Extraordinary Meeting of the Hawke's Bay Regional Council

Date: 18 June 2024

Time: 9.00am

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

Agenda

Hawke's Bay Regional Council

18 June 2024

Subject: Three-Year Plan 2024-2027 deliberations - Introduction

Reason for report

1. This item outlines the process for decision-making during deliberations and next steps culminating in the adoption of the final Three-Year Plan 2024-2027 on 3 July 2024.

Process today

2. The deliberations reports (13 in total) are written by topic – one for each of the major matters in the consultation document. A report has also been written to address funding requests.
3. It is proposed to go through the 13 reports below in the following order and make provisional resolutions by topic.
4. The final item in the suite of deliberation papers – *Consolidated Three-year Plan Decisions* draws together all the provisional decisions in the preceding deliberation reports to consider the overall impact and confirm all decisions.
5. The reports are:
   - 5.1. Investing in flood resilience
   - 5.2. Investing in resilient communities (HBCDEM)
   - 5.3. Public transport
   - 5.4. Tough choices – Hawke's Bay Tourism
   - 5.5. Tough Choices – Sustainable Homes
   - 5.6. Touch choices – Erosion Control Scheme and Biodiversity & Biosecurity
   - 5.7. Tough choices – Regional Parks and Te Mata Park funding
   - 5.8. Infrastructure Strategy
   - 5.9. Submissions Requesting Financial Assistance
   - 5.10. Fees and User Charges Policy
   - 5.11. Rates Remission and Postponement Policies
   - 5.12. Revenue and Financing Policy
   - 5.13. Consolidated Three-Year Plan Decisions
6. Attached to each deliberations report are the relevant submission points for that topic and a count for and against.
7. Each deliberations report references the relevant submissions and includes staff analysis.
8. Council will be asked to consider the submission points relating to the topic and any comments made by Council staff, and to agree or not agree to the proposal consulted on or a variation.

Scope of decision-making

9. Under the Local Government Act, the purpose of a long term plan consultation document is to provide an effective basis for public participation in decision-making related to the content of a long term plan. The Council must consult on proposals it considers significant and provide choices including the consequences of those choices (e.g. on rates, debt and levels of service).
10. In most cases choices are presented as options with the Council's preferred option included in

the proposed budget and average rates increase. The status quo is usually an option along with other possible variations on quantum and funding method. Council must take a position so budgets can be set for Year 1-3 of the plan and the rates set for Year 1 (i.e. no decision or deferred decisions are not an option).

11. The Council is limited in its ability to make decisions outside of options presented to the community during consultation. If the consequences are significantly different to any of the options presented, then the interested and affected parties may be different or have submitted differently.
12. We use the concept of "bookends" as shorthand to describe the range of options available to council in decision-making. As a general rule, if the decision is within the bookends i.e. within the most impactful and least impactful options consulted on, the Council can reasonably make that decision without risk of challenge. The gives Council some ability to demonstrate responsiveness to submissions.
13. Council can set savings targets if it considers that the impact on rates, debt and levels of service are not significant. If they are deemed significant under the Council's Significance and Engagement Policy, they should be consulted on to inform decision-making.
14. Council decisions take into account a variety of factors, including but not exclusively submissions. Council must consider what is in the best interest for the region as a whole now and in the future.

Consultation and engagement

15. The deliberations reports are informed by the comprehensive consultation undertaken on the Three-Year Plan, including verbal feedback during Councillor drop-in sessions, 822 written submissions received, social media feedback, 60 verbal submissions at the Hearing on 29-30 May and reconsideration of submissions received during the Revenue and Financing Policy review on affordability.

Next steps

16. Following Council resolutions made at today's meeting, staff will make any required changes to the Three-Year Plan 2024-2027. Any changes will need to be applied to all three years of the plan.
17. The final Three-Year Plan 2024-2027 is scheduled to be adopted at an extraordinary Regional Council meeting on 3 July 2024.
18. Following the adoption of the Three-Year Plan 2024-2027, each submitter will receive an email from the Council within 30 days, setting out Council's resolutions pertinent to their specific submission.

Decision-making process

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

Recommendation

That the Hawke's Bay Regional Council receives and notes the *Three-Year Plan 2024-2027 deliberations - Introductionn* staff report.

Authored by:

Desiree Cull	**Mandy Sharpe**
Strategy & Governance Manager	**Strategy & Corporate Planner**

Approved by:

Nic Peet
Chief Executive

Attachment/s

There are no attachments for this report.

Hawke's Bay Regional Council

18 June 2024

Item 5

Subject: Investing in flood resilience

Reason for report

1. This deliberations report provides the Council with staff analysis of submissions and seeks a decision of Council on the consultation topic – *Investing in flood resilience*.

Staff recommendations

2. Staff recommend that the Council considers the submission points attached (and full submissions received by Council resolution on 29-30 May 2024) on the *Investing in flood resilience* consultation topic alongside the staff analysis to enable an informed decision.

Consultation topic

3. *Investing in flood resilience* was a key consultation topic that the Council sought public submissions on described on pages 12-19 of the *Have your say Hawke's Bay on our recovery focussed Three-Year Plan 2024-2027* consultation document.
4. The key question posed was "how should we rate for [our share] of Category 2 flood mitigation" in the four new flood scheme areas ($24M for initial capital and well as ongoing operating) and general works ($17M).
5. Three rating models for all properties within the direct/indirect scheme footprint were provided for each area for comparison. For example, the Pōrangahau flood scheme is shown below.

Initial Capital

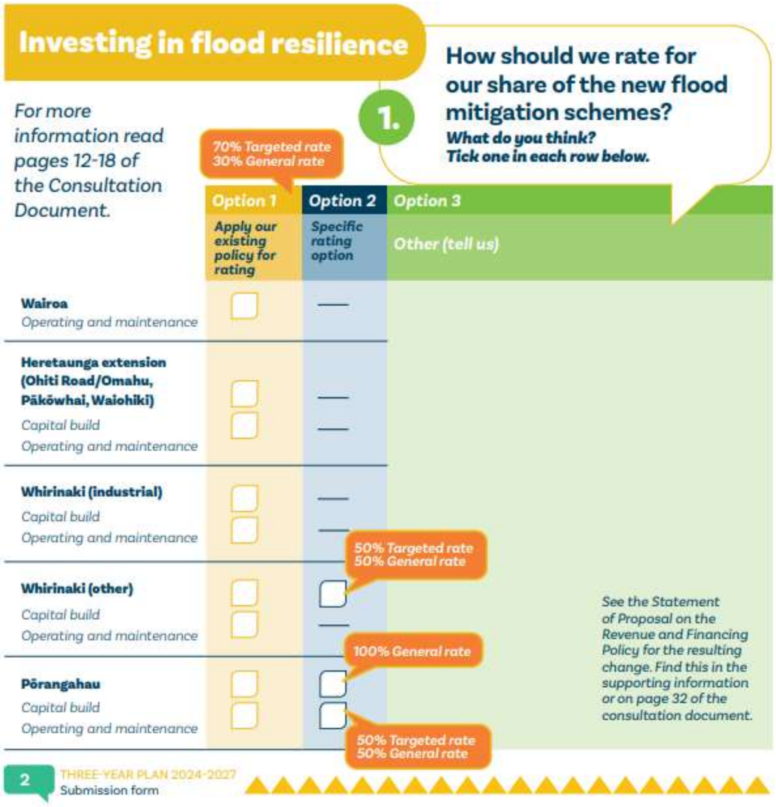
Rating models (TR%/GR%)	Average* Targeted Rate (TR) increase		Average General Rate (GR) increase
	Direct (91 properties)	Indirect (130 properties)	
70/30 split (as per R&F Policy)	$1,900.58	$570.18	$1.45
50/50 split	$1,357.55	$407.25	$2.42
100% GR (specific option for consultation)	-	-	$4.83

*average of 20 years of rates and all properties within the footprint

Operating and Maintenance

Rating models (TR%/GR%)	Average Targeted Rate (TR) increase		Average General Rate (GR) increase
	Direct (91 properties)	Indirect (130 properties)	
70/30 split (as per R&F Policy)	$339.70	$101.90	$0.26
50/50 split (specific option for consultation)	$242.65	$72.80	$0.43
100% GR	-	-	$0.86

6. Tick box options of the existing Revenue and Financing Policy (R&F Policy) settings for flood schemes - 70% Targeted Rate and 30% General Rate, based on capital value (shaded green in the tables) and specific options for Pōrangahau and part of Whirinaki (shaded blue in the tables) were included as tick box options in the online submission form as follows:


Investing in flood resilience

For more information read pages 12-18 of the Consultation Document.

1. How should we rate for our share of the new flood mitigation schemes?
What do you think? Tick one in each row below.

	Option 1 Apply our existing policy for rating (70% Targeted rate 30% General rate)	Option 2 Specific rating option	Option 3 Other (tell us)
Wairoa Operating and maintenance	☐	—	
Heretaunga extension (Ohiti Road/Omahu, Pākōwhai, Waiohiki) Capital build Operating and maintenance	☐ ☐	— —	
Whirinaki (industrial) Capital build Operating and maintenance	☐ ☐	— —	
Whirinaki (other) Capital build Operating and maintenance	☐ ☐	☐ (50% Targeted rate 50% General rate) —	
Pōrangahau Capital build Operating and maintenance	☐ ☐	☐ (100% General rate) ☐ (50% Targeted rate 50% General rate)	See the Statement of Proposal on the Revenue and Financing Policy for the resulting change. Find this in the supporting information or on page 32 of the consultation document.

2 THREE-YEAR PLAN 2024-2027
Submission form

7. Amendments to our *Revenue and Financing Policy* are needed to implement the rating so Council sought public feedback on the proposed policy change concurrently with the Three-year Plan.

8. A Statement of Proposal and marked-up policy was available online and referenced in p19 and 31 of the *Have your say Hawke's Bay on our recovery focussed Three-year Plan 2024-2021.*

9. The marked-up policy as consulted on is shown below.

Activity	Fees & user charges	Grants, subsidies & other	Targeted rate	General rate
Water Information Services	90% from consent holders			10%
Sustainable Land Management			25%	75%
Soil Conservation Nursery	100%			
Erosion Control Scheme/ Land for Life				100% for Council's share of costs
Biodiversity				100%
Primary Production Pests			100%	
Asset Management Group				
Flood Protection & Control Works				
Flood protection schemes			70%	30%
Drainage and pumping			90%	10%
River & stream maintenance				100%
Initial capital to build Category 2 Flood Schemes		Percentages subject to the outcome of community consultation.	0-70%	30-100%
Initial costs for Category 2 General Works				100%

Submissions received

10. Of the submissions received, between 56%-73% supported the Council's preferred option of applying existing rating policy across the new schemes, between 12%-16% support the specified rating options, and between 27%-33% indicated other options. Around 170 of total submitters did not select an option in this consultation topic.

	70%/30% rate split	Specific rate	Other	Total
Wairoa				
Operating & Maintenance	132 (71%)	-	54 (29%)	**186**
Heretaunga extension				
Capital	128 (67%)	-	64 (33%)	**192**
Operating & Maintenance	132 (69%)	-	58 (31%)	**190**
Whirinaki Industrial				
Capital	124 (70%)	-	53 (30%)	**187**
Operating & Maintenance	124 (72%)	-	49 (28%)	**173**
Whirinaki Other				
Capital	105 (59%)	22 (12%)	51 (29%)	**178**
Operating & Maintenance	125 (73%)	-	47 (27%)	**169**
Pōrangahau				
Capital	97 (56%)	25 (14%)	51 (30%)	**173**
Operating & Maintenance	96 (56%)	28 (16%)	47 (28%)	**171**

11. 133 submitters made a comment under this topic.

Summary of submissions and staff analysis

Best rating model for the flood schemes

12. There were a mix of views in the submissions.

13. Some thought it should all be 100% general rate funded.

    13.1. *"In all Flood schemes fund by 100% General Rates for both Initial Capital and Operating and Maintenance for Wairoa, Heretaunga, Whirinaki (Industrial), Whirinaki (Other), and Pōrangahau"* (#647)

    13.2. *"Spread costs of flood mitigation equally over all rate payers"* (#917)

    13.3. *"All flood scheme areas should be charged at 100% GR."* (#932)

14. Some ratepayers felt that only the capital spend should be 100% GR.

    14.1. *"For all flood schemes the capital cost should be 100% targeted rate with maintenance per the standard R& F policy split"* (#563)

15. Some thought it should be 100% targeted to those in the affected flood area.

    15.1. *"The burden of rates should be targeted to those who benefit or potentially benefit and people should learn to be accountable for their own choices and if they build on the coast or low lying land and then if its a hand out…"* (#204)

    15.2. *"No Dont want to pay more. I have paid my share made the right decisions didn't get flooded so why should I pay for others who rebuilt in flood areas"* (#426)

    15.3. *"…My views is that the "user should pay". No cross subsidies, financing for the life of the resource and costs to be met by the direct beneficiaries of that resource…"* (#856)

    15.4. *"Ratepayers in non-affected areas should NOT be required to share or contribute to these costs. Property owners knew [or ought to have known] the risks associated with the areas they chose to purchase and the cost of works for their exclusive geographic benefit should be met exclusively by them with a targeted rate (and not be part of the general rates burden on property owners outside these affected areas"* (#870)

16. Most supported using existing policy settings of 70:30 targeted:general rate proportion.

    16.1. *"for each of the areas Initial Capital and Operating and Maintenance rating model: 70/30 split"* (#121)

    16.2. *"For the Heretaunga flood scheme the 70/30 split makes the most sense to me"* (#717)

16.3. *Category 2 flood schemes costs should be the same as other flood protection and control works: 30% general rate and 70% targeted rate"* (#1005)

16.4. *"Apply existing policy settings to flood and coastal hazard financing. This is fair"* (#1068)

16.5. *"…in terms of rating for both the capital and ongoing operating and maintenance for flood control we believe that Council's existing policy settings are the right settings. To this end we wish record our support for the 70/30 split as per the current Revenue and Financing Policy for all flood protection schemes"* (#1091)

17. Some submitters supported a 50/50 rate for all of the schemes.

17.1. *"Relates to all of the above: Apply the 50/50 TR/GR option. Rationale is that while we have all been impacted by Cyclone Gabrielle in some way those that lost property and had their livelihoods severely impacted deserve additional support from the wider constituency"* (#571)

17.2. *"Wairoa 50/50 split Whirinaki (other) 50/50 split Heretaunga 50/50 split Pōrangahau 50/50 split"* (#1055)

17.3. *"Wairoa - 50/50 Heretaunga O&M - 50/50 Whirinaki (industrial) capital and O&M - 50/50 Whirinaki (other) capital - 50/50"* (#1105)

18. A number of submissions were received that did not fall neatly into the above categories. Some submitters felt that a greater proportion of targeted rate should apply to the beneficiaries of the schemes – with the targeted rate proportion varying from 80% to 100%.

Staff response

19. It is noted that those who submitted for a greater targeted rating contribution, for the most part, identified as living outside of areas affected by the new schemes. Conversely, those who identified as being beneficiaries of the new schemes were most likely to submit in favour of 100% general rate funding.

20. Flood protection is about protecting public infrastructure as much as individual properties. Districts are interwoven so, regardless of where the flooding occurs, it will have wider economic and social impacts.

21. While cyclone-related flooding was confined to some areas, the effects of Cyclone Gabrielle were noticed across the whole region, particularly with regards to key infrastructure such as roading.

22. As part of the recently reviewed Revenue and Financing Policy, the Council adopted a consistent approach for rating flood mitigation schemes which was a 70/30 split. Consistency was a key factor of the Revenue & Financing Policy review.

23. Due to the fact that these proposed flood mitigation schemes are in response to a 1 in 500 weather event, a variation to the consistent 70/30 approach could be warranted.

Bespoke solutions by area

24. For all four areas where new schemes are proposed, the consultation document showed three possible rating models for both capital and operating expenses to give an indication of affordability. These were 70/30, 50/50 and 100% general rate funded. Bespoke or specific options for consultation were agreed by the Council for Whirinaki (Other) – initial capital 50/50 split and for Pōrangahau – initial capital 100% GR and operating, and maintenance 50/50 split.

Wairoa

25. A small number of submitters commented specifically on Wairoa

25.1. *"For Wairoa, I think the targeted rates are probably too much for the small town, and subsidising it with a split biased more towards general rates would help support Wairoa. I'd be happy to do that"* (#330).

Whirinaki

26. A number who submitted on the Whirinaki Other scheme commented that they believed that a greater portion, if not the entire capital and operating costs of the scheme, should be paid for through the Whirinaki Industrial scheme.

    26.1. *"Whirinaki Industrial to bear majority of the costs directly"* (#516)

    26.2. *"Whirinaki (Industrial) Flood Schemes: I think the rating model for this scheme should be a greater targeted component to reflect the more direct benefit - 90% Targeted Rate and 10% General Rate split"* (#1005)

    26.3. *"Pan Pac needs to pay for the Whirinaki industrial flood mitigation scheme not rate payers."* (#1143)

Pōrangahau

27. A number of submitters responded in favour of alternative arrangements for Pōrangahau.

    27.1. *"…welcomes the proposal for a bespoke arrangement for the new Category 2 flood scheme in Pōrangahau. As presented in the discussion document both the 70/30 split (as per the Revenue and Financing Policy) and 50/50 split options would present an unaffordable burden on the majority of the Pōrangahau community given the small footprint and low-socio economic status of the area"* (#153)

    27.2. *"Pōrangahau - 100% GR for both"* (#248)

    27.3. *"General rates increase for everyone - related to Pōrangahau"* (#541).

Heretaunga

28. Some submitters commented on the Heretaunga Plains Flood Control Scheme, with Pākōwhai being of particular focus.

    28.1. *"Heretaunga extension - both 100% general"* (#671)

    28.2. *"This comment relates only to Pākōwhai scheme, with the Waiohiki work integral in that proposed flood protection work… To lump 70% of the cost onto landowners, half of which are no longer residents is unfair and a misunderstanding of the reality of the situation. The cost of the flood scheme works for Pākōwhai should be rated fully by General Rate, as is Wairoa and Pōrangahau, who's economic contribution to the province is much less than Pākōwhai if that is guide to be used"* (#1180)

    28.3. *"…..I therefore strongly believe that the costs of building this stopbank benefits all HB residents and we all should equally pay our share"*(#935)

29. Hastings District Council submitted on who should rate for the local share for the enhancement for Havelock North streams agreed as part of the cost-share agreement with the Government following Cyclone Gabrielle (#1127).

Staff response

30. Both Wairoa and Pōrangahau are predominantly within lower socio-economic zones and therefore the cost associated with constructing and maintaining flood protection may not be affordable to these communities.

31. A 100% general rate funding for the capital portion for Pōrangahau would be in line with the 100% general rate funding for the capital portion for Wairoa.

32. Many submissions stated that all of the flood schemes should be 100% general rate funded, with some suggesting just the capital portion be 100% general rate funded. Council could choose to adopt either of these options.

33. Some submissions addressed either 50/50 rating or 100% general rate funding for Whirinaki. A key consideration that Council undertook as part of the analysis around the category 2 flood

mitigation was that affordability needed to be investigated. As such, and in regard to submissions stating this preference, Council could choose to adopt either the 50/50 split or 100% general rate funding for Whirinaki Other.

34. Many submissions spoke specifically of Pākōwhai which is a part of the Heretaunga Plains Flood Control Scheme (HPFCS).

35. Due to the fact that the Pākōwhai Flood Mitigation makes up a small portion of the HPFCS scheme, staff recommend maintaining a 70/30 split due to the adoption of this consistent approach during the Revenue & Financing review.

36. Some submissions questioned the portion which Whirinaki Industrial would be paying.

37. It is noted that the industrial ratepayers in the area were the ones who requested the higher level of service from the flood mitigation. The consultation noted that a 90/10 split was another option for this scheme. This option was supported by a small number of submissions.

38. General affordability, while not expressed explicitly, was implicit in a number of submissions. For three of the new schemes the capital portion of rates will be set in July 2024. The exception being the Wairoa scheme whose capital build is wholly government funded.

39. The quantum of the new rates as of July 2024 are only a small portion of the total as stated in the consultation document. It is expected that the rates will increase over the three-year LTP period as the costs of construction are incurred. It is expected that ratepayers may not notice much change to their annual rates initially.

40. The new rates to cover operating and maintenance costs for the schemes will not be set until the completion of the capital works for the new schemes, assumed to be in Year 4 of the plan.

41. The table below shows the total annual rate funding required for the capital works for the new schemes over the life of the Three-Year Plan. The biggest impact will be on Whirinaki given the small number of ratepayers within the targeted rate.

Project	Funding rule for initial capital spend	Y1 24/25 $	Y2 25/26 $	Y3 26/27 $
Heretaunga Plains (Ohiti Road/ Omāhu, Pākōwhai, Waiohiki)	70% HPFCS Target Rate 30% General Rate	190,658	827,299	1,471,388
Whirinaki - Industrial	70% New Target Rate to Whirinaki industrial 30% General Rate	8,385	36,383	162,970
Whirinaki - Other	70% New Target Rate to Whirinaki residential 30% General Rate	8,706	37,777	169,215
Pōrangahau	100% General Rate	34,319	148,916	304,464

42. Assuming the funding rules above, the rating impact will show up as a new line on rates invoices for ratepayers within the Whirinaki Industrial and Other scheme footprints only. See the example below for a property in Pohutukawa Drive in Whirinaki Other. This is the proposed rates for Year 1 and will increase in future years in line with the table above.

Cat 2 Whirinaki Other Direct ($135.54)

Cat 2 Whirinaki Other Indirect ($9.94)

43. Further work will be undertaken to identify beneficiaries and exacerbators of the schemes, as the flood mitigation solutions are confirmed and capital expenditure from the new delivery programmes ramp up. HBRC has engaged Phillip Jones to facilitate this work. This work will provide rationale for properties to be included within the flood protection areas and associated levels of benefit (rating) for each grouping. Consistency with the approach taken in other river

and drainage schemes will be a consideration. More targeted engagement with scheme ratepayers will be undertaken on this work.

Havelock North Streams

44. The HBRC contribution to the Havelock North Streams category 2 project will be the subject of a paper to Council outside the LTP process. Council is likely to need to rate for the costs of its contribution retrospectively. The process ahead will need to consider the issue of rating for this work, which is delivered and managed by Hastings District Council.

General Works

45. In addition to the flood schemes, the Regional Council agreed to fund it share of $17 million of $68 million of general works as part of the cost-share agreement with the Government. Council must decide how to rate for this work which includes:
    45.1. Additional work to already repaired stopbanks $7.5m (Total $30m)
    45.2. Replacing and upgrading three pumpstations $7.5m (Total $30m)
    45.3. Telemetry network repairs and upgrades $1.25m (Total $5m)
    45.4. Accelerating scheme reviews $750,000 (Total $3m).
46. As these general works are spread across a range of assets, geographical areas, scheme type (flood, drainage, and river maintenance) and years, the Council consulted on 100% general rate funding it.
47. No substantive submissions were received on this topic. Staff consider the proposed funding method is sound and recommends no change.

Revenue and Financing Policy change

48. As noted earlier in point #7 of this report, the Council must amend its Revenue and Financing Policy to implement the new rating.
49. The Regional Council consulted on adding two new lines to the table in Section A of the current Revenue and Financing Policy, shown in red below. The percentages will be changed to reflect the Council's preferred rating model.

Activity	Targeted rate	General rate
Asset Management group		
Flood Protection & Control Works		
Flood protection schemes	70%	30%
Drainage and pumping	90%	10%
River & stream maintenance		100%
Initial capital to build Category 2 Flood Schemes	0-70%	30-100%
Initial costs for Category 2 General Works		100%

50. Council also consulted on the marked-up changes as shown in **Attachment 2** *Step One Funding Needs Assessment and Step Two outcomes* to show the rationale.
51. The Revenue and Financing Policy incorporating the decisions made today on rating methods will be presented to Council for adoption within the final Three-Year Plan on 3 July 2024.

Scope of the decision

52. The scope of the decision is to decide the preferred rating model for the initial capital and operating of flood mitigation schemes in Wairoa, Whirinaki, Heretaunga and Pōrangahau, as well as for the general work agreed as part of the cost-share agreement.
53. Staff do not recommend delaying the adoption of this approval so the new capital build rates

(except where fully government funded) can start to be rated from 1 July of the 2024-25 financial year.

Decision-making process

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

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

    54.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke’s Bay Regional Council:

1. Receives and considers the *Investing in flood resilience* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act and special temporary legislation following Cyclone Gabrielle.
3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:

    3.1. Agrees to the rating models for the Flood Mitigation schemes (agreed as the preferred models by Council on 13 March 2024 and presented in the consultation document) being:

        3.1.1. 70/30 split as per the existing Revenue and Financing Policy settings for flood protection schemes for:

            3.1.1.1. Wairoa Operating and Maintenance

            3.1.1.2. Whirinaki (Industrial) Capital and Operating and Maintenance

            3.1.1.3. Whirinaki (Other) Capital and Operating and Maintenance

            3.1.1.4. HPFCS Capital and Operating and Maintenance

            3.1.1.5. Pōrangahau Operating and Maintenance.

        3.1.2. 100% general rate funding for Pōrangahau Capital.

OR

4. Agrees to alternative rating models (as agreed by Council on 13 March 2024 and presented in the consultation document) of:

    4.1. Whirinaki (Other) – 50/50 split for Capital

    4.2. Pōrangahau – 50/50 split for Operating and Maintenance.

5. Agrees to 100% general rate funding our share of the General Works agreed as part of the cost-share arrangement with the Government following Cyclone Gabrielle, as consulted on.
6. Agrees to amend its Revenue and Financing Policy to implement the rating decisions related to funding flood schemes and general works as part of the cost-share agreement with the Government following Cyclone Gabrielle.

