

Extraordinary Meeting of the Hawke's Bay Regional Council

Date: 7 August 2024
Time: 11.00am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

Item	Title	Page
1.	Welcome/Karakia/Housekeeping /Apologies/Notices	
2.	Conflict of interest declarations	
3.	Confirmation of Minutes of the Regional Council meeting held on 24 July 2024	
4.	Havelock North Streams Flood Resilience Funding	3

Subject: Havelock North Streams Flood Resilience Funding

Reason for report

1. This item presents the Council with options for the proposed funding of the Category 2 Flood Mitigation programme specific to Havelock North.

Staff recommendations

2. Staff recommend that the best available option is for Council to add the local share portion of the Havelock North Streams Category 2 Risk Mitigation into a Long Term Plan amendment process, via a change to the Revenue and Financing Policy, for funding through a special rate to Hastings District Council ratepayers over a three year period.

Executive summary

3. The Mangarau Stream is not an asset of HBRC nor is it maintained by an HBRC flood mitigation programme or scheme. Responsibility for the management of all Havelock North streams was previously with Hawke's Bay Regional Council until the early 2000s, when a governance agreement transferred the responsibility to Hastings District Council (HDC) in 2003.
4. During Cyclone Gabrielle an estimated 267mm of rain fell in the hills above Joll Road, filling the Mangarau Dam. Water from the dam fed down the Mangarau Stream, which runs behind properties in Joll Road. Joll Road was severely flooded, primarily because the stream capacity was simply overwhelmed from the overflow and release of water from the detention dam. Initially 47 properties were rated 2C, however, following confirmation under the HBRC Land Categorisation framework, 38 properties are currently confirmed as 2C.
5. As part of the Future of Severely Affected Land agreement (FOSAL), HBRC negotiated with the Crown for funding to mitigate those houses categorised at 2C in Havelock North. Under the contract HBRC needs to guarantee the local share portion and honour the local share contribution in the agreement. Havelock North was allocated \$10m on a 75.15%/24.85% funding ratio. Meaning up to \$2,485,000 is required for funding this project, along with any borrowing costs.
6. It was appropriate at the time for HBRC to sign the agreement, as the responsible agency for the delivery of Category 2 Risk Mitigation Projects, to ensure financial contributions from the Crown towards Category 3 Voluntary Buyouts and Funding reservation for Category 2 Risk Mitigation Projects and Regional Transport Projects.
7. The Crown Agreement notes that HBRC is the responsible agency for the delivery of National Resilience Plan funding for Category 2 Risk Mitigation Projects.
8. Hawke's Bay Regional Council doesn't have a current mechanism to specifically rate for this activity (operational in nature on a non-managed HBRC asset), therefore new rates will be required through consultation and changes made to revenue and financing and annual plans accordingly.

Background

9. Cyclone Gabrielle struck Te Matau-a-Māui Hawke's Bay with devastating force on 14 February 2023. The amount of rain was greater than the river management systems could withstand. Rivers rose rapidly and, in some instances, overtopped stop banks and flood defences leaving significant damage including the tragic loss of eight lives, the displacement of hundreds of whanau, destruction and damage to critical infrastructure, significant impacts to the regional economy and primary sector industries, and the isolation of many communities.

10. HBRC identified and proposed mitigations to assist communities considered category 2A, C and P as part of the Future of Severely Affected Land (FOSAL) risk categorisation framework.
11. The FOSAL Agreement provided for an allocation of \$10m for stream channel enhancements in Havelock North. The Crown Agreement (cl. 10.2) stated that funding for each Category 2 Risk Mitigation Project is intended to be split 75.15% by the Crown and 24.85% by HBRC, with the exception of the Wairoa project which is 100% funded by the Crown.
12. HBRC and HDC have agreed, and liaised with the Administrator of the FOSAL agreement, Crown Infrastructure Partners (CIP) to confirm its approval, that instead of HBRC undertaking the work for the Havelock North Streams, HDC will be the lead delivery agent and will liaise with the HBRC to secure approved funding as detailed in the Crown Agreement.
13. The approval processes and reporting regimes outlined in the Crown Agreement remain and any HDC funding claims will be made through HBRC on the agreed channels with the Crown.
14. Given the commitment made from HBRC to fulfil this programme of work, rating by HBRC is proposed accordingly. Under any normal conditions, setting a rate for improvements to Havelock North streams is the responsibility of Hastings District Council (by formal agreement under section 17 of the LGA).
15. HBRC does not have a comparable scheme for the rating purposes of this project.

