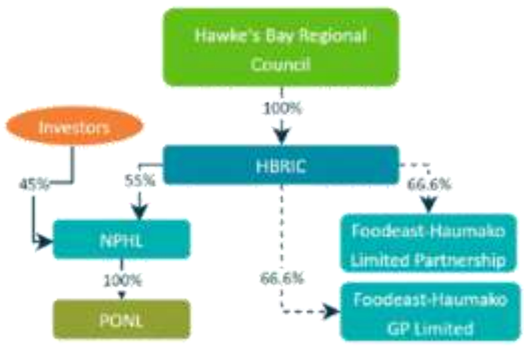
The primary objective of HBRIC is to maximise the commercial benefits for the Regional Council over the long term, and thereby the region, via a constantly growing dividend, while the Regional Council retains its primary goal of serving the community.

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 7: 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 5: Summary of the significant forecasting assumptions in respect of HBRC's cash return expectation, including special dividends

	2024/25	2025/26	2026/27
$'000	15,050	13,300	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.

Te Rautaki Hanganga

Infrastructure Strategy

Contents

1. Executive summary

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 shared cycling and walking trails, 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. The 2024 NIWA (National Institute of Water and Atmospheric Research) data – see **hbrc.govt.nz, search: #niwamodelling** – 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 set responses up very quickly. We formed Rapid Rebuild teams 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 by the end of October 2023. We have spent around $50 million on infrastructure repairs since the cyclone and have forecast a further $20 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 mitigation 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 the programme 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 infrastructure being overwhelmed 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.

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 10 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 most 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 forecast 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-focused strategy prioritising Cyclone Recovery, rather than the regular 10-year strategy 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 on Government-supported recovery programmes to complete the initial recovery work and 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 7.2: Recovery and rebuilding resilience). Most of the planned work is to build flood protection schemes in areas deemed unsafe to live in without improved flood mitigation (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 stopbanks 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.

Name of Council strategy/plan	How the Infrastructure Strategy supports or aligns with the strategy/plan
Infrastructure Programme Management Office (IPMO)	The IPMO sits within the Asset Management Group. The IPMO 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 control 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
- cycling/walking trails
- 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. Consultation on the strategy and options on how to fund its implementation is being planned for 2024-25.

If Regional Council agrees to implement the coastal hazards 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 include beach renourishment and building new assets. 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 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 27 flood control and drainage schemes throughout the region (see Table 6). 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 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 6: HBRC scheme groupings

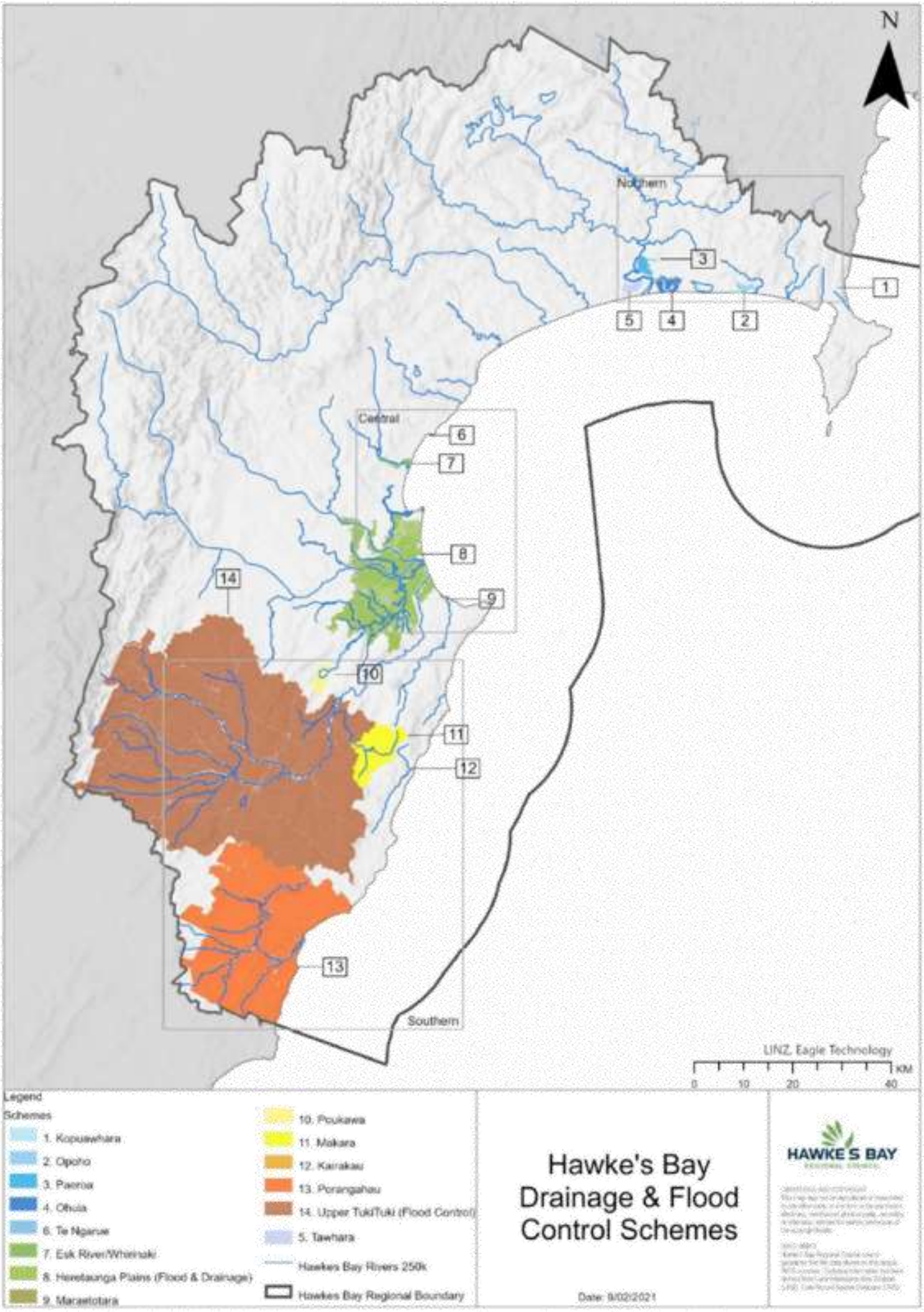
Infrastructure scheme grouping	Asset description	Quantity	Replacement value (June 2023 no Cyclone Impairment)	Critical* assets
Heretaunga Plains Flood Control and Drainage Scheme (HPFCS) Note: The HPFCS scheme has a river (flood control) and 9 drainage sub-schemes.	Stopbanks	157 km	$159M	Yes
	River channels 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 Note: There are 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.*

Changes to our scheme funding were adopted in the 2024 Revenue and Financing Policy review. This means the Flood Protection and Drainage Scheme rates will be set based on the following.

- All flood schemes (Heretaunga Plains Flood Control 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 is now funded through the general rate.

Figure 8: 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 provide recreational opportunities.

We own and manage four regional parks - Pākōwhai, Pekapeka, Tūtira, and Waitangi. We co-own and co-manage Hawea Historical Park near Whakatu 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.

Following Cyclone Gabrielle, the focus is on recovery. As a result, we have cut operational costs that means we have reduced our annual maintenance budget of $1 million for our regional parks by 20% each year for the next three years. We also deferred contributing towards development costs for collaborative projects to develop regional parks at Ahuriri and Wairoa for the next three years.

We are focused on developing the $70 million flood mitigation scheme for Wairoa and we will continue to pay towards project management costs for the Ahuriri Regional Park project. A joint committee of the Regional Council, Napier City Council, and Mana Ahuriri Trust is leading the project.

Table 7: Regional park assets

Infrastructure asset	Asset description	Land area (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 Cycling/walking trails

We manage approximately 105 km of shared cycling/walking trails which have been constructed along stopbanks and berm areas the Regional Council owns or administers. Some of these 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 managing the whole network (177 km) on behalf of all asset owners.

We also maintain some shared cycling/walking trails for recreation use in Central Hawke's Bay – the Tukituki Trail. 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.

Cyclone Gabrielle had a major impact on the cycleway network due to stopbank damage and roading/trail slips or destroyed bridges.

Following consultation on our Three-Year Plan 2024-2027 Council decided to defer all new capital works on cycleways aside from $50,000 per year for safety improvements, and existing projects that are externally funded.

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

Table 8: Cycleway assets

Infrastructure asset	Asset description	Length (kilometres)	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 9: Forestry assets

Infrastructure asset	Asset description	Land area (hectares)	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)	$5.23M (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% to a 0.2% likelihood of flooding in any given year (or 1-in-500-year level of 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% to a 0.2% likelihood of flooding in any given year (or 1-in-500-year pre-cyclone level of 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*** This includes geotechnical investigations and design work for Brookfields Lower, Raupare, Chesterhope, Pākōwahi Park and East Clive, undertaking erosion control work at Farndon Road.
Completed	***Upper Tukituki Gravel Extraction Flood Control Scheme*** Three tranches of gravel extraction from the Upper Tukituki Scheme were completed removing 800,000m³ 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 for all. The programme supports the Kotahi Plan and 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	***3D 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. Numerical groundwater modelling results are due in quarter 1 of 2024-25.
Ongoing	***Managed Aquifer Recharge (MAR) pilot in Central Hawke's Bay*** Resource consent was granted in August 2023 and the detailed design phase started in 2023-24. 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 have deferred contributing towards development costs of the park until 2027-28, as consulted on in our Three-Year Plan 2024-2027.

Status	Hawke's Bay Trails
Ongoing	In November 2022, Hawke's Bay Trails, a local collaboration led by Regional Council's 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 February 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, and flood control and drainage networks from Wairoa through the Heretaunga Plains and across Central Hawke's Bay. Record river 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 9: 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% 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% 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 10*).

Figure 10: Taradale IRG upgraded stopbank, 14 February 2023

During Cyclone Gabrielle, a region-wide State of Emergency was declared, followed by a national State of Emergency for four weeks. Widespread 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 $50 million on infrastructure repairs since the cyclone and have forecast a further $20 million.

Figure 11: Redcliffe Bridge at Taradale, Tūtaekurī River

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 12: Pre and post-Gabrielle Flood Average Return Interval (ARI), NIWA (February 2024)

Figure 12 shows the Cyclone Gabrielle site statistics for stations in the Regional Council catchments, and the estimated Annual Recurrence Interval (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.

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 at **hbrc.govt.nz search: #niwamodelling**.

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

Table 10: 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 2023. 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. 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 mitigation 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 areas. 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. 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 Infrastructure Programme Management Office to coordinate the work, supported by industry experts, and assisted by the Regional Recovery Agency. We also worked 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 already repaired stopbanks, upgrading pumpstations and replacing and upgrading telemetry that were flooded, and accelerating 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.

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	Released by the Minister for Emergency Management and Recovery 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	Draft review report due July 2024 and will form the basis for further community engagement
Upper Tukituki Flood Control Scheme (Review includes gravel)	Tonkin & Taylor	Draft review report due July 2024 and will form the basis for further community engagement
NIWA	NIWA Storm Review	Released February 2024
Review of HBRC Telemetry System	Graeme Horrell	Released May 2023

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 on the following page.

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.

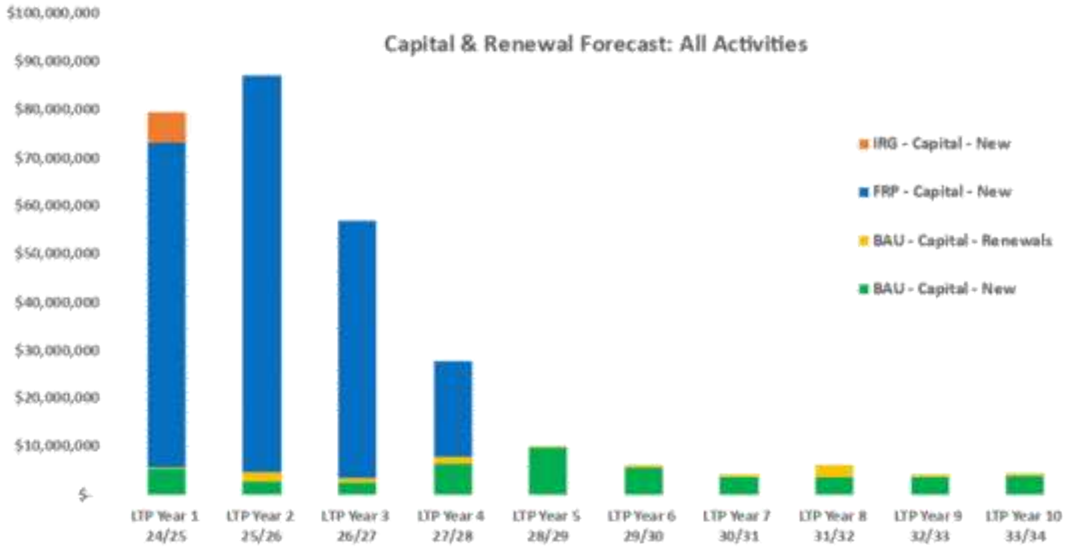


Figure 13: 10-Year Capital & Renewal Forecast

Legend:
IRG - Infrastructure Reference Group programmes run through Crown Infrastructure Partners
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.

Capital projects & other initiatives	Description	Timeline	Likely funding options	Implications of options for rates and debt
	NIWE 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 1-3 2024-27	Recovery funding - total cost is $164.1M Funding split: Govt $139.2M / HBRC $24.9M	HBRC's contribution of $24.9M for the initial capital build will be loan funded and recovered through rates. Where affordability is an issue particularly for schemes with a small footprint, general rate funding is being applied.
Drainage and pumpstation repairs/upgrades	Upgrade of Mission (Awatoto), Brookfields, and 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 $30M Funding split: Govt $22.5M / HBRC $7.5M	HBRC contribution of $7.5M will be loan funded and recovered through the general rate.
Stopbank Rapid Repair additional work	Provisions for additional work to meet new flood Levels of Service from technical review. The LoS specification for the stopbanks from the review may change the design requirements.	Years 1-3 2024-26	Recovery funding total cost is $30M Funding split: Govt $22.5M / HBRC $7.5M	HBRC contribution of $7.5M will be loan funded and recovered through the general rate.
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 – draft review report due July 2024 • Upper Tukituki Flood Control Scheme – draft review report due July 2024 • Nuhaka / Northern Minor • Makara • Karamū/Raupare/Twyford • Esk • Haumoana/Te Awanga/Maraetotara • Clive/Muddy Creek • Paeroa • Puninga • Te Ngarue • Poukawa • Kopuawhara	Years 1-2 2024-26	Recovery funding cost allocation $3M Funding split: Govt $2.25M / HBRC $0.75M	HBRC contribution of $0.75M will be loan funded and recovered through the general rate.

Capital projects & other initiatives	Description	Timeline	Likely funding options	Implications of options for rates and debt
Telemetry – network repairs and upgrade	Replacement and possible upgrade of telemetry based on reviews.	Years 1-2 2024-26	$5M Funding split: Govt $3.75M / HBRC $1.25M	HBRC contribution of $1.25M will be loan funded and recovered through the general rate. Managed and delivered under Integrated Catchment Management (ICM).
		Flood Protection & Control Works		
Resilient River Communities programme (IRG) 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. Currently IRG is loan funded and payment falls to the schemes.
Pump station fish passage	Installation of fish passages, when practical, across stream barriers at pump stations. New pump stations (Mission (Awatoto), Brookfields and Pākōwhai) 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 (known as TANK) 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 Te Awa o Mokotūāraro (Clive River) and discharge of silt to land necessary for consent.	Deferred	Will require increased funding to discharge to land (vs coastal)	Targeted rate, building up a reserve

Capital projects & other initiatives	Description	Timeline	Likely funding options	Implications of options for rates and debt
River and Lagoon Opening	Installation of water level (telemetry) and some image capture devices (CCTV) for better monitoring of river and lagoon openings. Enhanced Levels of Service for two river openings (Esk and Mahanga).	Years 1-3 2024-27 Year 1 2024-25	Increase due to LoS, costs, rising sea level and public expectations. Esk and Mahanga river openings to be managed within existing resources	General rate funded
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 for ongoing consent costs. New access is internally loan funded and recovered through fees and charges.
Upper Tukituki-Gravel extraction	Further tranches of gravel extraction. Tranche three extraction was completed removing 800,000m³ 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 portion is loan funded and recovered through the scheme rate
Opoho – new pump station	Options subject to scheme reviews.	Year 1 2024-25	Scheme reviews underway. If any new capital is needed post-review options include internal loan funding or rating.	Post review discussion on the scheme's ongoing management and operation. Any renewal capital is funded through the depreciation reserve
Ohuia – Whakakī new pump station	Options subject to scheme reviews.	Year 1 2024-25		
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.	Pending business case report and mutual council agreement	Asset transfer would have a reduction in HBRC drainage asset book value	Reduced rating revenue matching reduced expenditure subject to decision by councils
Karamū Enhancement Scheme	Enhancement of the Karamū Stream priority has been reduced due to priority given to other scheme areas. No new capital spending.		Any additional capital would be either reserve or rate funded	
Karamū Weed Harvesting Equipment	Equipment to be purchased to improve the weed boating programme.	Years 1-3 (2024-27)	Capital $300K over 3 years	Rate funded

Capital projects & other initiatives	Description	Timeline	Likely funding options	Implications of options for rates and debt
Public Use of Rivers	Use of land within the flood protection scheme for recreational activity and for planting or productive activity.	Ongoing review activity	No capital in the 2024-26 period	General rate funded if required
Public Use of Rivers review (Upper Tukituki and Heretaunga Plains)	Review the Public Use of Rivers activity 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	Rate funded if required
	Regional Water Security Programme			
Managed Aquifer Recharge (MAR)	Pilot in Central Hawke's Bay to determine whether MAR is a viable water storage option in the area.	Years 1-4 2024-28	Co-funded with Kānoa	Internally loan funded. Repayments are funded by the long-term investment reserve.
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	Deferring all planned capital works for regional parks for the next three years.			No funding allocated for three years
Waitangi Regional Park - Stage 3				
Wairoa Regional Park development	Feasibly study in collaboration with Wairoa District Council and stakeholders. Deferring contributing towards development costs until 2027-28.	Year 1 2024-25		Feasibility study is general rate funded
Ahuriri Regional Park	Joint venture between Hawke's Bay Regional Council, Napier City Council, and Mana Ahuriri Trust. HBRC currently contributes to project management. Deferring contributing towards development costs until 2027-28.	Years 1-3 2024-27	Funding allocation for project management only	Internally loan funded repaid through the general rate
Repairs to cycleways	Cycleways total cost of repair is estimated at $2.2M, with an expected delivery December 2024.	Year 1 2024-25	MBIE $2.2M	No rate impacts

Capital projects & other initiatives	Description	Timeline	Likely funding options	Implications of options for rates and debt
Regional Cycling Development	Existing projects with external funding are to be continued along with safety improvements on the cycleways of $50,000 annually. Renewals - pathways, trails counters, signage, boardwalks, signage planned from Year 4 onwards. All new capital is on hold, including the Ngaruroro Explorer feasibility study which is pending the outcome of the Category 2 work. Future projects could include: • Ngaruroro Explorer Extension* • Vineyard Experience* • Heartland Ride (concept) *Subject to co-funding	Years 1-3 2024-27 Years 4-10 2027-34		Safety improvements internally loan funded repaid through the general rate Included in Renewal Programme. Any renewals are funded by the depreciation reserve Subject to 50:50 co-funding with MBIE

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 timeframe 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 (Severe Weather Emergency Recovery Act 2023). 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 Infrastructure Programme Management Office (IPMO) to manage planned programmes. The programme changes reflect agreed priorities and funding agreements. Levels of Service (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.

Significant assumptions	Risk and impact
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 do 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 a possible increase in 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. This is dependent on mutual agreement between the Regional Council and Napier City Council, and a 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.

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.

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 – Since Cyclone Gabrielle risk appetite may have changed. When rebuilding the previous Levels of Service may not be sufficient to meet new expectations particularly with a changing climate.

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 us 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. We will need to communicate and manage community expectations on level of service options being considered. Current delivery of information to the community via LAWA (Land, Air, Water Aotearoa) and our 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 territorial authority 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 (National Emergency Management Agency). 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 are under consideration at present by council which is part of Manawatu-Wanganui Local Authority Shared Services (shared service company MWLASS). MWLASS representatives are in continued direct contact with the Lloyds insurance market to outline our position and risk profiles.	All councils are facing rising costs and the management approach to insurance risk management varies across the MWLASS 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 natural disaster risk to assets is earthquakes. Additional risks may be identified in reviews yet to be finalised. *(See Part 1 – Responding to climate change for more information about climate change projections for Hawke's Bay.)*	
Principal management options	**Implications of the options**
National Institute and Atmospheric Research's (NIWA) review of weather event statistics to reconfirm appropriate Levels of Service for use in schemes. We have been developing our infrastructure response to climate change through 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 and affordability of increasing Levels of Service	
Cyclone Gabrielle has had a significant impact on the Regional Council's budget. The Regional Council consulted on several proposals as part of its budget prioritisation and made the following decisions impacting the Asset Management group of activities.	
Principal management options	**Implications of the options**
Reduced annual maintenance for regional parks for three years.	The 20% reduction will reduce the annual maintenance budget from $1 million to about $800,000. This will result in reduced Levels of Service.
Not undertaking any new development in the Open Spaces activity, including the Ngaruroro Explorer trail, which is on hold pending the outcome of the Category 2 work. Deferred 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 satisfaction maybe less positive as Open Spaces are often well-used for recreation and exercise.
Pausing the Karamū Enhancement Project.	Delay in the current programme. This does not involve critical assets and is a long-term project which can be paused without any significant short-term impact. Existing planting will be maintained, and the plans can be 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. **Local Water Done Well (previously known as Three Waters) –** While regional councils are not the core focus of these 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 be considered as part of the implementation of Local Water Done Well. **New dam safety regulations –** These came into effect in May 2024 with dam owners having a 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. The potential for additional science and monitoring, and specific technical provisions for fish passage and the consenting of all current pumpstations could cause significant cost and staff resource implication.

	Local water Done Well (previously known as Three Waters): Under the recommendation of the 2021 Morrison Low report, we are working with Napier City Council (NCC) to transfer the drainage assets within the Napier City area to NCC for more consistent management in the NCC area. Urban stormwater assets in Napier could transfer to a yet-to-be established council-controlled organisation as part of Local Water Done Well so due diligence is being completed to enable an efficient asset transfer ahead of this. This asset transfer will impact on our asset value, will 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 teams translates to the new entity. There is little indication for any other rural stormwater assets being significantly involved in the Local Water Done Well reforms, based 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 cover 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 change and growth

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 nearby areas 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 of the official reviews of Cyclone Gabrielle are received and worked through, there are 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 councils 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. Maintain reliable and up to date flood modelling (river and drainage systems).	The cyclone provided a graphic illustration of the risks of flood hazards in our communities. These have required central government engagement with TLAs to work through a rapid land categorisation process; the resulting decisions will continue to be worked through with landowners in Category 2 and 3 zoned areas. 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 councils. Regional Council staff involvement in this process has been substantial and they 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.

Ngā Pūmāramarama Matapae Matua

Significant Forecasting Assumptions

Introduction

We have summarised a number of forecasting assumptions made in developing our recovery-focused Three-Year 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. **Risk level**: Medium	The Severe Weather Emergency Recovery Legislation Act 2023 changed the planning timeframe for this plan from 10 to 3 years, in recognition that it is too hard to forecast 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.

<table>
<tr><th></th><th>Assumption</th><th>Risk</th><th>Comment on potential impact on the financial estimates</th></tr>
<tr><td>2</td><td>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 cost 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.
<table>
<tr><th></th><th colspan="2">Salary related costs</th><th colspan="2">External expenditure</th></tr>
<tr><th>Year</th><th>Annual</th><th>Cumulative</th><th>Annual</th><th>Cumulative</th></tr>
<tr><td>2024-25</td><td>3.90%</td><td>3.90%</td><td>1.70%</td><td>1.70%</td></tr>
<tr><td>2025-26</td><td>3.70%</td><td>7.74%</td><td>1.00%</td><td>2.72%</td></tr>
<tr><td>2026-27</td><td>3.60%</td><td>11.62%</td><td>1.20%</td><td>3.95%</td></tr>
</table></td><td>Risk: Actual inflation is greater than forecast.
Risk level: Medium</td><td>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.</td></tr>
<tr><td>3</td><td>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.
<table>
<tr><th>Year</th><th>Land & Buildings</th><th>Forestry Assets</th><th>Investment Property</th><th>Infrastructure Assets</th><th>Hydro Assets</th><th>HBRIC Shares</th></tr>
<tr><td>2024-25</td><td>2.8%</td><td>2.8%</td><td>2.8%</td><td>2.8%</td><td>2.8%</td><td>2.5%</td></tr>
<tr><td>2025-26</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.5%</td></tr>
<tr><td>2026-27</td><td>2.2%</td><td>2.2%</td><td>2.2%</td><td>2.2%</td><td>2.2%</td><td>2.5%</td></tr>
</table>
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.</td><td>Risk: Growth in asset values differ from forecast.
Risk level: Medium</td><td>• Property and Forestry crops are revalued every year.
• HBRIC shares are revalued every year (marked to market).
• Operational Land & Buildings and Hydrological Assets are revalued every three years starting in the 2024-25 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.</td></tr>
</table>

<table>
<tr><th></th><th>Assumption</th><th>Risk</th><th>Comment on potential impact on the financial estimates</th></tr>
<tr><td>4</td><td>Interest rates
We use our best estimates to predict what things will cost in the future. This includes interest rate estimates.
<table><tr><th colspan="3">External borrowing</th><th colspan="3">Interest on deposits</th></tr><tr><td>2024-25</td><td>2025-26</td><td>2026-27</td><td>2024-25</td><td>2025-26</td><td>2026-27</td></tr><tr><td>4.5%</td><td>4.3%</td><td>4.3%</td><td>3%</td><td>3%</td><td>3%</td></tr></table>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%.</td><td>Risk: Borrowing costs are higher than expected
Interest received on deposits is lower than expected.
Risk level: Low -Medium</td><td>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.</td></tr>
<tr><td>5</td><td>Investment portfolio
We have issued a letter of expectation to HBRIC Ltd outlining cash and capital growth expectations for the investment portfolio. The portfolio is comprised of managed funds, leasehold properties, forestry, and carbon credits.
Targeted returns for the next three years:
<table><tr><th></th><th>2024-25</th><th>2025-26</th><th>2026-27</th></tr><tr><td>Cash income expectations</td><td>$15.05M</td><td>$13.3M</td><td>$13.5M</td></tr><tr><td>Capital growth</td><td>2.5%</td><td>2.5%</td><td>2.5%</td></tr></table>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.</td><td>Risk: Returns from the Regional Council's investment portfolio is lower than expected
Risk level: Medium</td><td>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.</td></tr>
<tr><td>6</td><td>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 are assumed for Wellington properties.</td><td>Risk: Returns from investments in leasehold properties are lower than expected.
Risk level: Low</td><td>Leasehold revenues are primarily linked to long-term leases, so the revenue streams are reasonably stable.</td></tr>
</table>

<table>
<tr><th colspan="2">Assumption</th><th>Risk</th><th>Comment on potential impact on the financial estimates</th></tr>
<tr><td>7</td><td>Forestry
Return on the forestry investments are determined by the harvest revenue received.
<table>
<tr><th>Asset</th><th>Site Name</th><th>Area (ha)</th><th>Assumptions</th></tr>
<tr><td>HBRC-owned land</td><td>Waihapua (CHB)</td><td>319ha (51.2ha planted)</td><td rowspan="3">No material investment, maintenance only, no harvesting in 3-year period</td></tr>
<tr><td></td><td>Waipukurau (CHB)</td><td>119ha (78.3ha planted)</td></tr>
<tr><td></td><td>Waipawa (CHB)</td><td>78ha (51.2ha planted)</td></tr>
<tr><td></td><td>Māhia</td><td>54.5ha (36ha planted)</td><td>No material investment, maintenance only, no harvesting in 3-year period</td></tr>
<tr><td></td><td>Waihapua</td><td>213</td><td>No material investment, maintenance only, no harvesting in 3-year period</td></tr>
<tr><td></td><td>Tūtira Regional Park</td><td>368.5ha (87.6ha planted)</td><td>Harvesting proposed over the period from 2024 to 2027, with replanting after harvest</td></tr>
<tr><td></td><td>Tūtira Mānuka Honey</td><td>95.5ha</td><td>Honey contract/programme to resume from 2024-2025. Maintenance continues with yearly honey income of $11,000 assumed</td></tr>
<tr><td>HBRC-managed land</td><td>Tangoio Soil Conservation Reserve*</td><td>550ha (309ha planted)</td><td>Harvesting not likely to occur before 2025. Discussions are currently underway to explore feasibility of harvest due to possible impacts on SH2</td></tr>
</table>
* 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.</td><td>Risk: Returns from the Regional Council's investments in forestry are lower than expected or the harvesting dates are later than expected.
Risk level: Medium</td><td>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.</td></tr>
<tr><td>8</td><td>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.</td><td>Risk: The pricing of carbon changes significantly or the market disappears entirely.
Risk level: Low</td><td>Carbon credit prices are hard to forecast – the price was $75.95 at June 2022, then $41.00 June 2023 and sits at $50.25 at 30 June 2024.</td></tr>
</table>

	Assumption	Risk	Comment on potential impact on the financial estimates
9	**Grants and subsidies** We assume funding assistance will be provided by Crown agencies as agreed. ***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 – 56% 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 8 years, cars at 6 years (up from 3 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 utility vehicles 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. It is assumed that our other fixed assets continue to be provided at the level required to carry out its activities. The useful life of each category of asset is shown in the Accounting Policies included in this Plan.	**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 impact on the council's ability to deliver services.

Assumption		Risk	Comment on potential impact on the financial estimates
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, 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. When 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. Because these events cannot 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. The consequences of a significant event are increased 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 *Climate change projections and impacts for Tairāwhiti and Hawke's Bay* (found here **hbrc.govt.nz, search: #climateactionhb**) 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 year). 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.

	Assumption	Risk (consequence X likelihood)	Comment on potential effects of uncertainty/risk
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 these are designated as 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. 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.	**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 are 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 changes to land use will be gradual, giving Council time to review and adjust 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, and constituency-based 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 structural changes. **Risk level**: Low-Medium	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 enable local authorities to respond.	**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.

[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
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 nearly $250 million Flood Resilience Programme, 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 has extended its Infrastructure Programme Management Office (IPMO) which consists 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 is in place.	**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. 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. 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. Projections from the territorial authorities and are based on Statistics NZ population estimates from the 2018 Census data and other sources. This may change once 2023 Census figures are fully released.

	2024	2025	2026	2027
Wairoa District Council^	9,299	9,309	9,318	9,327
Napier City Council*	68,460	69,030	69,600	70,170
Hastings District Council‡	93,400	94,400	95,450	96,500
CHB District Council*	16,510	16,830	17,150	17,490
HB Population	187,669	189,569	191,518	193,487

Data: *Napier and Central Hawke's Bay – sourced direct from their published Three-Year Plans. ^Wairoa - data was used from Census 2018 using a 0.1% growth rate. ‡Hastings – sourced from their published Long Term Plan based on a population trajectory line.

	Assumption	Risk (consequence X likelihood)	Comment on potential effects of uncertainty/risk
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.
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 HBRIC dividend and consent fees and indirectly through ratepayers' ability to pay. Affordability for ratepayers will be an ongoing challenge for the Regional Council.

	July 2024	July 2025	July 2026
Wairoa District Council	7,133	7,137	7,146
Taupō District Council	37	37	37
Rangitīkei District Council	1	1	1
Napier City Council	27,440	27,680	27,920
Hastings District Council	32,244	32,550	32,859
CHB District Council	8,153	8,289	8,425
REGIONAL TOTAL	75,008	75,694	76,388
Percentage change	0.93%	0.91%	0.92%

Wāhanga 5 - Pūrongo Pūtea
Part 5 – Financial Information

Contents

Tauākī Pūtea

Forecast Financial Statements

Introduction

The following pages cover the forecast financial statements, notes, and other financial information required by clauses 18-22 of schedule 10 of the Local Government Act 2002 (LGA), incorporating the modifications as allowed under the Severe Weather Emergency Recovery (Local Government Act 2002 – Long-term Plan) Order 2023 (SWERLA).

These Forecast Financial Statements are for the Hawke's Bay Regional Council (the Regional Council).

The significant forecasting assumptions required for the Three-Year Plan (3YP) by clause 17 of schedule 10 to the LGA are also included.

These financial statements, notes and the other financial information comply with PBE IFRS 42 (Public Benefit Entity Financial Reporting Standards) 42, 'Prospective Financial Statements'.

As required by section 100(1) of the LGA, the Regional Council has ensured that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses.

Due to the disruption caused by Cyclone Gabrielle, the Government changed the legislated requirement for the Regional Council to produce a Long Term Plan with a ten-year horizon. The new legislation (SWERLA) has instead enabled HBRC to produce an unaudited, three-year plan for 2024-2027. This change is an acknowledgement of the effects Cyclone Gabrielle has had on our resources and ability to deliver previously planned projects.

The nature of prospective information presented

The prospective information presented is based on the best information that could reasonably be expected to be available at the time of preparation. While every care has been taken in the preparation of the prospective financial information the actual results are likely to vary from the information presented and the variations may be material.

Authorisation and responsibility

The prospective financial information presented was authorised for issue by the Hawke's Bay Regional Council on **10 July 2024**

Councillors and management accept responsibility for the prospective financial information presented including the appropriateness of the assumptions underlying the information and all other disclosures.

Other disclosures

There is no intention to update the prospective financial information presented after the approval of the Three-Year Plan on **10 July 2024**.

Comparative information linkages

The prospective statement of changes in equity and prospective cash flow statement closing positions for the 2022-23 do not link to opening positions for the 2023-24. This is because the 2023-2024 Annual Plan prospective financial statements were finalised before the 2022-2023 Annual Report.

The 2024-2025 forecast opening positions are based on the best information available at the time of compilation.

Prospective statement of comprehensive revenue and expense

For the year ending 30 June

	Note	Regional Council Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Revenue					
Revenue from activities	1	11,752	10,761	9,587	9,784
Rates revenue	2	40,960	47,497	56,198	60,998
Subsidies and grants	3	33,109	69,759	75,844	54,042
Other revenue	3	70,962	17,105	15,387	15,715
Fair value gains on investments	7	1,179	4,179	4,080	4,224
Reduction in ACC Leasehold Liability		831	-	-	-
Total Operating Revenue		**158,793**	**149,301**	**161,096**	**144,763**
Expenditure					
Expenditure on activities	1	(170,117)	(83,725)	(80,218)	(81,221)
Finance costs		(4,207)	(5,449)	(6,063)	(6,798)
Depreciation & amortisation expense	5	(5,160)	(4,450)	(4,255)	(4,583)
Impairment		(20)	-	-	-
Total Operating Expenditure		**(179,504)**	**(93,624)**	**(90,536)**	**(92,602)**
Total Expenditure		**(179,504)**	**(93,624)**	**(90,536)**	**(92,602)**
Operating Surplus / (Deficit) before Income Tax		**(20,711)**	**55,677**	**70,560**	**52,161**
Operating Surplus / (Deficit) after Income Tax		**(20,711)**	**55,677**	**70,560**	**52,161**
Other Comprehensive Revenue and Expense					
Gain/(loss) in other financial assets	7	25,982	1,434	1,471	1,842
Gain/(loss) on revalued intangible asset		-	-	-	385
Gain/(loss) on revalued property, plant and equipment assets		-	-	-	924
Gain/(loss) on revalued infrastructure assets		3,133	-	-	7,111
Total Other Comprehensive Revenue and Expense		**29,115**	**1,434**	**1,471**	**10,261**
Total Comprehensive Revenue and Expense		**8,404**	**57,111**	**72,031**	**62,422**

The accompanying notes form part of these prospective financial statements.

Prospective statement of changes in net assets / equity

For the year ending 30 June

	Note	Regional Council			
		Accumulated Funds	Fair Value Reserves	Other Reserves	Total
		$000	$000	$000	$000
PARENT					
Balance at 1 July 2024		**263,694**	**285,305**	**127,352**	**676,351**
Total Comprehensive Revenue and Expense		55,677	1,434	-	**57,111**
Reserves		(1,765)		(1,140)	**(2,905)**
Balance at 30 June 2025		**317,607**	**286,739**	**126,212**	**730,558**
Total Comprehensive Revenue and Expense		70,561	1,471	-	**72,031**
Reserves		(266)		(2,709)	**(2,975)**
Balance at 30 June 2026		**387,901**	**288,210**	**123,504**	**799,615**
Total Comprehensive Revenue and Expense		52,161	10,261	-	**62,422**
Reserves		(99)		(2,954)	**(3,053)**
Balance at 30 June 2027		**439,963**	**298,471**	**120,550**	**858,984**

Prospective statement of financial position

As at 30 June

	Note	Regional Council			
		Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
ASSETS					
Non-Current Assets					
Property, plant & equipment		36,705	36,842	35,891	35,370
Infrastructure assets		244,204	302,622	389,100	452,273
Investment property	7(a)	69,220	66,243	67,550	68,918
Intangible assets		16,725	11,473	11,156	11,243
Forestry assets	7(b)	12,382	12,070	12,403	12,745
Prepayments		-	42	-	168
Total non-current assets before other financial assets		379,236	429,292	516,101	580,717
Other financial assets		147,934	143,107	144,060	145,818
Investment in Council-controlled organisations		522,451	335,948	337,172	338,426
Advances to Napier / Gisborne Rail		1,486	-	-	-
Total other financial assets		671,871	479,055	481,232	484,244
Total Non-Current Assets		1,051,107	908,347	997,333	1,064,961
Current Assets					
Inventories		430	821	821	821
Trade & other receivables		13,103	18,968	18,985	18,997
Derivative financial instruments		2,807	2,243	2,234	2,238
Other financial assets		-	3,081	3,025	2,983
Cash and cash equivalents		3,424	26,185	22,831	19,248
Total Current Assets		19,764	51,298	47,896	44,287
TOTAL ASSETS		1,070,871	959,645	1,045,229	1,109,248

Prospective statement of financial position (continued)

As at 30 June

	Note	Regional Council			
		Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
NET ASSETS / EQUITY					
Accumulated funds		273,055	317,607	387,901	439,963
Fair value reserves		486,293	286,739	288,210	298,471
Other reserves	8	134,330	126,212	123,503	120,550
TOTAL NET ASSETS / EQUITY		**893,678**	**730,558**	**799,614**	**858,984**
LIABILITIES					
Non-Current Liabilities					
Borrowings	4(a)	131,104	150,915	144,792	148,237
ACC Leasehold financing liabilities		26,779	29,255	29,279	29,285
Provisions for other liabilities & charges		510	19	-	-
Employee benefit liabilities		-	426	431	437
Total Non-Current Liabilities		158,393	180,615	174,502	177,959
Current Liabilities					
Borrowings	4(a)	3,500	4,650	27,250	28,167
ACC Leasehold financing liabilities		1,500	1,500	1,630	1,764
Employee benefit liabilities		-	2,574	2,590	2,607
Trade & other payables		13,800	29,629	29,524	29,647
Funds held on Behalf		-	10,120	10,120	10,120
Finance lease liabilities			-	-	-
Total Current Liabilities		18,800	48,472	71,114	72,305
TOTAL LIABILITIES		**177,193**	**229,087**	**245,617**	**250,264**
TOTAL NET ASSETS / EQUITY & LIABILITIES		**1,070,871**	**959,645**	**1,045,231**	**1,109,248**

Prospective statement of cash flows

For the year ending 30 June

	Note	Regional Council Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		12,730	13,132	12,035	12,295
Rates received		40,813	47,518	56,218	61,018
Dividends received		10,905	10,505	8,625	8,801
Interest received		6,261	4,228	4,315	4,404
Grants received		33,109	69,407	75,797	53,995
Other Revenue		53,795	352	47	47
		157,613	145,142	157,037	140,560
Cash was applied to:					
Payments to suppliers		131,041	85,612	43,101	42,941
Payments to and on behalf of employees		40,739	40,525	41,626	42,890
Interest expense		4,207	4,771	5,385	6,120
		175,987	130,908	90,112	91,951
Net Cash Flows from Operating Activities		**(18,374)**	**14,234**	**66,926**	**48,609**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Disposal of financial assets		1,640	2,597	2,711	2,350
Disposal of forestry assets		1,313	-	-	-
		2,953	2,597	2,711	2,350
Cash was applied to:					
Purchase of property, plant & equipment		3,561	2,214	1,795	1,605
Purchase of intangible assets		66	-	-	-
Construction of infrastructure assets		9,491	79,863	87,672	57,298
Community lending		5,000	-	-	-
Leasehold Liability		831	-	-	-
		18,949	82,077	89,467	58,903
Net Cash Flows from Investing Activities		**(15,996)**	**(79,480)**	**(86,756)**	**(56,553)**

Prospective statement of cash flows (continued)

For the year ending 30 June

	Note	Regional Council			
		Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Loans drawn		36,081	55,998	21,127	31,612
		36,081	55,998	21,127	31,612
Cash was applied to:					
Loans repaid		5,336	30,563	4,650	27,250
		5,336	30,563	4,650	27,250
Net Cash Flows from Financing Activities		**30,745**	**25,435**	**16,477**	**4,362**
Net Increase / (Decrease) in Cash & Cash Equivalents		**(3,625)**	**(39,811)**	**(3,354)**	**(3,582)**
Opening cash & cash equivalents		7,049	65,996	26,185	22,831
Closing Cash & Cash Equivalents		**3,424**	**26,185**	**22,831**	**19,248**

He Whakamārama mō ngā Tauākī Pūtea

Notes to the financial statements

Note 1: Activity revenue and expenditure

	Note	Regional Council Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Revenue					
Groups of activity					
Governance & Partnerships		1,001	-	-	-
Policy & Regulation		3,623	3,299	3,360	3,428
Integrated Catchment Management		3,468	2,589	2,637	2,649
Asset Management		3,521	4,245	2,808	2,870
Emergency Management		-	120	121	122
Transport		-	350	500	550
Corporate Overhead		140	159	162	165
Total groups of activity revenue		**11,752**	**10,761**	**9,587**	**9,784**
Expenditure					
Groups of activity					
Governance & Partnerships		8,058	7,275	5,418	5,339
Policy & Regulation		11,946	12,259	12,743	12,987
Integrated Catchment Management		29,869	26,802	28,286	28,135
Asset Management		113,922	27,035	22,860	25,231
Emergency Management		6,797	5,414	4,750	4,919
Transport		7,333	10,965	12,642	12,402
Corporate Overhead		1,579	3,874	3,837	3,589
Total groups of activity expenditure		**179,504**	**93,624**	**90,536**	**92,602**
Less finance costs - interest on borrowings		4,207	4,771	5,385	6,120
Less finance costs - fees associated with the transfer of Napier leasehold cashflows to ACC		-	678	678	678
Total Finance Costs		**4,207**	**5,449**	**6,063**	**6,798**
Less depreciation and amortisation expense	5	5,160	4,450	4,255	4,583
Less Impairment Expense		20			
Total activity expenditure		**170,117**	**83,725**	**80,218**	**81,221**

Note 2: Rates revenue

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
General funding rates				
Uniform annual general charge	4,600	7,035	8,750	9,776
General rate on land value	8,735	18,691	23,327	26,102
Total general funding rates	**13,335**	**25,726**	**32,077**	**35,878**
Targeted rates				
Coastal Hazards	180	222	222	223
CDEM Emergency Management	2,892	3,496	3,864	4,115
Subsidised Public Transport	3,091	4,576	5,355	5,197
Sustainable Homes - Clean Heat	624	584	608	632
Regional Economic Development	2,334	1,431	666	660
Regional Cyclone Recovery	5,115	-	-	-
Primary Production Pests	2,696	714	726	738
Sustainable Land Management Strategy	1,064	963	1,022	1,045
Water Quality	-	635	689	699
Land Monitoring, Research, and Investigations Science	162	295	261	246
Heretaunga Plains Flood Control Scheme	3,771	3,853	4,417	4,955
Maraetotara Flood Maintenance Scheme	16	16	17	17
Upper Makara Stream Catchment Scheme	140	113	117	122
Upper Tukituki Flood Control Scheme	1,017	1,206	1,273	1,322
Whirinaki Industrial & Other	22	6	30	134
Drainage & Pumping Schemes	5,002	4,537	4,530	4,690
Rates Remissions	(500)	(1,205)	(5)	(5)
Penalties	-	330	330	330
Total rates revenue	**40,960**	**47,497**	**56,198**	**60,998**

Note 3: Other revenue

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Subsidies and grants				
Grants	7,109	14,291	9,747	8,296
Grants - Flood Resilience Programme	26,000	55,468	66,097	45,746
Total subsidies and grants	**33,109**	**69,759**	**75,844**	**54,042**
Other revenue				
Dividend revenue	10,905	10,506	8,626	8,801
Leasehold rents	1,575	2,366	2,441	2,505
Interest revenue	6,261	4,228	4,315	4,404
Other income	51,160	5	5	6
Foresty income	1,061	-	-	-
Total other revenue	**70,962**	**17,105**	**15,387**	**15,715**

Note 4(a): External debt and interest expense

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Loan Requirements				
Opening Balance	103,859	130,130	155,565	172,042
New Borrowing	36,081	55,998	21,127	31,612
Principal Repayments	5,336	30,563	4,650	27,250
Total Loan Balance	**134,604**	**155,565**	**172,042**	**176,404**
Interest Expense	4,207	4,771	5,385	6,120

New borrowings reflect an increased budgeted debt as a result of flood protection rebuild expenditure following Cyclone Gabrielle.

Note 4(b) Internal debt and interest expense

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
LOAN REQUIREMENTS				
New Borrowings				
Governance and Partnerships	5,000	100	100	100
Policy & Regulation	-	840	840	840
Integrated Catchment Management	4,954	2,179	2,636	3,080
Asset Management	16,613	24,107	19,847	10,582
Corporate Overhead	9,677	5,045	1,604	1,609
Total New Borrowings	36,244	32,270	25,027	16,210
Principal Repayments				
Governance and Partnerships	2,685	5,618	4,867	4,301
Policy & Regulation	20	20	168	336
Integrated Catchment Management	1,334	3,527	3,816	4,145
Asset Management	450	946	4,503	8,516
Emergency Management	-	1,373	1,373	1,373
Transport	14	27	27	27
Corporate Overhead	-	2,158	2,348	4,998
Total Principal Repayments	4,503	13,669	17,102	23,697
Total Loan Movement	**31,741**	**18,601**	**7,926**	**(7,487)**
Loan Balances				
Governance and Partnerships	23,650	20,192	15,425	11,224
Policy & Regulation	30	830	1,502	2,006
Integrated Catchment Management	24,367	15,770	14,590	13,524
Asset Management	24,270	29,325	44,670	46,735
Emergency Management	-	11,878	10,505	9,131
Transport	149	37	10	(18)
Corporate Overhead	38,604	31,923	31,180	27,792
Loan Balances	111,070	109,956	117,881	110,394
Loan Interest Expense				
Governance and Partnerships	1,102	1,165	1,045	940
Policy & Regulation	1	19	57	91
Integrated Catchment Management	744	819	846	892
Asset Management	269	760	1,360	2,133
Emergency Management	304	596	565	535
Transport	3	3	2	2
Corporate Overhead	1,802	1,408	1,509	1,528
Total Loan Interest Expense	4,226	4,771	5,385	6,120

Note 5: Depreciation and amortisation

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Capital Expenditure on Property, Plant & Equipment				
Land and Buildings	26	-	-	-
Vehicles, Plant & Equipment	2,946	1,958	1,845	1,656
Hydrology Equipment	589	387	391	396
Intangible Assets - Other	66	305	-	-
Total Capital Expenditure on Property, Plant & Equipment	**3,627**	**2,650**	**2,236**	**2,052**
Depreciation on Property, Plant & Equipment				
Land and Buildings	850	685	697	710
Vehicles, Plant & Equipment	2,466	1,915	1,894	2,240
Hydrology Equipment	728	533	596	546
Intangible Assets - Other	169	601	316	298
Property, Plant & Equipment Asset Depreciation	**4,214**	**3,734**	**3,503**	**3,794**
Depreciation on Infrastructure Assets				
Infrastructure Assets	946	716	752	789
Infrastructure Asset Depreciation	**946**	**716**	**752**	**789**
Total Depreciation & Amortisation	**5,160**	**4,450**	**4,255**	**4,583**

Note 6: Reserve movements

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Note 6: Funding from Reserves				
Project Scheme Reserves	(1,015)	2,663	1,476	1,423
Tangoio Soil Conservation Forestry Reserve	489	718	(110)	(113)
Asset Replacement Reserve	(1,771)	(2,939)	(2,763)	(2,550)
Infrastructure Asset Depreciation Reserve	587	(728)	(915)	137
Future Investment Fund	(1,336)	(1,637)	(1,677)	(1,719)
Long-Term Investment Fund	2,490	(1,778)	(1,671)	(3,385)
Council Disaster Damage Reserves	1,000	(541)	-	-
Scheme Disaster Damage Reserves	894	(621)	(542)	(530)
Other Reserves	(57)	(10)	(10)	(10)
Total Net Funding from Reserves	**1,281**	**(4,873)**	**(6,213)**	**(6,747)**

Note 7: Fair value gains

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Note 7a: Fair Value Gains From Investments				
Investment Property at beginning of year	68,041	64,755	66,243	67,550
Movement during the year	-	-	-	-
Fair value gains	1,179	1,488	1,307	1,368
Investment Property at end of year	**69,220**	**66,243**	**67,550**	**68,918**
Note 7b: Fair Value Gains from Forestry Assets				
Forestry Assets at beginning of year	14,727	11,745	12,070	12,403
Additions	281	-	-	
Disposals	(1,313)	-	-	-
Movement during the year	(1,032)	-	-	-
Fair value gains	(1,313)	325	333	341
Forestry Assets at end of year	**12,382**	**12,070**	**12,403**	**12,745**
Other fair value gains	30,428	3,800	3,910	12,775
Total Fair value gains & losses (included in statement of comprehensive revenue and expense)	**30,294**	**5,613**	**5,550**	**14,485**

Note 8 Reserves

Purpose of reserve funds

Reserve type	Definition
1. Infrastructure Asset Renewal	A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.
2. Wairoa Rivers & Streams	A reserve established to fund flood mitigation and recovery work within the Wairoa district.
3. Special Schemes	Reserves established for each flood & drainage, civil defence, transport and other targeted rate schemes and activities to account for rating balances that arise each year as a consequence of the actual income and expenditure incurred in any one year.
4. Asset Replacement	A reserve established to fund the replacement of operating property, plant and equipment which are not scheme based.
5. Regional Disaster Damage	A reserve established to provide funding for: the cost of responding to and managing an event; cost of reinstatement of any uninsured assets (e.g., pathways on top of stopbanks); any difference between the deductible and the threshold for eligibility for central government assistance (government covers 60% of the loss in the event of a disaster); the policy excess of $1.5 million included in the policy with private insurers to cover 40% of the loss up to $24 million in the event of a disaster; and the possibility of the cost of reinstating the level of service provided by the asset being considerably more than the optimised replacement value.
6. Scheme Disaster Damage	Reserves established to meet each scheme's share of Local Authority Protection Programme (LAPP) insurance excess and other costs to restore scheme assets that are not recoverable from other sources.
7. Te Awa o Mokotūāraro (Clive River) Dredging	A reserve established to meet the expenditure of dredging requirements on Te Awa o Mokotūāraro (Clive River).
8. Tangoio Soil Conservation	A reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve as this reserve is managed and overseen by the Regional Council on behalf of the Crown.
9. Maungaharuru-Tangitū Reserve	A reserve established as a catchments fund in accordance with the Maungaharuru-Tangitū Claims Settlement Act.
10. Long Term Investment Fund	A reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with HBRC's policy on 'Evaluation of Investment Opportunities' approved on 30 April 2008. Formerly the Sale of Land Investment Fund.
11. Sale of Land Non-investment Fund	Reserve established to hold transfers from the Long-Term Investment Fund to be invested in accordance with HBRC's policy on 'Open Space Investment' approved on 25 June 2008 and HBRC's Investment Policy set out in the 2009-2019 Long Term Plan.
12. Rabbit	A reserve established to fund costs expected to be incurred with growing rabbit populations. The reserve is limited to a maximum balance of $133,000.
13. Ngati Pāhauwera Reserve	A reserve established to ring-fence funding for Ngāti Pāhauwera Rivers Initiatives. For the clean-up of the Mohaka, Waikari and Waihua Rivers and their catchments.
14. Port IPO Future Investment Fund	A reserve established to hold the proceeds of the Napier Port IPO.
15. Enforcement Revenue Reserve Fund	A reserve established to hold enforcement revenue for future environmental protection and restoration activities and managing diversion scheme funds.

Summary of significant accounting policies

General information

Reporting entity

Hawke's Bay Regional Council (the 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, Hawke's Bay Regional Investment Company (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 and has designated itself as a public sector public benefit entity (PBE) for financial reporting purposes.

The prospective financial statements presented are for the three consecutive financial years beginning on 1 July 2024 and have been prepared in accordance with sections 93 and 111 of the LGA with the amendments allowed under the Severe Weather Emergency Recovery (Local Government Act 2002-Long-term Plan) Order 2023 and were authorised for issue on 10 July 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) and Severe Weather Emergency Recovery (Local Government Act 2002-Long-term Plan) Order 2023.

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 or any 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. Revenue is recognised as follows.

1.1 Rates revenue

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 approved 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 grants awarded by the Regional Council 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 New Zealand dollars (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 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 and 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.

The costs of assets constructed by the Regional Council include the cost of all materials used in construction, direct labour on the project and any other directly attributable expenses. 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 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 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	6 - 8
Plant & equipment	3 - 31
Computer software & licences	3 - 50
Infrastructure assets	5 - 100

No depreciation is provided for stopbanks, 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 Council 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
- 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 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:

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

Staff related costs are charged to activities based 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 basis of year-to-date time allocated against activities.

26. Critical accounting estimates and assumptions

In preparing these prospective 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 ongoing significant uncertainty regarding the extent the impact of Cyclone Gabrielle will continue to have on the activities of the Regional Council and the wider Hawke's Bay community.

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 this Three-Year Plan is to signal to the community the spending priorities of the Regional Council for the next three years and may not be appropriate for any other purpose.

Ngā paearu mō te rīpoata ā-pūtea

Financial reporting benchmarks

Disclosure statement

for the period commencing 1 July 2024

What is the purpose of this statement?

The purpose of this statement is to disclose the Regional Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Regional Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

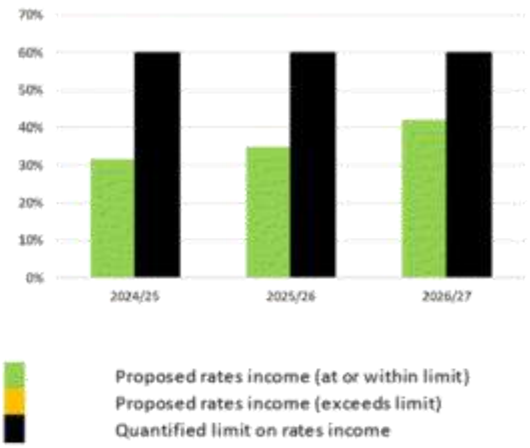
The Regional Council is required to include this statement in its long-term plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations), and hence in this three-year plan. Please refer to the regulations for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmark

The Regional Council meets the rates affordability benchmark if:

- its planned rates income equals or is less than each quantified limit on rates, and
- its planned rates increases equal or are less than each quantified limit on rates increase.

Figure 2: Rates as a percentage of income

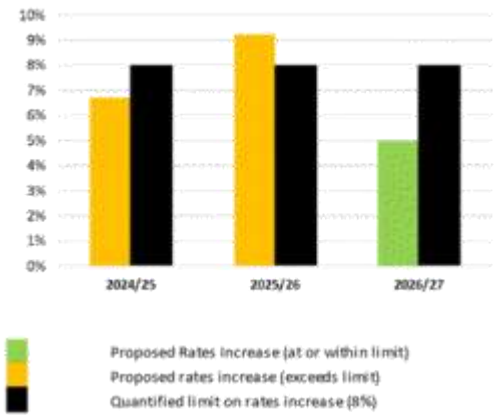


Rates increases affordability benchmark

The following graph compares the Regional Council's planned rates increases with a quantified limit on rates increases contained in the Financial Strategy included in this Three-Year Plan. The quantified limit is that increases in the annual rate revenue requirement will not exceed 8% of the Regional Council's annual operating expenditure requirements. The graph uses percentage as a unit of measure.

The limit is exceeded in the first two years as we reduce and then start repaying, the rates smoothing borrowings that were incurred during the impacts of the Covid pandemic.

Figure 3: Limit on rates increases



Debt affordability benchmark

The Regional Council meets the debt affordability benchmark if its planned borrowing is within each quantified benchmark if its planned borrowing is within each quantified limit of borrowing.

The Financial Strategy included in Regional Council's Three-Year Plan sets out two quantified limits on borrowing as below:

- net external debt as a percentage of total revenue must be less than 250%, up from 175% in the 2021-2031 Long Term Plan
- net interest on external debt as a percentage of annual rates income must be less than 30%, up from 20% in the 2021-2031 Long Term Plan.

Figure 4: Debt as a percentage of revenue

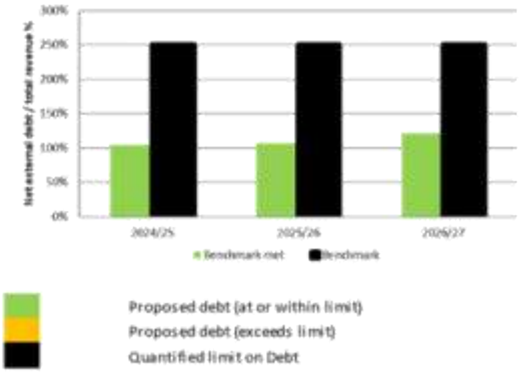
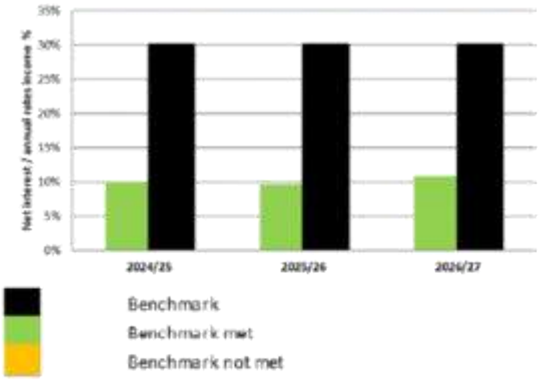


Figure 5: Net interest as a percentage of annual rates income

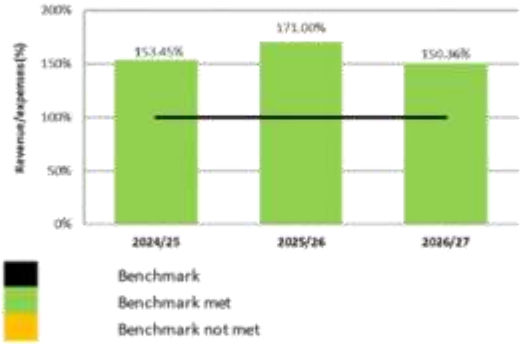


Balanced budget benchmark

The following graph displays the Regional Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluation of property, plant and equipment).