Authored by:

James Feary **Operational Response Manager**	**Vanessa Fauth** **Finance Manager**

Approved by:

Chris Dolley
Group Manager Asset Management

Attachment/s

1	Flood Resilience Programme submissions feedback	Under Separate Cover
2	Step One Funding needs assessment and Step Two outcomes	Under Separate Cover

Hawke’s Bay Regional Council

18 June 2024

Subject: Investing in Resilient Communities

Reason for report

1. This deliberations report provides the Council with staff analysis of submissions and seeks a decision of Council on the consultation topic – *Investing in resilient communities*.

Staff recommendations

2. Staff recommend that the Council considers the submission points attached (as well as the full submissions received by Council resolution on 29-30 May 2024) on this topic alongside the staff analysis to enable an informed decision.

How we fund this activity

3. Regional Council is part of and is the administering authority of the Hawke’s Bay Civil Defence Emergency Management (HBCDEM) Group. We collect a targeted rate for the HBCDEM Group. We collected $2.9 million in the 2023-24 financial year.

Consultation topic

4. *Investing in resilient communities* is not a key consultation topic but a major focus of the *Have your say Hawke’s Bay on our recovery focussed Three-Year Plan 2024-2027* consultation document.
5. The topic was presented in the consultation document as shown following:

Part 3: Focus of our Three-Year Plan

Investing in resilient communities

Civil Defence

Cyclone Gabrielle in February 2023 was the worst adverse weather disaster we have experienced in living memory. Recent NIWA (National Institute of Water and Atmospheric Research) modelling has shown an increase in the probability of a flood the size of Cyclone Gabrielle happening. Building a resilient community for future events is a key focus of this plan.

We saw first-hand how many different people and organisations are needed in the response and recovery from such an event. Emergency management in New Zealand has four levels – national, regional, local, and community. Experience shows us that all four levels are needed to function independently and co-ordinate for the best outcome in an event. The current system is explained on the next page.

Bolstering Civil Defence in Hawke's Bay

On 25 March 2024, an independent review of the HBCDEM response to Cyclone Gabrielle, led by former Commissioner of NZ Police, Mike Bush was released.

This review was commissioned by the HBCDEM Group Joint Committee soon after Cyclone Gabrielle to identify learnings and opportunities to improve resilience for future events. The review recommends significant transformational change.

The Regional Council, together with Napier City, Hastings, Central Hawke's Bay and Wairoa District Councils work together to manage HBCDEM.

This plan includes a $1.3 million increase in the CDEM targeted rate collected by the Regional Council on behalf of the region's councils. Over half ($661,000) is to bolster capability and capacity in the CDEM Group and the balance ($611,000) is to repay the reserve deficit starting in year 2 of this plan (2025-26). The reserve was depleted as a result of Covid and the cyclone response. Councils will use the additional funding to drive change with urgency. Individual councils will likely review the funding they provide at a local level.

Additional funding will help to implement the recommendations of the review, as well as a Government Inquiry looking at the broader New Zealand emergency management system.

Submissions received and staff analysis

6. Around 14 submitters made a comment under this topic.

6.1. Several submitters were very critical of Regional Council and/or HBCDEM's preparedness and/or response to Cyclone Gabrielle.

6.1.1. *"I am concerned at the lack of response from Civil Defense to Cycloine Gabrielle and strongly object to my rates being used to support Civil Defense (or similar) where this provides such minimal benefit or value to my community and to my property."* (#1076)

6.2. A few submitters were supportive of the proposed increased funding for HBCDEM. A couple of submitters talked about the need for further support from central government.

6.2.1. "*Following the impacts from Cyclone Gabrielle and the subsequent Independent External Review Council supports the increased funding allocation to CDEM activities to bolster capability and capacity. Council also acknowledges that further support is going to be required from all councils as well as central government to ensure our communities are best placed to support and stand-up for future events… It is also vital that we commit to improving the communication, technology, monitoring, modelling and warning systems across our key hazard areas and our key response agencies."* (#153)

6.2.2. *"…Please ensure Council look into obtaining more central government funding to cover costs where possible to alleviate the burden to Hawke's Bay Regional Council ratepayers."* (#827)

6.2.3. *"Coastal defense needs to be continued. Funding needs to be required for updating Civil Defense plans in the future, after Cyclone Gabrielle. More warnings, sirens, evacuation notices, etc, etc."* (#343)

6.3. A few submitters also made comments about clarity of roles.

6.3.1. "In the last Ten Year Plan I submitted about the cost of having five councils in Hawkes Bay for such a small population base. I believe issues arising out of the Cyclone Gabrielle, and the response, highlight problems in the existing system.

• Confusion amongst the public about who runs Civil Defence and how to find services and from whom during an emergency…." (#1166)

Staff response

7. Issues raised relating to submitters' experience of the CDEM response to Cyclone Gabrielle, were taken into consideration as part of the Cyclone Gabrielle reviews.

8. Over half of the funding increase of $1.3 million proposed in our Three-Year Plan, to be collected through the CDEM targeted rate, 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)*, and some of the issues identified by some of the submitters.

9. The rest is to repay the CDEM Group reserve fund. Repaying the reserve deficit will start in Year 2 of the Three-Year Plan and will be rapid over 10 years.

10. The last four years has seen unprecedented CDEM Group response activities across Hawke's Bay – the Covid-19 national state of emergency in 2020, Napier floods also in 2020, and Cyclone Gabrielle in 2023. Cyclone Gabrielle was also declared a national state of emergency and was the most complex and large-scale response Civil Defence staff have ever mounted.

11. The cumulative cost of responding to these has had a significant financial impact on CDEM budgets and the CDEM reserve fund. The CDEM Group reserve fund is projected to be around $3 million in deficit at the end of this financial year.

Scope of the decision

12. The scope of the decision is to confirm whether the Council want to include a $1.3 million increase in the CDEM targeted rate in the Three-Year Plan 2024-2027 for the HBCDEM Group, or agree on an alternative, such as reverting to the status quo funding. The Regional Council collects the targeted rate on behalf of the region's councils.

13. Staff consider that confirming the funding increase for the Three-Year Plan 2024-2027 through the targeted rate is the appropriate outcome. The proposed additional resourcing will provide for improved capability and support for communities in improving their resilience and implementing the community hub model.

14. Staff also consider that repaying the CDEM Group reserve fund is a priority.

Decision-making process

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

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

15.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Investing in resilient communities* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.
3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:
   3.1. Agrees to the $1.3 million increase over three years in the CDEM targeted rate for the HBCDEM Group as consulted on.

Authored by:

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Emergency Management Team Leader
Engagement

Approved by:

Ian Macdonald
HB CDEM Group Controller / Manager

Attachment/s

1	CDEM submissions feedback	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Public Transport

Reason for report

1. This deliberations report provides the Council with submission themes and staff analysis of submissions and seeks a decision of Council on *Public Transport*.

Staff recommendations

2. Staff recommend that the Council considers the submission points attached (and full submissions received by Council resolution on 29-30 May 2024) on *Public Transport* alongside staff analysis to enable an informed decision.

How the activity is funded

3. The budget (revenue and expenditure) for public transport is reported in our Transport Group of Activities in the Three-Year Plan.
4. After fees and charges (bus fares and total mobility contribution) and grants and subsidies (NZTA Waka Kotahi's share), it is funded by targeted rate based on capital value for Napier and Hastings ratepayers within a defined footprint.
5. Council through the development of its Revenue and Financing Policy identified the distribution of benefits to be:
   - 5.1. individuals who use and communities who can access public transport services are the primary beneficiaries
   - 5.2. the community as a whole which benefits to a lesser degree from less congestion on roads and reduced emissions.
6. The reasons for this are that public transport serves the community and has a range of extended benefits. The primary function of public transport is to provide equitable access and connection for the community, particularly the transport disadvantaged. The public transport system in Hawke's Bay also has the potential to provide wider benefits to the community, such as emissions reduction, access to opportunities, and the potential to decongest key corridors, reducing travel times and easing vehicle movements for freight and business.

Consultation topic

7. Although not a consultation topic in itself, public transport was listed on page 7 in the Consultation Document as one of five "main drivers pushing rates up".
8. The increasing costs to provide public transport was presented in the consultation document as shown (page 9):

Part 2: What's happening to rates?

Increasing costs to provide public transport

Public transport is important because it connects people to jobs, education, healthcare, and social activities while reducing traffic congestion and pollution.

It is vital particularly for people who can't drive for one reason or another, such as those with disabilities, the elderly, young people, and people on low incomes.

Through contractors and on behalf of the Regional Transport Committee we provide public bus services (in and around Hastings, Flaxmere, Havelock North, Taradale, and Napier) and Total Mobility taxi services. We charge a targeted rate to Napier and Hastings urban ratepayers to help cover these costs.

The Regional Transport Committee is made up of representatives from the region's five councils and Waka Kotahi NZ Transport Agency plus advisory members.

The cost to provide public transport is increasing significantly over the three years of this plan.

Year	Amount to be collected through a targeted rate	Total cost*
2023-24 (base year)	$3.1M	$6.6M
2024-25	$4.6M	$10.3M
2025-26	$6.6M	$14.4M
2026-27	$7.1M	$15.6M

* The total cost is covered by the targeted rate plus passenger fares and Waka Kotahi NZ Transport Agency subsidies.

The increases are due to:

Greater demand for Total Mobility taxi services. Uptake of this service has increased since a government subsidy introduced in July 2023 made it cheaper for eligible people to use. More trips taken come at a cost.

Growing costs to provide a public bus service

Driver salaries have increased and we're facing significantly higher than planned indexation costs in our bus contract. Indexes are used to adjust the price paid for fluctuating costs such as fuel, road user charges and maintenance.

Providing a better bus service

In the 2022 consultation of the updated Regional Public Transport Plan many of you told us that we need to improve the bus service so you will use it.

We are planning to make bus trips faster using more direct routes with more frequency and better times. Improving the service comes at a cost. The MyWay Hastings on-demand pilot will continue for one more year. On-demand services could be reconsidered in the future to complement our new improved service.

Submissions received

9. 26 submitters provided comment in relation to the provision of public transport.

10. Key themes were:

    10.1. Theme 1: Affordability

    10.2. Theme 2: Method for rating

    10.3. Theme 3: New public transport footprint

    10.4. Theme 4: Support for improved or specific bus routes.

Summary of submissions and staff analysis

Theme 1: Affordability

11. Several submissions were received around the level of proposed rate increases for public transport. Feedback on affordability is closely related to feedback received on the new rating footprint. One submitter (#932) highlighted the longer-term cost increases for the service, outlining the overall affordability.

11.1. *“I totally object to the new charge of over $500 for this in my rates. A service we do not use and do not get any benefit from”* (#972)

11.2. *“According to your rates calculator I will now be charged @129.96 this coming year for public transport. There is no public transport provided in my rural area”* (#939)

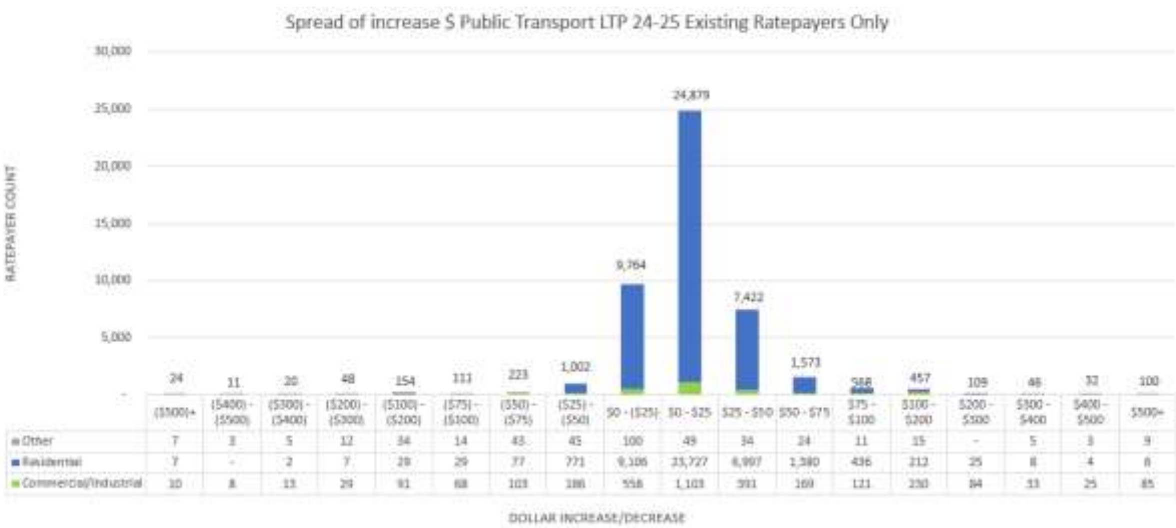
11.3. *“Your new transport subsidy why is this going from $3.1 million to $7.1 million in three years. Surely this is not efficient use of money”* (#932).

Staff response

12. The overall cost increases for public transport are due to a range of factors. Over the past four years, the transport sector has experienced significant price indexation (cost inflations), and public transport driver wages have experienced significant uplift. While the service experienced reduced operations during covid-19 restrictions and cyclone Gabrielle, these additional operator costs were offset by reduced services. Following reinstatement of full services, these increased operating costs are applying to the fully contracted service. This has resulted in an overall increase in cost of the existing service. Future cost increases signalled in the long-term plan are for the planned implementation of the new public transport network to be delivered from mid-2025. The new service is intended to deliver a more frequent bi-directional service that ultimately has a higher level of service and associated cost.

13. As a result of cost pressures, the budget for public transport has increased 48% over the previous year which is accounting for the increases for ratepayers which were on the footprint prior to the Revenue and Financing Policy review footprint change.

14. As shown in the bell curve graph below (also attached for improved readability), the majority of existing ratepayers within the public transport rating footprint are experiencing a $0-$25 increase to their public transport rate from the previous year. The outliers who are experiencing larger increases are ratepayers with high capital values. This is a result of the change from land value to capital value and budget increases.



Potential costs savings

15. As noted above, the current costs have significantly increased over the past four years. The 2024/25 budget proposal for public transport is based on the current costs of the service with an addition for indexation, and driver wage uplift. It is not until 2025/26 financial year that the budget proposal is including costs for new and additional services.

16. Staff consider that the costs of the current public transport service for Year 1 are outside the control of Hawke’s Bay Regional Council.

17. However, there is scope to reduce costs in Years 2 and 3 of the Three-Year Plan as a result of

recently announced funding from Waka Kotahi/NZTA and if the Regional Public Transport Plan, due for review including public consultation in 2024-25, is amended.

18. Potential costs savings also discussed in the *Consolidated Three-Year Plan Decisions* agenda item are proposed in the table below.

	Y1	Y2	Y3	Consequences
Public Transport		$1.1M	$1.76M	The proposed reductions are the amount of additional funding required to provide the new service as adopted in the Regional Public Transport Plan. The proposed reductions here are 49% of the cost of that service. Waka Kotahi contacted HBRC in the first week of June indicating no additional funding for the new service is available. Funding has only been provided for the next three years to support existing levels of expenditure with no improvement funding. Although changes to funding may occur in the financial year of 26-27, this will be subject again to the incoming government and revised Government Position Statement on Transport and associated budgets.

19. These savings will reduce the average rates increase in Year 2 by 2.2% and Year 3 by 3.0%. A large proportion of our ratepayers (around 51,000) benefit from these cost savings in their actual rates.

Theme 2: Method for rating

20. *"Public transport should be rated on a unit basis per property (similar to the UAGC) for residential properties, as the occupants of each property are provided (theoretically) with the same or similar services."* (#647)

21. More than half of submitters noted that they lived in rural areas, did not live close enough to a public transport route, and would not use public transport. The majority of these submitters live in Esk and Bayview areas. These submitters do not want to pay for public transport and submit that costs should be borne by urban areas, or a system of user pays.

22. Three submissions received called for all ratepayer funding of public transport to cease. A further five submitters submitted that public transport should be funded through a uniform annual general charge, general rate, user pays or some other funding mechanism.

23. At the hearings, three submitters making verbal submissions stated that they believed public transport should be funded by the general rate.

24. In addition, a submission received through consultation on the Revenue and Financing Policy review requested a fixed charge per ratepayer for public transport.

Staff response

25. During the recent rates review, the Council changed the rating method from land value to capital value and extended the footprint for public transport. In light of the feedback received during the consultation, the Council could consider a further review of the rating method for public transport. While this cannot be undertaken prior to the 2024-25 financial year, it is possible to undertake such a review during the 2024-25 financial year to take effect for the following years of the long-term plan. Like the recently completed rates review, a further review will need to follow the prescribed process which requires assessing benefits and modelling options. Any changes resulting from a revised Regional Public Transport Plan should be considered.

26. Options could include a differential on distance from a bus service or a fixed charge for some or all rating categories or applying a general rate component.

27. However, a key point to consider is that, due to the projected increase in public transport budgeting requirements for future years, Council may not be able to rate public transport as a fixed charge because of the cap of 30% for any rates that are set on a uniform basis. As Council already has some rates set in this method, the cap would need to be monitored to ensure it is not breached.

28. Moreover, applying a fixed charge for public transport may have unintended consequences on the overall impact for ratepayers. Although it could potentially drop a number of ratepayers public transport rate, if a ratepayer has a higher CV value, they will experience an increase in their general rate because Council would have to reduce UAGC to meet the cap imposed of 30% thus pushing more of the general rate to be covered by CV rating.

Theme 3: New public transport footprint

29. The majority of submissions received relating to public transport were from rate payers in semi-rural areas, typically just outside the main urban areas, who will now support a portion of the costs to deliver public transport. A number of submissions were received from ratepayers who had not previously been rated for passenger transport and felt it was unfair as they did not use the bus or live close to a bus stop or a bus service.

    29.1. *"…We and our staff never have or will use public transport. This I see is just a rate take for the sake of collecting revenue. As council you have changed your rating take from user pay to who can afford to pay the rates which believe is not in line with the type of activity you undertake"* (#981)

    29.2. "*Public Transport is not an option for this area so i'm not sure why we are paying for this"* (#932)

    29.3. "*We object to rural rate payers being levied for transport. Rural people tend to have their own transport and do no use bus systems the same as city people*" (#972)

    29.4. "*According to your rates calculator I will now be charged $129.96 this coming year for public transport. There is no public transport provided in my rural area. I would also not choose to take public transport as I would need to drive anywhere to get it,"* (#939)

Staff response

30. As part of the Revenue and Financing Policy review, Council resolved to extend the public transport footprint to account for urban development since the policy was last reviewed and moved to full valuation rolls. This resulted in approximately 5,000 extra properties paying for passenger transport (46,000 up to 51,000). The rating basis was also changed from land value to capital value.

31. The maps below show the change in footprint.

Maps of extending rating area for public transport (PT)

Figure 7: Map of current PT area (in purple)

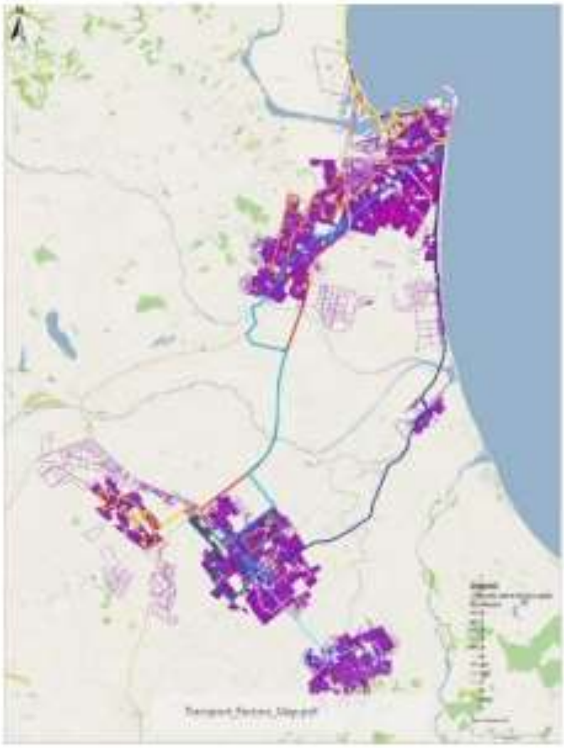


Figure 8: Map of proposed PT area

32. The footprint was widened to account for urban development, an additional service proposed to connect the regional sports park, community benefit, ease of administration, reduced traffic congestion, and improved air quality from fewer vehicle emissions.

33. Although changes to policy are outside the scope of this consultation, Council could signal that it intends to look further at the footprint in the following year and consider reinstating manual application to adjust rolls by distance from a bus route. If Council was to consider the above proposal, staff recommend using full valuation rolls where possible for ease of administration, as well as providing consistency in manual application of a rate to specific ratepayers. Careful analysis is needed to understand the implications of any changes.

34. Staff have completed random spot checks of the ratepayers who were added to the scheme due to the change in the footprint and their distance to bus routes. Staff tested 30 randomly selected ratepayers in different rolls, and the result showed that 87% were within a reasonable walking distance to a service - 60% were a 20 minute or less walk to a bus stop, 27% were a 20-to-30-minute walk, with the remainder being over a 30 minute walk to a bus stop.

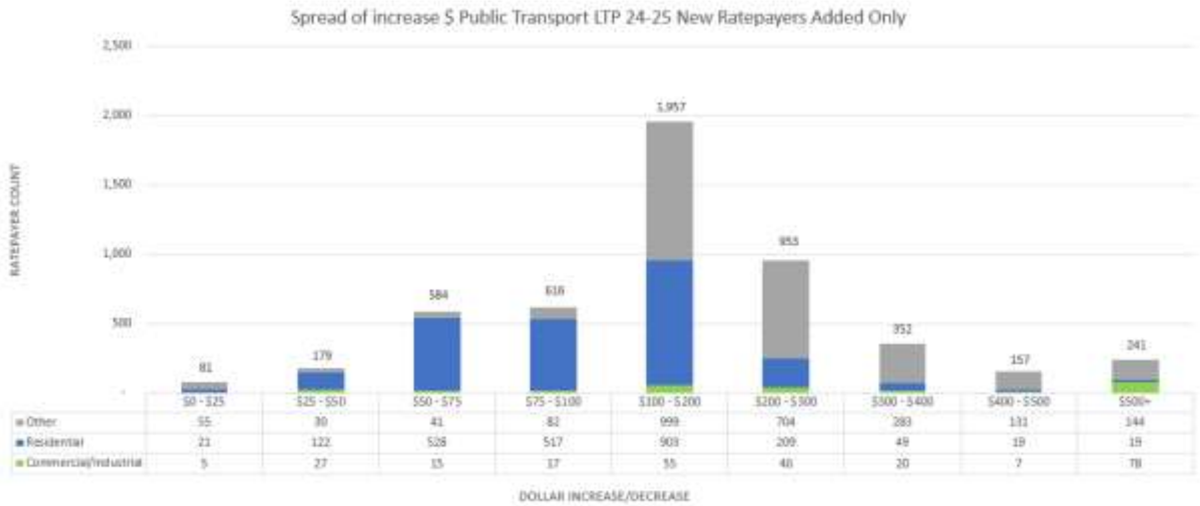
35. It should also be noted that many current bus users are also cyclists and make use of the buses' cycle-holding facilities to make multi-modal trips. School children are also often dropped at bus stops. Therefore, distance in kilometers from a bus route may be a better assessment to use than walking time.

36. The average rates for the ratepayers added to the public transport footprint is consistent to those already on the old footprint. The majority of those added (67%) are seeing a proposed charge around the average passenger transport charge or less which is around $100.

37. The bell curve graph below (also attached for improved readability), shows the spread of dollar rate increases for those ratepayers now included in the footprint.

38. There are some ratepayers experiencing a larger than average rates charge for public transport, but this is consistent with the number of ratepayers currently being charged over the average on the existing footprint as well. Since the charge is based on CV value, properties with a high

CV value, such as commercial businesses, are experiencing a higher public transport rate.



Rates Remission available

39. The Council has an existing *Special Circumstances* remission policy that is suitable for use for outliers resulting from changes in the Public Transport rate. It is separate from the remission for *Hardship resulting from changes to the rating system* and does not require evidence of hardship.

40. Staff are currently working through a matrix for assessment of this remission. Ratepayers that are newly added to the Public Transport rate and are experiencing a more than average increase (around $200), will be eligible to apply which would see a 50% remission of the increase due to the public transport changes for one year. If the ratepayer is within a reasonable distance to a bus stop, that 50% remission will only be on the difference between their current rate compared to the total from the Revenue and Financing Policy change. If they are not within a reasonable distance to a bus stop, the 50% remission will be applied to the full public transport rate including the LTP Year 1 dollars. To qualify for the remission, ratepayers must have been previously rated by Council, not be a new build in a pre-existing area for which public transport is already rated, and not be in a commercial or industrial user category.

41. After analysis of the rating, this could potentially see a total remission of around $250K for public transport.

Theme 4: Support for improved or specific bus routes

42. Four submissions support the funding of public transport. In addition, there were a number of submissions calling for specific bus routes to be added to the service, including a commuter service between Central Hawke's Bay and Hastings District and services to and from Napier airport, which is currently not served.

    42.1. *"we badly need a bus service to our airport... can the bus drop passengers at the airport terminal"* (#353)

    42.2. *"Council is supportive of the plans included in the Regional Public Transport Plan and in the Three Year Plan to support a commuter express public transport trial between Central Hawke's Bay to Hastings, to provide commuters to and from Central Hawke's Bay an alternative, more sustainable option to Travel…over 50% of our total communities income is generated from employment outside the district"* (#153)

Staff response

43. The updated Regional Public Transport Plan (RPTP), adopted in September 2022 following extensive public consultation, sets out a step change for the provision of public transport services across our two main urban areas. The new network provides a frequent and reliable bi-

directional network that will get users to where they need to go more efficiently, reducing travel time and creating more connections. A key inclusion of the RPTP is a bus servicing Napier airport, ultimately connecting the airport with the Dalton Street terminus and the wider public transport network.