Implications

16. The following implications have been identified.
17. Because the Mangarau Stream and channel are not owned by HBRC, the mechanism to provide this funding would need to be through a one-off grant provided to HDC up to the value of \$2.485m. This would be provided by HBRC, as and when HDC submit payment claims to CIP for the Crown share portion and these are approved.
 - 17.1. This would therefore be an operational expense and need to be included in our Long Term Plan, triggering an LTP amendment.
 - 17.2. This would impact the Profit and Loss Statement for Years 1, 2 & 3 as a Sundry Grant expense and Balance sheet in the form of borrowing over the rating repayment period.
 - 17.3. There are implications for rating that would necessitate a change in the Revenue and Financing Policy to establish a rate for a one-time grant given to HDC for the purposes of improving the Havelock North streams under the Category 2 Risk Mitigation project.
18. HDC currently rates for any improvements on their Havelock North streams via their stormwater rate. This is done via their General Rate and charged based on Land Value. Refer to the below extract from the HDC Revenue and Financing Policy.

Funding Source	Application to Operating Expenditure
General Rates	Charged Based on Land Value
Valuation System	HDC operates 2 broad rating groups to cover the two main communities of interest.
Allocation Between Rating Groups (Rating Area One and Rating Area Two)	Rating Area One (Main Urban Areas & Heretaunga Plains) Rating Area Two (Rural areas further from Hastings incl. Waimarama, Whirinaki & Waipatiki)

- 18.1. HBRC does not have a comparable scheme for the purpose of rating for this project and has no ability to set levels of service for these improvements.
19. This proposal has the following inherent risks.
 - 19.1. HBRC would be required to amend the Revenue and Financing Policy and the rates funding impact statement as part of next year's Annual Plan, and potentially, if significant, amend the Long Term Plan. This would require public consultation.
 - 19.2. There could be a view that HBRC is just "passing through rates".

- 19.3. If required, HBRC will consult on an activity that it will not carry out and which the community sees HDC as driving and delivering. Confusion may arise in our communities.
- 20. The Local Government (Rating) Act section 23(3) that a local authority may set a rate that is not provided for in its long-term plan and funding impact statement only if it is to meet an unforeseen and urgent need for revenue. This may apply if we intended to fund this via a one-off one year rate due to the request from HDC.

Options

Possible rating options

- 21. The commitment required for the local funding portion is up to \$2.485m.
- 22. HBRC has modelled three scenarios being over 1, 3 and 5-year repayments for:
 - 22.1. Option 1: 100% General Rate funded across all HBRC ratepayers (Capital Basis under current R&F Policy)
 - 22.1.1. *Similar to other NIWE projects like Whirinaki and Porangahau (albeit these are capital expenses)*
 - 22.2. Option 2: 100% Hastings Ratepayers (Targeted Rate) based on Land Value
 - 22.2.1. *The most similar to how the streams are currently rated at HDC*
 - 22.3. Option 3: 70/30 Split, 70% going to Hasting’s Ratepayers (Targeted Rate) based on Capital Value and 30% to the General Rate
 - 22.3.1. *The same as our current methodology for other HBRC Flood Schemes.*
- 23. The modelling for the three and five year options include interest on borrowing.

Option 1: 100% General Rate funded modelling

- 24. This is a general rate applied to all HBRC ratepayers.

Table 1. Averages across areas and property types.