The Regional Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expense. The Regional Council achieves a balanced budget for all three years of this Three-Year Plan. There are significant grants received for capital works in each of the years to fund the Flood Resilience Programme, however when these are removed from the figures the balanced budget benchmark is still forecast to be met.

Figure 6: Balanced Budget Benchmark



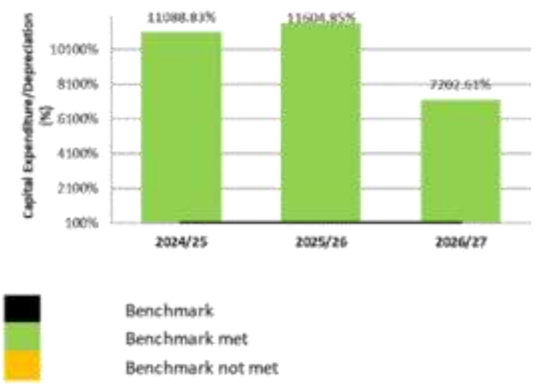
Essential services benchmark

The following graph displays the Regional Council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The Regional Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services. (Note that the Regional Council has only one network service which covers the flood and drainage schemes).

In the three years of this plan, the Regional Council will be undertaking a much higher level of capital expenditure than is normal for the council. This is due to the Flood Resilience Programme. As the levels of expenditure are so much higher than the levels of depreciation, the graph itself is not very informative, so there is a table below to help put some context around the numbers.

	Forecast depreciation ($M)	Forecast capital spend on network services ($M)
2024-25	0.716	79.371
2025-26	0.752	87.281
2026-27	0.789	57.066

Figure 7: Essential services benchmark

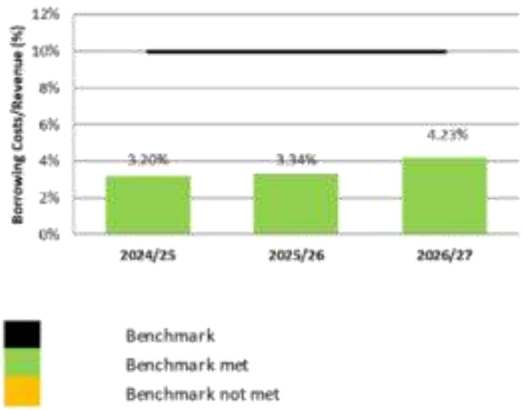


Debt servicing benchmark

The following graph displays the Regional Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment).

The Regional Council meets that debt servicing benchmark if its planned borrowing costs are equal or less than 10% of its planned revenue.

Figure 8: Borrowing costs as a percentage of revenue



Prospective Funding Impact Statement

Whole of Council – for the year ending 30 June

	Regional Council			
	Annual Plan 23/24 $000	3YP Yr1 24/25 $000	3YP Yr2 25/26 $000	3YP Yr3 26/27 $000
Sources of operating funding				
General rates & uniform annual general charges	12,835	24,851	32,402	36,202
Targeted rates	28,126	22,647	23,797	24,796
Subsidies & grants for operating purposes	32,304	11,084	9,747	8,296
Fees & charges	12,989	10,761	9,587	9,784
Fines, infringement fees & other receipts	52,558	2,371	2,447	2,510
Interest and dividends from investments	17,167	14,733	12,940	13,205
Total operating funding	155,979	86,447	90,920	94,793
Applications of operating funding				
Payments to staff & suppliers	172,418	87,378	83,871	84,876
Finance costs	4,207	5,449	6,063	6,798
Internal charges & overheads applied	(2,301)	(3,673)	(3,673)	(3,675)
Total applications of operating funding	174,324	89,154	86,260	87,999
Surplus / (deficit) of operating funding	**(18,345)**	**(2,707)**	**4,660**	**6,795**
Sources of capital funding				
Subsidies & grants for operating purposes	806	58,675	66,097	45,746
Increase / (decrease) in debt	30,745	25,435	16,476	4,362
Total sources of capital funding	31,551	84,110	82,573	50,108
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	9,261	79,508	85,360	56,043
- to replace existing assets	3,858	2,569	4,106	2,860
	13,119	82,077	89,466	58,903
Increase / (decrease) in reserves	-	1,506	63	(63)
Increase / (decrease) of investments	(1,194)	(2,180)	(2,296)	(1,937)
Total application of capital funding	13,206	81,403	87,233	56,902
Surplus / (deficit) of capital funding	**18,345**	**2,707**	**(4,660)**	**(6,795)**
Funding balance	-	-	-	-

Te pūnaha rēti me ngā pārongo

Rating system and information

Rating policies, systems, and indicative rates

This section complies with the requirements under Schedule 10 clauses 15(3)-(5) and 15A of the Local Government Act 2002. It should be read in conjunction with the Regional Council's Revenue and Financing Policy.

Regional Council rates for Hawke's Bay are mostly allocated to ratepayers on the basis of their capital values. Within the region, different territorial authorities undertake general revaluations at different times. To equalise the values, each year the Regional Council gets Quotable Value or another registered valuer to estimate the projected valuations of all the rateable land in the districts within the region. This means that rates are assessed on a consistent valuation basis, regardless of the timing of individual territorial authority revaluations.

The average rate increase in the Regional Council rates for 2024-2025 is 16 percent.

Rates funding impact statements

The rates funding impact statements set out the impact that the Hawke's Bay Regional Council's Revenue and Financing Policy has on ratepayers.

The Revenue and Financing Policy clearly identifies beneficiaries of Regional Council activities. Public benefit is funded through a combination of investment income and general rates. Private benefit is funded through targeted rates and/or direct charges.

All the rates and levels of rates included in these funding impact statement are GST inclusive unless otherwise stated.

Due dates for payment of rates

A penalty of 10% will be added to the amount of rates, including penalties from previous financial years remaining unpaid on 18 July 2024 in accordance with section 57 of the Local Government (Rating) Act 2022.

The rates for the 2024-2025 financial year are due and payable on 20 September 2024. Pursuant to section 57 of the Local Government (Rating) Act 2002, a penalty charge of 10% will be imposed on any outstanding current year rates as at 21 September 2024. A further 10% will be charged on unpaid rates, including penalties outstanding, on 1 July 2025.

Sources of funding for the three-year period

The sources of funding will remain the same over the three years of the Three-Year Plan (3YP) unless changed through a consultation process. Six new rates are introduced in this 3YP for the flood mitigation as consulted on. The Regional Council expects to perform a small, publicly-consulted rating review in the next 12 months for some areas. The outcome will be implemented within the following year.

Lump sum contributions

The Regional Council will not be inviting lump sum contributions in respect of any targeted rate.

Definition of 'Separately used or inhabited part of a rating unit' (SUIP)

When a fixed amount is set for each property, whether it be a Uniform Annual General Charge (UAGC) for general funding rates or a targeted rate, then a fixed amount is charged for each separately used or inhabited part of a rating unit. This includes any portion inhabited or used by [the owner/a person other than the owner], and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.

This definition includes separately used parts, whether or not actually occupied at any particular time, which are used by the owner for rental (or other form of occupation) on an occasional or long-term basis by someone other than the owner.

For the purpose of this definition, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as 'used'. For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part. Therefore, units in a rest home, retail shops in a shopping complex, and additional farmhouses are charged with separate UAGCs or targeted rate.

Where two or more rating units are contiguously joined, owned by the same ratepayer, and used for the same purpose, or a farm property with separately titled paddocks, then only one UAGC or targeted rate will be payable. The only exception is for the targeted rate covering the economic development rate which is set on each rateable property. The Regional Council's intention is that this mix of rating bases better reflects the benefits delivered to the general community while addressing some of the rate level volatility experienced by those ratepayers in the community whose rateable values have increased by more than the average.

The Regional Council directly collects rates for all rating units contained within its boundaries and where specific rates are set across district/city boundaries on a value basis, then the rates are set on estimate of projected valuation (equalisation) which recognises annual movement of values across the region for each territorial authority.

Section 21 of the Local Government (Rating) Act 2002 (LGRA) requires that uniform annual general charges and targeted rates set on a uniform basis are not to exceed 30% of the total revenue from all rates sought by HBRC for the budgeted year. 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. The rates making up this category amount to just over 25.5% of Council's total rates in 2024-2025 and are therefore within the limits prescribed by the Act. All years of the 3 -Year Plan are within the prescribed limit set down by the Act.

Inspection and objection to HBRC's Rating Information Database

The Rating Information Database (RID) is available for inspection at Regional Council offices at 159 Dalton Street Napier and on the Regional Council's website hbrc.govt.nz

Ratepayers have the right to inspect the RID records and can object to their rating liability on the grounds set out in the Local Government (Rating) Act 2002.

Ngā tauākī pāpātanga ā-pūtea penapena tāke kaunihera

Rates funding impact statements

Details of rates calculated within each District and City

Groups of Activities	Districts	Rates Set On	Units of Charge	Calculation Factor	Estimated Rates Revenue 24/25	Rates Revenue 23/24
General Rate				**Cents in $**		
	Napier City	Capital Value		0.02348	5,631,341	2,662,911
	Hastings District	Capital Value		0.02306	9,905,938	5,216,085
	Central HB District	Capital Value		0.02599	2,406,461	1,375,376
	Wairoa District	Capital Value		0.02394	969,812	625,316
	Taupō District	Capital Value		0.02400	29,666	19,678
	Rangitīkei District	Capital Value		0.01947	4,801	3,670
					18,948,020	9,903,037
Uniform Annual General Charge			**SUIPs**	**Per SUIP $**		
	Napier City	Fixed Amount	28,855	125.95	3,634,268	1,911,403
	Hastings District	Fixed Amount	35,101	125.95	4,421,024	2,314,090
	Central HB District	Fixed Amount	7,227	125.95	910,189	478,361
	Wairoa District	Fixed Amount	5,225	125.95	658,097	345,461
	Taupō District	Fixed Amount	54	125.95	6,801	3,558
	Rangitīkei District	Fixed Amount	1	125.95	126	66
			76,462		9,630,504	5,052,939
TARGETED RATES						
Coastal Hazards			**SUIPs**	**Per SUIP $**		
	Napier City	Fixed Amount	28,855	3.98	114,948	93,662
	Hastings District	Fixed Amount	35,101	3.98	139,832	113,743
			63,956		254,780	207,405
CDEM Emergency Management			**SUIPs**	**Per SUIP $**		
	Napier City	Fixed Amount	28,855	52.62	1,518,206	1,259,191
	Hastings District	Fixed Amount	35,100	52.62	1,846,819	1,529,062
	Wairoa District	Fixed Amount	5,225	52.62	274,918	227,922
	Central HB District	Fixed Amount	7,227	52.62	380,229	309,347
			76,406		4,020,173	3,325,522
Subsidised Public Transport				**Cents in $**		
	Napier City	Capital Value		0.01056	2,453,943	1,815,787
	Hastings District	Capital Value		0.01037	2,808,522	1,738,887
					5,262,465	3,554,674
Sustainable Homes - Clean Heat				**Cents in $**		
	Napier City	Land Value		0.00261	280,802	339,519
	Hastings District	Land Value		0.00258	390,913	378,165
					671,715	717,684