44. The RPTP also proposes to include the Hawke's Bay Regional Sports Park as a new stop, avoiding a two-kilometre detour to the hospital by opting for a direct route via Nottingley and Percival Roads in Hastings. Additionally, a new limited-stop commuter service trial is proposed in the RPTP, connecting Central Hawke's Bay (CHB) with Hastings. It is proposed the trial will run at peak commuting times. This is not currently funded in the Three-Year Plan.

Scope of the decision

45. The scope of the decision is limited to changes that will not affect current levels of services as no options were provided in the consultation. Council can signal changes for future years.

Decision-making process

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

    46.1. The decision does not significantly alter the service provision or affect a strategic asset, however, if a decision is made to reduce the proposed public transport service, this would be inconsistent with the Regional Public Transport Plan.

    46.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke’s Bay Regional Council:

1. Receives and considers the *Public Transport* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act and special temporary legislation following Cyclone Gabrielle.

3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:

    3.1. Agrees to the proposed savings of $1.1M in Year 2 and $1.76M in Year 3 for public transport.

    3.2. Agrees that a rates remission will be available to ratepayers newly added to the public transport rate experiencing a greater than average impact.

    3.3. Agrees to undertake a further review of rating for public transport for the following financial year.

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Attachment/s

1	Transport submissions feedback	Under Separate Cover
2	Spread of existing ratepayers Public Transport increases	Under Separate Cover
3	Public Transport new ratepayers increases	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Tough choices - Hawke's Bay Tourism

Reason for report

1. This deliberations report provides the Council with submission themes and staff analysis of submissions and seeks a decision of Council on the consultation topic – *Tough choices - Hawke's Bay Tourism*.

Staff recommendations

2. Staff recommend that the Council considers the submission points attached (and full submissions received by Council resolution on 29 May 2024) on the *Tough choices - Hawke's Bay Tourism* consultation topic alongside the staff analysis to enable an informed decision.

How we fund this activity

3. Hawke's Bay Tourism is funded under our Regional Economic Development activity within the Governance & Partnerships Group of Activities.
4. Funding for Regional Economic Development is a differential targeted rate.
    4.1. Residential & Lifestyle properties are rated at 30% of the total yield based on a fixed charge per SUIP.
    4.2. Commercial & Industrial ratepayers are rated on 75% of the remaining 70% of the total yield based on capital value.
    4.3. All other usage (including rural properties) are rated on the other 25% of the 70% of the total yield based on capital value.
5. The total collected for Regional Economic Development in FY22/23 was $2,683,547. For year 1 of this Three-Year Plan we are proposing $1,544,233.

Consultation topic

6. The *Tough choices - Hawke's Bay Tourism* proposal was one of four key consultation topics that the Council sought public submissions on through *Have your say Hawke's Bay on our recovery focussed Three-Year Plan 2024-2027* consultation document.
7. The proposal was presented in the consultation document as shown following:

1. Phase out our funding for Hawke's Bay Tourism

What we currently do

We collect a targeted rate on behalf of Hawke's Bay's five councils to promote economic development for the region. Of this we give $1.52 million to Hawke's Bay Tourism.

As part of the funding agreement with Hawke's Bay Tourism, they must report quarterly against key performance indicators such as visitor numbers and spend per visitor number.

What we are proposing to do

Phase out our funding for Hawke's Bay Tourism.

Option A:

The Regional Council's preferred option is to reduce current annual funding of $1.52 million in stages over the next two years and stop our funding altogether from 2026-27. This is what is modelled in the 19.6% average rates increase.

Preferred option	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 520,000	$ 260,000	Nil
Impact on debt	Nil	Nil	Nil

Option B:

We could maintain funding at $1.52 million for 2024-25, and then reduce to $441,000 per annum from 2025-26.

This option gives Hawke's Bay Tourism more time to secure funding from other sources.

Our continued funding would be dependent on an agreement reached with the other Hawke's Bay councils for joint funding. The $441,000 is based on the Regional Council's share being 29 percent.

This would increase the total average rate increase by 2.4% from 19.6% to 22% in 2024-25. The biggest impact would be on the business/rural ratepayers and, in particular, on commercial/industrial ratepayers.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 1.52M	$ 441,000	$ 441,000
Rate increase (additional to the preferred option)	2.4%	0.4%	0.8%
Impact on debt	Nil	Nil	Nil

The status quo would be to maintain funding at $1.52 million ongoing.

Why?

The preferred option reduces regional council rates in a time of unprecedented financial pressure and narrows our focus to recovery and core business to deliver our mission of 'Enhancing our environment together'.

Tourism is important to the Hawke's Bay region. Finding a sustainable funding model has been an ongoing challenge.

Background

We have been collecting rates on behalf of the region's councils – Wairoa, Napier, Hastings, and Central Hawke's Bay – for regional tourism for nearly ten years. Before that the councils collected rates from their own ratepayers and contributed individually.

In the 2015-2025 Long Term Plan, we committed to a new three-year funding agreement which increased Hawke's Bay Tourism's funding from $850,000 to $1.82 million over three years.

We proposed to step back funding in our 2018-2028 Long Term Plan as Council believed the additional investment had paid off and that the sector should have the momentum to sustain strong visitor numbers.

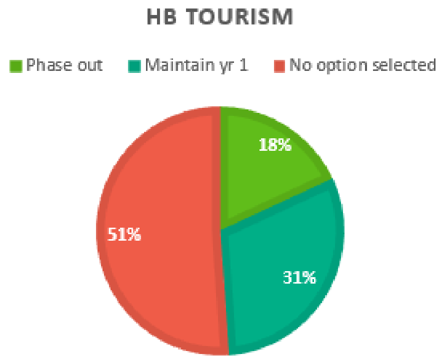
Following community consultation, we didn't go ahead with this and instead decided to support Hawke's Bay Tourism with funding of $1.52 million per year for three years, with future funding levels to be reviewed through the 2021-2031 Long Term Plan.

We also adjusted the targeted rate spilt so commercial ratepayers paid more than residential ratepayers. This was to better reflect the ratepayers who benefit the most from economic development. Among our requests was that Hawke's Bay Tourism look at specific initiatives to find support from within the tourism industry.

We kept the funding the same in the 2021-2031 Long Term Plan, which was prepared in the early stages of the Covid pandemic.

Submissions received

8. Of the submissions received on this topic, 149 supported the Council's preferred option for phase out funding over two years and 253 support the maintenance of funding for year 1. A further 126 commented in support of continued funding, 12 commented in support of a reduction and 8 made other comments.



9. 375 submitters made a comment under this topic.

10. Key themes were:

    10.1. Theme 1: Overwhelming support from submitters for the continued funding for Hawke's Bay Tourism given the importance to the region (including the Regional Council through the port revenues) and the broader impacts on the economy and lifeline support for business. It was commonly communicated to us by multiple submitters that the $1.52m contribution brings in $775m of revenue to the region and supports 1 in 10 jobs.

    10.2. Theme 2: There was concern expressed that options did not allow enough time for HBT to seek alternative further funding sources and eliminating funding too quickly would cause the closure of HBT before 30 June 2025.

    10.3. Theme 3: Smaller amounts of support for eliminating funding given lack of certainty of value for money and the need for HBRC to focus on core activities such as flood mitigation post cyclone and the desire for Hawke's Bay Tourism to stand on their own feet.

Background

Funding to date for Hawke's Bay Tourism and comparative funding mechanisms across NZ

11. Hawke's Bay Tourism was incorporated under the Companies Act 1993 on 20 June 2011.

12. Since 2010 (last year of Venture Hawke's Bay), HBRC has funded Hawke's Bay Tourism $18,210,000m as outlined below.

Year	$	Year	$
2010-11	1,100,000	2017-18	1,850,000
2011-12	850,000	2018-19	1,520,000
2012-13	850,000	2019-20	1,520,000
2013-14	850,000	2020-21	1,520,000
2014-15	850,000	2021-22	1,520,000
2015-16	1,220,000	2022-23	1,520,000
2016-17	1,520,000	2023-24	1,520,000

13. HBRC took on the role of a single rating entity in 2010 to remove inefficiencies and ineffective ways of which rates for this purpose were collected in the past across multiple entities.

14. Importantly, it should be noted that stepping back funding from $1.8M to $900,000 for Hawke's Bay Tourism was proposed in the 2018-2028 Long Term Plan. Submissions were marginally (54%) in support of no change to Hawke's Bay Tourism's funding. Council agreed to drop funding back to $1.52M and hold it for three years subject to the tourism industry investigating other sources of funding.

15. Council staff have checked with 13 other regional councils. Of these 8 regional councils do not fund Regional Tourism Organisations (RTOs) directly. A varying degree of support was noted in the other areas, for example from $60k per annum in Bay of Plenty up to $2m in Northland. Funding is inconsistent across New Zealand.

16. HBRC has obtained a copy of the executed Hawke's Bay Tourism Cyclone Recovery Programme contact (signed Sept 2023). In good faith, HB Tourism entered into a funding agreement with MBIE for the potential contestable funding of up to $1.2M in FY24/FY25. Of particular note within this contract it states "*No Funding is payable under this Agreement until the Ministry has confirmed to the Recipient in writing that it has received, and found, in its sole discretion, to be satisfactory to it in form and substance, the following documents and evidence: written acknowledgement that this funding will augment activity and that existing funding from other sources will not be reduced below current levels as at the commencement date of this agreement.*" Of the $1.2M in the total fund, there is $500k yet to be invested.

17. A 'tourist' is classed as a 'visitor' and is measured by way of visitor spend (for example, if you travel more than 40km from your home address and pay for something by card/electronic transaction, that is classed as visitor spend).

18. Analysis of options and average rates per property is outlined below. Option C has been included here for comparison with option A and B as consulted on. Option C would reduce funding by $520,000 in year 1 (compared to $1M in option A) to $1M and then $441K from year 2 onwards.

Category	Capital Value	Fixed per SUIP - Except Comm/Ind Current 23/24	$520K PA Option A	$1.52M PA Option B	$1M PA Option C
Rural	$ 500,000.00	$ 11.58	$ 7.80	$ 15.60	$ 11.55
	$ 2,000,000.00	$ 11.58	$ 27.60	$ 55.20	$ 40.88
	$ 5,000,000.00	$ 11.58	$ 78.00	$ 156.00	$ 115.50
	$ 10,000,000.00	$ 11.58	$ 138.00	$ 276.00	$ 204.40
Commercial	$ 500,000.00	$ 115.10	$ 46.25	$ 92.65	$ 68.50
	$ 2,000,000.00	$ 477.12	$ 181.60	$ 363.60	$ 268.80
	$ 5,000,000.00	$ 1,125.00	$ 445.50	$ 892.50	$ 660.00
	$ 10,000,000.00	$ 2,250.00	$ 891.00	$ 1,785.00	$ 1,320.00
Residential/Lifestyle	N/A	$ 11.58	$ 7.21	$ 14.45	$ 10.68

Summary of submissions and staff analysis

Theme 1

19. Overwhelming support from submitters for the continued funding for Hawke's Bay Tourism given the importance to the region and the broader impacts on the economy and lifeline support for business.

    19.1. *"Tourism makes a substantive contribution to the Hawkes Bay region's economy, is worth $1.3bn, 7% of regional GDP, and is the third largest regional earner. Tourism generates $775m of new revenue and equates to 1 in 10 jobs". ..."* (#392 and #400)

    19.2. *"…There are also many indirect beneficiaries as employees, etc and through the economic activity multiplier effect. Some of the beneficiaries probably contribute more than they receive in benefit. … I recognise the difficult choices that the Councils in the region are facing which have been massively accentuated by Cyclone Gabrielle. However, the Councils have a responsibility to facilitate the long-term economic health of the region and its ongoing competitiveness. I believe that any reduction in the level of contribution by the Councils would be extremely detrimental to the region in the long term with the first signs of this emerging quite quickly."* (#313)

19.3. *"If Hawke's Bay Tourism isn't around, who's going to: Curate, keep current and promote the several thousand pages of content on www.hawkesbaynz.com? Promote Hawke's Bay to potential domestic travellers in markets such as Auckland and Wellington? Work with Air New Zealand and other airlines to promote the region's strengths to support marketing campaigns and sales, and supply content for Kia Ora magazine? Bid for regional events and conferences? … The answer to all of these very important questions is NO ONE. All of this work will stop, people who want to go on holiday will go elsewhere, and Hawke's Bay will slowly, but surely, fade from people's consciousness."* (#492)

19.4. *"If we invest in tourism, we benefit from tourism …"* (#370)

Staff response

20. Tourism is significant to the wider HB economy and community.

21. It was noted, based on presentation from Fizzypop at hearings on 29 May 2024 (using a sample size of 12 retailers within Hawkes Bay from ANZ bank) that where there are events held in our cities in any one month, there is 8.1% increase in spending (through merchant facilities) across that month in our region.

22. Using NZ stats information on tourism spend to March 2023 there are a wide variety of industries that benefit from visitor spend namely, specifically:

8%	accommodation
12%	restaurants/cafes/bars
11%	airlines
9%	buses/rental cars/motorhomes
3%	holiday home rental
7%	tours – cultural, recreational, travel, and tour services
37%	retail
8%	supermarkets and bottle stores
6%	fuel and automotive services
23%	other retail (farmers markets/clothing)
3%	education services
10%	other tourism products (generally retail products made/purchased offshore for sale/purchase in NZ).

23. In addition to regional benefits, HBRC relies on income from the port (by way of dividend) and should HBRC impact revenue streams such as cruise ships, this may have a negative impact on future proposed dividends, ultimately flowing through to our rate payers.

Theme 2

24. There was concern expressed that options did not allow enough time for HBT to seek alternative further funding options and eliminating funding too quickly would cause the closure of HBT before 30 June 2025.

24.1. *Tourism is a long term strategy, and the effects of activity can take time to build, and the same happens when funding is pulled. The visitor numbers gently slow down and as it is not a sudden stop, it appears to be OK, until 2-3 years down the track the numbers dwindle away because there is no one to remind them to visit us. Whilst I understand that HBRC funding is finite, and post cyclone difficult decisions need to be made, there has to be a compromise that enables some form of tourism organisation or officers to continue with delivering the message that we are here and ready to welcome visitors. It does not necessarily need to cost $1.52m per year…"* (#611)

24.2. *Once you lose this momentum you will find it very difficult to bring back* (#756)

24.3. *"Two years is not enough time to find alternative funding and try to also maintain a presence among other destinations. Allowing for HB Tourism to maintain the funding for* *the first year will help retain knowledge and experience within its staff. It also gives space for the team to come up with other revenue or funding alternatives to acquire and have in place for the phasing of HBRC funding.* (#420)

Staff response

25. HBRC funding for HB Tourism represents 53% of their annual funding (taken from their 2023 financial report). Removal of this amount of money without time for HBT to seek and finalise additional support may be detrimental the longevity of this organisation.

26. It should be noted that any decrease in current funding arrangements will put at risk additional funds as noted in para 6 of this report, potentially $500k for Hawke's Bay Tourism.

27. Given the timing of the Three-Year Plan announcement, a number of comments have been received that this came as a surprise, and there has not been enough time (due to other commitments and ongoing cyclone impacts to businesses) to source alternative funding in Year 1. However, the need to investigate alternate funding has been signalled a number of times.

28. Below is an exert from the 2018-2028 LTP, which shows HBT's commitment to look at other options.

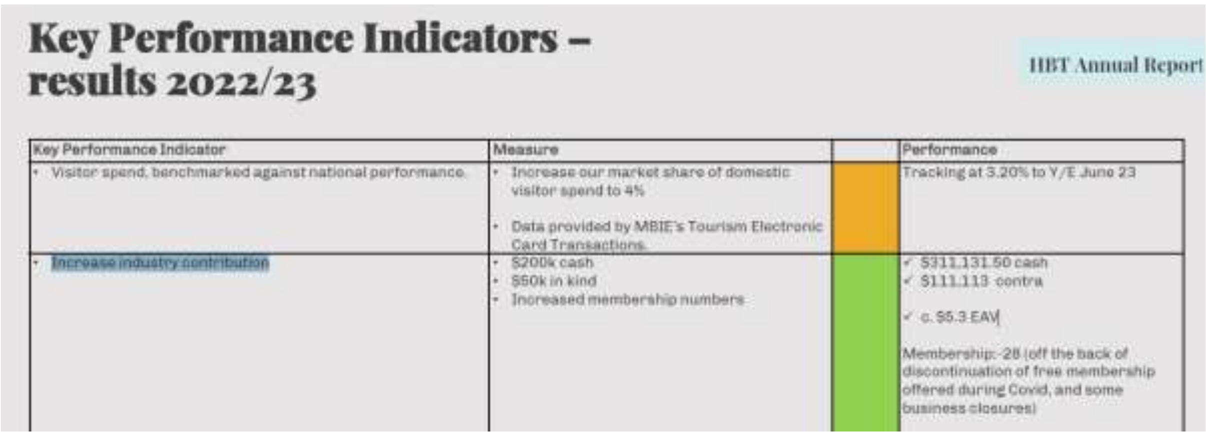
    28.1. *"Hawke's Bay Tourism submitted an alternative option which was to step back funding by $300,000 in Year 1 from $1.8M to $1.5M and then hold it for three years whilst the industry and the regional council investigate the best way to transition to a stainable funding model. This would include undertaking an assessment of "Peer to Peer" properties, such as AirBnB, and consideration of adjusting their residential rate contribution upwards so that these properties are treated on either a quasi-commercial or full commercial basis for the purpose of this targeted rate. It also promoted research into the introduction of a visitor tax at a regional level, subject to what is decided at a national level." (p20 of the 2018-2018 Long Term Plan)*

29. Council agreed to this option in its final 2018-2028 Long Term Plan.

30. KPIs were put in place between HBRC and HB Tourism that reflected the need to increase industry contributions. An example of that reporting is outlined below.

31. In 2020 Hawke's Bay Tourism offered businesses free membership as a means of bringing the sector together for purposes of capability and communications throughout the Covid-19 period. Paid membership was reintroduced from 22/23 and resulted in a reduction in membership (with the majority being businesses that either closed or sold).

32. Other possible avenues to ensure support could be adding margin to ticket prices for FAWC or Art Deco weekend activities.



Key Performance Indicators – results 2022/23

HBT Annual Report

Key Performance Indicator	Measure		Performance
• Visitor spend, benchmarked against national performance	• Increase our market share of domestic visitor spend to 4% • Data provided by MBIE's Tourism Electronic Card Transactions.		Tracking at 3.20% to Y/E June 23
• Increase industry contribution	• $200k cash • $50k in kind • Increased membership numbers		✓ $311,131.50 cash ✓ $111,113 contra ✓ c. $5.3 EAV Membership: -28 (off the back of discontinuation of free membership offered during Covid, and some business closures)

33. Option B gives Hawke's Bay Tourism more time to secure funding from other sources. Our continued funding would be dependent on an agreement reached with the other Hawke's Bay councils for joint funding. The $441,000 is based on the existing Regional Economic Development Agency funding split between councils. The Regional Council's share is 29 percent.

This would increase the total average rate increase by 2.4% from 19.6% to 22% in 2024-25. The biggest impact would be on the business/rural community and, in particular, on commercial/industrial ratepayers.

Funding implications of Option B

34. If Option B is funded under existing Revenue and Financing Policy settings it would increase average rates (in addition to the proposed average rates increase) by:

    34.1. Year 1 = 2.4%

    34.2. Year 2 = 0.4%

    34.3. Year 3 = 0.8%

35. There are options for Council to offset all or part of this rates increase. Options are discussed in more detail in the Consolidated Three-Year Plan Decisions agenda item.

Theme 3

36. Smaller amounts of support for eliminating funding given lack of certainty of value for money and the need for HBRC to focus on core activities and the desire for Tourism Hawkes Bay to stand on their own feet.

    36.1. *"The flood management needs to take priority over tourism. Much of HB is a mess. Then once rebuilt, parks, wineries etc will take tourists again. Napier and Hastings are beautiful as they are. But the rural areas have suffered."* (#189)

    36.2. *"Money is tight and it's more important we invest in infrastructure especially as bridges have been destroyed, culverts, drainage need to be installed and local roads need either resurfacing or restructuring."* (#258)

Staff response

37. HBRC's mission is "*Enhancing our environment together"*. The Council's Strategic Plan, focusing on land, water, air and infrastructure reflects a desire by the current Council to deliver strong, visible and connected regional leadership, protect and enhance Hawke's Bay's remarkable environment and focus on achieving real results in areas of core business. The core business refers to the unique functions, skills and resources provided by the Regional Council that are 'mission critical' to the region's wellbeing. The Regional Council has significant roles and responsibilities required by law, particularly in natural resources (land, water, air, coast and biosecurity), hazard management and transport.

38. Our activities and responsibilities are governed by a wide range of legislation. We operate according to policies and rules contained in the:

    38.1. Regional Resource Management Act 1991

    38.2. Regional Coastal Environment Plan

    38.3. Biosecurity Act 1993

    38.4. Local Government Act 2002

    38.5. Land Transport Act 1998

    38.6. Civil Defence Emergency Management Act 2002.

39. Funding tourism marketing is not considered a core function of the regional council.

Scope of the decision

40. The scope of the decision is to adopt the proposal or option B as consulted on, or revert to the status quo or a variation. Options available to Council to mitigate the impact on ratepayers resulting from its preferred option are covered in the *Consolidated Three-Year Plan decisions* agenda item.

Decision-making process

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

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

    41.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Tough choices – Hawke's Bay Tourism* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act 2022 and special temporary legislation following Cyclone Gabrielle.

3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:

    3.1. Agrees to adopt Option A – reduce current annual funding of $1.52 million in stages over the next two years ($520,000 in Y1, $260,000 in Y2) and stop our funding altogether from 2026-27 (Y3) onwards.

    OR

    3.2. Agrees to adopt Option B maintain funding at $1.52 million for 2024-25, and then reduce to $441,000 per annum from 2025-26 to give HB Tourism more time to secure funding from other sources.

Authored by:

Susie Young
Group Manager Corporate Services

Approved by:

Nic Peet
Chief Executive

Attachment/s

1	HB Tourism submissions feedback	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Tough choices - Sustainable Homes

Reason for report

1. This deliberations report provides the Council with submission themes and staff analysis of submissions and seeks a decision of Council on the consultation topic – *Tough choices – Sustainable Homes*.

Staff recommendations

2. Staff recommend that the Council considers the submission points (as received by Council resolution on 29-30 May 2024) on the topic alongside the staff analysis to enable an informed decision.

How we fund this activity

3. The Clean Heat and Sustainable Homes programmes are budgeted under our Community Sustainability activity within the Governance & Partnerships Group of Activities.
4. Funding for Clean Heat grants and subsidised interest rate for loans is funded 10% through the general rate and 90% as a targeted rate based on land value (Napier and Hastings urban areas).
5. Sustainable Home loans (not subsidised) and Clean Heat loans (subsidised) are loan-funded and repaid (including interest and administration) by ratepayers over 10 years via a voluntary targeted rate on their property.

Consultation topic

6. The *Tough choices – Sustainable Homes* proposal was a key consultation topic that the Council sought public submissions on through *Have your say Hawke's Bay on our recovery focussed Three-Year Plan 2024-2027* consultation document.
7. The proposal was presented in the consultation document as shown following:

2. Stop our Clean Heat and Sustainable Homes programme

The Sustainable Home Programme has two offerings:

1. Clean Heat

We offer financial assistance to eligible ratepayers through a grant of up to $700 or a loan of up to $4,500 for clean heating, for example heat pumps, gas fires, and wood burners. The interest rate is subsidised by 50%.

We charge a targeted rate on urban areas in Napier and Hastings to cover this. The community benefits from reduced emissions and less air pollution.

2. Sustainable Homes

We offer a loan of up to $20,000 for specific products and systems from accredited providers. The interest rate is not subsidised. Products include:

- insultation and ventilation
- solar hot water and power
- double glazing
- water storage and septic tanks
- clean heating (for ratepayers outside the Napier/Hastings airsheds).

Ratepayers who take up the clean heat and/or the sustainable homes loan pay this money back to us over 10 years through a voluntary targeted rate on their property.

What we are proposing to do

Option A:

Preferred option

The Regional Council's preferred option is to stop the Clean Heat grants and loans and stop the Sustainable Home loans from July 2024. We will need to continue to charge the targeted rate for the next 12 years to allow the programme to balance.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$624,000	$649,000	$675,000
Impact on debt	Nil	Nil	Nil
Term of rates required	Targeted rate continues until 2035-36		

Option B:

We could continue offering Clean Heat grants and loans and Sustainable Home loans for the next 10 years.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$624,000	$649,000	$675,000
Rate increase	Nil	Nil	Nil
Impact on debt	$ 5.3M	$ 5.4M	$ 5.5M
Term of rates required	Targeted rate continues until 2044-45		

Why?

This would mark the end of a successful programme to improve winter air quality and build resilience into homes. Uptake of clean heat in particular has slowed down in the past few years.

The Sustainable Homes programme led the way and now other providers offer similar assistance through banks' green financing e.g. ANZ zero interest loans and ECCA (Energy Efficiency and Conservation Authority

Ratepayers who have taken up a loan will continue to repay their loans through their voluntary targeted rate.

Stopping the service removes the requirement for borrowing, freeing up some debt capacity.

