



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

Minutes of a meeting of the Regional Council

Date: 13 February 2024

Time: 12.30pm

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

Present: Cr H Ormsby, Chair
Cr W Foley, Deputy Chair
Cr X Harding
Cr T Hokianga (*online from 1.17pm*)
Cr N Kirton
Cr C Lambert (*online*)
Cr J Mackintosh
Cr D Roadley (*from 12.56pm*)
Cr S Siers
Cr J van Beek
Cr M Williams
M Paku Māori Committee Co-chair (*online*)

In Attendance: N Peet –Chief Executive
S Young – Group Manager Corporate Services
K Brunton – Group Manager Policy & Regulation
C Dolley – Group Manager Asset Management
C Comber – Chief Financial Officer
P Martin – Senior Governance Advisor
A Doak – Governance Advisor

1. Welcome/ Karakia/ Housekeeping/ Apologies/ Notices

The Chair welcomed everyone to the meeting and opened with a karakia.

Resolution

RC7/24 That the apology for lateness from Cr Roadley be accepted.

**Ormsby/Siers
CARRIED**

2. Conflict of Interest Declarations

There were no conflicts of interest declared.

3. Submissions received on the Revenue and Financing Policy Review

Nic Peet introduced the item, noting the importance of this step in the process of decision-making for the Revenue and Financing Policy.

Letters were sent to the most affected ratepayers using a threshold of either having at least a \$1000 and a 15% increase, or a \$2000 and a 15% decrease. Additionally, a range of key stakeholders were contacted including all section 36 (s36) consent holders.

A first principles rates review was signalled in the 2021 Long Term Plan (LTP). Work on this started in April 2022 with stage 1 being adopted in September 2022.

It had always been intended to carry out the Review between LTP cycles so that the impact of it could be distinguished from LTP changes. However, the impact of Cyclone Gabrielle saw a two month delay in the review process leading to public consultation happening in December 2023. It was recognised that this time period was not ideal, so the consultation period was extended from the usual four week period to eight weeks.

The use of a 'rates calculator tool' on the council website was considered, but not included in the consultation. Instead individual ratepayers could ask for an assessment to be carried with 200 such assessments being provided during the consultation period.

RC8/24 **Resolution**

That Hawke's Bay Regional Council receives and considers the written submissions received on the "*Revenue and Financing Policy Review*".

**Williams/Mackintosh
CARRIED**

4. Revenue and Financing Policy Review Submissions Hearing

The chair clarified that the process today would be to move this item and then hear submissions from the public at this meeting. Any discussions relating to these submissions will happen during the deliberation meeting which is scheduled for 28 February 2024.

RC9/24 **Resolution**

That Hawke's Bay Regional Council receives and considers the verbal submissions on the Revenue and Financing Policy Review consultation as presented by members of the community.

**Siers/Harding
CARRIED**

The Council commenced hearing verbal submissions.

Cr Roadley joined the meeting at 12:56pm in person

John Bostock on behalf of Bostock New Zealand (submitter 23)

- Basically opposed to matters in the consultation because there are bigger issues to think about. Climate change is real with bigger and more intense events to come – Cyclone

Gabrielle was just a warning shot.

- Above Roy's Hill the stopbanks were a 'gumboot length' below disaster level - from overtopping of the stopbank. The stopbank repairs carried out are not good enough.
- A report from Royal HaskoningDHV was tabled – this has found weaknesses in stopbanks with potentially disastrous consequences.
- In the age of climate change, the single most important task for HBRC is to hire people with expertise to design and deliver a flood mitigation systems.
- Council should sell assets and use rates for this single issue – council will be held responsible. Time for leadership from Hinewai and the team.

The Chair advised Mr Bostock that this submission is not within scope of the Revenue and Financing Policy review and to consider submitting it to the Council's independent review of the flood schemes and/or the LTP consultation which will happening in the next couple of months.

Jesse Richardson on behalf of Common Ground New Zealand (submitter 342)

- Jesse works with councils across the country looking to create more equitable rates.
- Rating on land is viewed as being more equitable in terms of income across various districts. People who are richer tend to have higher land value. HBRC information demonstrates that residential rates will, on average, increase.
- For example, the Hastings suburb of Camberley has low land values due to socio-economic factors and Camberley rates will increase under the capital value scenario.
- Additionally rating on capital value, when considered as one of many cumulative factors, may contribute to reduced development. Using land value would be better for the housing supply situation.
- However, simplifying rates system is good and that aspect is supported.