100% GR Funded							
TA	Property Type	GR Only 5 YR		GR Only 3 YR		GR Only 1 YR	
		Average General	Average Targeted	Average General	Average Targeted	Average General	Average Targeted
Central Hawkes Bay	Commercial/Industrial	\$ 5.62	\$ -	\$ 9.10	\$ -	\$ 25.81	\$ -
Central Hawkes Bay	Residential	\$ 5.01	\$ -	\$ 8.13	\$ -	\$ 23.04	\$ -
Central Hawkes Bay	Rural	\$ 17.65	\$ -	\$ 28.60	\$ -	\$ 81.10	\$ -
Hastings	Commercial/Industrial	\$ 22.81	\$ -	\$ 36.97	\$ -	\$ 104.83	\$ -
Hastings	Residential	\$ 6.49	\$ -	\$ 10.52	\$ -	\$ 29.83	\$ -
Hastings	Rural	\$ 21.09	\$ -	\$ 34.17	\$ -	\$ 96.90	\$ -
Napier	Commercial/Industrial	\$ 14.98	\$ -	\$ 24.28	\$ -	\$ 68.85	\$ -
Napier	Residential	\$ 5.94	\$ -	\$ 9.63	\$ -	\$ 27.30	\$ -
Napier	Rural	\$ 15.83	\$ -	\$ 25.34	\$ -	\$ 71.85	\$ -
Rangitikei	Rural	\$ 158.53	\$ -	\$ 256.93	\$ -	\$ 728.54	\$ -
Wairoa	Commercial/Industrial	\$ 3.01	\$ -	\$ 4.88	\$ -	\$ 13.83	\$ -
Wairoa	Residential	\$ 2.78	\$ -	\$ 4.50	\$ -	\$ 12.77	\$ -
Wairoa	Rural	\$ 7.75	\$ -	\$ 12.56	\$ -	\$ 35.63	\$ -

Table 2. Counts comparing highest and lowest rates identified.

		5 Year	3 Year	1 Year
GR	Total Count	73,528	73,528	73,528
	Highest Rate	\$ 1,670.25	\$ 2,707.00	\$ 7,675.80
	Lowest Rate	\$ 0.01	\$ 0.01	\$ 0.01

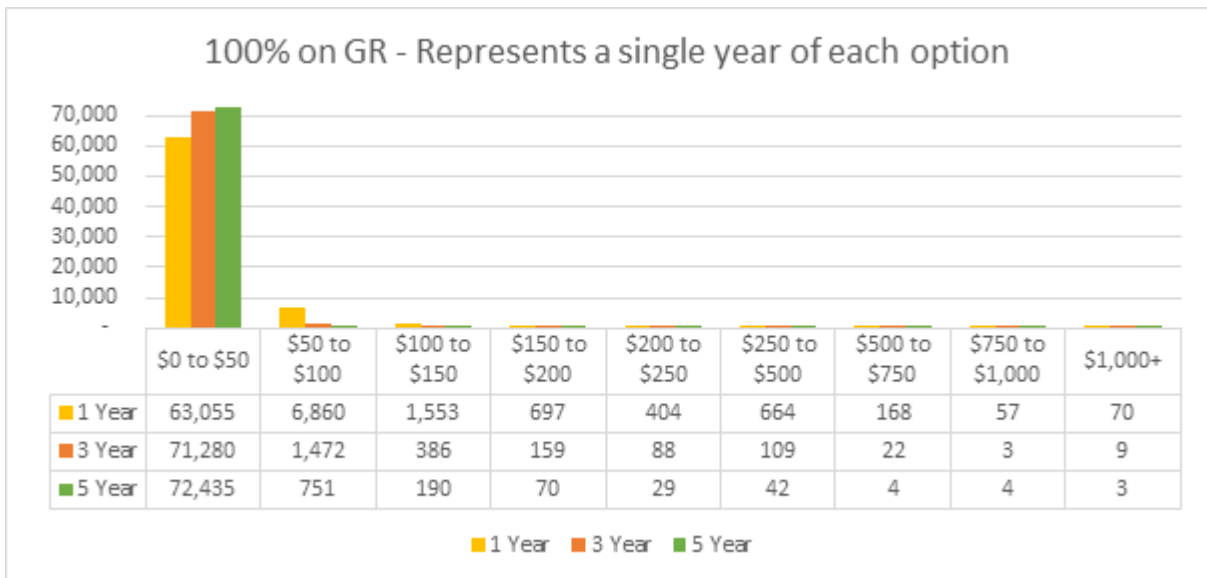


Figure 1. Number of general ratepayers affected by rate increase amount.

Option 2: 100% HDC on Land Value Funded Modelling

25. Land value is proposed for this particular approach as this is currently how HDC rates for any improvements on their Havelock North streams via their stormwater rate. This is rated using the HDC General Rate and charged based on Land Value.

Table 3. Averages.

100% HDC Funded - on LV

		Hastings 5 YR		Hastings 3 YR		Hastings 1 YR	
TA	Property Type	Average General	Average Targeted	Average General	Average Targeted	Average General	Average Targeted
Hastings	Commercial/Industrial	\$ -	\$ 32.11	\$ -	\$ 52.01	\$ -	\$ 147.56
Hastings	Residential	\$ -	\$ 11.92	\$ -	\$ 19.31	\$ -	\$ 54.79
Hastings	Rural	\$ -	\$ 45.40	\$ -	\$ 73.54	\$ -	\$ 208.63

Table 4. Counts comparing highest and lowest rates identified.