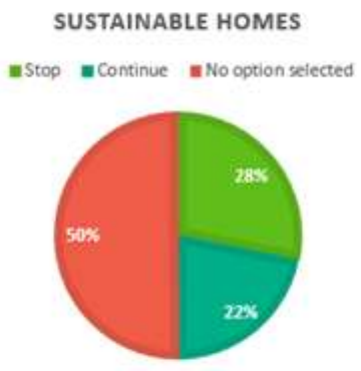
Background

The Clean Heat programme was originally set up in 2009 to incentivise people to replace old fireplaces (the carrot) when new regulations (the stick) came into place. Over the 15 years of Clean Heat we have approved 11,791 grants or loans which has contributed to reduced air pollution.

We have provided a further 6,408 loans under the Sustainable Homes programme which was set up in 2018 to mitigate and adapt to a changing climate.

Submissions received

8. Of all submissions received, 227 supported Council's preferred option to stop funding and 178 supported the option to continue the programme. A further 24 commented without selecting an option.



9. 186 submitters made a comment under this topic

10. Key themes are:

    10.1. Theme 1: There are other options available for homeowners

    10.2. Theme 2: Can be difficult to get a loan from other providers

    10.3. Theme 3: Not core Council business

    10.4. Theme 4: Promotes sustainability, energy efficiency and healthy homes

    10.5. Theme 5: Lowering demand for grants and loans

    10.6. Theme 6: Doesn't cost Council to run the scheme

Summary of submissions and staff analysis

Theme 1: There are other options available for homeowners

11. Many submitters noted that there are other funding options available, often at lower interest rates.

    11.1. *"There are now other sources of low-interest funding for these sorts of home improvements, with many of the mainstream banks offering them."* (#184)

    11.2. *"Banks are doing 0% or low interest rate loans for parts of what the sustainable home loans covered, so let the banks deal with it."* (#694)

Staff response

12. There are a number of funding options offered by other organisations. These include:

    12.1. Westpac (0% p.a., Max Amount: $50,000, Duration: Up to five years)

    12.2. ANZ (1% p.a., Max Amount: $80,000, Duration: Up to three years)

    12.3. BNZ (1% p.a., Max Amount: $80,000, Duration: Up to three years)

    12.4. ASB (1% p.a., Max Amount: $80,000, Duration: Up to three years)

    12.5. Kiwibank (Variable rate home loan (currently over 8% p.a.), Max Amount: Varies, Duration: 7-10 years, Kiwibank contributes up to $2,000 over four years for loans over $5,000)

    12.6. Warmer Kiwi Homes: Grants for lower income homeowners or homeowners in low advantage neighbourhoods for insulation and heat pumps (covering 80-90% of cost, around $3000 per installation). Homeowners pay up to $700-$800.

12.7. Te Whatu Ora – Child Healthy Housing Programme aims to prevent illness and hospitalisation by supporting children to sustainably live in warm, dry, affordable homes. Target of 525 whanau referred per year.

12.8. Energymate initiative with energy advisors who offer assistance for households in energy hardship.

12.9. Healthy Homes Rental Standards introduced in 2019 to ensure all rental properties have heat pumps, insulation, draught stoppers & ventilation. This is the responsibility of the home owner to install.

12.10. It is noted that the terms of the loans offered by banks are less than the ten years offered by Clean Heat / Sustainable homes but the interest rates are much less and the grant offered by one is more than our $700 grant.

Theme 2: Can be difficult to get a loan from other providers

13. Some submitters commented that other funding sources are not as easily accessible to some and that banks require more information.

13.1. *"Without this funding you are taking a big step back. There are many households who cannot get access to the funds required to upgrade their house."* (#511)

13.2. *"For some people bank loans may not be possible. I think it would be a good idea to reduce the burden somewhat and remove the 50% interest rate subsidy on Clean Heat Loans to offset cost."* (#875)

Staff response

14. The council does have requirements for lending which include being the property owner, having a clean rates history for three years and a credit rating score of 700 or more (for loans over $5,000 or without three years of rates history). The credit rating score is from a scale of 0 to 1,000 with a score of 705 being considered good.

15. Banks are required (under the Consumer Credit Contracts and Financing Act 'CCCFA') to assess affordability of repayments, including serviceability. HBRC does not currently do this as all overdue rates (including any remaining voluntary targeted rates) must be cleared on the sale of a property.

16. Ministry of Business, Innovation & Employment is currently consulting on their Responsible Lending Code (CCCFA requirements) with changes intended to support lenders to assess affordability (and keep appropriate records of these assessments). This may increase the level of assessment required by the Regional Council.

Theme 3: Not core Council business.

17. Although the environment is a focus for a regional council, the provision of loans repaid through voluntary targeted rates is not core business and not what the Regional Council should be focussing on.

17.1. *"Whilst I appreciate HBRC has an interest in this, this is not core business in my opinion."* (#711)

17.2. *"The Sustainable Homes programme is a good programme-- however, there are more urgent issues that need to be funded -- namely, flood resilience and biodiversity protection."* (#1081)

Staff response

18. No other councils are still offering sustainable home loans, with Marlborough District Council suspending theirs on 29 February 2024.

19. Most energy efficiency initiatives in climate action now support equity-based initiatives

recognising the number of households in energy poverty in New Zealand and their more limited ability to adopt technology solutions such as solar power for increased energy efficiency. The current HBRC Clean Heat and Sustainable Homes programmes do not have an equity focus.

Theme 4: Promotes sustainability, energy efficiency and healthy homes

20. A lot of submissions for keeping sustainable home loans and clean heat loans and grants focused on the environmental benefits these loans give access to.

    20.1. *"Access to funding empowers homeowners to take control of their energy consumption and environmental impact, fostering a sense of ownership and environmental responsibility"* (#16 & #17)

    20.2. *"The Sustainable Home loans and Clean Heat grants and loans have been pivotal in promoting energy efficiency and sustainability in our community."* (#916)

Staff response

21. Spreading the cost of more environmentally-friendly heating and energy alternatives does have the benefits mentioned by many submitters. When the programme was first introduced there were very few alternatives; however, there are now a wide range of alternatives, some of which offer better interest rates, higher grants and a wider range of solutions.

22. Many councils that have stopped their own schemes have lists of these alternatives on their websites to help their ratepayers find them. This is something that Hawke's Bay Regional Council would also do.

Theme 5: Lowering demand for grants and loans

23. Submitters commented that the schemes had been in place for a number of years now and that demand was decreasing.

    23.1. *"You would think by now that most people in older homes would have taken advantage of the scheme. Newer homes have better insulation so don't need it."* (#304)

    23.2. *"We note that these programmes have been very successful over the last 15 years, that participation is slowing, and that other parties now offer similar assistance."* (#647)

Staff response

24. Demand for these schemes has been reducing:

    24.1. Clean Heat grants - Numbers have progressively reduced since 2018/19 where 465 grants were awarded. In 2022/23, this number was 60% lower at 196 grants.

    24.2. Clean Heat funding - Numbers of loans have significantly dwindled since 2018/19 where 181 loans were allocated. In 2022/23, this number was 90% lower at 22 loans.

    24.3. Sustainable home funding - Initially, the number of loans grew to 2020/21 (1095 loans), however this has now reduced by half in 2022/23 (576 sustainable home loans).

25. There has been a slight resurgence in the schemes since the consultation document was issued as suppliers encourage ratepayers to purchase products before the schemes potentially end.

Month	Number of Processed Applications		
	2022	2023	2024
January	50	24	34
February	55	21	29
March	106	28	49
April	54	44	55
May	127	56	81

Theme 6: Doesn't cost Council to run the scheme

26. Some submissions commented that the schemes should not be stopped as they should be cost neutral to the Regional Council.

    26.1. *"Not sure why this needs to be stopped - isn't it cost neutral anyway?"* (#311)

    26.2. *"Continue only is it is cost neutral."* sic (#374)

Staff response

27. The scheme was set up to be cost neutral over the life of the scheme based on expected levels of grants and loans and prevailing interest rates at the time, with the targeted rate covering the costs of the grants and discounted interest. The targeted rate was set at an amount that required it to continue for ten years after the last loan was issued. This meant that the scheme reserve would be in deficit which is why the targeted rate was required to continue until the last loan had been fully repaid.

28. Greater than initially expected demand for Clean Heat grants and loans, the addition of Sustainable Home loans and the interest rate market have put additional pressure on the scheme reserve. If the schemes were to continue, we would need to review the interest rate used and possibly increase it to 8% or 9% to ensure that the schemes remain cost neutral without the need to increase the targeted rate beyond annual inflation.

Scope of the decision

29. The scope of the decision is to confirm the preferred option in the Consultation Document or agree an alternative based on the submissions received and deliberations held.

30. Staff consider that the preferred option is still the appropriate outcome.

Decision-making process

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

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

    31.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Tough choices – Sustainable Homes* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.

3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:

    3.1. Agrees to adopt the preferred option as outlined in the 2024-2027 Long Term Plan Consultation Document being:

        3.1.1. To stop the Clean Heat grants and loans and to stop the Sustainable Home loans from July 2024.

        3.1.2. To continue to charge the targeted rate for the next 12 years to allow the programme to balance.

OR

3.2. Agrees to retain the status quo being:

3.2.1. Continue offering Clean Heat grants and loans and Sustainable Home loans for the next 10 years (or until reviewed and consulted on in a future Long Term Plan or Annual Plan.

3.2.2. Instruct staff to review the interest rates being charged to ensure that the programme is breaking even.

Authored by:

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Procurement Lead

Chris Comber
Chief Financial Officer

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

1 Sustainable Homes Programme submissions feedback Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Tough choices - Erosion Control Scheme and Biodiversity & Biosecurity

Reason for report

1. This deliberations report provides the Council with submission themes and staff analysis of submissions and seeks a decision of Council on the consultation topic – *Tough choices – slowing some activities in the Erosion Control Scheme and Biodiversity & Biosecurity*.

Staff recommendations

2. Staff recommend that the Council considers the submission points (as received by Council resolution on 29-30 May 2024) on the topic alongside the staff analysis to enable an informed decision.

How we fund these activities

3. The Erosion Control Scheme and Biodiversity and Biosecurity activities are within the Integrated Catchment Management Group of Activities.
4. The Erosion Control Scheme is co-funded between the Hill Country Erosion Fund and HBRC. HBRC loan funds our portion of the yearly contribution to account for the inter-generational benefit to ratepayers. HBRC general rate fund for the repayment of the loans.
5. Biodiversity activities are funded 100% through the general rate after any external funding.
6. Biosecurity activities are funded 100% through the general rate except for those targeting primary production pests (rabbits, rooks and some pest plants control) which are funded at 100% targeted rate on land value by the non-urban valuation roll footprint.

Consultation topic

7. *Tough choices - Erosion Control Scheme and Biodiversity & Biosecurity* were separate consultation topics that the Council sought public submissions on through *Have your say Hawke's Bay on our recovery focussed Three-Year Plan 2024-2027* consultation document.
8. The proposal was presented in the consultation document as shown following:

3. Reduce funding available through the Erosion Control Scheme

What we currently do

This scheme provides a subsidy to incentivise landowners to undertake erosion control work to help keep soil on their hills and sediment out of the region's streams and rivers.

It targets 252,000 hectares of land in the region that is at high risk of erosion.

Landowners can currently apply for up to 75% of the project costs (up to $100,000) for work such as non-commercial tree planting, fencing, and land retirement.

We borrow for the Council's share of the cost and spread the cost of that borrowing over the general rate. We believe erosion control has strong intergenerational community benefits. This includes improved water quality and retention, soil conservation and retention, less soil-loss impact on the marine environment and improved habitat for birds, fish, and plants.

What we are proposing to do

Option A:

The Regional Council's preferred option is to reduce what we make available to landowners through the Erosion Control Scheme from $3.4 million per year to $2 million in 2024-25, $2.5 million in 2025-26, and $3 million the year after that.

Preferred option	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 1.6M	$ 1.8M	$ 2.1M
Impact on debt	$ 2M	$ 2.5M	$ 3M

Option B:

We could continue our Erosion Control Scheme at 2023-24 Annual Plan levels.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 1.6M	$ 2.0M	$ 2.5M
Rate increase (additional to the preferred option)	0.1 %	0.5 %	0.6 %
Impact on debt	$ 3.4M	$ 3.4M	$ 3.4M

Why?

Landowners have incurred significant additional costs since Cyclone Gabrielle so demand for this support has dropped in the short term.

Impact of our proposals

Less investment means fewer landowners will be supported. We will use this opportunity to revisit previous sites to check progress and learn what is working and what is not.

We will also be able to focus on expanding our pole nurseries to meet future expected demand. Staff working in this area will also be engaged is supporting Land for Life.

Background

We consulted on setting up the Erosion Control Scheme as part of our 2018-2028 Long Term Plan when we signalled our intention to accelerate our work to address environmental issues. It was estimated that Hawke's Bay's eroding land (predominantly hill country) loses, on average, more than 3 million tonnes of sediment into the region's waterways every year.

The scheme encourages landowners to undertake erosion control work where commercial measures are not appropriate or feasible; this includes pastoral or retired land, and on areas too small, steep, or remote.

The Regional Council approved $30 million to be spent over 10 years and to date we have received additional funding of $2.1 million from the Ministry of Primary Industries' Hill Country Erosion Fund . When we set the scheme up in 2018, we expanded our nurseries to grow and sell trees to landowners, and have supported 1,097 projects, helping protect 5,300 hectares of highly erodible land.

4. Continue a slow down of our biodiversity and biosecurity programmes

What we currently do

We undertake a range of work across Hawke's Bay to protect and enhance the region's unique biodiversity.

Our targeted key work includes:

- Environmental Protection and Enhancement Programme - we provide a grant fund and, in partnership with Biodiversity Hawke's Bay, a contestable fund to support landowners and community groups undertaking projects that support our strategic direction. We also provide a Marine Protection and Enhancement Programme.
- Priority Ecosystem Programme - we fund pest management, planting, and fencing at rare and threatened terrestrial sites. These include wetlands, forest remnants that are becoming scarce and fragmented, and other important ecosystem types. The sites provide important habitat for native wildlife, and filter and retain water in the environment.
- A biosecurity programme - this funding is to limit the adverse effects of unwanted plants, animals, horticultural, and marine pests to meet our Regional Pest Management Plan 2018-2038.

What we are proposing to do

In 2023-24 we reduced our biodiversity and biosecurity programmes by about $1 million to re-prioritise funds into cyclone recovery activities.

Option A: Preferred option

The Regional Council's preferred option is to bring that funding back over the three years of this plan.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 5.6M	$ 6.2M	$ 7.0M
Impact on debt	Nil	Nil	Nil

Option B:

We could reinstate our environmental enhancement, biodiversity and biosecurity programmes to pre-cyclone levels from 2024-25. This option would increase rates by $770,000 in 2024-25 and $420,000 in 2025-26 compared to option A.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 6.4M	$ 6.6M	$ 7.0M
Rate increase (additional to the preferred option)	1.9 %	0.9 %	Nil
Impact on debt	Nil	Nil	Nil

Impact of our proposals

A reduced budget for our Environmental Protection and Enhancement Programme means less financial support for landowners and community groups to undertake environmental work.

A reduced budget for biosecurity means that plant and animal pest management will have to be prioritised and some pests may have less or no control for a period of time, for example, some possum control monitoring will be reduced to cover the unbudgeted alligator weed incursion programme and to fund wilding conifer control.

Background

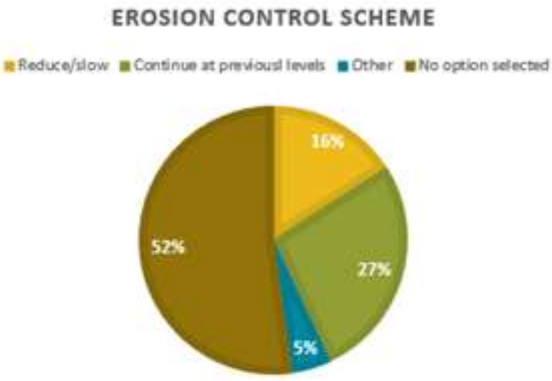
Biodiversity is the huge variety of living things and how they are all connected, including plants, animals and micro-organisms, as well as the ecosystems where they live. Our indigenous biodiversity is sadly in decline across New Zealand.

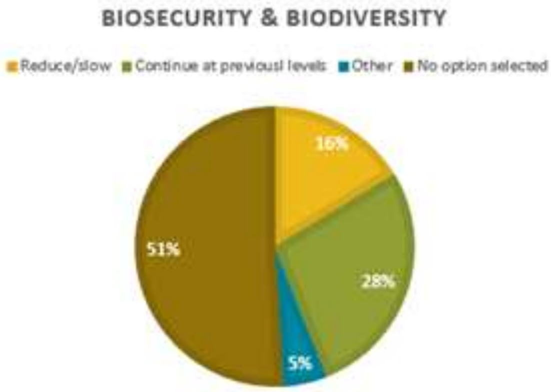
Over the previous two Long Term Plans, Council has stepped up funding to address biodiversity decline. This remains a strategic priority for Regional Council.

Submissions received

9. Of the submissions received on the Erosion Control Scheme, 129 supported the Council's preferred option to slow the programme for three years, 222 supported its continuation at previous levels. A further 20 submitters provided alternative commentary.

10. Of the submissions received on Biosecurity and Biodiversity, 133 supported the Council's preferred option to slow the programme for two years, 225 supported its continuation at previous levels. A further 15 submitters provided alternative commentary.





Erosion Control Scheme proposal

11. Around 150 submitters made a comment under this topic.

12. Key themes from submissions were:

    12.1. *Theme 1:* Continued investment in the Erosion Control Scheme is necessary to help mitigate the impacts of climate change and build resilience. Cyclone Gabrielle highlighted this.

    12.2. *Theme 2:* Cutting funding toward erosion control will compromise existing work programmes and be more costly in the future.

    12.3. *Theme 3:* The cost of erosion control should be borne by the landowner/end user and not by ratepayer funding.

    12.4. *Theme 4:* The Erosion Control Scheme (and other schemes) are too important, and cost savings should be found elsewhere in HBRC budgets.

13. Other comments of note included:

    13.1. Tukituki Land Care submission

    13.2. Erosion control investment should focus on native plants rather than introduced species such as willow and pine.

    13.3. There is some confusion around the Erosion Control Scheme, Land for Life and other HBRC programmes, including a perception of duplication.

Summary of submissions and staff analysis

Theme 1

14. Continued investment in the Erosion Control Scheme is necessary to help mitigate the impacts of climate change and build resilience. Cyclone Gabrielle has highlighted this.

    14.1. *"HBRC should not be reducing funding for any of these programmes; if anything, funding should be increased for all of them, but particularly for the erosion control scheme. We saw the soil slide straight off the land during Cyclone Gabrielle; soil conservation is even more important now than ever."* (#227)

Staff response

15. Climate change modelling predicts increased frequency and intensity of severe weather events. Continued investment in the ECS will be necessary to mitigate the increased potential for erosion generated by these events. However, in the short term, this must be balanced against the need for urgent repair and upgrade work to flood protection infrastructure and the ability of landowners with highly erodible land to prioritise this work while still dealing with the impacts of the cyclone.

Theme 2

16. Cutting funding toward erosion control will compromise existing work programmes and be more costly in the future.

    16.1. *"... It's taken a lot to get to where we are now. Cutting the funding is letting all of the hard work go to waste."* (#30)

    16.2. *"My theory is that in the long run it is better to carry on, as when the work is required it will be more than double and you have gained nothing. A backwards step in my opinion".* (#353)

Staff response

17. Staff agree that continued investment in the ECS is essential to maintaining momentum and raising awareness about the importance of erosion control measures. However, our rural community faces financial challenges as many have utilised their capital to repair farmland and infrastructure damaged by Cyclone Gabrielle. Escalating costs and diminished revenue further exacerbate this financial strain. Therefore, interest in co-funded erosion control projects will likely decrease in the short term, noting that these same landowners acknowledged the need for poplar and willow poles to stabilise their erodible hill country.

18. Our focus for the next three years will be prioritisation, maintenance, and planning for increased demand as our economy strengthens while developing erosion control plans with able landowners.

Theme 3

19. The cost of erosion control should be borne by the landowner/end user and not by rate payer funding.

    19.1. *"Erosion control should be a partnership with landowners. Support should be provided at cost, not any costs to the rate payers."* (#374)

    19.2. *"…I have to question why landowners (private businesses) need to call upon what is little more than corporate welfare in order to protect their assets?"* (#532)

    19.3. *"Defund the erosion control system. Farmers should be doing this and paying for it - it's their land, it's their responsibility."* (#742)

Staff response

20. Under the current Erosion Control Scheme, planting and other works are co-funded, with landowners paying a share of the cost. The scheme recognises that these works are often costly, while the benefit (i.e., reduced flooding, improved water quality) is shared with the wider community. Council must consider these costs/benefits in funding allocation, acknowledging that landowners often deal with legacy issues and environmental factors beyond their control. Schemes like the ECS help to accelerate works that would otherwise occur at a much slower rate.

Theme 4

21. The Erosion Control Scheme (and other schemes) are too important, and cost savings should be found elsewhere in HBRC budgets.

    21.1. *"Have you considered other ways you could save money that is not detrimental to the community ie reducing management personnel, administrative excess etc?"* (#499)

    21.2. *"These are all necessary to the Taiao and the Tangata on the whenua therefore. Why are these under consideration for funding cuts?"* (#103)

Staff response

22. Staff acknowledge the importance of sustaining actions to help mitigate erosion in our region. This is why a pause in the programme or more aggressive funding cuts are not being recommended.

23. As previously explained, post-cyclone, many of our rural communities are prioritising and investing in repairing farm infrastructure. As a result, due to constraints on time and finances, the number of those able to co-invest in erosion control measures is likely to decrease.

Tukituki Land Care #1171

24. *"TLC does not support removing or decreasing erosion control and biodiversity funding from the plan as this directly effects on-farm and catchment wide initiatives."*

25. *"In general, community groups that TLC interact with feel disconnected from the council's decision-making processes and that the Regional Council neither understands nor appreciates the efforts and contributions of community groups."*

Staff response

26. Staff are approaching Tukituki Land Care to further discuss any concerns raised.

Other comments

27. In addition to the key themes above, a few submissions focused on the details of the Erosion Control Scheme. Some preferred native species, and some questioned the relationship between the ECS and similar HBRC programmes, resulting in confusion and a perception of duplication.

    27.1. *"Planting of small natives e g. Flaxes have proved to be efficient along waterways in flooding. Looking at less willows and pines would be beneficial. Embracing native plantings - prime example Pekapeka swamp south of Hastings."* (#347)

    27.2. *"Given the increased flood damage which I understand was caused by debris from Poplar and Willow trees during Cyclone Gabrielle, I do wonder if the species used along river banks need to be reviewed."* (#1180)

    27.3. *"Stop the funding for the Erosion Control Scheme and Land for Life. These schemes should be combined into one activity".* (#1005)

    27.4. *"…There has been the Future Farming Fund, Land for Life, Hill Country Erosion, Right Tree Right Place, kick-start projects for specific areas. All these Council projects seem like they are at cross purposes and are jostling for the same market share of advising farmers what to do on their own properties."* (#1065)

Staff response

28. Most of our region's pastoral hill country has some erosion risk. The ECS supports the retirement of severely eroding land and native planting, where it provides cost-effective erosion control, and it is the landowner's choice to do so. However, some introduced trees, including some varieties of poplar and willow, play a very important role in achieving rapid and effective erosion control on land that can be sustainable in grazed pastoral systems. Additionally, we know from our engagement with landowners on the Land for Life proposal that the use of spaced poles in an agroforestry setting is the most desired option by most landowners.

29. The ECS does not fund the planting of willow in the flood channels of our major river systems. Our Asset Management Group carries out these works, which are essential for protecting stopbanks.

30. The ECS is an existing work programme that provides advice and financial support for addressing critical areas of erosion on private land. In addition to landowner and ratepayer investment, the ECS leverages central government funding through the Ministry for Primary Industry's (MPI) Hill Country Erosion Fund, which increases the funding available for the region.

31. Staff agree that greater clarity is needed around the differing programmes and their interconnected nature. The Land for Life (LFL) programme, formerly 'Right Tree, Right Place', is still under development. LFL aims to drive holistic and sustainable land use change at a commercial scale through business planning and the enabling of third-party investment.

S17A review

32. Staff are preparing a scope and a contractor to undertake a review of the Erosion Control Scheme under the framing of S17a of the local Government Act. The draft scope for this will come to council in the new financial year and the work completed before the end of this calendar year with any changes required implemented in the 25/26 financial year.

Biodiversity and Biosecurity

33. Around 150 submitters made a comment under this topic.

34. Key themes were:

    34.1. *Theme 1:* Environmental protection is important for climate change/a resilient future.

    34.2. *Theme 2:* Biodiversity and Biosecurity activities are core Council business. There is concern that Council's environmental programmes will go backwards.

    34.3. *Theme 3:* Biodiversity plays a critical role in human health.

    34.4. *Theme 4:* Biodiversity protection is essential, so we do not lose native species.

    34.5. *Theme 5:* Support reduced funding so long as it 'holds the line'.

    34.6. *Theme 6:* Non-essential spend.

    34.7. Forest & Bird submission.

    34.8. QEII submission.

Summary of submissions and staff analysis

Theme 1: Environmental protection is important for climate change/a resilient future

35. *"Although I understand the reasoning, I cannot support the Council's preferred option in this case. All these programmes are absolutely essential to protecting and/or enhancing Earth's environment, ecosystem services and biodiversity. These have already been severely compromised – and human health and wellbeing is increasingly being compromised as well".* (#1180)

36. *"Biosecurity and biodiversity are essential for the well-being of both us and future generations…."* (#37).