Cr Hokianga joined the meeting at 1:17pm online

Bruce Bisset (submitter 370)

- Leaving aside the land and capital value matter- inequities were produced by the proposed changes concerning land management, sustainability, pest control etc.
- Urban residents would be paying for rural land sustainability and that doesn't make sense
- The proposed changes seem to be a finance driven initiative - moving away from targeted rates probably made sense for financial control reasons and is also likely to be supported by the farming sector
- Monitoring of consents is the elephant in the room, with less than 50% being adequately monitored at present. A big upcoming cost.
- For a pensioner living in the middle of Hastings, the HDC Council pays for major services enjoyed in the city rather than services being provided by HBRC.
- Farmers, particularly a dairy farmer, vineyard operators and forestry owners have an impact on their own land and those downstream from them. The farmers should be the ones to pay for that. But instead 65% of these costs now paid by urban residents and this is moving to 100%. Good for farmers but a 30% rates increase for Camberley or Flaxmere residents is punitive and unfair.
- A farm is a business whereas a residential home is not. It goes against general principles for the public to subsidise big business.
- It is fair for urban ratepayers to contribute something because there are universal benefits, but it is important not to confuse a duty of care with the ability to pay.

Boyd Gross (submitter 500)

- Oppose change to capital value due to issues highlighted by the LINZ Review including that 35% of property revaluations don't meet standards.
- I work as a valuer but am not submitting in my professional capacity.
- The LINZ Review was a response to valuer's general concern and this is attached to my submission. In section 33, the Review highlights that intangible factors like consents, rights to grow etc. are not captured in property valuations.

- Revaluations are becoming more complex. A homogenous asset type and stagnant market would simplify revaluations.
- As interest in transparency grows, the number of challenges to assessments will increase and the cost to local authorities will increase as a result.
- Narrowing the focus to be just the value of the land itself is better. Land value is more equitable, captures potential use and provides long term stability.
- Land value is the most stable component of asset value. For example, a roller coaster of value had been experienced in the horticultural sector over the past few years but land values have been stable.
- I cannot see how using capital value is fairer and strongly disagree that a higher capital value indicates a higher ability to pay rates.
- Land values have only gone one way for the past 20 years. Sometimes there are flat periods, but always over time the land value steadily increases.
- Capital value could result in obsolete above ground structures with little or even a negative value being assigned a value that would then be used for rating purposes. There may well be no actual value in these assets yet land owners will be paying higher rates because of the flawed valuation system now in use.
- Even if there was an improved methodology, I would still favour land value because of its fairness and stability.

Paul Bailey (submission 435)

- Good arguments had been articulated on the subject of land value versus capital value and council would have a bit to think about.
- Focus on two matters: Fresh water science charges, and sustainable land management and biodiversity/biosecurity. Proposed changes could cause perverse outcomes and could be rectified if changes were made.
- Fresh water science charges paid by Water Holdings CHB Ltd. would be reduced because they don't own land and property.
- The proposal for sustainable land management/ biodiversity is the other issue. I support the predator free goal and am happy to contribute. No issue supporting agriculturalists and horticulturalists but I am making this submission about the impacts on forestry. Forestry has a serious credibility issue with its licence to operate after what happened in Wairoa and Tairāwhiti. A rates reduction for forestry is not going to go down well with a lot of people. Tweak the policy - Wairoa District Council applied a targeted forestry rate and won a court case in that regard, so it can be done.

Anna Lock (submission 530)

- Noted that the council was in a strong position to make a decision having received 500 or so submissions - the switch to capital value is not supported by submitters.
- There is no reason to switch, it's a waste of time; so many more important things to consider right now.
- The consultation document highlighted the negative impact on affordable housing – one of the biggest things we need in HB. The compounding effect of rating and other land costs will have an impact that may not have been intended.
- Disappointed with the community consultation methods and process; applaud the Wairoa councillor who held a public meeting about the consultation. Missing the days when HBRC used to have many such public meetings.
- If I hadn't stirred things up in the media then people still might not have realised what was going on. This consultation is a precursor to the LTP - it was wrong to say this review isn't an increase to the 'size of the pie', when HBRC is going out to ask for more rates soon anyway through the LTP process.

Scott Lawson- HB Vegetable Growers Association (submission 509)

- I represent part of the community that is involved in growing good food (vegetable growers and the horticultural sector more broadly). My submission has been put together with input

from many growers. Wider input was not possible as the consultation happened at the busiest time of the year for growers - the December and January period.

- The growing industry is in no state to handle the proposed increased share of rates – there would be more growers having a say if there had been more consultation done.
- Disappointed in the consultation process as there were a number of avenues that could have been pursued but were not. HBRC set up a Horticultural Advisory Group after the cyclone yet this group was not advised about the consultation.
- Landowners canvassed by HB Vegetable Growers Assn. are opposed to the proposed change from land value to capital value.
- Economic development aspect is also opposed – if this goes ahead it needs to be done very well. We need to see runs on the board.
- In terms of the flood protection schemes – poor consultation had been carried out; no idea how the money was spent. After the December 1980 floods, growers and council collaborated financially and through providing labour and soil together to rebuild stopbanks. We need to learn from the past and work better with communities.
- Land value doesn't change much and is a more stable/better way to be rated
- Drainage and pumping schemes are complex.
- Support the regional transport rate as this is core business but not sure why it is managed by HBRC, but it is undeniably needed.
- Why are fresh water science charges so complicated? Water users pay the most rates already and this looks there will be more on top again. Need more understanding of how this money is spent.
- There's a benefit to horticulture but more consultation is required.