		5 Year	3 Year	1 Year
HDC	Total Count	32,285	32,285	32,285
	Highest Rate	\$ 1,233.75	\$ 1,998.68	\$ 5,670.32
	Lowest Rate	\$ 0.02	\$ 0.02	\$ 0.01

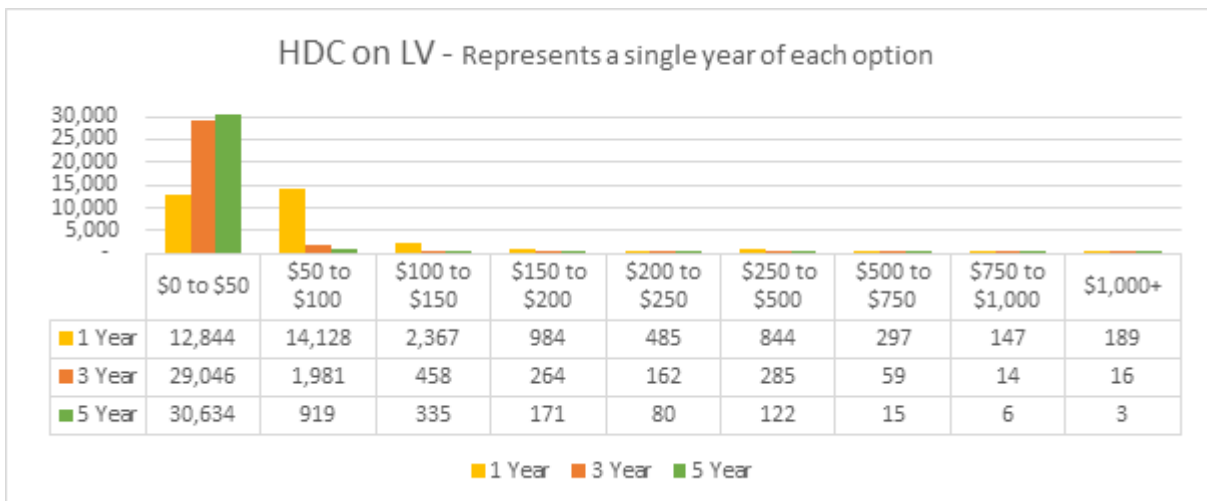


Figure 2. Number of targeted ratepayers affected by rate increase amount.

Option 3: 70/30 split with HDC paying 70% on CV funded modelling

26. This is the methodology used for other HBRC flood schemes.

Table 5. Averages.

70/30 split with HDC paying 70% on CV							
		GR Only 5 YR		GR Only 3 YR		GR Only 1 YR	
TA	Property Type	Average General	Average Targeted	Average General	Average Targeted	Average General	Average Targeted
Central Hawkes Bay	Commercial/Industrial	\$ 1.68	\$ -	\$ 2.73	\$ -	\$ 7.74	\$ -
Central Hawkes Bay	Residential	\$ 1.50	\$ -	\$ 2.44	\$ -	\$ 6.91	\$ -
Central Hawkes Bay	Rural	\$ 5.29	\$ -	\$ 8.58	\$ -	\$ 24.33	\$ -
Hastings	Commercial/Industrial	\$ 6.84	\$ -	\$ 11.09	\$ -	\$ 31.45	\$ -
Hastings	Residential	\$ 1.95	\$ -	\$ 3.16	\$ -	\$ 8.95	\$ -
Hastings	Rural	\$ 6.33	\$ -	\$ 10.25	\$ -	\$ 29.07	\$ -
Napier	Commercial/Industrial	\$ 4.49	\$ -	\$ 7.28	\$ -	\$ 20.65	\$ -
Napier	Residential	\$ 1.78	\$ -	\$ 2.89	\$ -	\$ 8.19	\$ -
Napier	Rural	\$ 4.69	\$ -	\$ 7.60	\$ -	\$ 21.55	\$ -
Rangitikei	Rural	\$ 47.56	\$ -	\$ 77.08	\$ -	\$ 218.56	\$ -
Wairoa	Commercial/Industrial	\$ 0.90	\$ -	\$ 1.46	\$ -	\$ 4.15	\$ -
Wairoa	Residential	\$ 0.83	\$ -	\$ 1.35	\$ -	\$ 3.83	\$ -
Wairoa	Rural	\$ 2.33	\$ -	\$ 3.77	\$ -	\$ 10.69	\$ -

		Hastings 5 YR		Hastings 3 YR		Hastings 1 YR	
TA	Property Type	Average General	Average Targeted	Average General	Average Targeted	Average General	Average Targeted
Hastings	Commercial/Industrial	\$ -	\$ 30.44	\$ -	\$ 49.36	\$ -	\$ 140.39
Hastings	Residential	\$ -	\$ 8.66	\$ -	\$ 14.04	\$ -	\$ 39.94
Hastings	Rural	\$ -	\$ 28.14	\$ -	\$ 45.62	\$ -	\$ 129.76

Table 6. Counts comparing highest and lowest rates identified.

		5 Year	3 Year	1 Year
HDC 70/30	Total Count	32,299	32,299	32,299
	Highest Rate	\$ 2,228.92	\$ 3,613.88	\$ 10,279.00
	Lowest Rate	\$ 0.01	\$ 0.01	\$ 0.03
GR 70/30	Total Count	73,528	73,528	73,528
	Highest Rate	\$ 501.08	\$ 812.10	\$ 2,302.74
	Lowest Rate	\$ 0.01	\$ 0.01	\$ 0.01

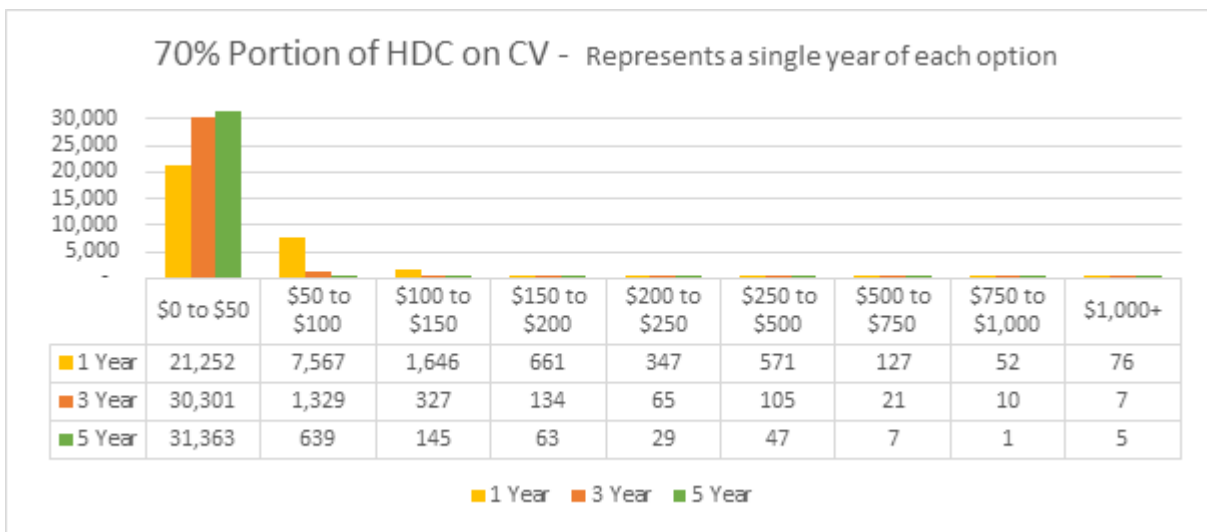
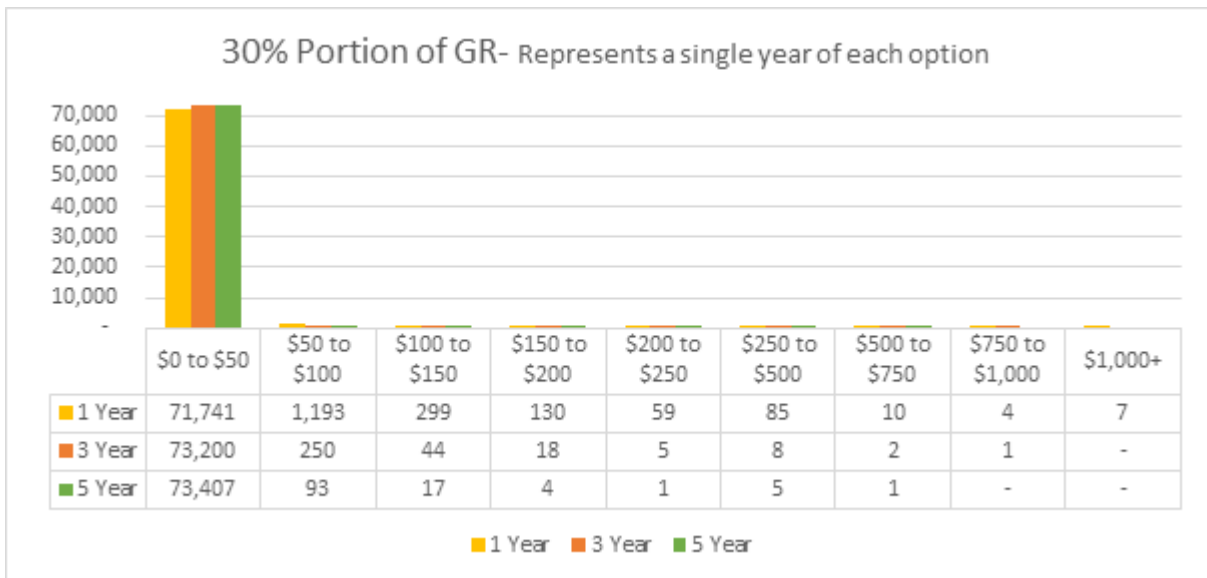


Figure 3. Number of ratepayers affected by rate increase amounts.

Summary of rating options

- 27. Option 1: 100% General Rate funded based on Capital Value – has significant impacts on ratepayers from other districts that would not benefit from these improvements and therefore not recommended.
- 28. Option 2: 100% Targeted Rate funded to Hastings District Ratepayers based on Land Value – appears to be the most aligned with the current rating for improvements made in this area. While the one-year option is a significant impact to those ratepayers, the three or five year options are a potentially more suitable mechanism for this project and smooth the impact to a more palatable/affordable rate.
 - 28.1. Staff are not recommending extending past 5 years due to this being an operational expense of HBRC.
- 29. Option 3: 70% TR to Hastings District ratepayers / 30% GR to HBRC ratepayers based on Capital Value - due to the capital value basis of this model, which is how HBRC rates other flood schemes, it does not align to current rating of stormwater by HDC. It also impacts ratepayers in other areas that do not benefit from the project.

Significance and Engagement Policy assessment

30. Delivery of the NIWE programme is a key priority for Hawke's Bay Regional Council due to the commitments given to the Crown through the FOSAL Agreement and in the Three-Year Plan proposed for FY25-FY28. This includes the Mangarau Stream mitigation.
31. Given the significance of this work and the new rates that will be required to be applied to Hastings ratepayers, this is a significant change and will require appropriate notification and consultation engagement on the outcome.

Financial and resource implications

32. HBRC has debt capacity to enable lending of \$2.485m to be taken.

Consultation

33. Under section 102(4)(b) the Council may amend the Revenue and Financing Policy at any time after consulting on the proposed amendments in a manner that gives effect to the requirements of section 82. Section 82 requires council to identify interested and affected parties and provide them with relevant information and opportunity to present their views in a manner and format appropriate to their preference and needs.
34. If required, it is proposed to use a Long Term Plan amendment consultation as the vehicle to consult on how to fund HBRC's share of the cost-share agreement due to its wide reach.

Decision-making considerations

35. 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:
 - 35.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 35.2. The use of the special consultative procedure is not prescribed by legislation.
 - 35.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
 - 35.4. The persons affected by this decision are all ratepayers of Hawke's Bay.
 - 35.5. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and decide without consulting directly with the community or others having an interest in the decision.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the Havelock North Streams Flood Resilience Funding staff report.
2. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community or persons likely to have an interest in the decision.
3. Agrees the HBRC will provide up to \$2.485m as local share for the Havelock North Streams Flood Resilience Project.

4. Agrees to **one** of the following three options to be included in the 2025-26 Annual Plan.
 - 4.1. 100% HBRC general rate funded
 - 4.1.1. 1, 3, or 5 years
 - 4.2. 100% targeted rate funded to Hastings District ratepayers on Land Value
 - 4.2.1. 1, 3, or 5 years
 - 4.3. 70/30 split with Hastings District ratepayers paying 70% on Capital Value
 - 4.3.1. 1, 3, or 5 years.

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Attachment/s

There are no attachments for this report.