37. *"The current issue that we are facing in Hawke's Bay is responding to the effects of Cyclone Gabrielle. With continued climate uncertainty we cannot just focus on repairing the damage that has already happened. We must also invest in activities that will prevent further damage from future climate induced events. Sustainable heating and biodiversity are contributions towards this goal."* (#707).

Staff response

38. Many submitters referenced the impacts of Cyclone Gabrielle and the importance of creating resilient landscapes to the increasing frequency and intensity of storms, as predicted with future climate modelling. Submitters linked healthy ecosystems and biodiversity with overall resilient landscapes, and staff agree with this conclusion.

39. The council's Protection and Enhancement programme aims to deliver environmental enhancement work at a Catchment scale. The proposed preferred option to reduce resourcing for Year 1 and Year 2 of the LTP will delay work in this space. While a delay in protecting sites

will delay outcomes from the programme, it will not result in an overall failure of the programme.

40. Staff acknowledge that climate change will likely exacerbate pests' negative impacts, particularly on our indigenous ecosystems, and that further investment will be required to offset this impact. However, the proposed budget reduction over the three years of the Long Term Plan is unlikely to have a significant regional impact.

Theme 2: Biodiversity and Biosecurity activities are core Council business

41. There is concern that Council's environmental programmes will go backwards.

    41.1. *"We consider this is core-business and therefore support option B which proposes reinstating the environmental enhancement, biodiversity and biosecurity programmes to pre-cyclone levels from 2024-2025."* (#1169)

    41.2. *"While supporting much of the plan, I am strongly opposed to HBRC's proposal to slow funding in the following areas: • Biodiversity restoration projects • Biosecurity programmes • Maintenance of our regional parks. Rather than reducing this funding, these programmes must continue at current or higher levels. Slowing biodiversity and biosecurity programmes will have long term consequences that bring even higher costs in the future as we attempt to undo the damage."* (#798).

    41.3. *"The local natural environment - wildlife and flora - are far too important to risk letting predators and other factors create damage for three years. Especially when the actual running cost for these services at a ratepayer level is arguably minimal and the potential impacts for our world and our future generations is immense."* (#1106)

    41.4. *"Although it is difficult, we have an obligation to take a long-term view about investment in biodiversity and natural spaces. Reducing investment in these projects now is likely to require a disproportionate increase in funding for them in the future."* (#184)

    41.5. *"Now is the time to help grow the environment not take its funding away. We as a region have an opportunity to help grow the natural environment and lead the country by example but by taking away funding is showing support against it."* (#30)

Staff response

42. Council has a requirement under the Biosecurity Act and the Resource Management Act to show regional leadership in pest management and to maintain indigenous biodiversity. Biodiversity is one of the four priority focus areas in the 2020-2025 Strategic Plan. The council is a signatory to the Hawke's Bay Biodiversity Strategy, which aims to halt biodiversity decline. Staff agree that biosecurity and biodiversity-related work are core business for the council.

43. Staff have carefully balanced the need to implement proposed budget reductions against any long-term impacts. In general, pest management cannot be 'paused' or slowed as this will result in long-term impacts and, ultimately, more cost. For this reason, most of the budget reductions have been absorbed by the Priority Ecosystem and Protection and Enhancement programmes. The result is a slowing of these programmes until year three of the Three-Year Plan.

Theme 3: Biodiversity plays a critical role in human health

44. *"Biosecurity and biodiversity are essential for the well-being of both us and future generations"* (#37)

45. "*Although I understand the reasoning, I cannot support the Council's preferred option in this case. All these programmes are absolutely essential to protecting and/or enhancing Earth's environment, ecosystem services and biodiversity. These have already been severely compromised – and human health and wellbeing is increasingly being compromised as well. This, at a time when climate change/breakdown is causing escalating damage, with increasingly violent and devastating weather events likely to occur again in the Hawke's Bay region in the*

not too distant future." (#1180)

46. *"Biodiversity plays a critical role in human health, and communities rely on ecosystems that function well and provide clean air, fresh water, mahinga kai (gathering food as a natural resource from the environment) and rongoā (healing).2,3 Biodiversity loss, resulting from anthropogenic climate change, pollution and land use, is having, and will continue to have, negative health consequences for populations. This is particularly significant for indigenous populations who are most disproportionately and acutely affected by the impacts of these ecological changes.4 Health NZ strongly encourages Council to prioritise the protection of the region's biodiversity by maintaining and strengthening its Environmental Protection and Enhancement programme, particularly as it continues to be a strategic priority for Council. Health NZ also notes Council is considering utilising nature-based solutions and increasing river size for flood mitigation. These approaches, if found to be feasible, are likely to provide benefits to (if not protection of) the local biodiversity."* (#1014).

Staff response

47. Several submitters talked about the inherent value of the environment, and the fundamental importance of a thriving environment for all other types of activities.

48. Staff acknowledge that biodiversity can contribute to mental and physical well-being, and a body of literature seeks to quantify the savings in the health sector from enhancing the natural environment. Staff do not believe that the proposed temporary budget reduction over the three years of the Three-Year Plan will have a material impact on our community's mental and physical well-being.

Theme 4: Biodiversity protection is essential, so we do not lose native species

49. *"I strongly urge the council not to reduce funding. NZ. Is losing its natural areas / habitat and many of our species are endangered. HB has lost 90% of its wetlands which is shocking when you stop and think about that. Biodiversity is the vast array of flora and fauna that all interconnect with each other (ecosystem)."* (#853)

50. *"Biodiversity programmes need to be top priority for the region. We are already suffering from the effects of climate change and unpredictable weather, and habitat for native species is declining. We cannot deprioritize this work because everything else depends on it. If we lose our native species, they are gone forever, and if climate change continues, the rest of our funding initiatives will be for naught. There is no time to delay on biodiversity programmes-- we cannot afford to lose three years' worth of work. Reducing programmes such as possum control will create more work in the future when programmes are picked up again then simply continuing, because the numbers will rise."* (#1081)

Staff response

51. Staff acknowledge that the current regional investment is insufficient to halt biodiversity decline. Current predictions are that indigenous biodiversity will continue to decline unless transformative change can happen at a national and regional level. Biodiversity loss is a significant issue that regional councils cannot tackle alone. It requires increased investment from stakeholders and the central government.

52. The Priority Ecosystem programme was designed to protect remaining high biodiversity value sites across the region. When this programme is coupled with other council programmes, such as pest management, the biodiversity outcomes are significant at these sites.

53. Staff acknowledge that reducing the Priority Ecosystem programme budget will result in fewer ecosystems and the indigenous species living within them being protected over the planned budget reductions. This impact needs to be balanced against the urgent need to continue rebuilding our region's key infrastructure post-cyclone.

Theme 5: Support reduced funding so long as it 'holds the line'

54. *"I reluctantly support the temporary reduction of funding for the Erosion Control Scheme, Biosecurity and Biodiversity programmes, and Regional Parks and Te Mata Park funding over the next three years. While these initiatives are crucial for our environmental health and community well-being. However, given the significant financial strain and the urgent need to prioritise cyclone recovery efforts, we must acknowledge the necessity of reducing costs in some areas. While it is regrettable to slow progress, a temporary adjustment allows us to address immediate recovery needs while still preserving the capacity to revisit and revitalise these initiatives in the future. Balancing these priorities is a difficult but necessary step to ensure the long-term sustainability and resilience of our region."* (#916)

55. *"Biodiversity / Biosecurity Programmes – I'm also comfortable with the reduced level of funding as long as it "holds the line" for the progress that has been made over the past few years."* (#341)

Staff response

56. Staff acknowledge that decreases in budget across Council will limit the resourcing available for Biodiversity and Biosecurity work and would like to highlight the importance of ensuring that delivery of biosecurity outcomes is not compromised to maintain previous investment.

57. Retaining the ability to respond to biosecurity incursions is imperative, as illustrated by the recent discovery of Alligator Weed in Lake Whatumā and Senegal tea in the Clive area. Monitoring for these high-risk species and responding to any detections is of high priority.

58. Maintaining biosecurity programmes such as the possum control area programme, rook control, and pest plant management is essential. The risks to these programmes through decreased funding can have long-term impacts and jeopardise programme outcomes. Staff have carefully worked through the proposed budget reductions, assessing these impacts against other council programmes. Consequently, most of the budget reductions come from the slowing of the Priority Ecosystem and Protection and Enhancement programmes.

59. Our region's acutely and chronically threatened ecosystems are under significant pressure from increasing numbers of browsing ungulates (goats, deer, etc), and securing priority ecosystems from these pests is imperative. Staff acknowledge that reducing the Priority Ecosystem programme budget will result in fewer ecosystems and the indigenous species living within them being protected over the planned budget reductions. This impact needs to be balanced against other council priorities.

Theme 6: Non-essential spend

60. *"These I see as core work for the regional council, but we need to reduce costs and as these are temporary reductions I am in favour of these."* (#723)

61. *"We need to cut costs in all areas and reduce council staff and expenses"* (#896)

62. *"There is no more money to go to go around. Time to reduce projects, cut staff and services."* (#819)

Staff response

63. Some respondents felt that budget cuts needed to be made across all council areas, including funding for biodiversity and biosecurity.

64. As noted earlier in the paper, staff have already made programme cuts.

65. As previously mentioned for Theme 2 and Theme 5, the consideration for budget reductions is to ensure that previous investments are not wasted and to "hold the line". High-priority programmes include incursion response and animal and plant pest control programmes. If further budget reductions were undertaken in the Biosecurity and Biodiversity area, there would be long-term consequences such as pest plants seeding and replenishing the seed bank.

This can add decades to a pest plant programme.

Forest and Bird Submission

66. *“When nature thrives, our communities thrive. Healthy native forests, wetlands, and rivers sequester carbon, provide habitat for native species, filter freshwater, and protect us from floods and droughts. Yet we continue to lose these ecosystems and species at an alarming rate, as reiterated by the Ministry for the Environment’s ‘Our Land’ 2024 report1. It is important to understand these ecosystems and species are not ‘nice to haves’— these are vital components of our world, which we are inherently connected to and without which we cannot survive. We cannot emphasise this enough.”*

67. *“Introduced browsing pest numbers in upper catchments throughout the North Island East Coast are high and largely managed for recreational hunting purposes rather than for biodiversity protection or soil and water conservation. Forest & Bird is supporting the council’s efforts in its deer impact monitoring but are concerned by the council’s proposal to reduce funding for crucial pest control activities in the rohe that is essential for the forest to effectively work as ‘natural infrastructure’ to protect downstream productive land and residential areas from flooding. Reducing the funding for essential mahi to foster resilience for future events will be counterproductive and in the long term, will cost communities more when livelihoods are impacted. Forest & Bird is calling for increased funding for invasive animal and plant pest control which are a huge issue in the Hawke’s Bay region. Particularly, investment in browser pest control has to be prioritised to safeguard this crucial natural taonga.”*

68. *“We ask the HBRC to consider funding allocation for community groups such as Biodiversity Hawke’s Bay to provide for continued operation. Such community-led environmental groups are key stakeholders to achieve council’s mandated biodiversity responsibilities. We also ask you to continue with your own predator control projects.”*

69. *“Councils should continue to fund wetland mapping, monitoring, and protection programs. Councils are required to map and monitor wetlands under the NPS for Freshwater Management. While national policy could be subject to change with the new government, this should not mean you reduce any resourcing for wetland mapping, monitoring, and protection. Wetlands are critical ecosystems and are under significant threat, with urgent action required to reverse the downward trend in their prevalence.”*

Staff response

70. Staff acknowledge that healthy ecosystems are integral to a resilient landscape and are working to restore healthy ecosystems through the Biosecurity and Biodiversity programmes and in partnership with other council areas, such as Catchment Management (Erosion Control) and Open Spaces (Regional Parks), and external organisations, such as QEII and Biodiversity Hawke’s Bay.

71. Staff are aware that threatened ecosystems, particularly in areas close to the Kaweka and Ruahine ranges, suffer from the impacts of browsers. Broadscale management of feral ungulates is currently not feasible, nor is it something that council would do on its own or currently has the legislative powers to do so. Council undertakes a targeted approach to managing these threats through its Priority Ecosystem programme. The aim is to secure a full representation of ecosystem types in Hawke’s Bay from threats such as browsers and pest plants.

72. The Biodiversity team works closely with Biodiversity Hawke’s Bay, especially supporting community groups. The Environmental Enhancement Contestable Fund, Hawke’s Bay Biodiversity Strategy and Action Plan, and provision of technical and funding advice for community groups (as well as financial administration for some groups) all contribute to increasing the speed of work in the restoration space.

73. Council is already investing in wetland mapping, and this work will be shared with Forest and

Bird.

74. Staff acknowledge that the proposed budget reduction for the Priority Ecosystem and Protection and Enhancement programmes will impact the amount of biodiversity protection work delivered. However, to address all the issues raised in this submission, a substantial increase in resources in both biosecurity and biodiversity would be required on top of reinstating existing budget levels.

QEII Submission #1111

75. *"Investing in programmes like the erosion control scheme and the biodiversity and biosecurity workstreams is crucial for the long-term resilience of the region, particularly in the face of climate change."*

76. *"Reducing funding for animal and plant pest control over a number of years could have significant negative impacts and undermine the progress and investment that has been made in protection and restoration projects over many years. There are still many areas of remnant native ecosystems across the region in need of protection, and reducing the funding available for this work is likely to act as a disincentive for landowners. We urge the council to take a long-term view and commit to long-term, sustained investment in these programmes."*

77. *"Working with QEII to co-fund biodiversity protection and management on private land is a very cost-effective way for the council to achieve its objectives and support landowners, and we hope to see this investment continue, whatever cost-saving measures the council decides to pursue as part of the three-year plan."*

Staff response

78. Staff work closely with QEII and want to acknowledge the hard work of Hawke's Bay rep Troy Duncan, who plays an integral part in both delivering the Priority Ecosystem projects and protecting them in perpetuity. Working in partnership with QEII protects more sites through additional funding and provides a robust covenanting mechanism that protects the ratepayer's investment in biodiversity.

79. Staff acknowledge that high feral deer numbers in the region are impacting the remaining acutely and chronically threatened ecosystems, and partnering with organisations like QEII to address this impact is meaningful for those sites receiving protection. Reducing the Priority Ecosystem programme budget will slow the number of sites protected in partnership with QEII during the planned budget reductions. This impact needs to be balanced against other council priorities.

Scope of the decision

80. The scope of the decision is to adopt Option A (council's preferred option) or Option B as consulted on or a variation within the bookends of the options.

Decision-making process

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

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

    81.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Tough choices - Erosion Control Scheme and Biodiversity & Biosecurity* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.
3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:
4. Agrees to adopt Option A (Council's preferred options) which was to:
    4.1. Reduce funding for landowners through the Erosion Control Scheme from $3.4M per year to $2M in 2024-45, $2.5M in 20025-26 and $3M in 2026/27; and
    4.2. Bring back pre-cyclone funding for biodiversity and biosecurity programmes over the three-year life of the plan.

OR

5. Agrees to adopt Option B which was to:
    5.1. Continue the Erosion Control Scheme at 2023-24 Annual Plan levels; and
    5.2. Reinstate biodiversity and biosecurity programmes to pre-cyclone levels.

Authored by:

Warwick Hesketh
Principal Advisor Catchment Management

Mark Mitchell
Principal Advisor Biosecurity Biodiversity

Jolene Townshend
Manager Catchment Operations

Approved by:

Iain Maxwell
Group Manager Integrated Catchment Management

Attachment/s

1	Erosion Control Scheme and Biodiversity & Biosecurity submissions feedback	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Tough choices - Regional Parks and Te Mata Park funding

Reason for report

1. This deliberations report provides the Council with submission themes and staff analysis of submissions and seeks a decision of Council on the consultation topic – *Tough Choices - Regional Parks and Te Mata Park funding*.

Staff recommendations

2. Staff recommend that the Council considers the submissions (as received by Council resolution on 29-30 May 2024) on *Regional Parks and Te Mata Park funding* alongside the staff analysis to enable an informed decision.

How we fund this activity

3. Regional Parks, including the grant allocated to Te Mata Park, is budgeted under our Open Spaces activity within the Asset Management Group of Activities.
4. Funding for Regional Parks is 100% from the general rate.

Consultation topic

5. *Tough Choices - Regional Parks and Te Mata Park funding* was a key consultation topic that the Council sought public submissions on through *Have your say Hawke's Bay on our recovery focussed Three-Year Plan 2024-2027* consultation document.
6. The proposal was presented in the consultation document as shown following:

Part 4: Tough choices

5. Reduce maintenance on our regional parks, defer development of new parks, and stop grant funding Te Mata Park

What we currently do

- We own and manage four regional parks - Pākōwhai, Pekapeka, Tūtira, and Waitangi. We co-own Hawea Historical Park and co-manage this with the Hawea Historical Park Whenua Topu Trust.
- We also own Waipātiki Holiday Park which is managed independently.
- We provide financial support of about $120,000 per year to Te Mata Park Trust for maintenance of the park. Over the past five years our support has increased.
- We are also involved in collaborative projects to develop regional parks at Ahuriri and Wairoa

What we are proposing to do

Option A:

- Reduce our current annual maintenance budget of $1 million for our regional parks by 20% each year for the next three years - that's a saving of about $200,000 per year.
- Stop our annual contribution to Te Mata Park Trust of $120,000 for three years.
- Defer contributing towards development costs for Ahuriri Regional Park project. A joint committee of the Regional Council, Napier City Council, and Mana Ahuriri Trust is leading the project. We will, however, continue to pay $100,000 annually towards project management costs.
- Defer development of Wairoa Regional Park so we can focus on developing the $70 million flood mitigation scheme for Wairoa.
- Defer all new capital works on cycleways aside from $50,000 per year for safety improvements, and existing projects that are externally funded.

Preferred option

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 1.7M	$ 1.7M	$ 1.8M
Impact on debt	$ 132,000	$ 134,000	$ 135,000

Option B:

We could continue funding regional parks maintenance and the Te Mata Park Trust grant at 2023-24 levels and continue development of the new regional parks.

	Y1 2024-25	Y2 2025-26	Y3 2026-27
Ratepayer contribution	$ 2.1M	$ 2.4M	$ 2.6M
Rate increase (additional to the preferred option)	0.9 %	1.2 %	1.4 %
Impact on debt	$ 1.9M	$ 1.6M	$ 1.5M

Impact of our proposals

This reduces rates for all ratepayers and enables the Asset Management Team to focus on delivering the Flood Resilience Programme.

Background

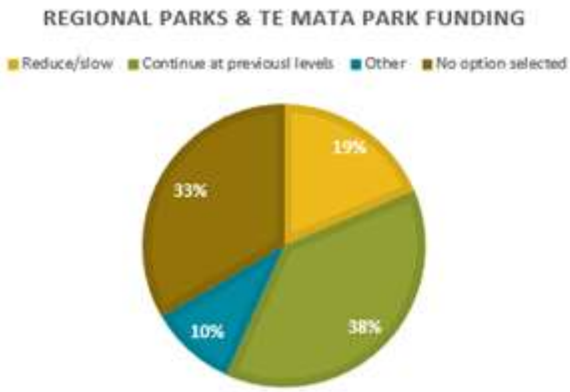
Our regional parks are constructed around waterways and have multi-purpose functions. We undertake work including riparian planting to assist with flood control, soil conservation, and water quality enhancement. A key focus is also on protecting and enhancing biodiversity so we can have healthy, functioning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

We leverage government funding to support these initiatives and partner with landowners with the aim to improve public access to these areas where practicable and sustainable.

28 THREE YEAR PLAN 2024-2027 Consultation document

Submissions received

7. Of the submissions received, 153 supported Council's preferred option to slow funding for maintenance for three years, 310 supported continued funding at existing levels. A further 105 submitters provided other commentary.



8. 335 submitters made a comment on this consultation topic.

9. Key themes were:

    9.1. Theme 1: Impact of the recreational value to the community from reduced spending on regional parks

    9.2. Theme 2: Council contribution to the Te Mata Park Trust should continue.

Summary of submissions and staff analysis

Theme 1: Impact of the recreational value to the community from reduced spending on regional parks

10. The majority of submissions on this theme commented that the regional parks, including Te Mata Park have high recreational and biological values to the region, and that reduced spending could impact this.

    10.1. “*Regional parks should not be neglected. We must protect biodiversity at all costs. Tūtira especially is a treasure that should have community input to develop and protect, erosion control etc. They belong to our children and their children.”* (#216)

    10.2. “*Our regional parks are a huge attraction for locals and visitors. They provide a free activity for families, and are a key attraction to the area…”* (#157)

    10.3. *“These programmes help mitigate and build resilience in the fight against climate heating. Parks also offer many positive well-being outcomes for citizens, especially when faced with the growing malaise over recent and ongoing environmental and social challenges*.” (#318)

Staff response

11. It is acknowledged that the regional parks provide outstanding recreational value to the community.

12. The Regional Council is still committing to spending $0.8M per year in the regional parks.

13. Regional Council is not proposing to close any of the existing regional parks due to a reduction in operational spending.

14. The proposed reduction in spending will see some minor reduction in activities across all parks.

Theme 2: The Council contribution to the Te Mata Park Trust should continue.

15. The majority of submissions on this theme commented that Te Mata Peak is regionally significant, and that HBRC should continue to fund Te Mata Park Trust to the level that it has been previously funded ($120,000 per annum).

    15.1. *“Te Mata peak is a major attraction for HB and holds significant cultural and well being value. It's value as a recreational and wellbeing retreat is exceptional and as such I would like to see continued funding for the Te mata peak trust*.*”* (#23)

    15.2. *“The proposal to cut funding to Te Mata Peak is backward thinking. The park is used by soooo many people, not just tourists for a whole range of activities which are keeping people healthier. It is a "jewel in the crown" of Hawkes Bay. Please do not cut funding, but in fact increase it”* (#27)

    15.3. *“I would like to see more funding for Te Mata Park. The park is an amazing asset for our region, and it needs a lot of maintenance. An increase would help keep it in a safe condition for all those who enjoy the wonderful tracks and scenery*” (#29)

    15.4. *“We understand that a funding cut could impact the school's ability to visit the park, if it is not able to be maintained to a safe standard.”* (#634)

Staff response

16. Te Mata Peak and Te Mata Park are regionally significant.

17. Te Mata Park is not a part of HBRC’s park network; rather it is managed by the Te Mata Park Trust.

18. The $120,000 per annum annual grant to Te Mata Park Trust approximately equates to one full time equivalent maintenance contractor, vehicle and hand tools.

19. The HBRC annual grant represents around one third of the Te Mata Park Trusts operating budget, in addition to significant volunteer effort.

20. Council could choose to continue grant funding Te Mata Park Trust but agree to reduce maintenance for existing regional parks and deferred development of new parks as consulted on.

21. The rating impact on the general rate of reinstating the $120,000 annual funding for Te Mata Park would be an increase in average rates (in addition to the proposed average rates increase) of 0.3%. There would be no impact on debt.

22. Staff consider that it is important that funds are available to support the current flood resilience programme, while providing fiscal probity for the remainder of the Regional Assets programme. Council will otherwise be deferring further capital expansion of the open spaces programme at a time when flood protection of vulnerable communities is a key focus.

23. The reductions in overall spend will not appreciably decrease the level of service of HBRC-owned assets, such as the cycleways or the regional parks.

Scope of the decision

24. The scope of the decision is to confirm the preferred option in the Consultation Document or agree an alternative based on the submissions received and deliberations held.

Decision-making process

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

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

    25.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke’s Bay Regional Council:

1. Receives and considers the *Tough Choices - Regional Parks and Te Mata Park funding* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.

3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:

    3.1. Agrees to adopt the Option A proposal as consulted on being:

        3.1.1. Reduce the annual operational budget of regional parks by 20% per annum for the next 3 years.

        3.1.2. Stop the annual contributions to the Te Mata Park Trust for the next 3 years.

    OR

    3.2. Agrees to retain annual funding for Te Mata Park Trust at $120,000.

    3.3. Defers contributing towards the development costs for the Ahuriri Regional Park project.

3.4. Defers development of the Wairoa Regional Park project.

3.5. Defers all new capital works on cycleways aside from $50,000 per year for safety improvements.

OR

3.6. Agrees to retain the status quo, Option B, being:

3.6.1. Continue regional park funding and Te Mata Park Trust grant at 2023-24 levels.

3.6.2. Continue the development of new regional parks.

Authored by:

James Feary
Operational Response Manager

Approved by:

Chris Dolley
Group Manager Asset Management

Attachment/s

1	Regional Parks and Te Mata Park funding submissions feedback	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Infrastructure Strategy

Reason for report

1. This deliberations report provides the Council with staff analysis of submissions related to the *Infrastructure Strategy*.

Staff recommendations

2. Staff recommend that the Council considers the submissions (as received by Council resolution on 29-30 May 2024) on the *Infrastructure Strategy* alongside staff analysis to enable an informed decision.

Consultation topic

3. A summary of the *Infrastructure Strategy* was included on pages 36-37 of the Consultation Document. The full Infrastructure Strategy was included as a supporting document on the website.
4. The Infrastructure Strategy is a requirement under the Local Government Act 2002. It sets out how we intend to manage our infrastructure assets including flood and drainage schemes, regional parks and cycleways and forestry blocks. It is normally a 30-year strategy covering 10 years in detail. This time the strategy is a one-off 3-year recovery focused strategy prioritising cyclone recovery.
5. It signalled a new long-term approach for flood mitigation, including:
   - 5.1. Building resilience to better manage over-design events
   - 5.2. Nature-based solutions
   - 5.3. Making room for rivers
   - 5.4. Integrated planning.
6. This deliberation report is also a catch-all for all submissions related to asset management work or projects, funded in the Three-Year Plan or not.

Submissions received

7. Key themes or topics were:
   - 7.1. Topic 1: Re-imagining flood protection
   - 7.2. Topic 2: HB Trails
   - 7.3. Topic 3: Clive River dredging
   - 7.4. Topic 4: Specific flood protection, including submissions from:
     - 7.4.1. Awototo Industry Action Group
     - 7.4.2. Whakakī Marae
     - 7.4.3. Cape Coast Community Group.

Summary of submissions and staff analysis

Topic 1: Re-imagining flood protection

8. The majority of submissions on this theme were of the opinion that HBRC should focus on Nature-Based Solutions and Making Room for Rivers.

9. There was a general agreement amongst submitters on this theme that stopbanks and other engineering solutions were not appropriate for a future where climate change would have a significant impact.

10. Respondents, most notably Forest and Bird, submitted on the need for a long-term approach for flood mitigation.

11. Forest and Bird in their submission commented on both Nature-Based Solutions and Making Room for Rivers.

    11.1. Their submission was in favour of "*utilising the inherent power of nature to address various environmental challenges while providing co-benefits to human societies*" (#1068)

    11.2. Forest and Bird have also proposed a three step 'making room for rivers' plan to kickstart improved river management.

    11.3. They reference, in their document, international best practice towards river management with comments such as "*International studies show that allowing a river to self-adjust is cheaper and more effective than active interventions that force a river into a particular place*" (#1068)

    11.4. Other submitters echoed this view - "*The focus for flood remediation should be on making room for rivers, so that we are working with rivers instead of building higher and higher stop banks, causing more devastion when they fail*" (#707).

Staff response

12. As noted in the consultation document, HBRC has a long-term strategy to incorporate nature-based solutions into flood protection schemes.

13. HBRC has worked with the wider sector to seek funding from MfE to undertake feasibility studies into nature-based solutions in the catchments of the major river systems in the Hawkes Bay.

14. The outcome of these studies will be referenced in the scheme reviews that are currently underway.

15. Making Room for Rivers is a focus of the rivers sector and is an element of HBRC's 30-year infrastructure planning.

16. Making Room for Rivers requires a long-term view as there will be requirements for the rivers to expand into land that is already under development. Consideration will have to be given to funding land purchase and the movement of stopbanks or additional structures (such as bridges) over time.

17. The scheme reviews currently underway have, as part of their scope, the provisioning for responding to overdesign events. It is expected that a number of the responses proposed will incorporated increasing river floodway width.

Topic 2: HB Trails

18. Submissions on this topic commented that there should be more investment in horse trails throughout the region.

    18.1. *"We made a presentation to a number of Councillors in October following a significant number of submissions to the 23/24 Annual plan asking that HBRC include repair and maintenance of existing horse trails and provision for establishing new trails in the budget* *and planning. At the suggestion of Councillors we sent a Business Plan to Council in January*" (#688)

18.2. *"More horse friendly . Safe horse trails . Good parking"* (#509)

19. Submitter (#1083) requested more information on the time it has taken to progress Great Ride cycleways given the value to the region from visitors and local use.

Staff response

20. HBRC operates and maintains a number of mixed-use trails through the region.

21. The budget for these mixed-use trail sits within the Open Spaces portfolio, of which regional parks is a member.

22. In the Consultation Document there is a proposal to reduce maintenance on our regional parks by 20% and also to defer new spend on the cycleways. This philosophy has also been applied to the mixed-use trails, with no provisioning for the development of new mixed-use trails in the proposed LTP.

23. A business case was put forward representatives of the horse-riding community. This was considered while preparing the LTP.

24. Operational maintenance on mixed-use trails will remain in line with current operational spending.

Topic 3: Clive River dredging

25. Submissions were received regarding the decision paper delivered to Council early in the 2023-24 financial year on deferring Clive River dredging.

26. The majority of submitters were opposed to this decision.

26.1. "*I am categorically opposed to deferring the Clive River dredging for a further 6 years. The River is in a shocking state and is an embarrassment to an entity who's mandate is about healthy, clean waterways*" (#809).

26.2. *"…paying a levy in our rates toward this being done for many years now and the riverbed is at the worst height it's ever been. Why is this not being addressed? …silt processing plants are already in place since cyclone Gabrielle so there should be no reason for this not to be carried out.."* (#864)

26.3. Silt build up is impacting river based recreation and sporting activity. "*When a Plan is in place and ratepayers are charged to achieve the result there needs to be every effort made to do the work. Specifically, the Clive River Dredging scheduled for 2021 as yet not achieved and now proposed to be addressed 2030*" (#999)

Staff response

27. In the LTP21 – 31 the Council at the time resolved to fund Clive River dredging and pump sediment to land at a total cost of $3.4 million to be spent in years 5 and years 9 of the LTP.

28. In the LTP21 – 31 Council further resolved to fund the Clive River dredging through a rate targeted on the Heretaunga plains flood control scheme (70%) and the General rate (30%). This started in Y2 of the LTP (22-23). This would be paid into a dedicated reserve.

29. Work was undertaken in 21-22 and 22-23 to gain a resource consent, which was unsuccessful. Over $200,000 was spent on this activity, which was funded from the Clive River Dredging reserve.

30. The total value of the reserve is currently $965,000 and funds are being paid into the reserve annually.

31. Further investigations by staff found that the cost for dredging with a more appropriate method would be up to $4m per each activity undertaken (year 5 and year 9) and the ability to gain a

consent requires significant effort.

32. Council decided to defer any dredging activity to a later date.

Topic 4: Specific flood protection

33. Specific submissions were also received relating to flood control and drainage schemes. These submissions related to improving flood resilience at key locations that were of particular significance to the submitter.

Awatoto Industry Action Group (AIAG) submission

34. This industrial area was particularly affected by Cyclone Gabrielle.

35. The general theme of their submission was to:

    35.1. "*..support additional funding directed toward civil defence and the upgrade of the telemetry network. These efforts will improve the region's ability to manage flood risks*" (#305)

    35.2. *"..support.. upgrades to the Mission/Brookfields/Pakowhai pumpstations and associated infrastructure including drains and culverts……Support the review of the Heretaunga Plains scheme…"* (#305)

    35.3. *"note there is no mention of the proposed Awatoto secondary containment scheme in the three-year plan…We request that HBRC includes this project in the three-year plan as our goal is to construct the scheme in the 2024/25 summer period."* (#305)

Whakakī Marae submission

36. This marae is currently protected from flooding by a stopbank adjacent to the marae property. This stopbank was designed and built by HBRC in 2013 and is currently maintained by HBRC.

37. In 2023 the marae committee engaged DHI to provide a flood assessment of the stopbank and this showed that the stopbank would no longer provide protection to the marae during a 1%AEP event.

38. To enable further development of the marae, flood protection to a 1%AEP event is required.

39. HBRC undertook a desk top review of the stopbank and have estimated that it would cost around $300,000 to upgrade the stopbank to meet the 1%AEP threshold plus climate change.

    39.1. The marae committee is looking to *"…seek councillors' support in progressing this initiative*" (#1107).

    39.2. The marae committee notes that *"...during and after Cyclone Gabrielle, the marae played a key part in ensuring that our local community of Whakaki was able to look after itself…"* (#1107).

40. Council could consider including the stopbank upgrade in its capital programme in the future. All schemes are currently being reviewed and from that Council will develop a prioritised investment list from a comprehensive list of issues across the whole region. Rating for this scheme is currently part of the existing Wairoa Scheme.

Flood Protection sub-committee of the Cape Coast Community Group submission

41. The theme of their submission was to focus on investing in improved coastal protection of the Te Awanga foreshore. Their view was echoed by other respondents.

    41.1. "*There is an immediate solution available which has been used successfully in other coastal areas of NZ, which is the installation of an EcoReef seawall which would run the length of the stormwater-system from the lagoon to the outlet*" (#1114)

    41.2. "*that the likely failure of the stormwater infrastructure at Te Awanga, should be* *considered under the Flood Resilience Programme*" (#1165)

A number of submissions were received in regard to the Haumoana drainage scheme

42. The theme was the resilience of the Haumoana pumpstation.

    42.1. *"The Haumoana pump station is made resilient (generator) and pumping capacity to suit."* (#677)

    42.2. *"Haumoana Domain needs the Height raised to prevent flooding of infrastructure and overloading the Pump Station. The drains and estuaries feeding the Pump Station need Cyclone debris removed, maintaining and widening."* (#729)

General commentary

43. The general theme was to continue or expand these activities as they are necessary for the community as a whole.

    43.1. *"Whatever will be the lowest cost to all ratepayers and that will not disadvantage the property owners in these areas. Please look into obtaining more central government funding to cover costs where possible to alleviate the burden to Hawke's Bay Regional Council ratepayers."* (#827)

    43.2. "*Waterways, stockbanks, pumpstations, all need to be maintained and looked after by elected members of The Councils*" (#998)

    43.3. "*The new repairs to stopbanks also need groynes to protect them from localized floods*" (#643)

Staff response

44. Part of the work that is being undertaken for the NIWE programme is the upgrade of the pumpstations at Brookfields and Awatoto, as these are subject to inundation and no longer fit for purpose.
45. The new pumpstations will have an increased level of service – moving from a rural drainage level of service to an urban stormwater level of service of 2% AEP.
46. The new pumpstations will conform with best practice for Supervisory Control and Data Acquisition (SCADA) and will be aligned with the NCC telemetry system.
47. Further works will also be undertaken on the drainage network throughout the industrial area to improve flow performance. It is noted that some of this work is likely to require a contribution from private industry.
48. The concept of secondary containment is being discussed as part of the scheme review for the Heretaunga plains. Conversations are currently occurring between Tonkin & Taylor who is undertaking the scheme review and PDP, who is the consultant engaged by the industry group.
49. The Whakakī Marae stopbank is currently maintained through the Wairoa and Stream scheme, which is a district wide scheme. The bulk of the scheme funding is apportioned to routine maintenance activities. There is little additional funding left for upgrading assets within the scheme and as such the scheme will not be in a position to fund any upgrades to this stopbank.
50. Wairoa District Council has recently changed their district plan which requires a flood protection of 1%AEP with 0.5m of freeboard before any building consent can be issued. This change in position by WDC will effectively stop any further building work at the marae unless either the stopbank or the marae foundation is raised to meet the 1%AEP + 0.5m freeboard requirements.
51. The issue of coastal inundation at Cape Coast is currently the responsibility of Hastings District Council. If the Clifton to Tangoio Coastal strategy is adopted, then consideration will be given to these submissions.

52. Within the Three-Year Plan, as submitted on, is the provision for new capital and capital renewals at Haumoana. It is expected that these works will continue over the 3-year period of the Plan and will improve the reliability of the pump station. An upgrade of the telemetry and control systems at the pumpstation is also provisioned, and further monitoring of the tributary drains, streams and the Tukituki River mouth.

53. Crown funding has accelerated the Haumaoana scheme review, and this is likely to be received by HBRC at the end of 2025. This will further inform the capital requirements for the Haumoana scheme.

Scope of the decision

54. The scope of the decision is to consider the submissions above and adopt the Infrastructure Strategy as consulted on or amend it in light of submissions made.

Decision-making process

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

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

    55.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Infrastructure Strategy* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.

3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:

    3.1. Agrees to adopt the Infrastructure Strategy as consulted on with no changes.

Authored by:

James Feary
Operational Response Manager

Approved by:

Chris Dolley
Group Manager Asset Management

Attachment/s

1	Infrastructure Strategy submissions feedback	Under Separate Cover

Item 13

Hawke's Bay Regional Council

18 June 2024

Subject: Submissions requesting financial assistance

Reason for report

1. This deliberations report provides the Council with requests for financial assistance and staff analysis of these requests.
2. Attached to this report are all the related submissions.

Staff recommendations

3. Staff recommend that Councillors consider the submissions requesting financial assistance alongside staff responses to enable decisions to be made on the final 2024-2027 Three-Year Plan.

Submissions received

4. Two submissions were received requesting financial assistance or support:
   4.1. Hawke's Bay Future Farming Charitable Trust (#789)
   4.2. Biodiversity Hawke's Bay (#1097).
5. Further, a letter from Marei Apatu - Te Kaihautū Te Manaaki Taiao at Te Taiwhenua o Heretaunga requesting funding of $225,500 from year 2 onwards and inflation adjusted from 2027-28 for continued Mātauranga Māori monitoring was tabled at the Māori Committee in March 2024 (see letter attached).
6. Although not submitted formally during the consultation process it has been included here as it is a proposal for LTP funding raised through the Māori Committee.
7. It is recommended that Council direct Te Pou Whakarae – Te Wairama Munro to work directly with TTOH on the funding request.

Hawke's Bay Future Farming Charitable Trust (#789)

8. Council acknowledges the submission made by Hawke's Bay Future Farming Charitable Trust (HBFFCT) who has asked for $100k per annum towards projects and overheads.

	Year 1	**Year 2**	**Year 3**
Support for Phase 2 of Carbon Positive Project	$30,000	$30,000	$30,000
Seed funding for the Farming for Carbon project	$50,000	$50,000	$50,000
Contribution to administrative overheads	$20,000	$20,000	$20,000
Total	$100,000	$100,000	$100,000

9. During their presentation at the hearing, the HBFFCT discussed their submission requesting funding, as stated above.

Staff response

10. Council funded Phase 1 of the HBFFCTs Carbon Positive Project, totalling $90,000 over three years.
11. HBFFCT can apply for funding for their Phase 2 Carbon Positive Project through HBRC's Erosion Control Scheme's Strategic Relationship and Innovation Fund, as they did for Phase One. This application would be considered alongside any other funding applications at the time.

12. There is currently no budget to fund the balance of the requests. It would require programmes of work to cease or if Council wishes to additionally fund HBFFCT seed funding for the Farming for Carbon project ($50,000) and contribute to their administrative overheads ($20,000). This cost would be $70,000 per year, which is equivalent to an additional 0.2% on rates.

Biodiversity Hawke's Bay (#1097)

13. Council acknowledges the submission made by Biodiversity Hawke's Bay who has asked for operational funding (personnel and overhead costs) in Year 2 ($150,000) and Year 3 ($250,000) of the Three-Year Plan.

14. During their presentation at the Hearing, Biodiversity Hawke's Bay spoke to their submission requesting funding for operational funding, as per above.

Staff response

15. HBRC currently contributes $50,000 annually to the Biodiversity Hawke's Bay Environmental Enhancement Contestable Fund, with support from the Department of Conservation. This fund, managed by Biodiversity Hawke's Bay supports individuals and groups with projects to advance the region's biodiversity. Given the significant impact and outcomes of this funding approach, staff intend to continue funding this into the future.

16. Staff consider that Biodiversity Hawke's Bay is a valuable contributor to addressing the region's biodiversity crisis. They represent the important community-led work and their existence is an important aspect of our regional biodiversity 'system' that is tackling this crisis.

17. Staff will engage with Biodiversity Hawke's Bay over the coming year to work with them on a long term, sustainable funding model. Staff have been discussing this with local Department of Conservation staff and there is a shared view that this group is important for the region and we would like to work out how best to support this group. There is an opportunity to pause and re-assess what this support looks like and what we would ask of a group like this. Staff will bring back advice on this in advance of the 2025-2026 Annual Plan.

Financial and resource implications

18. Based on the staff recommendations there would be no financial implications.

19. If Council chose to add funding to these requests the financial implications are set out earlier in the paper.

Decision-making process

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

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

    20.2. The use of a consultation process required by legislation under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Item 13

Recommendations

That Hawke’s Bay Regional Council:

1. Receives and considers the *Submissions requesting financial assistance* deliberations report.
2. Agrees that Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required by legislation under the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.
3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:
   - 3.1. Agrees that no changes be made to the 2024-2027 Three Year Plan in relation to the submission from Hawke’s Bay Future Farming Charitable Trust (#789)
   - 3.2. Agrees that no changes be made to the 2024-2027 Three Year Plan in relation to the submission from Biodiversity Hawke’s Bay (#1097)
   - 3.3. Agrees that no changes be made to the 2024-2027 Three Year Plan in relation to the letter from Te Taiwhenua o Heretaunga.

Authored by:

Iain Maxwell
Group Manager Integrated Catchment Management

Te Wairama Munro
Te Pou Whakarae

Approved by:

Nic Peet
Chief Executive

Attachment/s

1	Te Taiwhenua o Heretaunga letter	Under Separate Cover
2	789 Hawke's Bay Future Farming Charitable Trust submission	Under Separate Cover
3	1097 Biodiversity Hawke's Bay submission	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Fees and User Charges Policy

Reason for report

1. This deliberations report provides the Council with submission themes and staff analysis of submissions and seeks a decision of Council on the consultation topic – *amendment of our Fees and User Charges Policy*.

Staff recommendations

2. Staff recommend that the Council considers the submission points attached (and full submissions as received by Council resolution on 29-30 May 2024) on the *Fees and User Charges Policy* topic alongside the staff analysis to enable an informed decision.

Consultation topic

3. Our *Fees and User Charges Policy* was one of three policies identified during the development of our Three-Year Plan in need of amending. Council sought public feedback on the proposed policy change concurrently with the Three-Year Plan.
4. A Statement of Proposal and marked-up policy was available online and was presented in the consultation document as shown following:

Fees And User Charges Policy

We apply fees and user charges to fund operating expenses where the people who benefit can be directly identified and charged. This includes charges for work such as processing resource consent applications, charges for compliance administration and monitoring, and freshwater science charges for water takes and discharges.

We review our fees and user charges every year to ensure we recover our expected costs, and that the costs are fairly shared amongst those who contribute to the need for the work.

We are consulting on our Fees and User Charges Policy including the fee schedule at the same time as our Three-Year Plan. A Statement of Proposal with the marked up changes is in the supporting information.

We are proposing two new Harbourmaster fees

Hawke's Bay's waterways are used by recreational users and commercial operators for a variety of activities. Our Harbourmaster is responsible for ensuring maritime safety within regional waters, from Mahanga in the north, to Pōrangahau in the south.

1. We are proposing to introduce a fixed Harbourmaster charge for Napier City Council

We currently charge Napier City Council a variable fee based on actual Harbourmaster time and materials for our costs of regulating maritime safety activities within the Ahuriri Inner Harbour.

For ease of administration, we are proposing to change this to an annual fixed charge based on a proportion of the total expenditure on harbour safety operations, like the way Napier Port is charged.

We are in discussions with Napier City Council on this new proposed fee.

2. We are proposing to introduce an Anchorage Levy

We are responsible for maintaining two anchorage areas plus the risks associated with vessels that anchor there. The areas we manage are outside of the Napier harbour which Napier Port is responsible for.

We currently don't charge for this work and are proposing to introduce a levy to contribute towards this.

Vessels anchor in these areas for a variety of reasons (including port congestion, repairs, or maintenance) and the process of anchoring the vessel, the duration at anchor, and heaving the anchor to set sail pose significant pollution hazards and risks to maritime safety.

The proposed new levy would be a variable fee like those in place at some other ports in New Zealand.

It would be charged to commercial vessels based on the length of the vessel and duration at anchor.

We plan to recoup about $60,000 per annum (based on an estimated 300 vessels anchoring for two days each).

We will be contacting shipping agents and Napier Port for their feedback on this proposed levy.

Submissions received

5. 80 submitters made a comment under this topic. Of the 80 submissions, 18 specifically referenced the proposed Harbourmaster fee changes, 1 referenced gravel extraction fees, and the remaining were more on user charges in general.

6. Of the 18 submitters who specifically referenced the proposed Harbourmaster Fee changes, the majority indicated support for the proposed changes, 3 indicated concern about how the charges would be applied and 1 indicated concern about additional administration costs to the ratepayer.

7. The proposed new Harbourmaster fees directly impact shipping companies and Napier City Council. Staff directly contacted nine local shipping agents, Napier City Council and Napier Port to detail the proposed changes and invite submissions. Submissions on this topic were received from 3 shipping agents, but not from Napier City Council or Napier Port.

8. Key themes of the submissions received were:

    8.1. Theme 1: More detail required on the proposed harbourmaster anchorage levy

    8.2. Theme 2: User pays principle.

Summary of submissions and staff analysis

Theme 1: **More detail required on the proposed harbourmaster anchorage levy**

9. The three submissions from shipping agents shared similar questions around what conditions the anchorage levy would be applied, what maintenance of the anchorage areas has been done to date, and dispute around whether this type of charge was levied in other harbours in New Zealand.

    9.1. *"Who does the charge apply to? Ships that are arriving at Napier, ships kicked out, vessels departing but choosing not to proceed immediately to next port, any other vessel sheltering i.e. sailing from Hay Point to S America? Can you also confirm when the last maintenance of the Anchorage Area was undertaken? "* (#394)

    9.2. *"It is concerning that HBRC seem of the belief that other NZ ports charge for vessels using their anchorage area. Could you please advise which ports you are referring to? …….Would HBRC still charge this cost when Napier Port is closed due to weather? When a vessel is removed from a berth to allow a cruise vessel or container vessel in/out of the port? And what about vessels sheltering or using the anchorage if in some form of distress? Can you please advise what services the proposed fee is intended to cover, and when the last maintenance of the anchorage area was undertaken? "* (#395)

    9.3. *""This will affect most of our principals due to the frequent congestion and port required shifting, which is a situation that is beyond their control. We would be obliged if this charge can be avoided."* (#396)

10. Another submitter (#827) expressed concern of additional administration costs for the proposed anchorage levy cancelling out the income recovered, thereby passing the costs to the ratepayer.

Staff response

11. Staff are aware of anchorage fees in place in Northland, Auckland, Canterbury and Marlborough. The fees are referenced within the relevant council's annual plan and/or fees schedule and available on their public websites. HBRC's Harbourmaster has had discussion with Harbourmaster staff from Auckland and Canterbury on how they administer the anchorage fees in their region. The fees in each region vary depending on the layout of the pilotage limit and/or agreements between the councils and ports on the monitoring and management of vessels at anchor. Staff understand that other regional councils are also currently exploring the introduction of a fee for vessels at anchor in their region.

12. Regardless of the reasons for anchoring, all vessels at anchor need to be managed and monitored. The anchorage areas need to be surveyed for hazards to navigation, depth, and the nature/quality of the seabed as a holding ground. The "user pays" approach proposed for the new anchorage levy, would apply to vessels greater than 40m in length overall that anchor within regional waters, but would not include vessels that are forced to anchor due to safety reasons or vessels seeking a place of refuge/safety. Additionally, vessels which are required to shift from a berth to anchor due to berth congestion or port operations will have a grace period of up to 12-hours where no charge will be levied. The average cost (based on the size of vessels making port calls to Napier) would be $200 per vessel per day, or part thereof.

13. The Hawke's Bay anchorage areas were last surveyed post cyclone mid-2023 by the Albatross, and another survey is scheduled for 2025. The charted depths of the anchorage areas were unaffected by the cyclone due to their locations and nature of the seabed, and there were no hazards to navigation detected during the survey. Since then, there have been no reports from vessels of any hazards, fouled anchors, or incorrect charted depths.

14. If the proposed fees and charges are adopted, staff anticipate the administration can be shared amongst existing roles and do not anticipate a need for additional staffing. The proposed fixed charge for Napier City Council will simplify the existing billing arrangements which are currently based on ad hoc time and materials.

Theme 2: User pays principle

15. Thirteen submitters expressed support for users of services to pay rather than the ratepayer.

    15.1. *"Must increase user charges to meet the actual costs, not be subsidised by the ratepayers."* (#664)

    15.2. *"If you use it than you pay for it, so this means that people that do not use things should not have to pay"* (#518)

16. Seventeen submitters indicated HBRC's fees and user charges were too high and/or should not be increased, and five submitters highlighted a need to ensure the council focuses on cost efficiencies before passing costs on via fees and user charges.

    16.1. *"Charges and fees are getting way out of hand and to us is just another unjustified tax…"* (#1133)

    16.2. *"User pays unfairly disadvantages lower socioeconomic communities."* (#297)

    16.3. *"Reasonable increases for user pays but efficiencies must be made to find cost savings for both parties."* (#315)

Staff response

17. The principles of funding sources for all HBRC's activities were recently considered in the review of the Revenue and Financing Policy (adopted February 2024). The use of fees and user charges as a funding source was confirmed where the users of a service can be identified and charged accordingly. This is based on the user pays principle where the user pays for the benefits received.

18. Some of the fees and user charges in the draft Three-Year Plan have reduced. This is because the fee schedules are reviewed and set annually in line with the Revenue ad Financing Policy, and amendments in the new policy have changed the proportion of funding from fees and user charges for two activities.

    18.1. Resource consent staff hourly charge rates have reduced, as non-recoverable consent costs are 100% general rate funded.

    18.2. Freshwater science charges for discharge consents have reduced, as the proportion of costs to be recovered from consent holders has reduced from 35% to 15%, with the balance of funding from targeted rates.

19. Where fees and user charges have increased, this is only in line with increasing costs to deliver the activity, and is after any cost efficiencies or savings have been taken into account.

Other submissions to note

20. One submission was received on the topic of fees related to gravel extraction taken via individual resource consent where gravel extraction is on private property (#1189).

21. Staff note that in some instances, a financial contribution towards the costs 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 will be required, but this is not true in all instances. Staff suggest this can be clarified by amending the wording of the *fees and user charges policy* to make it clear that gravel extraction fees are payable if it is required by the conditions of the individual consent. Financial contributions need to be specified in resource consent conditions under s108 of the Resource Management Act, therefore Council would include these in consents where it is considered appropriate to support river monitoring work in the subject catchment. The normal ability under the RMA to object to decisions and associated conditions of consent would then be available to each applicant should they wish to challenge the decision on their application.

22. Staff will make the following wording change in the *fees and user charges policy* and bring this back to Council for adoption in the final Three-Year Plan on 3 July.

    22.1. Under section 1.5B of the policy under the heading "Gravel extraction, river state, cultural and environmental monitoring fees and charges"**:**

        22.1.1. "In addition to direct compliance monitoring of your consent, <u>*where specified by the conditions of your consent*</u>, you will be required to pay a gravel extraction fee based on the volume of gravel extracted, the source of the gravel and its quality as set out in Table 10."

Scope of the decision

23. The scope of the decision is to accept the *Fees and user charges policy* as drafted, including the introduction of two new fees for harbourmaster maritime safety activities, or to amend the policy to remove the inclusion of one or both of the proposed new fees.

24. Staff consider that the proposed fee change for Napier City Council is administratively more efficient and provides certainty to Napier City Council each year for their own funding requirements. Prior to the formal LTP consultation period, multiple meetings were held with Napier City Council staff who agreed in principle to the introduction of an annual fee. No submission was received from Napier City Council on this proposal.

25. Staff consider the proposed new anchorage levy is a suitable mechanism to target specific users of a service and charge accordingly, as is required in the Revenue and Financing Policy for the Maritime Safety harbour operation activity. Submissions from shipping agents representing the parties who would incur this proposed charge, raised concerns around when this charge would apply. The levy would not apply to vessels forced to anchor due to safety reasons or vessels seeking a place of refuge/safety, and a 12-hour grace period will be provided for vessels that need to shift from the port to the anchorage due to berthing congestion or port operations. Refinement of the fee structure from a variable to an annual fixed charge may be explored in time as more data is gathered.

Decision-making process

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

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

26.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Fees and User Charges Policy* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.
3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:
   3.1. Agrees to adopt the amended *Fees and User Charges Policy*, including the implementation of two new Harbourmaster fees being:
      3.1.1. An annual fixed Harbourmaster charge to Napier City Council, and
      3.1.2. An anchorage levy to commercial vessels greater than 40m in length overall anchoring within the Hawke's Bay regional waters.

   OR

   3.2. Agrees to retain the status quo being:
      3.2.1. Time and material charges to Napier City Council for Harbourmaster services, and
      3.2.2. No levy to commercial vessels for anchorage within the Hawke's Bay regional waters.

Authored by:

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Adrian Wright
Harbourmaster

Approved by:

Katrina Brunton
Group Manager Policy & Regulation

Attachment/s

1	Fees and User Charges Policy submissions feedback	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Rates Remission and Postponement Policies

Reason for report

1. This deliberations report provides the Council with submission themes and staff analysis of submissions and seeks a decision of Council on the consultation topic – *Amendment of our Rates Remission and Postponement Policies*.

Staff recommendations

2. Staff recommend that the Council considers the submission points attached (and full submissions received by Council resolution on 29-30 May 2024) on the *Rates Remission and Postponement Policies* topic alongside staff analysis to enable an informed decision.

Consultation topic

3. Our *Rates Remission and Postponement Policies* were one of three policies identified during the development of our Three-Year Plan in need of amending. Council sought public feedback on the proposed policy change concurrently with the Three-Year Plan.
4. A Statement of Proposal and marked-up policy was available online and then presented in *Part 5: Draft policies for consultation* in the *Have your say Hawke's Bay on our recovery focussed Three-Year Plan 2024-2027* consultation document as follows:

Rates Remission & Postponement Policies

When the Regional Council recently adopted its revised Revenue and Financing Policy, it committed to further consult on options to reduce the impact on stand-out ratepayers on utilities rolls. These ratepayers are considered stand-out, or outliers, because their capital value is disproportionately high compared to others.

We are consulting on this at the same time as our Three-Year Plan. A Statement of Proposal with a marked-up copy of the Rates Remission and Postponement Policies showing the changes is in the supporting information.

What's the issue?

Most ratepayers on utilities rolls - including our local councils as well as power and telecommunications companies - have their network infrastructures either underground, overhead or along existing structures (like bridges). Their infrastructure (such as pipes for drinking water, wastewater, and stormwater) is generally not on land they own. This means that most rating units on utilities rolls have a capital value but not a land value.

As a result of the Regional Council's recent decision to change the way we calculate the general rate, from land to capital value as part of a comprehensive rates review, these ratepayers will now be charged the general rate for the first time. In some cases, this will see their rates bills increase quite substantially. During the submission process for the policy review, the Regional Council received a joint submission from the four district and city councils in Hawke's Bay requesting relief to lessen the impact on their utility rolls rates from the policy change. The rationale given was that the capital value of Three Waters assessments stand out as being disproportionate to other rateable assessments in the rating database, and that their community infrastructure assets do not impose a significant burden on regional council services.

What are we proposing?

In response to this submission, we are proposing a new remission called *Significant Impact Remission resulting from changes to the Rating Policy* for ratepayers on utilities rolls for one year to help the transition to the new policy settings. We are consulting on three options.

The Regional Council's preferred option is Option B. Given the significant change in their rates bill, we think a one-year remission of 50% would give the most affected outlier ratepayers time to set their budget to incorporate these new rates.

Part 5: Draft policies for consultation

A. **Option A: No remission**

Councils and utility companies would pay their utility rolls rates invoices on the full general rate calculated on capital value, in line with the new Revenue and Financing Policy.

Impact on ratepayers on utility rolls: around $520,000 across 60 rating units.

Impact for all other ratepayers: no impact on other ratepayers. Note that the four local councils will likely pass on this cost to their ratepayers through district and city rates.

Preferred option

B. **Option B: 50% remission for one year, outliers only**

Councils and utility companies with capital values ranging from $127M to $432M (outliers) would receive a remission for one year on 50% of the amount payable. This includes Hastings District and Napier City Councils, and one utility company.

Impact on the outliers: around $200,000 remitted and $200,000 still to be paid.

Impact on Central Hawke's Bay and Wairoa District Councils: around $33,000 still to be paid in full.

Impact for all other ratepayers across the region from reallocating the remitted amount: around $2.72 general rate increase per year on average*.

C. **Option C: 50% remission for one year, local councils only**

Councils would receive a remission for one year on 50% of the amount payable. This includes Wairoa, Hastings and Central Hawke's Bay District and Napier City Councils only.

Impact on the councils: around $216,000 remitted and $216,000 still to be paid by the four councils.

Impact for all other ratepayers across the region from reallocating the remitted amount: around $2.95 general rate increase per ratepayer on average.*

*Note this will impact ratepayers differently depending on their capital value; properties with large capital values will be the most affected.

THREE-YEAR PLAN 2024-2027
Consultation document 33

Submissions received

5. 74 submitters made a comment under this topic, noting that many comments related to rates remissions more generally (not just the policy change proposed).

6. Of those that expressed a preference, 4 supported option A (no remission), 24 supported option B (preferred option), and 5 supported option C.

7. 41 submitters gave feedback on the consultation topic and/or the policies in general.

8. Key themes were:

   8.1. Theme 1: Support for Option A

   8.2. Theme 2: Support for Option B

   8.3. Theme 3: Support for Option C

   8.4. Other submissions.

Summary of submissions and staff analysis

Theme 1: Support for option A

9. *"I support Option A, that there be no remission; this will be consistent with the decision by Council to move from Land Value to Capital Value rating"* (#532)

10. *"I think Councils and utility companies should pay their utility rolls rates invoices on the full general rate calculated on capital value, in line with the new Revenue and Financing Policy"* (#1005)

11. "*There should be no remission as those that have large rates or land values high can afford to pay the increase in rates, its the general rate payer who is actually struggling more right now"* (#769)

Staff response

12. A key rationale of the R&F Policy review was to ensure equity and fairness across all aspects of rate setting. This requires consistency of application. If the proposed policy is implemented, ratepayers could potentially face unfair raised rates due to a one year remission to either the TAs or just the standout outliers.

13. During the Revenue and Financing Policy review, Council was advised that there is nothing explicit in the legislation that says utilities should not be assessed the general rate, UAGC or other targeted rates. Indeed, liability for the general rate and UAGC is just that – general – it applies to all rateable land. As for outliers, the advice received was that for an outlier the financial impact must be quite extreme/truly extraordinary, in terms of the proportion of the total rates collected from the affected rating units or the percentage increase from previous years, and/or the analysis does not show a rational connection between the amount of rates assessed and the benefit from/impact on a council's services.

Theme 2: Support for option B

14. *"HBRC has correctly recognised the impact on standout, utility assessments, in its proposal to include a new remission policy. HDC fully supports the logic being applied in the introduction of the proposed remission policy. We do not, however, follow the logic of only applying this remission for one year only"* (#1127)

15. *"…Option B's one-year, 50% remission provides immediate relief and allows for a smoother transition period. This policy should be reviewed after one year to assess its effectiveness and make any necessary adjustments based on feedback and financial impact"* (#916)

Staff response

16. The Council has identified that there are standout ratepayers experiencing a significantly greater change from LV to CV. The option of providing a single year remission provides the standout outliers time in order to budget appropriately due to the change. Extending the remission beyond one year, would be counter to the work done in the Revenue and Financing Policy review where it was agreed that capital value was the appropriate way to allocate the general rate across Hawke's Bay ratepayers.

17. One ratepayer suggested a cap on property valued over $100M for utility rolls for the general rate. The Council could consider this in future years as part of a review of Revenue and Financing Policy (R&F Policy) if it is found that CV values over $100M (or some other amount) are unfairly disadvantaged.

18. If this option was preferred by Council, considerations would need to be taken to understand the full quantum, who the outliers are, and how this might be rated. Due to these considerations needing to be understood, staff recommend completing a review for this in future years to allow sufficient time to fully analyse and understand the implications.

19. Staff note that if this was the preferred option, there are additional ratepayers outside of the

utility rolls who are also over the $100M value.

20. No other councils use this approach to utility rolls. Staff are unaware of any methods of reduction for impact on utility rolls.

21. A key aspect of the R&F Policy review was ease of administration. If a differential of a cap on CV value over a certain limit is added to the general rate, this could potentially add complexity due to manual checks needing to be performed on an ongoing basis, as well as adding on additional rating factors.

Theme 3: Support for option C

22. *"… We also argue that Hawke's Bay Regional Council should be treating all four district councils equally… We therefore support Option C for this policy"* (#153)

23. *"Remission for local Councils only and FOREVER. This benefits your ratepayers otherwise you are just shuffling the deck chairs (increased rates revenue for you reduces our total bill but then our local Council costs increase which increases our bill with them)"* (#563)

24. *"Prefer Remission on local council only for more than the first year. Other companies can pay their share"* (#606)

Staff response

25. Although the other TAs do not have as large CV values as Hastings and Napier councils, they are seeing significant percentage increases which could potentially see them as additional standout outliers as well.

26. Staff note that due to the number of submissions on this subject, the Council could consider merging Option B (outliers over $100M+ CV) with Option C (outliers of TAs with no LV) and extend the remission to both parties for a single year. Staff will refer to this as Option D in the rest of this document.

Other submissions

27. Remissions for non-utility ratepayers.

    27.1. *"Rates remission should be expanded to include more income levels, everyone is struggling not just low income brackets…"* (#319)

    27.2. *"People affected by flooding should have their rates, rated zero meanwhile…not put on hold…"* (#874)

    27.3. *"For anyone that has suffered financial hardship due to the cyclone there needs to be some remission of their property rates"* (#945)

    27.4. *"Cyclone affected horticulture businesses deserve ongoing remission as well"* (#972)

Staff response

28. Although out of scope of the consultation, it is noted there were a number of submissions in regard to a lack of remissions being available to general ratepayers beyond the remission for the utilities which was consulted on in the LTP consultation document.

29. During the R&F Policy review the Council added a new policy to the Rates Remission and Postponement Policy. This was the Hardship Remission resulting from changes to the Rating Policy. It is of note that the staff are currently working on a matrix to assess these applications once they open.

30. This policy does not apply to annual changes in rates requirements (the increase due to changes proposed for the 2024-25 LTP Year). This is available for up to 50% of the difference between the prior year rates, versus the changes due to the R&F Policy change only.

31. During an assessment of the possible total rates remission this could equate to, staff estimate this could be up to $1.5M in the 2024-25 3YP year 1.

32. Some submissions suggested that ratepayers who suffered financial hardship due to the cyclone should also receive a remission.

33. Staff note that there is a remission available – Remission of Rates on Properties Affected by Natural Calamity – which would still be available to those ratepayers whose properties are still in category 2 or 3. Applications would still be required to be submitted and applicants would need to illustrate extreme financial hardship as a result of Cyclone Gabrielle.

34. Given the number of submissions around remissions policies for Revenue and Financing Policy changes and Cyclone Gabrielle continued financial hardship, staff propose that Council includes a $1M budget for remissions. This would be funded from an increase in the General Rate. This is explained in more detail in the Revenue and Financing Policy deliberations paper.

Scope of the decision

35. The scope of the decision is to adopt the revision of the rates remissions and postponement policy as consulted on.

36. Staff consider that there are four options available to Council:

    36.1. Option A through C as proposed in the consultation

    36.2. Option D which is a combination of options B and C (one year 50% remission to all territorial authorities and other outlier utility companies).

Decision-making process

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

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

    37.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Rates Remission and Postponement Policies* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.

3. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:

    3.1. Agrees to adopt the preferred option for the Rates Remission and Postponement Policy as consulted on.

        3.1.1. Option B – one year remission provided to the Standout Outliers which have a capital value of $100M+

    OR

    Council could consider adopting a combination of proposed options B and C (Option D) of the Rates Remission and Postponement Policy as consulted on as follows.

    3.2. Agrees that standout outliers with a capital value of $100M+, as well as the other TAs that are experiencing a significant percentage increase, receive a one year 50% remission.

OR

3.3. Agrees to no remission provided – councils and utility companies will pay their utility roll rates invoices on the full rate calculated in accordance with the Revenue and Financing Policy.

4. Agrees to investigate applying a cap on capital value for utility rolls for the general rate in future years.

Authored by:

Vanessa Fauth
Finance Manager

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

1	Rates Remission and Postponement Policies submissions feedback	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Item 16

Subject: Revenue and Financing Policy

Reason for report

1. This deliberations report provides the Council with submission themes and staff analysis of submissions on – *amendment of our Revenue and Financing Policy*.

Staff recommendations

2. Staff recommend that the Council considers the submission points attached (and full submissions received by Council resolution on 29-30 May 2024) on the *Revenue and Financing Policy* topic alongside staff analysis.

Consultation topic

3. A key topic in the Consultation Document was how to rate for new flood resilience schemes and general works agreed as part of the cost-share arrangement with the Government. An amendment to our Revenue and Financing Policy is required to implement these rating decisions and was consulted on concurrently. Submissions and staff responses on the proposed rating models and associated policy amendments are covered in the *Investing in Flood Resilience* deliberation report.
4. This deliberation report covers other submissions received related to the Revenue and Financing Policy.

Submissions received

5. 60 submitters made a comment under this topic with other related comments covered in other papers.
6. Many of the submitter's comments relate to the impact of R&F Policy changes on their own rates as this was the first time many people appreciated how the new policy settings would impact them.
7. Although this is out of scope of this consultation, the staff responses below revisit the rationale behind the move from land value (LV) to capital value (CV) for the general rate (GR), and other scheme changes relating to the Revenue and Financing (R&F) policy review. The change to the Passenger Transport rate footprint and rating method is covered in the *Public Transport* deliberations report.

Topic 1: Change from LV to CV on the general rate

8. The majority of submissions on this theme commented that they are against the change from LV to CV which was adopted as part of the Revenue and Financing Policy review.
   - 8.1. *"The HBRC decision to change the rates formula from Land Value to Capital Value is a wealth tax and puts an unfair burden on property owners that have worked hard and saved hard to fulfil their goals in property ownership"* (#1050)
   - 8.2. *"Reverse the decision made to change from LV to CV*" (#930)
   - 8.3. *"I was opposed to the change to rating on property on capital value as it disproportionately affects lifestyle properties like mine*" (#688)
9. Other submissions stated the move from LV to CV was designed to increase income.
   - 9.1. *"To change from land to capital value as a basis for rating is obviously designed to increase your income*" (#296)

Staff Response

10. This change was implemented as per the adoption of the Revenue and Financing Policy review dated 28 February 2024.

11. It was determined that CV is more equitable and fairer than LV because it considers the land and improvement value and recognises the environmental effect of both.

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

13. It is also noted that Bay of Plenty Regional Council is the only regional council still using land value to calculate the general rate. The other regional councils, which are the most relevant comparators to our activities, are all utilising a CV rating basis for their general rate.

14. In the Revenue and Financing Policy review the total revenue collected did not increase, although there was some reallocation between fees and charges to ratepayers and targeted rates to the general rate. The shift from LV to CV spreads the general rate differently amongst ratepayers. In addition, there was an increase in the general rate due to the budget change proposed in the LTP.

15. Staff note that, although the change in rating (LV to CV in the general rate) is a factor for the increase in the general rate for ratepayers with high CV to LV ratios, it is also substantially impacted by the transfer of some targeted rates to the general rate (in whole or in part: cyclone recovery, small streams & drains, pest control) and the increase in costs in year 1 of the 3YP that are substantially general rate funded (investment income reduction and rates smoothing loan decrease).

Topic 2: Other scheme changes relating to Revenue and Financing Policy review

16. There were a variety of submissions regarding other scheme changes due to the revenue & finance review.

    16.1. *"Gabrielle proved that the current ratings system is unfair, the Paeroa B scheme did not do the serious damage. THE WAIROA RIVER DID IT. The current rating system is unfair as it targets but a few, and some of those do not benefit"* (#204)

17. Among the written submissions, there were numerous verbal submissions provided to councillors in regard to the shift in the cost of flood schemes for those with higher CV to LV ratios.

Staff Response

18. CV is considered the most appropriate basis for the targeted rate component, given that flood activities benefit improvements on land as well as the land and the productive earning potential resulting from the activity.

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

20. Insurance premiums are calculated on the basis of risk. If flood protection was not in place, insurance premiums would reflect a higher level of risk.

Topic 3: Upper Tukituki Scheme

21. As a result of the R&F Policy changes (combined with increases to the total rate through the Three-Year Plan budget) some ratepayers are experiencing large increases in their scheme rates, notably in residential Waipawa, where ratepayers pay the Upper Tukituki Flood Control Scheme rate (UTTFCS), and in Makara.

    21.1. *"I used the HBRC rates calculator to get an estimate of what I can expect to pay in 24/25.*

To my shock it estimated that my rates will increase from about $550 to just under $3000/yr. As far as I can tell this is almost entirely attributed to the Makara flood protection scheme. Supposedly my little 5 acres is at high benefit from the scheme…" (#883)

Staff Response

22. The R&F Policy review changed the basis for the targeted rate for the UTTFCS from LV to CV; changed the TR from 82/18 split to 70/30 split and amalgamated rating categories from A-F & U1-U4 to high/medium/low. Makara was changed from rating on area to CV and amalgamated six rating categories into three.
23. The combined effect of these changes, plus the bigger budget through the LTP, is resulting in significant increases for some ratepayers, while other ratepayers within the scheme see a relative drop in their rate.
24. If Council considers that the relativity between ratepayers within a scheme needs another look, an option for council to consider is to undertake a deeper scheme review in advance of the next LTP that looks at the relative weighting of the banded properties into low, medium, high beneficiaries.

Topic 4: Lifestyle Blocks

25. A number of submissions were received from lifestyle block owners who were experiencing large increases.
    25.1. *"How does my property improve with the proposed rate increases? My rates increase 80% due to being a lifestyle property …"*(#1004)

Staff Response

26. Lifestyle blocks cannot be generalised as they can be affected in very different ways depending on where they are located. The commonality between lifestyle blocks are the rates that are for all properties (Economic Development, Coastal Hazards, Emergency Management, etc.), the CV to LV ratio is typically larger, and, if they are in a rural zone, they would also receive the four rural rates (Primary Production Pest, Sustainable Land, Land & Research Monitoring, and Water Quality). The rest of the rates, such as public transport, flood mitigation schemes, drainage schemes could vary a lot for this user category.
27. QV classifies a lifestyle as "generally in a rural area where the predominant use is for a residence… and the land can be of variable size but must be larger than an ordinary residential allotment".
28. Due to lifestyle blocks being generally in rural areas, they would then be part of the ratepayer group billed for the four rural rates. It was considered that these lifestyle properties benefited from the new activities and removing the 4Ha threshold has corrected this anomaly.
29. It is also of note that any lifestyle property in a flood mitigation scheme would likely see an increase due to the proportionately higher LV/CV ratio for lifestyle properties.
30. Rates increases are one consideration but so is the reasonableness of the total rate.
31. Throughout the Revenue and Financing Policy review each rate was reviewed for who should pay, along with the best rating method, etc. Each rate was carefully reviewed, and the principles considered in each case.

Overall impact of rates review

32. Because of the significant changes made to the Revenue and Financing Policy, it is not uncommon to see significant increases in some properties total rates, but the questions that need to be considered are:
    32.1. Are the current rates on those properties reasonable for the services that are provided to

the community?[i]

32.2. Were the rates that were previously paid sufficient?

33. Council is encouraged to focus on the principle for the rates change rather than any movement, either the dollar value or percentage.

34. There are two ways to address those properties that are seeing a significant increase in the rates payable. The first is by way of remission policy, and the second is by way of revising the method of rating including reassessing the location of ratepayers within a targeted rate area.

35. Throughout the Revenue and Financing Policy review, it was recognised there would be outliers and a new rate remission policy was adopted to address these.

36. There are a number of factors in considering which properties should be eligible for a rates remission:

36.1. The total quantum of rates payable compared with the percentage increase. Because some properties had previously a low value of total rates payable, any reasonable increase in dollar value could result in a large percentage increase. Therefore, it important to consider what is a reasonable rate and not focus on the movement or percentage increase. For example, rates going up by $300 to $600 or a 100% increase or a $550 increase from $110 is a 500% increase to $660 but these still could be considered reasonable total rates payable.

36.2. For a large number of residential and lifestyle properties their previous rates were small compared with territorial authorities' rates.

36.3. While remissions are an effective way of managing outliers there is a requirement that remissions are disclosed as an expense and therefore that expense needs to be recovered from other ratepayers.

37. While rates remission will allow properties to pay a lesser amount in the first year, this is not a long-term solution. Therefore, if it is of the view of Council that collectively there are a significant number of properties that have been adversely impacted by the new Revenue and Financing Policy, it would be important to signal Council's intention to revisit the policy. When reassessing the location or other factors that are used to set a targeted rate the following must be considered:

37.1. Council must consider the requirements S101(3)(b)ii LGA. This requires Council to consider the impacts of changes on all other ratepayers. As demonstrated above there are properties which will be receiving a lesser rate increase but have not submitted. If there are changes to various properties, then there will be other properties that will be impacted by lesser rates increases because of the redistribution of rates including remissions.

37.2. The impacts of the changes on the overarching legal requirements (e.g. 30 % uniform and fixed cap) and the policy requirements to reduce the number and complexity of rates.

37.3. That there are groups (not individuals) of properties that have been adversely impacted.

Scope of the decision

38. This paper notes the submission points raised and staff responses on this topic.

Decision-making process

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

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

39.2. The use of a consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle has been undertaken.

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

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Revenue and Financing Policy* staff report.
2. Agrees that the Council can exercise its discretion and make decisions on this issue, having undertaken the consultation process required under s93 of the Local Government Act 2002 and special temporary legislation following Cyclone Gabrielle.
3. Notes the submissions raised on this topic and the staff responses.
4. Subject to final decisions on the Three-Year Plan as a whole, to be made in Item 17 *Consolidated Three-Year Plan Decisions*:

   4.1. Agrees that a detailed rating review of the Upper Tukituki Flood Control Scheme and Upper Makara Stream Catchment Special Rating Scheme should be undertaken before the next Long Term Plan.

Authored by:

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Attachment/s

1	Revenue and Financing Policy submissions feedback	Under Separate Cover

Hawke's Bay Regional Council

18 June 2024

Subject: Consolidated Three-Year Plan decisions

Reason for report

1. This deliberations report provides the Council with staff analysis of submissions related to affordability and brings together options for reducing the impact of the proposed rate rise, providing remissions and the potential use of a special dividend.
2. It is the last in the suite of deliberation papers, drawing together all the indicative decisions in the preceding deliberation reports and some further options to reduce spend to show the cumulative rating impact.

Staff recommendations

3. Staff recommend that the Council considers the submission points related to affordability (attachment 1) and full submissions received by Council resolution on 29-30 May 2024 alongside options to address affordability concerns to enable informed decisions.
4. There are 150 submission points from this Three-Year Plan consultation and 70 submission points from the Revenue and Financing Policy review consultation. It was signalled to submitters at the time of the rates review that we would include affordability submissions again during the Three-Year Plan.

Consultation topic

5. Although not a consultation topic in itself, affordability was a recurring topic through many submissions across many of the consultation topics. Of the 60 verbal submissions, around 14 directly addressed affordability. It also came through strongly in the Councillor drop-in sessions and social media.
6. This paper goes into detail to understand rate increases. These include:
   - 6.1. distribution of rate increases
   - 6.2. rate increases in Years 2 and 3 (using sample properties)
   - 6.3. socio-economic impact assessment of the rate increases proposed in the draft Three-Year Plan (showing the impact of the Revenue and Financing Policy review separate from the Three-Year Plan impact).
7. This paper also provides options or levers available to Council to address affordability concerns resulting from the rates increases. These include:
   - 7.1. Rates remissions
   - 7.2. Special dividend
   - 7.3. Additional savings
   - 7.4. Borrowing
   - 7.5. Strategy refresh, and efficiency and effectiveness reviews.

Summary of submissions

8. A number of submissions commented on their ability to pay.
   - 8.1. *"As a pensioner I cannot afford the additional rates and will need to ask for some form of remission. People on fixed incomes are disadvantaged"* (#129)

8.2. *“The cost of living is hitting familys, with the price increases in food, petrol, insurances we are unable to buy warm clothing because we need to make the choice between feeding our children or clothing them. With rates increases this will hit us even more and we will need reevaluate petrol to get our children to school”* (#96)

8.3. *“These rates increases on top of council rates massive increases and insurance increases are just unachievable for the average household. Just where do you think middle to lower income families or those on a fixed income are going to find the extra to pay all these??...we are in a cost of living crisis and simply cannot come up with all the extra money you are wanting!”* (#706)

9. Other submitters stated that the Council should consider a maximum increase per year.

9.1. *“…Rates Remission policy to limit annual rates increases to 33% per year”* (#1076)

9.2. *“Possible option is cap rates at 10% of capital value of property”* (#671)

10. Other submitters questioned the increases in year 2 and 3 due to the increases in year 1.

10.1. *“based on council's proposed increases for the following years 25/26 and 26/27, assuming the proposed increases of 18.1% and 9.0% (which I don’t believe will apply to our residential address given the documented proposed increase for 24/25 of 19.6% will actually be 45.6%) will result in at least an increase of 87.41% on the 23/24 year”* (#731)

11. Some submitters felt average increases were misleading.

11.1. *“The average increase is mentioned as 19.6% and you are showing only some samples with percentages close to this average but in fact there are many much higher increases and some of them should have been showed as well”* (#1179)

11.2. *“The level of rate increase you are proposing is outrageous and particularly when you indicate an 'average' rise of only 19.6% which is incredibly misleading!”* (#870)

Staff response

12. Ability to pay is a pervasive challenge that is not unique to us. Ratepayers across New Zealand are raising this issue. It also reflects the general economic climate and cost of living.

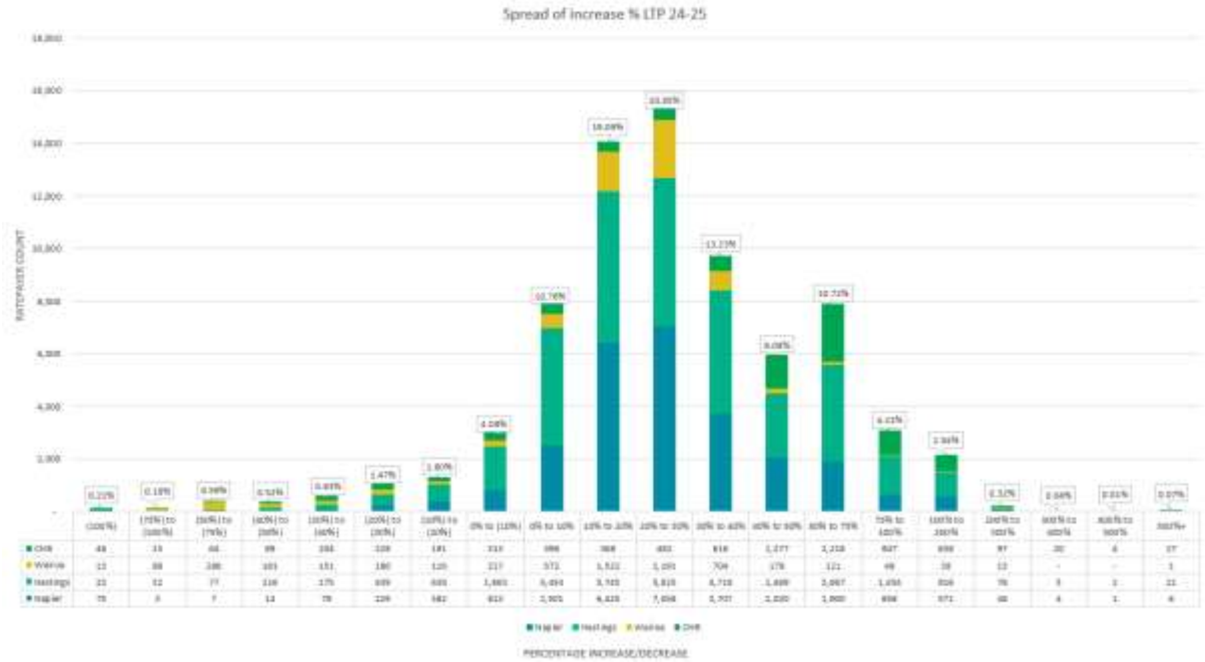
13. In Hawke’s Bay ratepayers are facing high rates increases from their local councils, as well as the regional council, which is exacerbating the issue. Local council rates are significantly more in dollar terms than regional rates particularly for residential properties. The average rates increase proposed in consultation were:

	Year 1 (2024-25)	Year 2 (2025-26)	Year 3 (2026-27)
HDC	25%	15%	10%
NCC	23.7%*	10.5%	8%
CHBDC	20%	15.6%	10.9%
WDC	19%	17%	14%
HBRC	19.6%	18.1%	9%

*19.95% post deliberations

Distribution of rate increases

14. The bell curve graph below (also attached for improved readability) shows overall percentage increases for ratepayers broken down by bands. The majority of ratepayers are receiving between 10% to 30% increases with an overall 60% of ratepayers seeing a 30% or less increase for 3YP Year 1. This increase falls in line with the proposed average increase for the 3YP Year 1 combined with the changes due to the Revenue and Financing Policy review. In a normal year, staff would expect the spread to be more minimal, and that the majority of increases would sit closer to the proposed increase for that 3YP year.



Increase/ Decrease $ & %	(100%)	(75%) to (100%)	(50%) to (75%)	(40%) to (50%)	(30%) to (40%)	(20%) to (30%)	(10%) to (20%)	0% to (10%)	0% to 10%	10% to 20%	20% to 30%	30% to 40%	40% to 50%	50% to 75%	75% to 100%	100% to 200%	200% to 300%	300% to 400%	400% to 500%	500%+
$500+	0	0	0	0	0	0	0	0	15	95	165	303	311	643	565	1138	189	16	0	14
$400 - $500	0	0	0	0	0	0	0	0	11	46	75	97	129	447	425	409	2	1	0	2
$300 - $400	0	0	0	0	0	0	0	0	29	80	107	288	601	1244	770	309	7	4	2	3
$200 - $300	0	0	0	0	0	0	0	0	42	152	296	1528	2160	2482	959	107	18	0	0	9
$100 - $200	0	0	0	0	0	0	0	0	191	1235	7915	6682	2589	2798	261	82	14	3	0	6
$75 - $100	0	0	0	0	0	0	0	0	128	4042	4249	801	290	46	39	4	1	0	0	0
$50 - $75	0	0	0	0	0	0	0	0	582	5805	1165	183	50	48	23	9	1	1	0	0
$25 - $50	0	0	0	0	0	0	0	0	3452	2313	575	34	145	41	27	3	0	0	0	2
$0 - $25	0	0	0	0	0	0	0	36	3473	292	609	181	82	168	47	34	2	2	0	1
$0 - ($25)	14	8	27	14	39	175	152	1702	0	0	0	0	0	0	0	0	0	0	0	0
($25) - ($50)	5	15	23	26	29	97	132	618	0	0	0	0	0	0	0	0	0	0	0	0
($50) - ($75)	8	7	5	6	25	77	166	218	0	0	0	0	0	0	0	0	0	0	0	0
($75) - ($100)	6	3	18	8	10	42	112	116	0	0	0	0	0	0	0	0	0	0	0	0
($100) - ($200)	19	22	36	16	68	117	283	173	0	0	0	0	0	0	0	0	0	0	0	0
($200) - ($300)	16	12	21	17	53	95	110	39	0	0	0	0	0	0	0	0	0	0	0	0
($300) - ($400)	19	7	20	18	38	73	97	29	0	0	0	0	0	0	0	0	0	0	0	0
($400) - ($500)	23	1	14	25	39	52	66	12	0	0	0	0	0	0	0	0	0	0	0	0
($500)+	49	37	266	246	308	344	209	25	0	0	0	0	0	0	0	0	0	0	0	0

Total Ratepayers	73,667	
Most common band	28,947	39%
Second most common band	14,574	20%
Lower than average increase or decrease	15,371	21%
Increase over average	14,775	20%

15. The table below the bell curve is the same data but by dollar bands. These have been colour coded to show where the most common band is and what that means dollars wise. 80% of ratepayers are experiencing a maximum increase of 30%, a maximum dollar increase of $200, or both.

16. Staff note that average increases can be misleading as rates are different for every ratepayer. It is dependent on the service which each ratepayer is charged for and their land and capital value. For example, not all ratepayers are charged a flood mitigation rate or are within the passenger transport rate footprint.

17. Budget increases account for some of the large increases depending on the rate that the ratepayer has. For example, general rate (including UAGC, Cyclone Fixed, and Cyclone Variable) 2023-24 vs. 2024-25 is seeing a 35% increase. This is also similar for passenger transport where we are seeing a 48% increase in costs. Although there will be increases due to the Revenue and Financing Policy review, it is important to consider that these are not the sole reason for the change in rates.

Rate increases in year 2 and 3

18. Year 2 and 3 rating impacts for sample properties were not included in the consultation document. Below is an assessment of this to show indicative increases in those years.

	Sample Properties	Capital Value	Land Value	Current Rates	Year 1 Rates	% Increase	Dollar Increase	Year 2 Rates	% Increase	Dollar Increase	Year 3 Rates	% Increase	Dollar Increase
RESIDENTIAL	Taradale	$670,000	$360,000	$493.23	$577.40	17.1%	$84.17	$679.10	17.6%	$101.70	$738.11	8.7%	$59.01
	Napier Hill	$890,000	$520,000	$452.57	$549.14	21.3%	$96.57	$674.07	22.8%	$124.93	$738.99	9.6%	$64.92
	Napier South	$620,000	$380,000	$491.81	$551.04	12.0%	$59.23	$644.92	17.0%	$93.88	$699.72	8.5%	$54.80
	Flaxmere	$520,000	$285,000	$403.34	$484.79	20.2%	$81.45	$559.32	15.4%	$74.53	$602.31	7.7%	$42.99
	Havelock North	$1,230,000	$870,000	$612.69	$762.06	24.4%	$149.37	$930.27	22.1%	$168.21	$1,015.87	9.2%	$85.60
	Hastings	$810,000	$470,000	$543.54	$640.16	17.8%	$96.62	$758.44	18.5%	$118.28	$824.39	8.7%	$65.95
	Central HB	$405,000	$265,000	$508.63	$620.48	22.0%	$111.85	$639.31	3.0%	$18.83	$676.92	5.9%	$37.61
	Wairoa	$376,000	$265,000	$268.79	$295.39	9.9%	$26.60	$327.03	10.7%	$31.64	$349.82	7.0%	$22.79
COMMERCIAL	Wairoa	$340,000	$132,000	$299.35	$309.99	3.6%	$10.64	$332.68	7.3%	$22.69	$347.07	4.3%	$14.39
	Napier	$1,250,000	$590,000	$1,252.96	$1,311.18	4.6%	$58.22	$1,477.45	12.7%	$166.27	$1,569.30	6.2%	$91.85
	Hastings	$2,250,000	$920,000	$1,456.50	$1,594.73	9.5%	$138.23	$1,785.88	12.0%	$191.15	$1,916.48	7.3%	$130.60
	Hastings Indus	$3,720,000	$1,200,000	$2,662.83	$2,497.24	-6.2%	-$165.59	$2,792.36	11.8%	$295.12	$3,006.00	7.7%	$213.64
	CHB	$520,000	$450,000	$758.93	$974.75	28.4%	$215.82	$991.62	1.7%	$16.87	$1,031.24	4.0%	$39.62
RURAL	Wairoa	$810,000	$480,000	$610.82	$577.64	-5.4%	-$33.18	$660.01	14.3%	$82.37	$727.09	10.2%	$67.08
	Hastings	$3,170,000	$2,200,000	$2,289.85	$2,734.01	19.4%	$444.16	$3,070.45	12.3%	$336.44	$3,305.93	7.7%	$235.48
	CHB	$4,230,000	$3,290,000	$2,102.30	$1,948.83	-7.3%	-$153.47	$2,436.74	25.0%	$487.91	$2,688.03	10.3%	$251.29

19. The percentage increases for the sample properties for years 2 and 3 are more closely aligned to the overall averages, which were 18.1% in year 2 and 9% in year 3, although there is still some variation caused by the variety of rating factors individual properties receive.

20. The reason year 1 is so different to the proposed average increase is the combination of the changes from the Revenue & Financing (R&F) Policy review, as well as the budget changes in year 1.

21. If we were to illustrate year 2 and year 3 in a bell curve the spread would be more clustered around the average (than year 1 above) as shown in the samples above.

Socio-economic assessment

22. To address the affordability concerns raised, staff have put a socio-economic lens over the proposed 3-Year plan by assessing the impact by socio-economic status. Refer to the attached assessment.

23. Staff used the same residential properties across the region (30 high socio-economic status and 30 medium/low socio-economic status using the New Zealand Index of Deprivation, 2018 (NZDep2018) (arcgis.com)) that were used during the Revenue & Financing Policy review to compare the impact. It should be noted that the deprivation index was last updated in 2018.

24. The results show that properties with a low socio-economic status in general experienced a decrease or very small increase from the R&F Policy changes and this then resulted in their 2024-2025 proposed rates increases being primarily under the 19.6% average increase for all properties (only four were higher with a maximum of 21.25%). The medium and high properties also show that the proposed rate increases broadly follow the expected redistribution of rates from the Revenue and Financing Policy review adding on the increase in the proposed Three-Year Plan.

25. This gives Council some assurance that those least able to absorb the increases are seeing the lowest increases.

Rates remissions

26. There are ratepayers experiencing a variety of financially-challenging situations impacting their ability to meet payment deadlines for rates. Staff will be available to help set up payment plans to assist in ease of payment.

27. In addition the following rate remission options are either available or proposed for council consideration:

Item 17

27.1. Properties affected by Natural Calamity, e.g. Cyclone Gabrielle (existing)

27.2. Hardship resulting from changes to the rating system (recently adopted as part of rates review)

27.3. Significant Impact remission resulting from changes to the Rating Policy (consulted on)

27.4. Special circumstances (existing).

28. Ratepayers facing financial hardship from Cyclone Gabrielle will continue to be able to apply for a rates remission under the *Natural Calamity* policy.

29. Some ratepayers are experiencing an increase directly due to the changes in the Revenue and Financing Policy. A new remission policy was specifically created as part of the R&F Policy review – *Hardship resulting from changes to the rating system* - to provide relief to ratepayers for up to 50% of the impact of those changes where the changes are causing extreme financial hardship. Staff are currently working on a matrix to assess these applications, including eligibility criteria such as minimum dollar plus percentage increases, financial situation, etc.

30. A similar approach (50% remission for one year) was consulted on to address the impact on stand-out ratepayers on the Utilities rolls from changing from LV to CV on. This is subject to a council decision and is covered in a separate deliberation report – *Rates Remission and Postponement Policies.*

31. Further, it is proposed to use the *Special Circumstances* remission policy to mitigate the impact on ratepayers that are newly added to the Passenger Transport rate and are experiencing a more than average increase. This is subject to a council decision and is covered in the *Public Transport* deliberations report.

32. To ensure that the one-off increased remissions will not further impact on other ratepayers in future years, a budget of $1M would be created for these funded from savings and / or additional investment dividend.

Special dividend

33. Council asked HBRIC to consider the implications of increasing the dividend payment for 2024-2025 by $1M to $5M (from the current $12.5M). See letter from HBRIC attached.

34. How a special dividend might be used is a decision for elected members. There are a range of options that include funding operating expenses, funding one off expenses, and paying down debt.

35. Funding ongoing operating expenses would likely have the greatest impact on overall rates but creates a bow wave for future ratepayers. Council has signalled its intent to move away from borrowing for operational costs where it can.

36. Paying down debt is an option. It would have limited effect at the scale proposed. For example, not borrowing $3.5M in 2024-2025 for the final portion of rates smoothing would only save $78k in interest expenditure in that year.

37. Council could consider using a special dividend to pay for one-off costs. By way of example and depending on Council's decisions, one-off costs might include the potential cost of remissions (estimated at up to $1M) or if Council decided to change its proposed funding for HB Tourism.

Additional savings

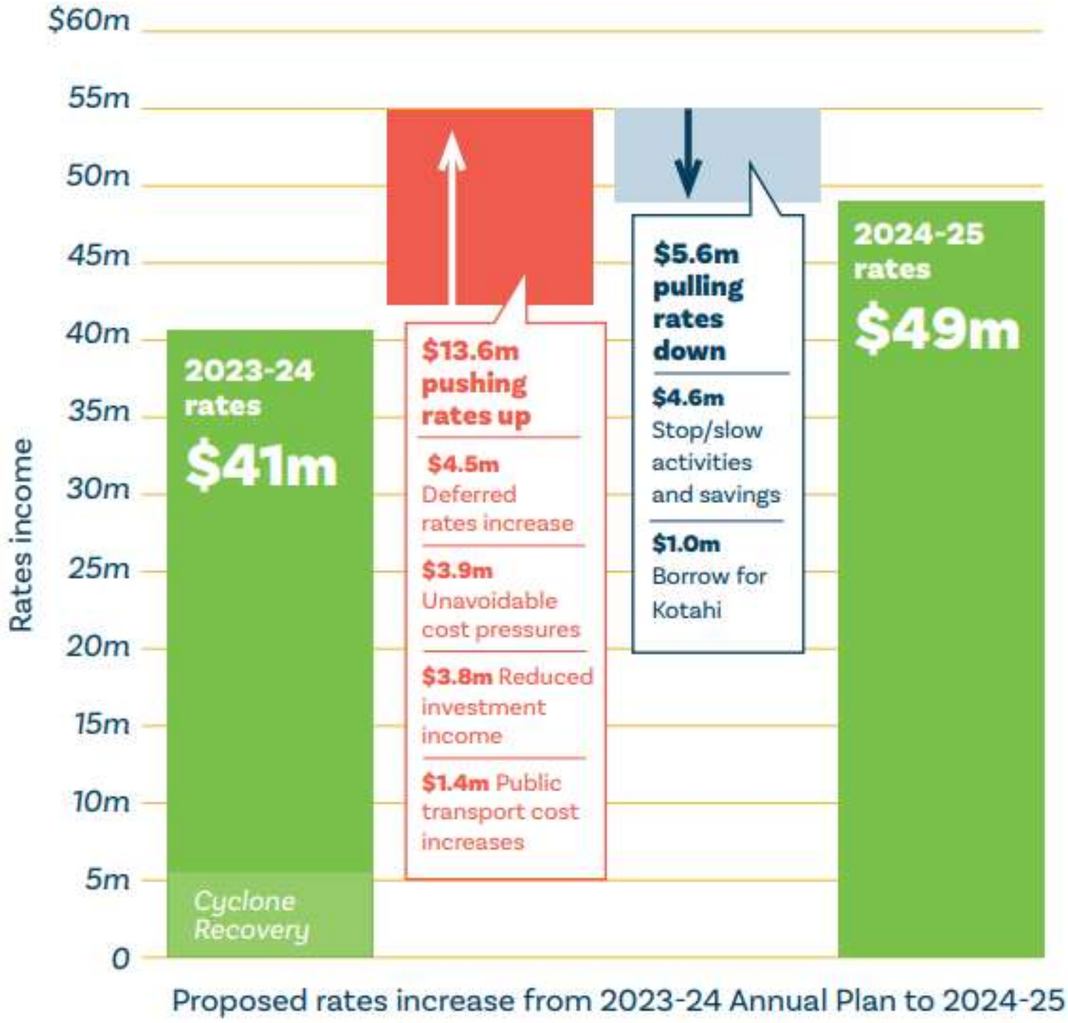
38. A further option for Council to consider is additional savings that do not trigger a significant change to a level of service (and therefore do not require additional consultation). Group Managers have proposed the following options. This paper seeks a Council decision to implement these changes.

	Y1	Y2	Y3	Consequences
Public Transport		$1.1M	$1.76M	The proposed reductions are the amount of additional funding required to provide the new service as adopted in the Regional Public Transport Plan. The proposed reductions here are 49% of the cost of that service. Waka Kotahi contacted HBRC in the first week of June indicating no additional funding for the new service is available. Funding has only been provided for the next three years to support existing levels of expenditure with no improvement funding. While changes to funding may occur in the financial year of 26-27, this will be subject again to the incoming government and revised Government Position Statement on Transport and associated budgets.
Additional 5x vacancies on hold	$500,000			Additional 5 roles to be held vacant to add to 15 already held vacant. Approx 7% of full-time roles now on hold. Additional 500k expenditure savings with $400k rates impact. Consequence: Executive Leadership Team will manage a list of vacant roles. Roles on the list will be reviewed monthly. There will be consequent impacts on service provision depending on which roles remain unfilled.
Sponsorships/ Contributions	$65,000			$40,000 ICM contributions to: $20,000 - Ballance Farm Environmental Awards - NZ Farm Environment Trust $10,000 - HB Primary Sector Awards $10,000- East Coast Farming Expo - Wairoa Community Development Trust $20,000 Māori Partnerships contributions for events. $5,000 Comms budget $5,000 Hort Field Days
Biosecurity subsidies	$185,000			The **Pest Plant Incentive Scheme ($95k)** offers financial aid to landowners tackling pest plants within the regional pest management plan. This scheme allows for subsidised contractor control of a pest plant at our discretion. The subsidy rate is 50% HBRC (up to $3k) and 50 % Landowner. The invasion curve shows that controlling a pest that has increased in range exponentially increases the control cost. The incentive scheme minimises the overall cost of the spread. **Consequence**: Pest plants would likely increase in range across our region, requiring a significant increase in future control. **Possum bait subsidy ($90k).** HBRC supports land occupiers in managing possum densities by providing best-practice advice and subsidised bait for bait stations. This bait is available to all rural and urban ratepayers of Hawke’s Bay. (All products are subsidised by 40% at the point of sale and are available through Farmlands Trading and PGG Wrightson) **Consequence:** Landowners will have less support and incentive to manage possums to meet the 4% RTC target, which could increase possum numbers across our region
TOTAL	**$750,000**	**$1.1M**	**$1.76M**	

39. The impact of these savings on the average rate increase will be presented to Council in a dynamic spreadsheet on the day.

Borrowing

40. As in the 2018-2028 LTP we could borrow to delay the impact of the rates increase. As we are seeing, currently this approach shifts the burden to ratepayers in the future. It could also impact on our debt limits as we implement the NIWE work. Therefore, this is not a recommended approach.



41. The $4.5m deferred rates increase in the above graph from the consultation document refers to the expenditure that we paid for in 2021-22, 2022-23 and 2023-24 by taking out loans rather than charging to the ratepayer. As per the 2021-31 LTP we are now increasing the rate requirement so that we don't have to continue borrowing to pay these costs.

42. Selling $4.5m of investment assets would only pay for one year of this expenditure and then we would either need to remove the expenditure, sell more assets every year or increase a revenue source, such as rates. Using proceeds from the sale of assets to pay for annual operating expenses is only a one-off benefit.

Strategy refresh, and efficiency and effectiveness reviews

43. The demands on Council over the next decade will be significant, particularly as Council works to deal with adapting to a changing climate, increasing pressure on our environment and changing implications of risk and hazard management. There will be difficult and complex decisions ahead of the communities of Hawke's Bay as to what work proceeds and what work is considered unaffordable. None of the trade-offs in these decisions are expected to be easy.

44. The current Council will begin this work with a refresh of its strategic priorities at the conclusion of this Three-Year Plan. As an example, future investments in managing floods and coastal erosion will need to be weighed against long term declines in water quality and concerns about the sustainability of land use. This strategic refresh will inform the next Council and the next Long Term Plan.

45. Accompanying the strategic refresh are several pieces of work. Firstly, a detailed look at Council's financial position after the cyclone and COVID, and in light of the challenges ahead will build on work done through the 3-year period and the investment in HBRIC to provide better dividends to ratepayers. Secondly, a look at efficiency and effectiveness of delivery of outcomes across the organisation. Thirdly benchmarking size, scale and services against similar organisations.

Decision-making process

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

    46.1. The decisions do not significantly alter the service provision or affect a strategic asset, nor are they inconsistent with an existing policy or plan.

    46.2. The use of a consultation process required by under s93 of the Local Government Act and special temporary legislation following Cyclone Gabrielle has been undertaken.

    46.3. The persons affected by these decisions are the region's ratepayers.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Consolidated Three-Year Plan decisions* staff report.

2. Agrees that the Council can exercise its discretion and make decisions on these issues, having undertaken the consultation process required under s93 of the Local Government Act and special temporary legislation following Cyclone Gabrielle.

3. Agrees to adopt the additional savings of:

    3.1. Public Transport - $1.1M (Year 2) and $1.76M (Year 3)

    3.2. Staff costs – 5 additional vacancies resulting in 20 vacancies on hold for three years – additional $400,000

    3.3. Sponsorships/Contributions - $65,000

    3.4. Pest management bait subsidies - $185,000.

4. Agrees to request a special dividend of $(*Council to confirm amount*) from HBRIC and to apply it to:

    4.1. (*Council to specify*); and

    4.2. (*Council to specify*).

OR

5. Agrees not to request a special dividend from HBRIC.

6. Confirms the resolutions made in previous deliberation items (following) and to incorporate all the decisions made in the final Three-Year Plan 2024-2027 to be brought to Council for adoption on 3 July 2024.

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Attachment/s

1	Consolidated 3-Year Plan submissions feedback	Under Separate Cover
2	Graph spread of rates impacts	Under Separate Cover
3	Socio-economic impacts table	Under Separate Cover
4	HBRIC response letter	Under Separate Cover
5	All other topics submissions feedback	Under Separate Cover

[i] Rates are not based on services provided to individual or small groups of properties
[ii] (b) 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