Groups of Activities	Districts	Rates Set On	Units of Charge	Calculation Factor	Estimated Rates Revenue 24/25	Rates Revenue 23/24
Regional Economic Development			**SUIPs**	**Per SUIP $**		
Residential / Lifestyle Properties	Napier City	Fixed Amount	25,642	7.68	196,982	N/A
	Hastings District	Fixed Amount	28,958	7.68	222,456	N/A
	Wairoa District	Fixed Amount	3,992	7.68	30,667	N/A
	Central HB District	Fixed Amount	5,689	7.68	43,703	N/A
	Taupō District	Fixed Amount	4	7.68	31	N/A
	Rangitīkei District	Fixed Amount	0	7.68	-	N/A
	23/24 Rate	Fixed Amount	N/A	N/A	N/A	804,953
			64,285		**493,838**	**804,953**
				cents in $		
Commercial / Industrial Properties	Napier City	Capital Value		0.00975	365,006	N/A
	Hastings District	Capital Value		0.00958	464,801	N/A
	Wairoa District	Capital Value		0.00994	9,001	N/A
	Central HB District	Capital Value		0.01079	25,348	N/A
	Taupō District	Capital Value		0.00974	61	N/A
	Rangitīkei District	Capital Value		0.00000	-	N/A
	23/24 Rate	Capital Value		N/A	N/A	1,878,594
					864,217	**1,878,594**
				cents in $		
All Other Properties	Napier City	Capital Value		0.00150	7,760	N/A
	Hastings District	Capital Value		0.00147	161,966	N/A
	Wairoa District	Capital Value		0.00153	34,344	N/A
	Central HB District	Capital Value		0.00166	82,016	N/A
	Taupō District	Capital Value		0.00150	1,618	N/A
	Rangitīkei District	Capital Value		0.00150	369	N/A
					288,072	-
Regional Cyclone Recovery						
	Cyclone Recovery Rate	Fixed Amount	N/A	N/A	N/A	4,217,813
	Cyclone Recovery Rate	Land Value	N/A	N/A	N/A	1,663,681
Primary Production Pests				**Cents in $**		
	Napier City	Land Value		0.00379	24,497	N/A
	Hastings District	Land Value		0.00373	464,585	N/A
	Wairoa District	Land Value		0.00394	104,480	N/A
	Central HB District	Land Value		0.00429	223,349	N/A
	Taupō District	Land Value		0.00376	3,192	N/A
	Rangitīkei District	Land Value		0.00376	772	N/A
	23/24 Plant Pest	Land Value		N/A	N/A	605,449
	23/24 Animal Pest	Land Value		N/A	N/A	2,347,418
	23/24 Forest Pest	Land Value		N/A	N/A	137,105
					820,875	**3,089,972**

Groups of Activities	Districts	Rates set on	Units of Charge	Calculation Factor	Estimated Rates Revenue 24/25	Rates Revenue 23/24
Sustainable Land Management Strategy				**Cents in $**		
	Napier City	Land Value		0.00511	33,053	N/A
	Hastings District	Land Value		0.00504	626,850	N/A
	Wairoa District	Land Value		0.00531	140,972	N/A
	Central HB District	Land Value		0.00579	301,358	N/A
	Taupō District	Land Value		0.00508	4,306	N/A
	Rangitīkei District	Land Value		0.00508	1,042	N/A
	23/24 Rate	Land Value		N/A	N/A	1,336,488
					1,107,579	**1,336,488**
Water Quality				**Cents in $**		
	Napier City	Land Value		0.00337	21,790	N/A
	Hastings District	Land Value		0.00332	413,245	N/A
	Wairoa District	Land Value		0.00350	92,934	N/A
	Central HB District	Land Value		0.00382	198,667	N/A
	Taupō District	Land Value		0.00335	2,839	N/A
	Rangitīkei District	Land Value		0.00335	687	N/A
					730,161	-
Land Monitoring, Research, and Investigations Science				**Cents in $**		
	Napier City	Land Value		0.00156	10,116	N/A
	Hastings District	Land Value		0.00154	191,845	N/A
	Wairoa District	Land Value		0.00163	43,144	N/A
	Central HB District	Land Value		0.00177	92,230	N/A
	Taupō District	Land Value		0.00155	1,318	N/A
	Rangitīkei District	Land Value		0.00155	319	N/A
					338,971	-
Heretaunga Plains Flood Control Scheme				**Cents in $**		
	Napier City	Capital Value	Direct	0.00872	1,432,089	1,444,819
	Napier City	Capital Value	Indirect	0.00214	512,171	519,448
	Hastings District	Capital Value	Direct	0.00857	1,865,057	1,809,010
	Hastings District	Capital Value	Indirect	0.00210	900,891	874,137
					4,710,208	**4,647,414**
Maraetotara Flood Maintenance Scheme				**Cents in $**		
	Hastings District	Capital Value		0.00465	18,689	18,371
Upper Makara Stream Catchment Scheme				**Cents in $**		
	Central HB District	Capital Value	High	0.63300	92,215	99,157
	Central HB District	Capital Value	Medium	0.10335	24,095	33,175
	Central HB District	Capital Value	Low	0.00517	5,426	20,510
	Hastings	Capital Value	Medium	0.09172	7,568	7,207
	Hastings	Capital Value	Low	0.00459	136	402
					129,440	**160,451**

Groups of Activities	Districts	Rates set on	Units of Charge	Calculation Factor	Estimated Rates Revenue 24/25	Rates Revenue 23/24
Upper Tukituki Flood Control Scheme				**Cents in $**		
	Central HB District	Capital Value	High	0.18067	539,263	608,204
	Central HB District	Capital Value	Medium	0.06825	752,405	411,035
	Central HB District	Capital Value	Low	0.00161	93,690	143,226
	Hastings District	Capital Value	Medium	0.00713	427	2,190
	Hastings District	Capital Value	Low	0.00071	1,183	4,601
					1,386,968	**1,169,256**
Whirinaki Industrial				**Cents in $**		
	Hastings District	Capital Value		0.01209	6,750	N/A
Brookfields Awatoto				**Cents in $**		
	Napier City	Capital Value		0.07397	202,051	189,031
Clive & Muddy Creek				**Cents in $**		
	Hastings District	Capital Value		0.02316	318,136	298,031
Haumoana				**Cents in $**		
	Hastings District	Capital Value		0.02797	178,392	171,793
Karamū Drainage & Enhancement				**Cents in $**		
	Hastings District	Capital Value		0.00680	1,605,657	1,775,353
Napier, Meeanee, Puketapu				**cents in $**		
	Napier City	Capital Value	Urban	0.00843	1,211,800	1,135,453
	Napier City	Capital Value	Industrial	0.03373	318,970	318,819
	Hastings District	Capital Value	Rural	0.00828	21,104	36,189
					1,551,875	**1,490,461**
Ohuia Whakaki Drainage Scheme				**Cents in $**		
	Wairoa District	Capital Value	A	0.80349	102,960	90,787
	Wairoa District	Capital Value	B	0.24777	3,184	7,852
					106,145	**98,639**
Opoho Drainage Scheme				**Per Suip $**		
	Wairoa District	Fixed Amount	A	37,128.09	37,128	36,336
	Wairoa District	Fixed Amount	B	13,845.33	13,845	13,550
	Wairoa District	Fixed Amount	C	5,538.13	5,538	5,420
					56,512	**55,306**
Pākōwhai				**Cents in $**		
	Hastings District	Capital Value		0.05168	198,326	187,193
Paeroa Drainage Scheme Special Rating Area				**Cents in $**		
	Wairoa District	Capital Value	A	0.05972	24,287	23,494
	Wairoa District	Capital Value	B	0.01138	4,993	2,013
					29,279	**25,507**

Groups of Activities	Districts	Rates set on	Units of Charge	Calculation Factor	Estimated Rates Revenue 24/25	Rates Revenue 23/24
Poukawa Drainage Special				**Cents in $**		
	Hastings District	Capital Value		0.06805	28,363	42,435
Puninga				**Cents in $**		
	Hastings District	Capital Value		0.09740	160,593	150,145
Raupare Enhancement				**Cents per Hectares**		
	Hastings District	Area	1,125	1219.59	13,718	14,855
Raupare Twyford				**Cents in $**		
	Hastings District	Capital Value		0.01029	190,935	180,994
Tūtaekurī Waimate Moteo				**Cents in $**		
	Hastings District	Capital Value		0.04527	298,706	296,311
2023-24 Rates moved to general rate per R&F Review in 2024-25						
	23/24 Wairoa Rivers & Streams			N/A	N/A	271,327
	23/24 Central & Southern Area Rivers & Streams			N/A	N/A	85,721
	23/24 Pōrangahau Flood Control			N/A	N/A	46,322
	23/24 Kairakau Community Scheme			N/A	N/A	11,448
	23/24 Esk River Maintenance			N/A	N/A	19,584
	23/24 Whirinaki Stream Maintenance			N/A	N/A	25,093
	23/24 Te Ngarue Stream Flood Protection Scheme			N/A	N/A	10,905
	23/24 Kopuawhara Stream Flood Control Maintenance Sch			N/A	N/A	17,538
Sustainable Homes Financial Assistance Voluntary targeted rate to repay financial assistance to insulate homes and provide clean heat, solar heating, Photovoltaic cells, HRV, domestic water storage and septic tank replacement		$10 per $100 loan		$10		$10.00 per $100 loan

Comparison of rates on specific commercial properties (GST inclusive)

Comparison of rates on specific urban properties (GST inclusive)

Comparison of rates on specific urban properties (GST inclusive)

Comparison of rates on specific rural properties (GST inclusive)

Explanation of rating method

Flood Protection and Control Schemes	Rating Factor	Explanation of rates (Local Government (Rating) Act, schedule 2)	Basis of rating (Local Government (Rating) Act (2002, schedule 3)

Flood Protection and Control Schemes	Rating Factor	Explanation of rates (Local Government (Rating) Act, schedule 2)	Basis of rating (Local Government (Rating) Act (2002, schedule 3)

Drainage and Pumping Schemes	Rating Factor	Explanation of rates (Local Government (Rating) Act, schedule 2)	Basis of rating (Local Government (Rating) Act (2002, schedule 3)

Drainage and Pumping Schemes	Rating Factor	Explanation of rates (Local Government (Rating) Act, schedule 2)	Basis of rating (Local Government (Rating) Act (2002, schedule 3)

Drainage and Pumping Schemes	Rating Factor	Explanation of rates (Local Government (Rating) Act, schedule 2)	Basis of rating (Local Government (Rating) Act (2002, schedule 3)

Ngā rōpū e whai mana ai te kaunihera

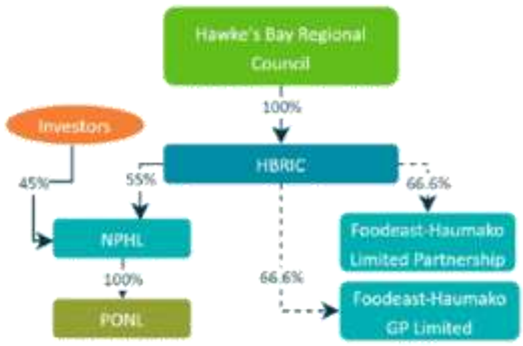
Council-Controlled Organisations

Introduction

In February 2012 Hawke's Bay Regional Council established a Council-Controlled Trading Organisation (CCTO) called the Hawke's Bay Regional Investment Company Limited (HBRIC). The Regional Council has a 100% shareholding in HBRIC which has 55% shareholding in Napier Port Holdings Limited (NPHL). Napier Port Holdings Limited was listed on the NZX in August 2019 and has 100% ownership of Port of Napier Limited (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% ownership. The other parties, being Hastings District Council (HDC) and Progressive Meats Limited (PML), each with 16.7% ownership.

Figure 9: 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%.

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:

- There is growth in long term shareholder value
- Financial and strategic returns are increased
- Investments are secure and sustainable over the long term
- Investments will assist achievement of the Regional Council's regional strategic development objectives
- A majority ownership of NPHL is maintained
- Commercial returns are generated across the managed funds portfolio, sufficient to protect and grow the capital base and contribute towards funding the Regional Council's operating costs
- Investment in equity investments provides long term commercial returns and, where possible, a regional benefit.
- Investment in real assets provides long term commercial returns and, where possible, 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 NZ Stock Exchange (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 PON.
- Support ongoing growth of the regional economy.

Foodeast-Haumako

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

Figure 10: 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, and 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.

Wāhanga 6 – Ngā Kaupapahere
Part 6 – Policies

Contents

Te Takotoranga Moni, te Whakahaere Taunaha me ngā Kaupapahere Haumi

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 include the Regional Council's **Investment Policy** as well as the **Liability Management Policy** as required.