Jim Galloway on behalf of Federated Farmers of New Zealand (submission 494)

- Federated Farmers are mainly in support of the review, capital value aligns more with services, it is a more common practice and has been found to be more equitable.
- Economic development rate - don't see how farms get more benefit compared to say a Napier hotel - there's been a big drop in the contribution from such businesses. Where do farmers get a benefit? Not opposed to paying something for this service but maybe the ratios could be adjusted.
- Non-urban water quality is an issue. Rural people might wonder why they are paying again through 60% in general rates.
- Lifestyle block rating examples – there were not many given.
- River and stream maintenance- why is this in the general rate rather than separate?
- Other schemes keep their own rating. If you show the separate categories then people can understand where rates are going.
- Maximising the use of UAG is supported. LTP – urge council to keep rate rises to a minimum. We need council services to be carried out – be prudent.
- Rates remissions and postponement is generally supported – however a policy on vines and trees is needed.

The meeting adjourned at 2.20pm and reconvened at 2.45pm

Nigel Bickle on behalf of all HB Territorial Authorities (submission 549)

- It is recognised that it is often a long time between reviews of such policies and that it is a complex process. This is a thorough and considered piece of work.
- Changing from land value to capital value is a legitimate way to finance council activities. There are less implications than other funding choices, however, there is an unintended impact on infrastructure. The submission is on behalf of the territorial authorities in HB highlighting that there would be significant increases for utilities, in particular, three waters infrastructure.
- Urban populations of Napier and Hastings are the main beneficiaries of public transport. Is spreading transport costs beyond urban areas fair?
- Recognise that it had been a long time since there had been a review of the policy but is now

the right time to do this? While it doesn't change the rating base it is a part of a cumulative effect on different sectors and households.

- Council should consider the timing of the implementation of the review - it could be done as an amendment to the LTP later on, or it could wait until 2027.
- An amendment to the LTP could be progressed in a year's time. Ratepayers are facing significant increases no matter who they are, and it is important to understand the bigger picture before making a significant policy call.

William Hale (submission 433)

- Complimented Council on wetland improvements - these have created a benefit in terms of flood protection and have worked really well in Takapau.
- Would like to ask for some silt to reinstate some farm land Takapau.
- Indigenous planting is best for waterways.
- People involved in industries in Takapau will benefit from the switch to capital value; others are struggling to pay for housing and as a consequence Takapau village is increasingly looking like a caravan park.
- Equity between someone whose property is for their living purposes versus someone whose property provides a service is not being achieved.
- Forestry damage had created an environmental hazard. Certainly there is a place for forestry, but why should a 600 hectare forest in Wairoa get a rates reduction while a Havelock North retiree faces an increase?
- Capital value is already used as a rating method by HB territorial authorities. If the capital value increase come in then we will be stung again, having already lost income due to covid and cyclone

Elma Raw (submission 530)

- I am a pensioner concerned about moving to capital value.
- I do not understand how it works given the fluctuations that can happen in the market. Different rates have been paid at different times for properties in the same block of flats that I live in – don't understand this.
- Living costs are increasing and the cyclone was beyond the scope of everyone to cope with. It is a huge cost and not something we can bare alone.
- Meeting rising costs on a limited fixed income is very difficult. Rates have gone up last year and look to be going up again. Pensioners are afraid, with some of my friends considering dropping insurance while lots of others have already done so.
- I have experienced a cyclone in Australia - it took three years to recover from. Appreciate that council has a huge job ahead.
- Council should provide a clearer explanation to older people about the proposed changes.
- Is there any policy for water tanks for new subdivisions? A friend has put in a 2000L tank and filled this in three days. Access to water is important for community resilience for events such as earthquakes.

Next Steps

Councillors asked that information on the following matters is provided in the papers to be considered for the deliberation meeting:

- Quite a few submissions assume that moving from say a \$300k LV to \$1million CV will lead to rates tripling – please explain
- Overlay bus routes on map on page 13 in the consultation document
- Rates impacts for a sample lifestyle block property
- Model change to sustainable land management – proposing to shift to 100% general rate, see figure 2 in consultation document. Please provide modelling keeping the status quo (75%: 25% split) and a 90%:10% split.
- Options for addressing impact on utilities rolls raised by Territorial Authorities
- Consequences if the adoption/implementation of the Revenue and Financing Policy were to be delayed.

- Examination of net effect on horticultural sector including s36 charges and rates
- Equity issues. How can putting up my share of rates with no extra services being provided yet lowering my neighbour's rates down the road be fair? Asking those in town to pay more to subsidise rural properties for the most part. How can this be justified?
- The consultant used for the review (Philip Jones) is to be asked for a response to Boyd Gross's submission on the LINZ review matters

Councillor Thompson Hokianga led a closing karakia.

There being no further business the Chair declared the meeting closed at 3.37pm on Tuesday, 13 February 2024.

Signed as a true and correct record.

Date:

Chair: