

Statement of Proposal and
Draft Revenue and
Financing Policy



TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Statement of Proposal on Draft Revenue and Financing Policy

24 March 2021



What is the proposal?

This proposal is to consult on the Revenue and Financing Policy in conjunction with the consultation on the Long Term Plan 2021-31.

Why are we consulting on this?

The Council is required to consult on a draft Revenue and Financing Policy under section 82 of the Act before adopting a policy.

Accordingly, Council is consulting on the changes to the Policy in conjunction with the consultation on the Long Term Plan 2021-31. The full proposed Revenue and Financing Policy is included with this Statement of Proposal and Council is seeking the community's view on the proposed changes. A copy of the previous Revenue and Financing Policy is available on the Council's website: hbrc.govt.nz.

Background

Under section 102 of the Local Government Act 2002, every local authority must adopt a Revenue and Financing Policy. The Revenue and Financing Policy is required to provide predictability and certainty about Council's sources and levels of funding for operating and capital expenditure.

The Revenue and Financing Policy must consider the following steps:

Step 1

- i. The community outcomes to which the activity primarily contributes; and
- ii. The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- iii. The period in or over which those benefits are expected to occur; and
- iv. The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
- v. The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and

Step 2

- i. The overall impact of any allocation of liability for revenue needs on the community.

The draft Revenue and Financing Policy has reviewed the above steps for a number of activities and sub activities as part of the changes to the structure of the Group of Activities and has made changes to a number of sub-activities either through the addition of activities, changes in the delivery of the activities or omission from the previous policy.

What's changed?

The Revenue and Financing Policy has been reviewed as part of the Long Term Plan development and reflects changes in the Groups of Activities structure and funding changes for a number of activities.

These changes are consistent with the source and levels of funding in the previous policy and in some instances are minor wording changes.

Throughout the draft Policy changes have been highlighted in red for easier identification and with strikethrough where sections are being removed due to structure changes.

The following changes have been included in the Policy:

Governance and Partnerships

- Community Engagement is now included in the corporate costs of the Council as this supports the delivery of all activities of the Council and therefore is costed to all activities via the overhead allocation
- The new activity of Community Sustainability has been included and the funding mechanisms have been added.
 - Sustainable Homes was previously included in Integrated Catchment Management has been moved to this Activity with no change in funding.
 - Climate Change Engagement has been added to this activity with the proposed to fund the activity for 3 years from the sale of carbon credits.
- Regional Development has been moved to this Group of Activities with no change in funding.

Policy and Regulation

This new Group of Activities combines the previous Strategic Planning and Consents and Compliance Groups of Activities.

- The Policy Planning activity has been split to include the sub activity of Policy Implementation to reflect the work required to implement any policies developed by Council. There is no change in funding.
- Compliance has been split to include Compliance Recoverable and Compliance Non Recoverable to better align with the ability to recover costs from any compliance activity and to be able to fund the non-recoverable activity with appropriate funding ratios. The Compliance Non-Recoverable sub-activity is proposed to be funded from 100% of General Rates.
- The Maritime Safety has been included at the Activity level in line with the previous Group of Activities structure. The funding has been updated to reflect the private benefit to Napier Port identified as part of the review.

Integrated Catchment Management

- Environmental Science and Information have been split into two activities to reflect the increasing importance of information as an activity of Council. There is no change in funding.
- Marine & Coast has been included as a sub-activity in both activities as it was omitted from the previous policy. There is no changes in funding.
- Integrated Catchment Activities – Afforestation/Riparian has been updated to include loan funding for operational to reflect that the loan funding for landowners was included in capital funding in the previous LTP incorrectly. The ratios have also been updated to reflect that landowners are opting to pay for the private benefit directly rather than through a voluntary targeted rate previously budgeted in the 2018-28 Long Term Plan.

- Integrated Catchment Activities – FEMPs ratios have also been updated to reflect that landowners are opting to pay for the private benefit directly rather than through a voluntary targeted rate as previously budgeted in the 2018-28 Long Term Plan.
- Catchment Management Policy Implementation has been split out from Catchment Management Delivery to reflect the work required to implement any policies developed by Council. There is no change in funding.
- Pest Animal Control has been updated to include Research and General Advice that was incorrectly listed under Pest Plant Control in the previous policy. There is no change in funding.
- Biodiversity has been split out as a sub-activity from Pest Plant Control. There is no change in funding.

Asset Management

- Regional Water Security has been added as an activity in this Group of Activities to better align the activity to the role of Asset Management. There is no change in funding from the previous LTP.
- River and Lagoon Openings has been added as a sub-activity as it was omitted from the table in error in the previous policy however the description of the funding was in the notes. There is no change to the funding.
- Regional Pathways has been split out as a sub-activity from Regional Parks Networks and the funding updated to reflect the public benefit of maintaining the Council owned trails.
- Regional Cycling has been moved to this Group of Activities to align it to the Open Spaces activity. There is no change in funding.
- Forestry has been included as a sub-activity as it was missed in the table in error in the previous policy. There is no change in funding.

All: Tidy up some of the wording and clarification of the notes to the better inform the community of the rationale of Council in making the funding decisions.

Submissions

People wishing to submit on this consultation proposal are invited to do so by 8pm on 2 May 2021.

Submissions can be made online at hbrc.govt.nz or in writing to the Regional Council by completing the specific section on the form in the Long Term Plan consultation document: Time to Act – Kia Rite!

Revenue and Financing Policy

Introduction

This policy has been prepared in accordance with Sections 101 (3), 102 (2) (a) and 103 of the Local Government Act 2002. It identifies the funding sources and mechanisms that will be used to finance the Council's operating and capital expenditure for the 10 years beginning 1 July 2021.

Local Government is required by statute to identify the costs of its functions and fund them appropriately. This involves the allocation of costs to the functions followed by a determination of the most appropriate form of funding.

Purpose of the Policy

The purpose of the Revenue and Financing Policy is to provide and explain the policy of the Hawke's Bay Regional Council (HBRC) for the funding of operating and capital expenditure from the following sources.

- fees and charges
- general rates, including
 - choice of valuation system
 - differential rating
 - uniform annual general charges
 - targeted rates
 - investment income
 - borrowing
 - proceeds from asset sales
 - development contributions
 - financial contributions under the Resource Management Act 1991
 - grants and subsidies
 - any other source

In determining the sources that are appropriate to fund operating and capital expenditure, the Council has considered the following.

The Revenue and Financing Policy (Policy) contains Council's policies with respect to the funding of operating expenditure and capital expenditure from various revenue sources. Section 101 (3) of the Local Government Act 2002 (LGA) set out the requirements Council must consider as part of the development of the policy.

The first step requires consideration, at activity level of each of the following.

- community outcomes - the community outcomes to which the activity primarily contributes (in other words your rationale for service delivery)
- the user/beneficiary pays principle – the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals. This is also known as a public versus private allocation
- the intergenerational equity principle – the period in or over which those benefits are expected to accrue
- the exacerbator pays principle – the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity, and
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

The second step in the process considers the aggregate all of the results from step one, and consider the impact that these results might have on the community.

The following pages outline funding considerations for each activity within the seven HBRC 'Groups of Activities'.

Revenue and Financing Policy by 'Group of Activity'

Step one allocations

Details of funding by each activity are provided in the tables that follow. The Council has used the following key in assessing each of the considerations listed above and to assist with the allocation of public and private funding for each activity.

Key for the allocation of funding	
Low	10% to 20%
Low to Medium	20% to 40%
Medium	40% to 60%
Medium to High	60% to 80%
High	80% to 100%

The following tables reflect the Council's considerations of each of its activities. It is important that the notes to these tables are read along with the figures in the tables in the appendix to the policy, as the notes provide the reasoning applied to each funding split between public and private. General funding refers to investment income including dividend income from HBRIC Ltd and general funded rates.

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
1. Governance and Partnerships								
1.1 Community Representation and Leadership	Healthy Environment/ Resilient Community/ Prosperous Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
1.2 Tangata Whenua Partnerships and Community Engagement		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
1. Governance and Partnerships								
1.3 Community Sustainability		100% Public	Low	Low	Low to Medium	All ratepayers benefit from this activity	General funding/ Targeted Rate/Asset Sale	Nil
1.4 Sustainable Regional Development		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity, however business receive a greater value that other ratepayers	Uniform Targeted rates and Targeted rates set on a capital value	Nil

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
2. Strategic Planning								

2.1 Strategy	Healthy Environment / Vibrant Community / Prosperous Economy	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
2.2 Planning		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
2.3 Sustainable Regional Development		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity, however business receive a greater value than other ratepayers	Uniform Targeted rates and Targeted rates set on a capital value	Nil

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
2. Integrated Catchment Management								
2.1 Environmental Science	Healthy Environment	High Public, low private benefit	Low	Low	Medium	All ratepayers benefit from this activity	Differential targeted rates, water science direct charges and General Funding	Loan and reserve funding
2.2 Environmental Information		High Public, low private benefit	Low	Low	Medium	All ratepayers benefit from this activity	Differential targeted rates, water science direct charges and General Funding	Loan and reserve funding
2.3 Catchment Management		Medium to high public benefit	Low	Low to medium	Medium	All ratepayers benefit from this activity	Differential targeted rates, water science direct charges, loan funding and General Funding	Loan funding
2.4 Biodiversity and Biosecurity		Medium to high public benefit	Low	Medium	Medium	All ratepayers benefit from this activity	Differential targeted rates, and General Funding	Loan funding

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
3. Asset Management								
3.1 Flood Control and Protection Works	Prosperous Community / Resilient Community	Low public good, high private good	High	Low to medium	High (based on a number of schemes)	Broadly the properties that are protected by this activity gain significant benefit compared with other properties	General funding, differential targeted rates based on location and area	Use of reserves, loans and targeted rates
3.2 Flood Risk Assessment and Warning		High public good	Low	Nil	Nil	Generally all ratepayers benefit from this activity	General funding	Nil
3.3 Coastal Hazards		Medium public good and medium private good	Medium	Low	Medium	Generally all ratepayers benefit from this activity	General and grants funding and targeted rates based on location	General funding and targeted rates based on location
3.4 Regional Water Security		High public good and medium private good	High	Low	Medium	Generally all ratepayers benefit from this activity	General Rates/ Reserve Funding	Loan Funding/ Reserve funding

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
3. Asset Management								
3.5 Open Spaces	Prosperous Community / Resilient Community	High public good	Low	Nil	Nil	Generally all ratepayers benefit from this activity	General funding and fees and charges	Use of reserves, loans and general funding
3.6 Works Group		High private good	Low	Low	Nil		Fees and charges	Use of reserves and loans

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
4. Policy and Regulation								
4.1 Policy Planning & Implementation	Healthy Environment/ Resilient Community/ Prosperous Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
4.2 Consents		High private good	Nil	Medium	Medium	While there is a public good in issuing of consents, the primary beneficiaries are the applicants.	General funding and fees and charges	Nil
4.3 Compliance and Incident Pollution Response		High public good	Nil	High	Low	There is a public good in compliance and pollution response, Council wishes to recover its costs from those who cause the cost.	General funding and fees and charges	Nil

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
4. Policy and Regulation								
4.4 Maritime Safety		Medium public good and medium private good	Nil	Medium	Medium	There is a benefit to the region by having maritime safety however those who benefit will be charges where possible	General funding and fees and charges	

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
5. Emergency Management								
5.1 Hawke's Bay CDEM Group	Prosperous Community/ Resilient Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
5.2 HBRC Emergency Management		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
6. Transport								
6.1 Transport Planning and Road Safety	Prosperous Community / Resilient Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding, local territorial authority and central government contribution and grants	Nil
6.2 Passenger Transport		Medium to high private benefit	Low	Low	Low	Those who use public transport are the primary beneficiaries, however there is a benefit to the region by having a public transport network	Fees and charges, central government subsidy	Low

Step two considerations

Council has considered the overall impact of these allocations including the use of fees and charges, the use of general funds which includes General rates and investment income. After the consideration of general funds, the primary tool that provides for the modification of the impacts on rating is the use of the uniform annual general charge (UAGC). Council believes that by having an appropriate UAGC fairly reflects the services being delivered to the community.

It also believes that a move from land to capital value requires investigation and further discussions with the community that may impact on the overall allocation of liability on the community.

Other changes

~~Additional penalties to be added from July 2019~~

~~All outstanding rates including previous penalties as at 1 July each year will now have a penalty of 10% added to those rates. This penalty will be added on the first working day after 1 July each year.~~

~~Rate invoicing period change~~

~~It is proposed that during the 2018-28 LTP period HBRC will investigate changing the date that rate invoices are sent out and the final due date each year.~~

Detailed explanation of Council's considerations

Community Outcomes

The requirement to consider community outcomes in the funding process is seen as an obligation for Council to consider why it is engaged in an activity and to what level. To that extent, possible funding of activities should be consistent with achievement of desired outcomes.

Distribution of Benefits

At this stage, Council is required to consider who benefits from the activities performed by Council. This is expressed as the Public/Private split. Economic theory suggests there are two main characteristics that need to be considered when looking at a particular good or service:

Rivalry in Consumption

A good is a rival in consumption if one person's consumption of the good or service prevents others from doing so, e.g. a chocolate bar is a good with a large degree of rivalry in consumption, i.e. if Bill eats it, Jane cannot.

Excludability

A good or service is excludable if a person can be prevented from consuming the good or service, e.g. if Bill does not buy a movie ticket, then the usher can exclude him by preventing him from entering the theatre.

At one end of the continuum there are so-called 'public goods'. These are goods which are both non-rival and non-excludable, i.e. everyone can consume them and no one can be prevented from consuming them if they wish. A good example of a public good is national defence, where the whole community is protected from an invasion by the armed forces whether it wishes to be or not, and this protection cannot be removed from anyone in New Zealand.

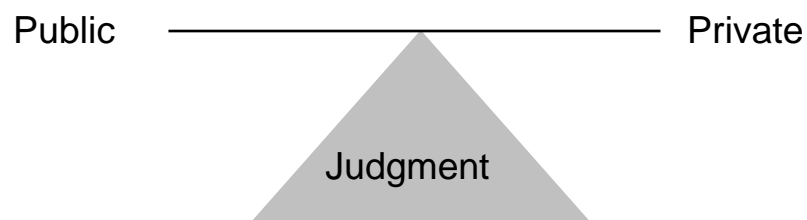
At the other end of the continuum are 'private goods' which are both rival and excludable. Most daily consumables are private goods.

Very few goods and services are entirely public goods or private goods. Most goods and services are 'mixed goods' and fall somewhere between the two ends of the continuum.

The characteristics of a good or service determine what type of funding mechanism might be used to fund a particular service. Council has already made judgements about what it considers are public goods when deciding whether or not to undertake a particular activity.

For example, a good towards the public end of the continuum may not be a good candidate for user charges as people cannot be prevented from consuming it, or because everyone consumes it whether they wish to or not. Such goods will generally be candidates for funding from some general source such as a general rate. A good towards the private end of the spectrum may be a candidate for a targeted rate or a user charge.

In the end, it is likely to come down to 'reasonable' judgement. Both the LGA and previous case law place the responsibility on elected members to make decisions about who benefits and who should pay.



Distribution of Benefits Over Time

Council needs to consider something called 'intergenerational equity' which means that funding decisions are required to consider future generations, not just today. Many of the activities provided by local government are either network or community infrastructure which has long service lives. Benefits from these services can be expected to accrue over the entire life of the asset. Current ratepayers should not be expected to subsidise the benefits that future ratepayers receive nor should future ratepayers subsidise current ratepayers.

One way that Council applies the intergeneration equity principle is by spreading costs over the future. Council will typically borrow to fund the cost of a project and future ratepayers will repay the loan (and interest cost), say over a 25 year period. Council typically only borrows to fund capital expenditure or **intergenerational environmental projects** but Council may use short term borrowing to spread some operating costs smooth funding over a limited period to avoid rate spikes.

Council also needs to ensure that appropriate funding has been allocated to reasonably meet the levels of service that each activity is targeting to meet and financial sustainability into the future needs to be considered.

Actions or Inactions of Individuals or Groups

This generally refers to how to make the 'exacerbators' pay. This could include funding mechanisms to allow for the fining of people that cause unwanted Council activity, e.g. cleaning up abandoned cars or rubbish. However, Council has very limited funding mechanisms to enable targeted charging and, in many cases, it is not possible to pass this cost on to the exacerbator and, therefore, it becomes more a case of identifying the quantum of the issue and deciding who then should bear the cost, if not the exacerbator.

Costs, Benefits and Separate Funding

Council is required to consider whether an activity should be separately funded and what the cost implications might be. There are administration costs associated with separate funding and these need to be weighed against any benefits of targeting specific beneficiaries/users of a service, including transparency and accountability.

Transparency and accountability are most evident when an activity is totally distinctly funded. This allows ratepayers, or payers of user charges, as the case may be, to see exactly how much money is being raised for and spent on the activity, and to assess more readily whether or not the cost to them of the activity represents good value.

However, funding every activity this way would be extremely complex. For some activities, the quantity of rates funding to be collected amounts to only a few cents per ratepayer. The administrative costs and lack of significance lead Council to fund a number of activities by way of a general rate. To aid in transparency and accountability, Council separates the total general rate into reasonable activity breakdowns when presenting the ratepayer with their rates assessment notices. This then allows the ratepayer to make some form of meaningful assessment down to activity level.

Selection of tools

Section 103(1) requires Council to identify the funding of operational expenditure and capital expenditure.

Operational expenditure is normally funded by way of revenue (income) while capital expenditure can be funded by way of both revenue and non-revenue items such as borrowings and the use of Council created reserves.

Capital expenditure is expenditure when the benefit of that expenditure is greater than one year and therefore benefits obtained by those assets spread according to the life of the asset.

Grouping of Activities

To comply with statutory responsibilities and for operational management purposes, HBRC groups its functions in the Long Term Plan into separate groups of activities. The Council has seven 'groups of activities' which form the Long Term Plan and Annual Report processes.

Groups of Activities are further analysed by individual activities within each group. This framework enables the Council to co-ordinate its various planning and reporting responsibilities and provides an appropriate base for determining the Council's revenue and financing policy.

Available Funding Sources

HBRC may lawfully fund its expenditure needs from the sources listed above. Set out below is discussion on the most significant of these to the Council.

Fees and Charges

Subject to the provisions of a number of statutes, the Council may directly charge beneficiaries for services.

These user pays charges may be made using a variety of methods from setting fees for certain activities to charges for actual time and materials based on pre-determined hourly charge out rates.

- Of relevance also is Section 36 of the Resource Management Act 1991 which enables local authorities to establish charges for various administrative and monitoring activities including:
- receiving, processing and granting resource consents
- implementing requests to prepare or change plans or policy statements
- monitoring compliance with conditions on resource consents
- providing information in respect of consents or plans
- gathering information or research
- monitoring the state of the environment
- providing information on water science.

Administrative charges made under Section 36 of the Resource Management Act 1991 are required to be fair and reasonable. Before making charges, the Council is required to have regard to:

- The sole purpose of any charge is to recover the reasonable costs incurred by HBRC in respect of the activity to which the charge relates
- A particular person or persons should be required to pay a charge only to the extent that either the benefit of the Council's actions to which the charge relates is obtained by those persons as distinct from the community of Hawke's Bay as a whole, or the need for its actions to which the charge relates is occasioned by the actions of those persons
- When the charge relates to monitoring the state of the environment, a particular person or persons should only be required to pay a charge, either to the extent that the charge relates to the likely effects on the environment of those persons' activities, or to the extent that the likely benefits of the monitoring to those persons exceeds the likely benefit of the monitoring to the community of the Hawke's Bay Region as a whole.

Other direct charges include fees, and sundry charges.

Rates

Rates are a substantial and traditional source of revenue for local government. Rates are a form of taxation based on the ownership or occupation of property.

- **Rating Basis:** Under the provisions of the Local Government (Rating) Act 2002, there are four bases upon which rates can be made and levied. In brief, these are:
 - **Land value:** The market value of the land
 - **Capital value:** The market value of the land and improvements
 - **Annual value:** The rent for which a particular property could be let from year to year, less 20% in the case of buildings and 10% in the case of land, but it shall not be less than 5% of the market value
 - **Area system:** Where rates are made and levied on the basis of an amount based on the area of each rateable property.

Capital and land values are determined independently of local authorities by valuation service providers. The properties for each city and district are normally revalued every 3 years. For the Hawke's Bay Region, a certificate is obtained which equalises the values of each city and district annually to compensate for timing differences in the valuations between districts.

- **General Rates:** HBRC may make and levy a regional general rate, either:
 - across the Region, or
 - within each constituent city or district, so that the rate made or levied may vary from district to district.
 - A system of differential rating for the general rate whereby rating levels may be varied for different categories of property, for example, rural versus commercial, can also be used.
 - A General Rate can be set on either the basis of land value, capital value or annual value.
 - HBRC has always used land value (equalised) as its base for general rates, and has not adopted any differentials, for example for commercial property.

- It is proposed that during the 2021-31 LTP period HBRC will investigate changing the general rate basis from land value to capital value. If it was proposed to change the current basis the options and implications will be publically consulted.
- Uniform Annual General Charge (UAGC): From 1 July 2004 HBRC introduced a UAGC to ensure that each rating unit in the region contributes a minimum amount of the general rate to represent the services that each ratepayer benefits from equally.
 - **Targeted Rates:** In addition to the general rate, HBRC is authorised to make targeted rates for the purpose of undertaking any specific service or work for the benefit of all or part of the Region. These rates are normally applied to properties that have a direct beneficiary or cause/effect relationship with the function or service being provided (thus reflecting the locality concept).

HBRC has used targeted rates to fund flood protection and drainage schemes, public transport, animal and plant pest control, civil defence emergency management, the heat smart assistance programme, and economic development. A combination of capital value, land value, area basis and Fixed Annual Charge have been used for these targeted rates. Detailed information of the rating for each scheme and its basis is set out in the funding impact statement included in this plan.

Investment Income

HBRC has a range of property, equity, and cash investments that provide a source of income not related to any specific function or activity. HBRC's investment assets are its 100% shareholding in the Hawke's Bay Regional Investment Company Limited (HBRC Ltd) (HBRC owns 55% of Napier Port); Napier leasehold property investments; Forestry assets and reserve funds.

General Funds

Investment income is used to offset the general rate requirements of HBRC. For the purposes of this Revenue and Financing Policy investment income, general rates and UAGCs have been combined and are referred to as general funds.

Proceeds from Asset Sales

The proceeds from any property investment sales, with the exception of Napier leasehold properties, are credited to the Sale of Land Account. These funds are initially invested in fixed deposits until suitable projects that meet the criteria of Council's 'Policy on the evaluation of investment opportunities' and comply with its general investment policies are identified.

Proceeds from the sales of Napier leasehold properties are paid to Accident Compensation Commission (ACC) under the Lease Receivables Purchase Agreement. This agreement covers HBRC's agreement with ACC for the capitalisation of Napier leasehold cash flows.

The proceeds from the sale of all other operating assets are used to fund the replacement operating asset needs of Council.

Development Contributions

The Local Government Act 2002 precludes Regional Councils from charging development contributions.

Financial Contributions under the Resource Management Act 1991

HBRC has determined that it will impose financial contributions only in relation to resource consents granted for river bed gravel extraction. These financial contributions are used to avoid, remedy or mitigate the adverse effects on the environment of this activity.

Borrowing

Local authorities may borrow New Zealand currency to finance their lawful functions. Borrowing is a useful method of funding the costs of a project where the benefits will accrue into the future, for example, funding the capital costs of a flood control scheme, major building project or **intergenerational environmental projects**. Council will periodically borrow for such purposes.

Reserves

Local authorities have traditionally, and to varying degrees, developed reserve funds. Reserve funds have been used to allocate funds for special purposes such as asset replacement, future capital works, flood and drainage schemes, and for emergencies and contingencies. HBRC have some reserves which help in the financial management of activities. Consideration of the appropriate reserves and reserve levels is addressed as part of the Long Term Plan and Investment Policy.

Government Grants

The Government may provide funds to HBRC for specific purposes and projects across a range of functions on an ongoing basis. The New Zealand Transport Agency provides funding for subsidised passenger transport.

Capital Expenditure

The funding of capital expenditure is addressed in two distinct ways depending upon the nature of the expenditure.

For fixed assets including buildings, furniture and fittings, plant, equipment etc., it is HBRC policy to fully fund depreciation from operating revenue for these assets. This depreciation is placed in an asset replacement reserve which is used to fund replacement assets. If there is any shortfall HBRC will either borrow, use other Council reserves, or other general funding revenue sources.

Financing of infrastructure assets

1. Assets with infinite life

These assets include stopbanks, berm edge protection, sea or river groynes, drainage works, etc. and are considered not to deteriorate over time and are maintained in accordance with Councils Asset Management plan. No depreciation is provided on these assets.

The infrastructure asset strategy provides for continuing yearly maintenance programmes to ensure the integrity of assets in this class.

For significant new asset construction under this category, borrowed funds are used as Council's preferred method of financing. If sufficient accumulated funds are held in the Scheme operating reserve and/or the Scheme infrastructure depreciation reserve, then where provided for in the Asset Management plans for that Flood and Drainage Scheme, such new asset purchases can be directly funded from these accumulated reserves or those reserves be used to service a loan raised to fund such a purchase.

2. Assets with a finite life

These assets include culverts, detention dams, pump stations, etc. and are depreciated over their useful life. Depreciation is set at a rate that is consistent with the requirements of the Local Government Act 2002 sections 100-102, and as provided for in the adopted Asset Management Plan for each scheme. Such depreciation is placed in an infrastructure depreciation reserve for each Flood and Drainage Scheme.

Renewal of these assets will, where it is considered appropriate, be funded from this depreciation reserve, any accumulated credit balances in the scheme operating account or through the use of loan funding as set out in the adopted Asset Management plan.

Where (new) assets that will result in improved levels of service or additional capacity are to be purchased or constructed, then it is Council's preference to fund this through external loan funding other than where adopted Asset Management plans provide for such new assets to be funded from accumulated infrastructure depreciated reserves and/or scheme operating balances for each flood drainage scheme.

Set out below in the following appendix is Council's detailed allocation of rates and rationale.

Please Note:

- General Funds include General Rates on Land Value, Uniform Annual General Charges and Investment Income.
- Targeted Rate denotes the amount required from targeted rates net of any internal revenue contributions or other sundry income
- Funding required excludes internal revenue contributions
- Previous Policy reflects the Policy that was adopted in the 2018-28 ten year plan as well as amendments passed through subsequent Annual Plans.
- The cost of targeted rate collection is met directly from targeted ratepayers.
- The notes to these tables provide the logic to support the distribution of benefits between Public and Private benefits.

Revenue and Financing Policy								
Group of Activity: Strategic Development								
Sub-Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Strategy	-	100%	Nil	100%	Nil	General Funds	Nil	1
Planning	-	100%	Nil	100%	Nil	General Funds	Nil	2
Economic Development	-	Nil	100%	Nil	100%	Nil	Differential Targeted Rate	3

This activity ensures that organisational strategy is more effectively translated into action to achieve the desired outcomes as set by council in its Strategic Plan. It includes research, programme management, and development of statutory and non-statutory regional strategies and plans including the Long Term Plan and Annual Plan. HBRC treats these costs as a public cost and funds them through the use of general funds.

This activity develops, reviews and evaluates Resource Management Act 1991 (RMA) planning documents including the Regional Policy Statement, Coastal Plan and Regional Resource Management Plan. This activity also provides statutory advocacy of council's resource management policies and interests through submissions and various exchanges with other resource management agencies. HBRC treats these costs as a public cost and funds them through the use of general funds.

This activity promotes economic development for the region and contributes to Business Hawke's Bay and Hawke's Bay Tourism and the Regional Business Partners Programme. HBRC is the sole local government funder of Hawke's Bay Tourism by agreement with the region's TLAs. It is considered that this activity provides a greater and more immediate benefit to the broader business community. On this basis the Economic Development activity is fully fund through the use of an Economic Development Rate across the region. The basis of the rating in the 18-19 year is that 50% of the total Economic Development rate is to be funded by the commercial or industrial properties and based on capital value. The remaining 50% is to be collected from residential and rural properties as a Fixed Annual Charge. Wairoa District ratepayers' contribution is to be limited to 5% of the total Economic Development rate. For the 19/20 year onwards the rating basis will shift to 70% of the total Economic Development rate is to be funded by the commercial or industrial properties and based on capital value. The remaining 30% is to be collected from residential and rural properties as a Fixed Annual Charge. Wairoa District ratepayers' contribution is to be limited to 5% of the total Economic Development rate.

Revenue and Financing Policy								
Group of Activity: Asset Management								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Heretaunga Plains Schemes	Drainage	10%	90%	10%	90%	General Funds	Differential Targeted Rate	1
	Flood Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	2
Upper Tukituki Scheme		18%	83%	18%	83%	General Funds	Differential Targeted Rate	3
Other Schemes	Paeroa	13%	88%	13%	88%	General Funds	Differential Targeted Rate	3
	Makara	10%	90%	10%	90%	General Funds	Differential Targeted Rate	3
	Porangahau	10%	90%	10%	90%	General Funds	Differential Targeted Rate	3
	Poukawa	5%	95%	5%	95%	General Funds	Differential Targeted Rate	3
	Ohuia-Whakaki	5%	95%	5%	95%	General Funds	Differential Targeted Rate	3
	Esk	13%	88%	13%	88%	General Funds	Differential Targeted Rate	3
	Whirinaki	13%	88%	13%	88%	General Funds	Differential Targeted Rate	3
	Wairoa	13%	88%	13%	88%	General Funds	Differential Targeted Rate	3
	Te Awanga	10%	90%	10%	90%	General Funds	Differential Targeted Rate	3
	Kopuawhara	10%	90%	10%	90%	General Funds	Differential Targeted Rate	3
	Opoho	10%	90%	10%	90%	General Funds	Differential Targeted Rate	3
	Kairakau	10%	90%	10%	90%	General Funds	Differential Targeted Rate	3
	Te Ngarue	10%	90%	10%	90%	General Funds	Differential Targeted Rate	3
Central & Southern	13%	88%	13%	88%	General Funds	Differential Targeted Rate	3	
Investigations & Enquiries	Investigations and Enquiries	100%	Nil	100%	Nil	General Funds	Nil	4
	Subsidised Work	30%	70%	30%	70%	General Funds	Fees/Charges	5
	Consultancy Services	Nil	100%	Nil	100%	Nil	Fees/Charges	6

Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
River and Lagoon Openings	River and Lagoon Openings	100%	Nil	100%	Nil	General Funds	Nil	7
Gravel Management	Gravel Management	Nil	100%	Nil	100%	Nil	Fees/Charges	8
	River Cross Sections	100%	Nil	100%	Nil	General Funds	Nil	9
Flood Assessment and Warning	Flood Risk Assessment	100%	Nil	100%	Nil	General Funds	Nil	9
	Flood Forecasting & Hydrological Flow Management	100%	Nil	100%	Nil	General Funds	Nil	10
	Flood Warning System	100%	Nil	100%	Nil	General Funds	Nil	11
Coastal Hazards	Westshore	50%	50%	50%	50%	General Funds	Contribution from Napier City Council	11
	Coastal Processes	18%	82%	18%	82%	General Funds	Contribution from Napier City & Hastings District Council and Targeted Rate	12
Regional Water Security		New	New	100%	Nil	General Funds/Reserve Funding	Nil	13
Open Spaces	Regional Park Networks	98%	2%	98%	2%	General Funds / Reserve Funds	Fees/Charges	14
	Public Access to Rivers	100%	Nil	100%	Nil	General Funds	Nil	15
	Regional Pathways	100%	Nil	100%	Nil	General Funds/Loan Funding	Nil	16
	Regional Cycling Activity	33-50%	67-50%	33-50%	67-50%	General Funds	Territorial Authority Grants	17
	Forestry	0%	100%	0%	100%	Asset Sales/Reserves	Reserves	18

1. An analysis of the Heretaunga Plains Drainage Scheme has identified a 90% private benefit to those ratepayers directly benefiting from the scheme. The indirect benefits of increased productivity of the Heretaunga Plains land to the whole region, as a result of increased economic activity resulting from the productivity, are recognised in the allocation of 10% of the costs to the region as a whole which is funded through the use of general funds. The 90% private benefit is funded through a targeted rate based on capital value.
2. An analysis of the Heretaunga Plains Flood Control Scheme has identified a 70% direct benefit to the landowners within the Hastings District and Napier City Council areas. Of this, 49% results in a direct benefit to properties protected from frequent flooding and/or river coarse changes, and 21% being the indirect benefit as a result of increased opportunity arising from higher population and increased choice and competition among service industries, and improved opportunities for employment, investment and recreation. The 70% private benefit is funded through a targeted rate based on capital value, with the remaining 30% public benefit funded through the use of general funds.
3. An assessment of the public and private benefits undertaken as part of the Step 1 analysis has provided for a public contribution to be made to each of the other schemes which HBRC administers according to the following principles.
 - A scheme which provides protection to a State Highway will receive a public contribution of 12.5%.
 - A scheme which provides protection to a local roading network will receive a public contribution of 10%.
 - A scheme which provides protection only to private land will receive a public contribution of 5%.
 - The Upper Tukituki Scheme will receive an additional 5% public contribution because of the additional cost which arises from gravel flows from the upper catchment land. The balance, being the private benefit, is to be funded through targeted rates which are based on a mix of land value, capital value, and Fixed Annual Charge.
4. The provisions of HBRC internal staff time to respond to public enquires and provide expert advice on Land Drainage and River Control activities is considered a public benefit and funded 100% by general funds.
5. Subsidised work including small flood control and stream improvement works undertaken on private land, but which benefit a wider community, receives a public contribution of 30% and is funded through the use of general funds. The 70% private benefit is recovered through the charging of fees to the requesting landowner(s).
6. This activity relates to the provision of consultancy services by HBRC engineering staff for drainage, flooding, and coastal erosion issues according to individual project agreements. The costs of these services are met directly by the beneficiary through the charging of fees.
7. This activity was initially identified as a 30% private benefit recognising that the main beneficiaries from the work are the owners of land and/or utilities in the areas immediately around the river mouths. However, the costs associated with the opening of river mouths are relatively small and the cost of establishing a funding mechanism to recover the private good portion of the cost could not be justified, therefore this work is treated as a public good and funded through the use of general funds.
8. The Gravel Management activity is established to administer the allocation and extraction of river bed gravel in accordance with the Regional Resources Management Plan and in the best interest of river management. The private benefit element of this activity has been assessed at 100% with resource management charges paid directly by the consent holder, under s36 of the Resource Management Act, based on the level of gravel extracted.
9. There is a region wide benefit from flood risk assessment work for identifying and quantifying potential hazards and also for the work for flood forecasting & hydrological flow management which is funded as a public cost through the use of general funds.
10. There is a region wide benefit from being able to predict and respond to floods as they occur and also a direct benefit to the ratepayers of flood and drainage schemes. The information gathered from the flood warning system is used to predict flooding events and to input into design work associated with the flood control and drainage schemes. The public benefit has been assessed at 100% and funded through the use of general funds.

11. The Westshore coastal works are funded by 50% public / 50% private. This reflects the fact that HBRC is unable to allocate costs in accordance with its preference of Westshore renourishment because there remains uncertainty with regard to the impact of Port of Napier Limited structures on rates of erosion, and there are no legal means of identifying and collecting income from exacerbators. Consequently the use of general funds will meet the public benefit share of these costs. The private benefit costs are met by the Napier City Council.
12. The Coastal Processes activity has incorporated substantial new work in the past few years for Clifton to Tangoio Coastal Hazards Strategy, taking into account sea level rises, increased storminess, coastal erosion, coastal inundation and tsunamis. This has been a joint working committee with both Napier City Council and Hastings District Council who have met 45% of the costs. There is a new Coastal Erosion targeted rate for those in the Napier and Hastings districts to 37% of the costs. The remaining 18% has been treated as a public good and funded through the use of general funds.
13. There is a region wide benefit from being able to progress water security through the development an intergenerational action plan. The information gathered from the water assessment and other work to develop the plan benefits the whole region. The public benefit has been assessed at 100% and funded through the use of general funds and reserves.
14. HBRC maintains, develops, and provides public access to six regional parks. 2% of the funding is provided by lease and rental income with the residual 98% public benefit costs are met by general funds.
15. The public good element of this public access to rivers activity is funded through the use of general funds, and the private good element funded through charges in relation to white bait stands.
16. This activity maintains the Hawke’s Bay Regional Council’s assets of the wider Hawke’s Bay trails network. The public benefit has been assessed at 100% and funded through the use of general funds.
17. The Regional Cycling Activity has been setup to provide support the regional cycling sector and promote our cycle pathways. This project is partially funded up to 65% by external funders with the residual funded as a public benefit through the use of general funds.
18. This activity is self-funding via reserves which are utilised to manage the forestry assets and sale of timber from harvesting.

Revenue and Financing Policy								
Group of Activity: Integrated Catchment Management								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Environmental Science	State of the Environment Reporting	83%	18%	83%	18%	General Funds	Fees/Charges	19
	Research and Grants	100%	Nil	100%	Nil	General Funds	Nil	20
	Water Science	65%	35%	65%	35%	General Funds	Fees/Charges	21
	Land Monitoring	75%	25%	75%	25%	General Funds	Targeted Rate	22

	Land Research & Investigations	65%	35%	65%	35%	General Funds	Fees/Charges	23
	Air Quality	100%	Nil	100%	Nil	General Funds	Nil	24
	Marine & Coast	New	New	100%	Nil	General Funds	Nil	25
	Sustainable Homes	Nil	100%	Nil	100%	Nil	Targeted Rate & Fees/Charges	25
Environmental Information	Water Science	65%	35%	65%	35%	General Funds	Fees/Charges	21
	Land Monitoring	75%	25%	75%	25%	General Funds	Targeted Rate	22
	Air Quality	100%	Nil	100%	Nil	General Funds	Nil	24
	Marine & Coast	New	New	100%	Nil	General Funds	Nil	25
	Water Information Services	Nil	100%	Nil	100%	Nil	Fees/Charges	26
Catchment Management	Environmental Enhancement Projects	New	New	100%	Nil	General Funds	Nil	27
	Future Farming Trust	New	New	100%	Nil	General Funds	Nil	28
	Integrated Catchment Activities – Afforestation/Riparian	New	New	100%	Nil	General Funds/Loan Funding	Fees/Charges	29
	Integrated Catchment Activities – FEMP	New	New	100%	Nil	General Funds	Nil	30
	Sustainable Land Catchment Management Delivery	75%	25%	75%	25%	General Funds	Differential Targeted Rate	31
	Catchment Management Policy Implementation	75%	25%	75%	25%	General Funds	Differential Targeted Rate	31
	Soil Conservation Nursery	Nil	100%	Nil	100%	Nil	Fees/Charges	32

Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Pest Animal Control	Rabbit Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	33
	Possum Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	34
	Rook Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	35
	Site Specific Pest Animal Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	36
	Predator Free Hawke's Bay	New	New	40%	60%	General Funds	Differential Targeted Rate	37
	Marine Pests	100%	Nil	100%	Nil	General Funds	Nil	38
	Research	30%	70%	30%	70%	General Funds	Differential Targeted Rate	39
	General Advice	30%	70%	30%	70%	General Funds	Differential Targeted Rate	39
Pest Plant Control	Research	30%	70%	30%	70%	General Funds	Differential Targeted Rate	38
	General Advice	30%	70%	30%	70%	General Funds	Differential Targeted Rate	38
	Incentive Scheme	100%	Nil	100%	Nil	General Funds	Nil	40
	Primary production pest plants	40%	60%	40%	60%	General Funds	Differential Targeted Rate	41
	Environmental/human health pest plants	100%	Nil	100%	Nil	General Funds	Nil	42
	Biological Control	100%	Nil	100%	Nil	General Funds	Nil	43
Pest Management Strategies		100%	Nil	100%	Nil	General Funds	Nil	44
Biodiversity		New	New	100%	Nil	General Funds	Nil	45

19. The Step 1 analysis has revealed that there is a private benefit to consent holders from State of the Environment monitoring. Monitoring of state and trends in our natural resources is important to demonstrate that policy is effective in managing consented activities within limits. This demonstration allows the continued access to those resources. The assessment has revealed that half of the work in this area relates to work which attracts Zone Based Water Science Charges, therefore half of the potential 35%, being 17.5%, of this activity is deemed to be a private benefit and will be recovered through the charging of fees directly to the consent holder under s36 of the Resource Management Act.
20. This activity relates to the undertaking of specific one off research projects on environmental issues in order to meet scientific, regulatory or policy needs. Where the work undertaken is associated to recoverable projects, such as zone based water science charges, HBRC will endeavour to recover a share of these costs. As this is not considered a certain enough source of income to be used in the funding policy, all of this activity is treated as a public good and funded through the use of general funds.
21. HBRC determined through Step 1, that there is a significant private good that results from these activities which is assessed at 35%. This private benefit reflects that users benefit from our knowledge and understanding of the region's water resources as it facilitates the expeditious processing of the consent applications and enables Council to manage the resources in an efficient and sustainable fashion. The 35% private benefit is funded through the charging of fees directly to the consent holder under s36 of the Resource Management Act.
22. Council determined through Step 1, that there is a significant private good resulting from these activities which is assessed at 25%. This private benefit reflects that users benefit from Land Monitoring as it enables HBRC to identify and monitor the impacts of land use intensification on soil and water quality throughout the region. Given that this project relates directly to work undertaken as part of the Sustainable Land Management activity, and that Council has agreed to initiate a regional charge for Sustainable Land Management activities, the 25% private benefit is to be funded as part of the targeted rate on those properties in the region over 4ha
23. Land Research & Investigations are integral to the Sustainable Land Management Programme. The private benefit for this activity has been assessed at 35% recovered through s36 zone based water science charging where the work is related to water quality outcomes.
24. When allocating the benefits between public and private in Step 1 it was determined that part of the work required on this activity was a result of the action of users/exacerbators, with this being classified as a private benefit. However, the ability to charge fees for exacerbators is not legally possible because HBRC can currently only charge Resource Consent holders. It is also not practical to charge exacerbators through a targeted rate because it is impossible, for example, to practically isolate the impact of specific things such as ambient air quality on geographic areas. Consequently HBRC is to treat this as a public cost and fund it through general rates.
25. Marine Coast activity provides information on the effects of land based activities on our marine and coast water quality, ecosystems and habitats. It is not practical to charge exacerbators through a targeted rate because it is impossible, for example, to practically isolate the impact of specific things such as sediment and nutrient impacts. Consequently HBRC treats this as a public cost and funds it through the use of general rates.
26. The Water Information Services activity provides infrastructure and services to support the collection and management of water use data and has been established following the introduction of legislative requirements. This activity has been assessed as a 100% private benefit on the basis that water consent holders directly benefit from water metering data. Costs for this activity are recovered from these consent holders through fees and charges.
27. Environmental Enhancement Projects were introduced in the 2017/18 Annual Plan with the intention of starting the clean-up of five environmental hot spots being Lake Turira, Ahuriri Estuary, Whakaki Lake and Waiora River, Lake Whatuma and Tukituki Catchment, Karamu Stream. Due to the regional public benefit HBRC has treated this as a public cost funded through the use of general funds.
28. The Future Farming Trust activity has been proposed to form a governance trust of regional farming leaders to provide guidance, knowledge, leadership and research into farming best practice. It is envisioned that this trust will obtain external funding from the industry and the Crown but at this stage these funding streams cannot be guaranteed and so HBRC initially treated this as 100% public cost funded through the use of general funds.

29. Integrated Catchment Activities are a set of activities intended to reform the ~~Land~~ **Catchment** Management functions of Council to facilitate rapid delivery of solutions into catchments to attain the anticipated outcomes of in the Strategic Plan, NPSFM and RRMP. Integrated Catchment Activities – Afforestation/Riparian incorporates the Riparian Business Unit to fund riparian fencing, planting and maintenance of planted areas and also an Afforestation scheme to get trees planted on highly erodible land. An incentive will be offered on these projects in the form **of public funding with the directly private funded level to be determined as part of the ongoing policy review**. The public benefit is driven from improved water quality, instream ecological health and forest habitats and will be funded by general funds.
30. Integrated Catchment Activities - FEMP incorporates a Farm Environment Management Plans (FEMPs) business unit **to manage and monitor the FEMP programme across the region. The public benefit of the programme is driven from improved water quality and instream ecological health from the reduction of contaminants entering surface and ground water and will be 100% funded by general funds. The cost of the FEMP is paid for by the landowner.**
31. For ~~Sustainable Land~~ **Catchment** Management the Step 1 strict economic analysis indicates that there is a 50% public benefit and 50% private benefit element for HBRC's ~~Sustainable Land~~ **Catchment** Management activities. The private benefit reflects the level of private landowner and wider sector benefit that is derived through Council providing advisory and financial services to assist them in meeting Plan Change 6 requirements, in particular the benefit derived in meeting Farm Environmental Management Plans and other Plan Change 6 requirements where they would otherwise require resource consent to continue their rural operations. While recognising this private benefit, HBRC believes that a significant public benefit can also be applied to reflect the high regional priority on water quantity and quality, the positive regional flow-on benefits of significantly improved water management, the public good nature of a number of proposed HBRC Plan Change 6 services and the difficulty in applying the exacerbator pays factor. However, taking into account additional important considerations such as the requirement for the Council to respond to the Government's National Policy Statement on Freshwater Management, the major new resource management approach for the Council which Plan Change 6 represents, and transition costs, HBRC believes a 25% private benefit strikes a fair balance between HBRC's current benefit allocation for ~~Sustainable Land~~ **Catchment** Management and the result of the strict economic analysis. The 25% private benefit is to be funded by way of a targeted rate on those properties in the region over 4ha, with the 75% public funding being met by general funds.
32. The HBRC Soil Conservation Nursery operation has been established to provide for the regional community a consistent supply of quality poplar and willow poles for erosion control use in Hawke's Bay. This operation is set at a break even position and assessed as a private benefit because the cost of the purchase and production of poles is offset by the sale of poles to users.
33. Early identification and reduction of rabbit numbers has benefits to the whole region by reducing soil erosion and the prevention of the spread of rabbits. Many of the complaints and requests for advice arise from small rural properties and properties on the fringe of the urban area. Accordingly, 30% of the costs are publically funded through the use of general funds. The 70% private benefit is funded through a differential targeted rate on all rural properties greater than 4ha.
34. HBRC's Possum Control programme, involving Council's subsidy of animal pest control products and the protection of possum control area boundaries, has spin off benefits for the environment, biodiversity, public health and the regional economy. This is assessed at 30% of the cost of the work and is funded from general funds. The private portion of this activity is assessed as 70% because owners of productive land benefit directly from low pest densities and increased productivity and are therefore charged through a differential targeted rate on all rural properties greater than 4ha.
35. Rook control is largely a private good; however, rooks cover a significant range and the exacerbator is unlikely to be the beneficiary of any control work undertaken. With significantly reduced rook numbers the reduced public benefit of ongoing work is recognised by aligning the funding with Council's possum control programme which is assessed as 70% private through the charging of a differential targeted rate, and 30% public which is funded through the use of general funds.
36. This programme focusses on supporting land occupiers and community groups manage specific pest animals as part of a pest control programme or to protect QEII covenants and ecosystem prioritisation sites. Although there are significant biodiversity gains that the wider regional community is a beneficiary, almost all programmes are on private land in rural areas resulting in a 70% private, 30% public funding policy.

37. There will be both biodiversity benefits and primary production benefits from a Predator Free Hawke's Bay. Although the general community will benefit from the biodiversity gains, the primary beneficiary of predator control will be the agricultural sector. This is due to the programme being delivered in rural areas and the benefit from reducing the spread of parasites such as *Toxoplasma gondii* and bovine tuberculosis. The private portion of this activity is assessed as 60% and 40% public, to recognise the increased regional biodiversity benefits.
38. Marine pests are a major threat to production and conservation values in the Hawke's Bay marine system. Currently there is no active aquaculture being undertaken in Hawke's Bay but there are areas consented for this purpose. The primary beneficiary is the regional community therefore this activity is 100% publically funded through the use of general funds.
39. HBRC animal pest control research and general advice plays an integral part in seeking ways for the animal pest control programme to be more efficient and cost effective. The 70% private and 30% public benefits reflect a funding policy consistent with the rest of the animal pest control programme.
40. The private contribution of 50% (up to a maximum of \$3,000 each application) of the costs of total control of Plant Pests (occupier responsibility) specified in the Regional Pest Management Plan does not appear in HBRC financial statements.
41. Although there are minor biodiversity benefits from managing some primary production pest plants, the primary beneficiary is the agricultural sector. To maximise the effectiveness of individual control across the region and to minimise the externality impacts of the plant the Council has proposed an advisory, inspectorial, and compliance regime. The primary beneficiaries of this programme are land occupiers, resulting in a 60% private, 40% public funding policy.
42. Environmental/human health pest plants are a major threat to biodiversity values and human health in the Hawke's Bay region. To maximise the effectiveness of individual control across the region and to minimise the externality impacts of the plant the Council has proposed an advisory, inspectorial, and compliance regime for these pests. The benefits of this programme are a public good rather than a private good, therefore this activity is 100% publically funded through the use of general funds.
43. Plant pest biological control has benefits to the overall region of animal and human health; the environment; and the region's economy. Although there may be an initial private benefit, biological control agents spread across the region, benefiting the regional community.
44. Pest management strategies and plans cover the whole of the Hawke's Bay region and cover a wide range of pests. It is not possible to target a particular beneficiary from any one particular strategy and plan and therefore HBRC policy is for this activity to be 100% publically funded through the use of general funds.
45. Biodiversity activity includes the delivery of the ecosystem prioritisation programme and has benefits to the overall region. The benefits of this programme are a public good rather than a private good, therefore this activity is 100% publically funded through the use of general funds.

Revenue and Financing Policy								
Group of Activity: Policy and Regulation								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Policy Planning & Implementation	Policy Planning	100%	Nil	100%	Nil	General Funds	Nil	46
	Policy Implementation	New	New	100%	Nil	General Funds	Nil	47
Consents	Resource Consents	20%	80%	20%	80%	General Funds	Fees/Charges	48
	Appeals & Objectives	100%	Nil	100%	Nil	General Funds	Nil	49
Compliance Monitoring	Compliance Recoverable	20%	80%	20%	80%	General Funds	Fees/Charges	50
	Compliance Non Recoverable	New	New	100%	Nil	General Funds	Nil	51
	Environmental Incident Response	100%	Nil	100%	Nil	General Funds	Nil	52
	Building Act Implementation	100%	Nil	100%	Nil	General Funds	Nil	53
	Hazardous Waste/ Substance Management	100%	Nil	100%	Nil	General Funds	Nil	54
	Marine Oil Spill	Nil	100%	Nil	100%	Nil	Govt. Grants	55
Maritime Safety	Coastal Use Management	100%	Nil	40%	60%	General Funds	Nil	56

46. This activity develops, reviews and evaluates Resource Management Act 1991 (RMA) planning documents including the Regional Policy Statement, Coastal Plan and Regional Resource Management Plan. This activity also provides statutory advocacy of council's resource management policies and interests through submissions and various exchanges with other resource management agencies. HBRC treats these costs as a public cost and funds them through the use of general funds.
47. This activity coordinates the implementation the Resource Management Act 1991 (RMA) planning documents including the National and Planning Documents. HBRC treats these costs as a public cost and funds them through the use of general funds.

48. HBRC determined that 80% of the work relating to the processing and administering of resource consents conferred a private benefit and would be recovered through fees and charges directly to the consent holder. It is considered that charging for general advice would be contrary to its policy of encouraging the public to enquire as to what consents are required before resource use is initiated so the provision of general advice is treated as a public good and is funded through the use of general funds.
49. Managing appeals and objections on resource consents are a statutory obligation of Council. While all costs are attempted to be recovered in the process these cannot be guaranteed and so HBRC treated this activity as 100% public cost funded through the use of general funds.
50. HBRC determined that 80% of the work relating to the processing and administering of resource consents conferred a private benefit and would be recovered through fees and charges directly to the consent holder. It is considered that charging for general advice would be contrary to its policy of encouraging the public to enquire as to what consents are required before resource use is initiated so the provision of general advice is treated as a public good and is funded through the use of general funds.
51. The Compliance Non Recoverable activity monitors any permitted activities that, although may be attributable to a specific property or location, does not require a resource consent and therefore is not able to be recovered via any fees or charges through the RMA. Therefore this activity is 100% public funded through the use of general funds.
52. For Environmental Incident Response the Step 1 analysis indicated that most of the work should be treated as a private good because it was a consequence of the actions of individuals or organisations. However, it is not possible, other than through legal action, to recover any part of these costs. HBRC will initiate appropriate legal action, but because it is not considered a certain enough source of income to be used in the funding policy, all of the activity is treated as a public good and funded through general funds.
53. It is estimated that 95% of the costs arising from this activity cover the responsibilities to hold and provide information and develop audit systems, these costs not being recoverable from consent applicants and holders. Other than the occasional issuance of Project Information Memorandums and the imposition of a fine for non-compliance there is limited income to be earned. Because this is not considered a certain enough source of income to be used in the funding policy, it is Council's preference to treat 100% of the activity as a public good and funded through the use of general funds.
54. Hazard Waste / Substance Management is a full public benefit project funded by through general funds as this is an incentive for the public to dispose of hazardous substances appropriately
55. Marine oil spills are caused by the actions or inactions of vessels or port operations. The costs are met by the exacerbators either through Maritime New Zealand or directly by the spiller and are therefore assessed as a 100% private benefit
56. The private benefit of this activity is estimated to be 60% incurred by Napier Port for the maintenance of a Maritime New Zealand accredited risk and safety management system for the Napier Pilotage area. The 40% attributed as public benefit is for the provision of navigation aids for the region's other navigable waters and for the education of the public on safe maritime activities.

Revenue and Financing Policy								
Group of Activity: Emergency Management								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Hazard Assessment and Response	Response Management	100%	Nil	100%	Nil	General Funds	Nil	57
HB Civil Defence Emergency Management Group	Reduction – Hazard Identification and Mitigation	Nil	100%	Nil	100%	Nil	Targeted Rate as a fixed annual charge	58
	Operational Readiness and Response	Nil	100%	Nil	100%	Nil	Targeted Rate as a fixed annual charge	58
	Group Leadership and Governance Recovery and Co-ordination	Nil	100%	Nil	100%	Nil	Targeted Rate as a fixed annual charge	58
	Community Engagement and Resilience Local Emergency Management	Nil	100%	Nil	100%	Nil	Targeted Rate as a fixed annual charge	58

57. There is a region wide benefit from being able to plan for emergencies by identifying and quantifying potential hazards which is funded as a public cost through the use of general funds.
58. The Hawke’s Bay Civil Defence Emergency Management Group (CDEMG) is responsible for providing effective civil defence and emergency management for natural disasters within its area under the Civil Defence Emergency Management Act 2002. The CDEMG consists of the Wairoa District Council, Hastings District Council, Napier City Council, Central Hawke’s Bay District Council and the Hawke’s Bay Regional Council. The CDEMG area is reflective of the boundaries of the member TLA Councils. The Hawke’s Bay Regional Council is the administrating authority for the Group. The CDEMG has established a Group Office as a shared service arrangement to manage the reduction, readiness, response and recovery functions of emergency management across the region. The benefits of the work of the Group Office are therefore spread across the member Councils and their communities. This programme is funded through a separate targeted rate which has been set as a Fixed Annual Charge for properties within the CDEMG area. As of the 2018/19 financial year the local TLAs no longer individually rate for Local Emergency Management and this will funding is brought together under included in the HBRC targeted rate. Individual councils remain responsible for maintaining and delivering their Lifeline functions and other services during an emergency

Revenue and Financing Policy								
Group of Activity: Transport								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Regional Road Safety		15%	95%	9-12%	91-88%	General Funds	Govt. Grants and Territorial Authority Grants	59
Regional Land Transport Strategy		47%-49%	51%-53%	48%-51%	52%-49%	General Funds	Govt. Grants	60
Subsidised Passenger Transport		Nil	100%	Nil	100%	Nil	Govt. Grants/Differential Rate & Fees/Charges	61
Regional Cycling Activity	-	35-50%	65-50%	35-50%	65-50%	General Funds	Territorial Authority Grants	57

59. This activity is directed at promoting Road Safety education in partnership with Regional Stakeholders by the promotion of campaigns. These campaigns increase awareness and lessen the risks associated with road transport. HBRC provides 9%-12% of the total Regional Road Safety funding. The remaining funding stems from contractual agreements with the New Zealand Transport Agency (91% - 88%) with the balance provided by the Hawke's Bay Local Territorial Authorities and other Government Agencies. The funding provided by HBRC is considered to be a public benefit as all members of the regional community benefit from this activity, and is funded through the use of general funds.
60. The benefits of this activity is the development of an integrated approach to transport to meet economic, social and safety needs of the public. The New Zealand Land Transport Agency makes an annual financial contribution (52% -49%) towards the costs of undertaking this activity, with this contribution treated as a form of private user subsidy. The remaining 48% 51% is treated as a public benefit and funded through the use of general funds.
61. The current private benefit allocation at 100% includes the amount to be raised through the subsidised public transport targeted rates, the amount paid directly by private beneficiaries in the way of fares, and the New Zealand Transport Agency grant. The private contribution for the overall cost of subsidised public transport, which is raised through user charges, does not appear in the Council's financial statements as this amount is collected and retained by the bus operator and is offset against Council's payment for running the bus service. Over the last few years fare patronage has increased substantially with this rate of strengthening forecast to slow and level off throughout the 10 years of this plan. Any additional funding received by way of fare patronage may be reinvested to enhance the provision of the bus services.

Revenue and Financing Policy								
Group of Activity: Governance and Partnerships								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Tangata Whenua Partnerships		100%	Nil	100%	Nil	General Funds	Nil	62
	Community Engagement & Comms	100%	Nil	100%	Nil	General Funds	Nil	58
	Enviroschools	82% – 78%	18% – 22%	82% – 78%	18% – 22%	General Funds	Grants	59
Community Representation and Regional Leadership		100%	Nil	100%	Nil	General Funds	Nil	63
Investment Company Support		Nil	100%	Nil	100%	Nil	Fees/Charges	64
Community Sustainability	Enviroschools	82% - 78%	18% - 22%	82% - 78%	18% - 22%	General Funds	Grants	65
	Sustainable Homes	Nil	100%	Nil	100%	Nil	Targeted Rate & Fees/Charges	66
	Corporate Sustainability	New	New	100%	Nil	General Funds/Asset Sale	Nil	67
	Climate Change Engagement	New	New	100%	Nil	General Funds/Asset Sale	Nil	68
Economic Regional Development		Nil	100%	Nil	100%	Nil	Differential Targeted Rate	69

62. HBRC considers that the main objective of Tangata Whenua and Community engagement and communications activities is to widely inform and assist decision making across the scope of HBRC's work. It is considered a disincentive to charge beneficiaries for information promoting behaviour change which in many cases also requires significant ratepayer investment. Public benefits are recovered through the use of general funds.
63. This function relates to the costs of elected political representation (including the Maori Committee) as well as the costs of reporting to the community, and is assessed 100% as a public benefit and met by general funds.

64. This function relates to the activities of the Hawke's Bay Regional Investment Company Limited (HBRIC Ltd) which is administered through the Council. This activity is assessed as a 100% private benefit and will be funded by HBRIC Ltd through the recovery of time and costs incurred by Council on behalf.
65. Enviroschools is the HBRC in school environmental education programme. This is partially funded through grants with the residual funded by use of regional funds.
66. Sustainable Homes has grown to, not only include the Heat Smart programme, but to also encourage the use of solar energy, domestic water storage and upgraded septic tanks. Heat Smart has the aim to reduce particles of polluting smoke in the affected air sheds by replacing open fires or wood burners with more efficient forms of heating and also installation of insulation. This activity is classified as a private benefit and is funded by way of a targeted rate based on land value for those in the Napier and Hastings air sheds, and by the charging of fees for those who take up the offer of Council assistance.
The new areas provide assistance to homeowners to install solar systems, to provide water storage that will improve resilience in an emergency and to improve the quality of septic tanks. These activities are classified as a private benefit and are funded by the charging of fees for those who take up the offer of Council assistance.
67. This activity delivers on the strategic objective of HBRC's footprint being Carbon Neutral by 2025. This includes changes to our corporate operations e.g. fuel, energy, office consumables to be an example to other organisations in the region. The public benefit has been assessed at 100% and will be primarily funded by carbon credits available for sale.
68. In 2019, HBRC declared a Climate Emergency and to further the development and implementation of Climate Change across the Region, this new activity looks to strengthen the Council's position as the leading local authority on climate change in the region; build meaningful and strong partnerships and relationships with Tangata whenua, the community and key stakeholders; and build awareness of what the Council is doing to mitigate and adapt to climate change. The public benefit has been assessed at 100% and will be primarily funded by carbon credits available for sale.
69. This activity promotes economic development for the region and contributes to Business Hawke's Bay and Hawke's Bay Tourism and the Regional Business Partners Programme. HBRC is the sole local government funder of Hawke's Bay Tourism by agreement with the region's TLAs. It is considered that this activity provides a greater and more immediate benefit to the broader business community. On this basis the Economic Development activity is fully fund through the use of an Economic Development Rate across the region. The basis of the rating in the 18-19 year is that 50% of the total Economic Development rate is to be funded by the commercial or industrial properties and based on capital value. The remaining 50% is to be collected from residential and rural properties as a Fixed Annual Charge. Wairoa District ratepayers' contribution is to be limited to 5% of the total Economic Development rate. For the 19/20 year onwards the rating basis will shift to 70% of the total Economic Development rate is to be funded by the commercial or industrial properties and based on capital value. The remaining 30% is to be collected from residential and rural properties as a Fixed Annual Charge. Wairoa District ratepayers' contribution is to be limited to 5% of the total Economic Development rate.