- 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.
- the 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 while balancing 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 and Council Controlled Trading Organisation to 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 with Councillors as part of the 2024-2027 Three-Year Plan process, and the 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 to:

- optimise long term cash returns from the Investment portfolio
- increase asset values within the investment portfolio, growing regional resilience
- 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 of 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 wellbeings. 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:

- *To 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, to avoid investing in entities that exceed the ethical exclusion criteria by prohibited activities and thresholds, as these activities are inconsistent with our values*
- *To review the Group's management and standards on Social Responsibility as part of the overall SIPO review, and update as necessary to reflect changes in best practices 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 at **hbrc.govt.nz, search: #ltp**.

Mix of Investments

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

Hawke's 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 who owns them. 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 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 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

Descriptions of our current investment assets:

Napier Port Holdings Limited: the Regional Council 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 use an external manager to support the investment of Managed Funds.

There are two funds that 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 are 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 associated 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. Significant 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 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 policy 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 ratepayers.

The parameters of the HBRIC role is 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 also change the mix of assets.

Return Targets

In forecasting the 2024-2027 Three-Year Plan (3YP), inflation is assumed and applied at 2.5 percent each year over the life of the 3YP. Asset growth equivalent to inflation ensures 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's 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 anticipates can be achieved annually. The returns targeted in 3YP are lower than forecast in the prior 3YP because 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 3YP are:

Cash return targets	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27
Cash return	$15.05M	$13.3M	$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
Reserve Bank of NZ registered banks[2]	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

[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 2022-2023 Annual Report.

[2] Cash deposits arranged through the Jarden Cash Management Facility are approved and included within HBRC's counterparty limit

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 schemes or other projects to progress at an earlier stage than might otherwise be possible, because 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
- 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
- pre-funding of upcoming debt maturities or capital expenditure requirements
- funding the balance sheet as a whole, including working capital requirements
- raising 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 consistency with the Annual Plan and Long Term Plan.

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.

Local Government Funding Agency 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, or proceeds from the sale of assets or investments, or 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:

- the 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. These 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.
- the accounting and taxation impact of an 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
- advances will be secured wherever practical.
- 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 million. Any new loan advances beyond $2 million 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. The Regional Council has recently obtained an AA credit rating.

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.

Notes:

- 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 and without preference (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%

Notes:

- *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 rateFixed 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) offered by the LGFA
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 Policies can be reviewed and changes recommended by other persons, the authority to make or change a 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 recommending 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 of 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 responsibilities, either directly, or via the following stated delegated authorities (see table over).

Activity	Delegated authority	Limited
Approving and changing policy	Council	Unlimited

Te Kaupapahere Moniwhiwhi, Ahumoni Hoki

Revenue and Financing Policy

Policy purpose and overview

The Revenue and Financing Policy describes how Hawke's Bay Regional Council (the Regional Council) intends to fund its expenditure. It outlines the sources of funding that the Regional 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 Regional 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 Regional 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 Regional 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 Regional Council must work through the process and matters set out in section 101(3) of the LGA including to have regard to 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 in Section B.

The Regional 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, as set and assessed under the Local Government (Rating) Act 2002.

The funding sources and mechanisms will be used to finance the Regional 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 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 LGA 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 Regional Council has determined the funding sources for operating and capital expenditure after considering the rationale 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 percent 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	The Regional Council has a range of property, equity, and cash investments that provide a source of income not related to any specific function or activity. The Regional Council's investment assets include its 100 percent shareholding in the Hawke's Bay Regional Investment Company Limited (HBRIC) (HBRIC owns 55 percent 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. The Regional 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. The Regional Council 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%

Activity	Fees & user charges	Grants, subsidies & other	Targeted rate	General rate
Water Quantity	35% from consent holders			65%
Water Quality	15% from consent holders		20%	65%
Water Information Services	90% from consent holders			10%
Sustainable Land Management			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			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 Regional 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 Regional 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 Regional Council must consider who benefits and by 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, while 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 Regional Council must identify the period in or over which those benefits are expected to occur. In doing this, the Regional 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 Regional 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 Regional 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 Regional Council must consider the costs and benefits, including consequences for transparency and accountability, of funding an activity separately. For example, consider whether user charges or targeted rates or a combination of these pays for this, or whether the activity should be funded by the general rate.[2]

Step Two

The Regional 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 Regional 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 step one of the 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 wellbeing 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 Regional 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 Regional 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 Regional 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.

The Regional Council considers that recovering the general rate on capital value creates a more resilient rates base better able to respond to rate changes. Capital value also 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 Regional 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. The Regional 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

The Regional 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

Step One	Step Two

Step One

Step Two

Step One	Step Two

Step One

Step Two

Step One	Step Two

Step One	Step Two

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Step Two

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 8 and Table 9 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 8: 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 - 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 - Land use consent for gravel extraction - Other consent applications	$1,000 $1,500 $1,000 $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	Based on actual and reasonable costs[1] for non-standard process
Transfer of resource consent (2 or more, with transfer form completed and signed) to a new owner/occupier, or change of name	$250	

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]

Table 9: 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 8)	$5,000	$10,000	Based on actual and reasonable costs[1]
Application processed as part of a catchment-wide replacement process	(per Table 8)	$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 22); plus 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 8.

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 8 and Table 9 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.

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 10). 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.

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 10. 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 10: 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 22). 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 11.

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 11.

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 11. 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 11: 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 22).

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 12. If the weekly consented volume is less than 3,200 m^3/week, then the minimum charge in Table 12 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.

Table 12: 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 m³ 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 13. 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 14.

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

Table 13: 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

Annual fixed charge 2024-2025 (excl GST)		
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.

Table 14: 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 15, are set in accordance with section 150 of the Local Government Act 2002.

Table 15: 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 22).

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 16. 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 16: 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 is set out in Table 8. 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, where specified by the conditions 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 17. 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 17: 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

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 consent processing costs not associated with the Building Act will be charged as specified in Table 8 under Resource Management charges.

PIM costs

A fixed charge (deposit) listed in

Table 18 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 18.

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 18). 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 22).

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 18: 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)*	$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 & Maritime Safety charges

3.1 Standard charges under the Maritime Transport Act 1994 - Marine Tier 1 Oil Transfer Sites

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.

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.

Table 19: 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 22).

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 20.Table *20Table 20: 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 22).

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.

Anchorage Levy Charges

Vessels required to depart from a berth to anchorage due to port operations or vessel movements will be granted a grace period of 12 hours before anchorage charges are levied. Charges will not apply to vessels that need to anchor due to safety reasons.

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 21.

Table 21: 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 22) 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 in line with guidelines provided by the Ministry of Justice. Currently these are an initial charge of $38 for the first chargeable half hour or part thereof; and then $38 for each additional half hour or part thereof. 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 22 will apply.

6. Other charges related information

Staff hourly charge rates

Other than time spent providing information for requests under LGOIMA (see section 5), where staff time and materials are to be recovered, the actual cost will be calculated using the rates outlined in Table 22, which will be updated annually as part of the fees and user charges schedule published on the Regional Council's website.

Table 22: 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

Item	Per hour (excl GST)
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

Leasehold properties

Hawke's Bay Regional Council owns multiple leasehold properties. Charges for changes related to these properties are listed in Table 23.

Table 23: 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

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.

Ngā Kaupapahere Whakaiti Tāke Kaunihera, Tārewa Hoki

Rates Remission and Postponement Policies

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 the Regional Council considers that postponing the requirement to pay rates would not support the objectives set out below. The Regional Council 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
- 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
- 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

To allow rate relief where it is considered fair and reasonable to do so, the Regional Council 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 the Regional Council'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 the Regional Council 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 the Regional Council, 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 Regional Council, 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 the Regional Council.
- 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 the Regional Council under above include:

- the ratepayer's payment history
- the ratepayer entering into an agreement with the Regional Council 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.
- The Regional Council will, at its discretion, resolve when an event is a recognised major event for the purposes of this Policy.
- The Regional Council 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.
- The Regional Council 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 the Regional Council 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.
- The Regional Council 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. The Regional Council 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 the Regional Council 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 the Regional Council'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 the Regional Council's Rates team and applies from the commencement of invoicing until the full repayment has occurred.

Te Kaupapahere Hiranga, Tūhono Hoki

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 involves 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. For example, 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.

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 staff member 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 substantively reviewed as part of the 2021-2031 Long Term Plan resulting in the inclusion of two new criteria for significance.

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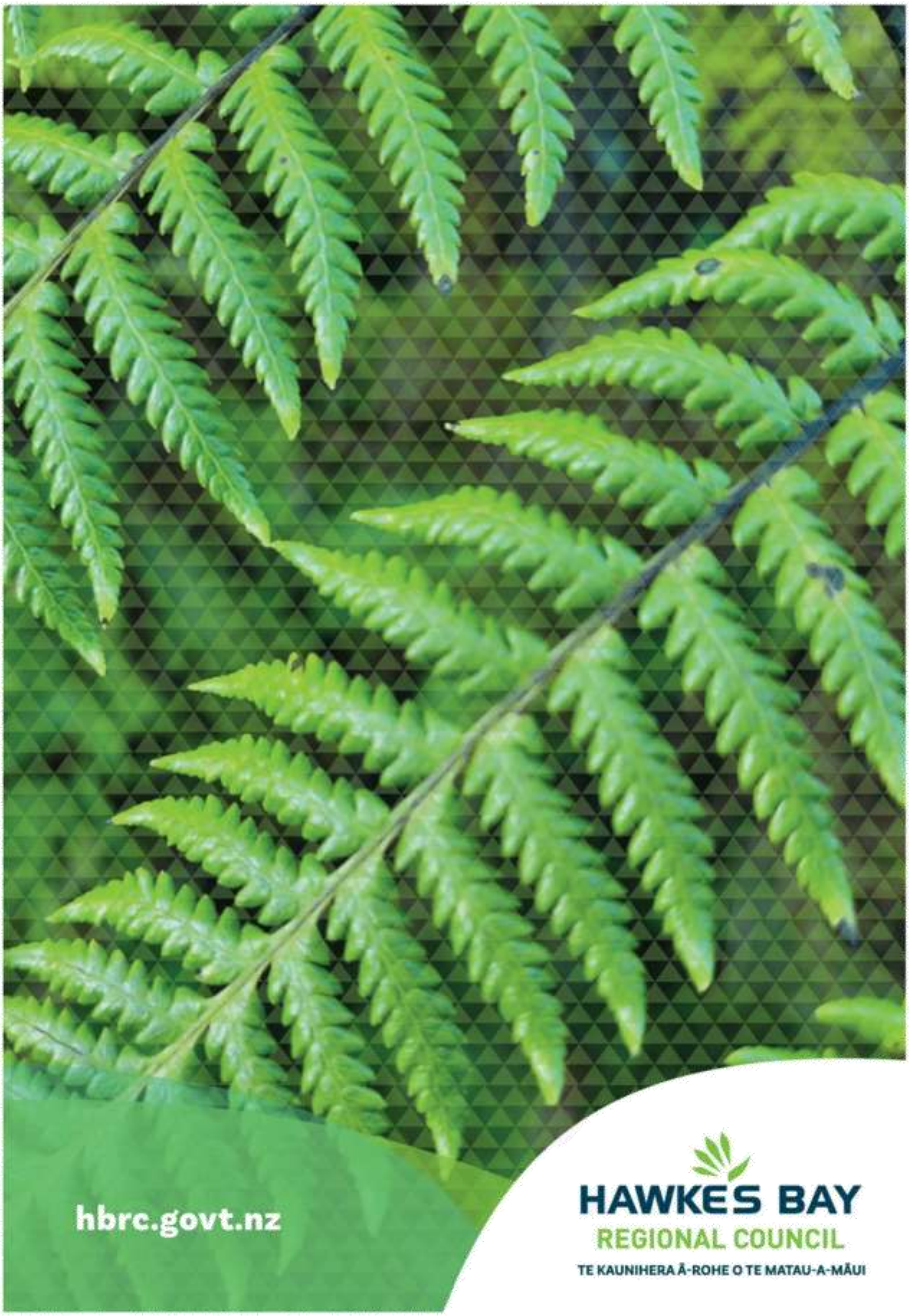
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REGIONAL COUNCIL
TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI