Your Community Your Rates

We're looking at how we set rates

Tukua mai ō whakaaro

Have your say

Consultation Document

Review of our Revenue and Financing Policy

HAWKES BAY REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

We are proposing to change how we set rates and user charges through our Revenue and Financing Policy

Why?

Hawke's Bay Regional Council (the Council) is reviewing its Revenue and Financing Policy to make it current with legislation and good practice, and simpler so it's easier to understand and implement.

As the mechanism we use to set rates and user charges, the Revenue and Financing Policy affects everyone in our community in one way or another. We are proposing changes to make it more transparent and fairer across the whole region.

Why now?

The current policy has evolved over at least four long-term plan cycles with amendments to parts of the policy without a review of all parts as a whole. In its 2021-2031 Long Term Plan (LTP) the Council signalled it would complete a 'first principles' policy review before its next LTP.

Completing the review out of the three-yearly cycle of an LTP enables ratepayers to distinguish between the impact from the policy change (how we split the pie) and cost or service changes in an LTP (the size of the pie).

We invite you to Have Your Say

This is your opportunity to let us know what you think about the proposed changes to the policy. This consultation document has been developed to help you clearly understand what the proposed changes are and why we are proposing them, so you can give us informed feedback – called a submission.

There are some key areas we are seeking your feedback on; however, the whole policy is available for your feedback, and you're welcome to comment on any part of it.

Information about how you can *Have Your Say*, and a submission form, can be found on the back page or online **hbrc.govt.nz, search: #haveyoursay**

Consultation closes Sunday 28 January 2024

Will my rates change?

All figures in this document are based on values when rates were set for 2023-2024. These are used for comparative purposes to show the impact of the proposed policy changes. The actual rates for 2024-2025 will be consulted on through the 2024-2027 Long Term Plan in April 2024.

Average properties and sample properties are the best way to see what the indicative impact on your rates will be. For this review we have provided a rates breakdown on 27 sample properties. These are available in Supporting Information.

What is the Revenue and Financing Policy?

The Revenue and Financing Policy sets how we will fund our activities outlined in long term and annual plans. The funding tools we use include general rates, targeted rates, uniform charges, and fees and user charges.

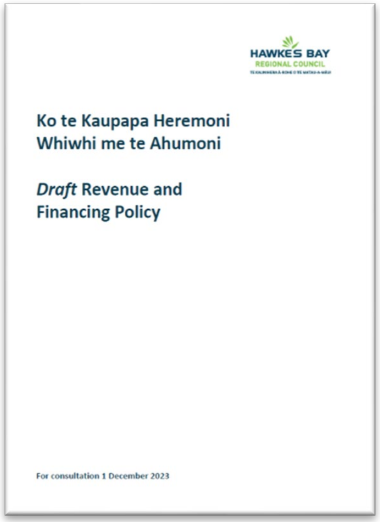
This Policy is one of several policies required by the Local Government Act 2002. How much the Council plans to spend on any group of activities is included within the current Long Term Plan.

What's changing in the Revenue & Financing Policy?

We are proposing numerous changes to the Revenue and Financing Policy. In this consultation document we highlight changes to funding tools for just five activities as they have the greatest impact on rates bills. We encourage you to read the proposed policy as well as this document to fully appreciate the scale of the changes.

All changes are highlighted as text boxes in the Draft Revenue and Financing Policy.

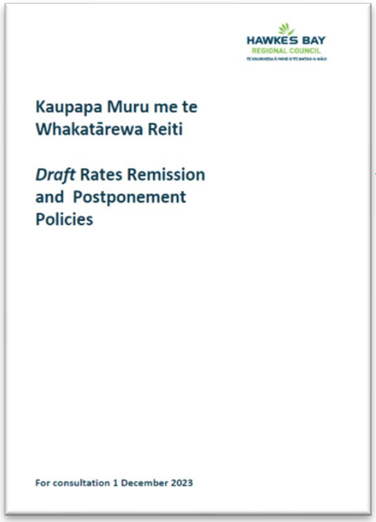
Our current Revenue and Financing Policy is available hbrc.govt.nz, search: #ltp2131



Ko te Kaupapa Heremoni Whiwhi me te Ahumoni

Draft Revenue and Financing Policy

For consultation 1 December 2023



Kaupapa Muru me te Whakatārewa Reiti

Draft Rates Remission and Postponement Policies

For consultation 1 December 2023

What other financial policies are being reviewed now?

We are also seeking feedback on our Rates Remission and Postponement Policies.

These policies set the criteria and process for ratepayers to apply for their rates – or parts of their rates – to be reduced, written off, or payment delayed if circumstances warrant it.

The Council is specifically consulting on two new policies:

- Hardship remission resulting from changes to the rating system.
- Postponement of Sustainable Homes Voluntary Targeted Rate.

We are also proposing minor amendments to bring them up to date.

Our current Rates Remission and Postponement Policies are available hbrc.govt.nz, search: #ltp2131

We've identified heaps of improvements to the Revenue and Financing Policy during an 18-month review process. Most are minor but some are more impactful.

We think on balance, these are fairly applied and urge you to look at the overall regional impact on page 6.

All submissions close on 28 January 2024

Contents

Tip: These are only proposed changes, so remember to Have Your Say and let us know if you like them or not on page 21.

*The easiest way is online at **hbrc.govt.nz, search: #haveyoursay***

Understanding rates

Rates are generally our biggest source of income. Ratepayers receive an annual invoice for rates. In the example rates invoice below, we point to some key areas to explain the terms and language used throughout this document.

Land Value (LV) is the value of your land.

Capital Value (CV) is the land value plus improvements made to the land, such as buildings.

Area is the size of your land, and this can be used to calculate some rates.

Rating Basis is the method used to calculate each rate charged.

Each rate charged has its own number reference which is the **Code**. In some places in this document, we refer to this as the rating factor.

The **Description** is the name of the rate associated to that **Code.**

Rates Assessment/Invoice

For 1 July 2023 - 30 June 2024

Invoice date:

HAWKE'S BAY REGIONAL COUNCIL
TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Phone 06 835 9200 | Email: info@hbrc.govt.nz
Private Bag 6006, 159 Dalton Street, Napier 4142
Freephone: 0800 108 838
www.hbrc.govt.nz

Smith Bob
123 Sample Road
Taradale
Napier 4112

Tax invoice / Debit Note / Credit Note:
GST No.123-456-789

Your Details

Valuation Roll Number: **1234001234**

Location: **123 SAMPLE ROAD NAPIER DISTRICT**

Legal Description: **LOT 1 DP 123456**

Land Value: **$780,000**
Capital Value: **$1.400.000**
Area: **1234 sq m**

Annual Rates for 2023/24

Code	Description	Rating Basis	Factor	Rate Cents/Unit	Amount Payable
004	General Rate – Napier	Land Value	780,000	0.02845	221.91
007	Uniform Annual General Charge	Fixed $	1	65.89000	65.89
009	Subsidised Public Transport Napier	Land Value	780,000	0.02198	171.44
018	Healthy Homes – Clean Heat N A22	Land Value	780,000	0.00401	31.28
027	CDEM Emergency Management	Fixed $	1	43.96069	43.96
031	Economic Development Napier	Fixed $	1	11.58000	11.58
202	H.P.F.C.S. Napier Direct	Capital Value	1,400,000	0.01062	148.68
203	H.P.F.C.S. Napier Indirect	Capital Value	1,400,000	0.00261	36.54
210	Napier, Meeanee, Puketapu Dge D1, Nap-Urb	Land Value	780,000	0.02038	158.96
261	Central/Sthn Rivers/Streams (N)	Capital Value	1,400,000	0.00014	1.96
266	Coastal Hazards Strategy Napier	Fixed $	1	3.27106	3.27
288	Regional Cyclone Recovery - Fixed	Fixed $	1	55.00000	55.00
289	Regional Cyclone Recovery - Variable	Land Value	780,000	0.00384	29.95
	Total 2023/24 Rates (GST inc)				980.42

On pages 7 & 8 of this document, we use a ratio to indicate who can expect to see an increase in rates due to the proposed changes. To calculate your ratio, take your **CV** and divide that by your **LV.** For this property it is:

$1.4M / $780,000 = 1.79

As this is greater than 1.78 (the ratio at which most ratepayers can expect an increase). For this property, it means they can expect a small increase due to the movement from LV to CV for some rates.

Factor is the unit we use to calculate each rate, eg, when the rate is based on LV for this property it refers to $780,000. When it is a fixed charge, it will either be a factor of 1 (like in Bob's invoice) or higher based on the number of separately used or inhabited parts of a rating unit on the property (SUIP).

Rate Cents/Unit is the charge per factor to calculate the total rate (**Amount Payable**).

The overall regional impact

Throughout this review, the Council has applied the approach that nothing is agreed until everything is agreed. Likewise, we encourage you to think about the big picture – the cumulative impact – of all the improvements we are proposing, and whether each of the major changes is merited from a principled perspective.

Our guiding principles

The principles we have applied when considering changes are:

☑ Clear and Fair ☑ Simple ☑ Consistent ☑ Flexible

In keeping with our principles, we have reduced the number of individual rates charges from 117 to 48 – substantially simplifying the rates invoices. Of the 48, 23 are unchanged and 25 have been simplified.

Average properties

Everyone's rates are different depending on the services in that area and the property's value.

To demonstrate impact, Figure 1 shows average rates by district and category. It shows what the *average* ratepayer pays now and the cumulative impact of all the policy changes using 2023-2024 figures and capital value (CV) to calculate the general rate (the Council's preferred option for consultation). Properties in Taupō (38) and Rangitikei (1) that fall within the Hawke's Bay region are included in Hastings.

Figure 1: Overall impacts by district and category using 2023-24 actual rating data

District	Category	Average LV ($)	Average CV ($)	Using Current Method	CV used for general rate: Overall Proposed Total Rates ($)	Overall Proposed Change ($)	Overall Proposed Change (%)
Wairoa	Residential	$178,594	$344,357	$180	$194	$14	8%
Wairoa	Commercial/Industrial	$164,386	$376,658	$244	$258	$14	6%
Wairoa	Horticultural	$1,579,077	$2,820,038	$1,850	$1,913	$63	3%
Wairoa	Pastoral	$789,370	$894,673	$809	$407	($402)	(50%)
Wairoa	Other	$803,900	$1,088,049	$790	$397	($393)	(50%)
Napier	Residential	$301,217	$643,004	$405	$451	$46	11%
Napier	Commercial/Industrial	$808,551	$1,513,368	$1,353	$1,222	($130)	(10%)
Napier	Horticultural	$1,288,528	$1,853,751	$1,355	$1,601	$246	18%
Napier	Pastoral	$5,127,500	$5,787,500	$4,270	$3,132	($1,138)	(27%)
Napier	Other	$566,141	$1,770,146	$518	$713	$195	38%
Hastings	Residential	$480,173	$840,124	$422	$499	$77	18%
Hastings	Commercial/Industrial	$1,285,608	$2,939,126	$1,906	$2,044	$138	7%
Hastings	Horticultural	$2,347,431	$3,656,344	$1,685	$2,170	$485	29%
Hastings	Pastoral	$3,670,639	$4,225,299	$2,045	$1,545	($501)	(24%)
Hastings	Other	$989,852	$2,042,512	$604	$739	$135	22%
CHB	Residential	$236,675	$571,177	$210	$310	$99	47%
CHB	Commercial/Industrial	$317,646	$626,030	$535	$686	$150	28%
CHB	Horticultural	$5,311,000	$8,524,000	$4,255	$4,664	$409	10%
CHB	Pastoral	$2,726,749	$3,221,980	$2,338	$1,457	($881)	(38%)
CHB	Other	$778,176	$1,260,959	$595	$566	($29)	(5%)

Note: Negative numbers, which are a decrease in rates, are represented in brackets () and red font.

Overall, the cumulative impact of the proposed changes has an average impact ranging from a ($1,138) average decrease to a $485 average increase per year. In total 55% of residential ratepayers would experience a reduction in rates or a maximum increase of $50, 93% of non-residential ratepayers would experience a reduction in rates or a maximum increase of $500. Overall, 23% of ratepayers experience a decrease to their current rate.

Tell us what you think of these proposed changes.

The overall regional impact

Why are my rates changing?

This page identifies what specific changes are having the biggest impact by usage category. Although everyone's rates are different, this page gives you an idea of why your rates would change depending on the property you have.

Across all categories the largest impacts result from changing from LV to CV. In particular for the general rate, most flood protection and drainage schemes, and passenger transport. The reasons for each of these changes is described in more detail in the coming pages.

If the ratio of your CV to LV is higher than 1.78, the changes from LV to CV are more likely to result in an increase to your rates. If your CV to LV ratio is 1.78 or less you may receive an overall reduction in your rates. We encourage you to calculate your ratio, please refer to page 5 to find out how.

Residential properties

Specific changes having the biggest impact:

- LV to CV for the general rate, flood protection and drainage schemes, and passenger transport.
- Increased rating area for passenger transport.

Example: Looking at the table on page 6, Napier Residential sees an average rate increase of $46 or 11% due to changes from LV to CV on the general rate and changes to the Passenger Transport Rate.

Other usage (including mining, dairy, lifestyle, forestry, specialist, utilities)

Specific changes having the biggest impact:

- LV to CV for the general rate, flood protection and drainage schemes
- Sustainable land management and biodiversity activity costs moving to the general rate.

Example: Wairoa 'Other' sees an average rate decrease of $397 or 50% due to changes of sustainable land management and biodiversity moving to the general rate.

Horticultural and Pastoral properties

Pastoral properties see the greatest reduction resulting from the overall changes. Horticultural properties on average have a higher CV to LV ratio so may see increases.

Specific changes having the biggest impact:

- LV to CV for the general rate, flood protection and drainage schemes, and passenger transport.
- Increased rating area for passenger transport.
- Sustainable land management and biodiversity activity costs moving to the general rate.

Example: Hastings 'Horticultural' sees the largest average rate increase of $484 or 29% primarily due to proposed changes in the general rate from LV to CV.

Commercial and Industrial properties

These properties typically have a higher CV to LV ratio, so changes from LV to CV will result in an overall increase in rates.

Specific changes having the biggest impact:

- LV to CV for the general rate, flood protection and drainage schemes, and passenger transport.
- Decrease in regional economic development due to changes to the way this is rated.

Example: CHB 'Commercial/Industrial' sees an average rate increase of $150 or 28% due to the changes from LV to CV on the general rate and the Upper Tukituki flood scheme.

Proposal to move from land value to capital value for the general rate

The proposal

We would like your feedback on the way we calculate the general rate. We are consulting on a change from using land value (LV) to using capital value (CV).

Rationale for change

The Council has considered the merits of both land and capital value for the general rate. From a principled perspective, and having considered the overall impacts on all ratepayers, the Council agreed to consult on a change to capital value but wants to hear what you think. Hawke's Bay Regional Council is one of a few regional councils still using land value to calculate the general rate.

Advantages of CV for the general rate:

- *More equitabl*e: CV can be considered to be more equitable than LV because it considers the value of, and the capacity to earn from, both the land and the improvements on the land. This means that property owners with more valuable properties, whether due to the land itself or improvements, will pay more in rates.
- *More stable*: CV is generally more stable than LV, as it is less affected by fluctuations in the property market. This helps to ensure that property owners are not subject to large swings in rates from year to year which can be difficult for property owners to budget for.
- *Fairer*: capital value recognises the multiple environmental effects of a single property, for example, an intensively developed orchard versus a bare section. This is consistent with the exacerbator-pays principle that those who cause the effect should pay.

Disadvantages of CV for the general rate:
CV rating can discourage development: property owners may be reluctant to develop their properties if they know that they will be subject to higher rates. This can lead to a shortage of affordable housing.

Other considerations

The Council also considered that CV better reflects the principles set out in the Preamble to Te Ture Whenua Māori Act 1993 because CV places a lesser burden on undeveloped land.

Uniform Annual General Charge

The uniform annual general charge (UAGC) is part of the general rate and is a fixed amount charged to all separately used or inhabited parts (SUIPs) of a rating unit. The Council is not proposing to change the way it applies the UAGC and will continue to set it annually as a levelling tool to achieve a percentage of uniform rates of between 20% and 30% of total rates.

Impacts

In most cases, if the ratio of CV to LV for a property is greater than 1.78*, the owner is more likely to see an increase in rates. These properties could be, for example, a new house on a small land parcel, an intensively developed orchard or a high-tech factory. This ratio has been included in the sample rates in the Supporting Information to further show impact.

*Refer to Page 5 to find out how to calculate your ratio.

Proposal to move from land value to capital value for the general rate

As described earlier, the table on page 6 shows the overall impact of all the proposed policy changes on properties by district and category, using CV for the general rate allocation. Isolating just the change from LV to CV on the general rate from the basket of changes is challenging because this is the final step to calculate total rates.

In figure 2, we show the total average rates change per district and category, firstly if general rates were allocated based on LV and secondly if they are allocated on CV. This is representative of all proposed rate changes with the only difference being the change in the general rate from LV to CV.

The key impacts of moving from LV to CV for the general rate are:

- Ratepayers with higher ratios of CV to LV are the most impacted from the change.
- 'Residential' and 'Commercial/Industrial' ratepayers will on average see a larger increase under CV as the capital to land value ratio of these properties is generally higher than other categories.
- Pastoral properties would have the biggest average decrease using CV given that land value will make up a greater percentage of their capital value.
- Ratepayers in the 'Horticulture' and 'Other' categories don't see a large difference between using CV or LV.
- Using CV for the general rate 23% of our total ratepayers will see a decrease in their rates due to the proposed change versus 19% with the general rate on LV. This equates to 3,700 more ratepayers experiencing a decrease in their rates.

Figure 2: Average rates with all proposed rate changes comparing general rate with LV vs CV

District	Category	Using Current Method	LV used for general rate: Overall Proposed Total Rates ($)	LV used for general rate: Overall Proposed Change (%)	CV used for general rate: Overall Proposed Total Rates ($)	CV used for general rate: Overall Proposed Change (%)
Wairoa	Residential	$180	$187	4%	$194	8%
Wairoa	Commercial/Industrial	$244	$240	(1%)	$258	6%
Wairoa	Horticultural	$1,850	$1,893	2%	$1,913	3%
Wairoa	Pastoral	$809	$494	(39%)	$407	(50%)
Wairoa	Other	$790	$462	(41%)	$397	(50%)
Napier	Residential	$405	$427	6%	$451	11%
Napier	Commercial/Industrial	$1,353	$1,211	(10%)	$1,222	(10%)
Napier	Horticultural	$1,355	$1,712	26%	$1,601	18%
Napier	Pastoral	$4,270	$3,951	(7%)	$3,132	(27%)
Napier	Other	$518	$686	32%	$713	38%
Hastings	Residential	$422	$494	17%	$499	18%
Hastings	Commercial/Industrial	$1,906	$1,902	(0%)	$2,044	7%
Hastings	Horticultural	$1,685	$2,228	32%	$2,170	29%
Hastings	Pastoral	$2,045	$1,911	(7%)	$1,545	(24%)
Hastings	Other	$604	$730	21%	$739	22%
CHB	Residential	$210	$275	31%	$310	47%
CHB	Commercial/Industrial	$535	$668	25%	$686	28%
CHB	Horticultural	$4,255	$4,773	12%	$4,664	10%
CHB	Pastoral	$2,338	$1,747	(25%)	$1,457	(38%)
CHB	Other	$595	$597	0%	$566	(5%)

Note: Negative numbers, which are a decrease in rates, are represented in brackets () and red font.

Tell us your preferred option to calculate the general rate.

Regional economic development rate

The proposal

- 70% funded by broader business/rural community on capital value; with a differential on commercial/industrial to pay three times more.
- 30% funded by residential and lifestyle property as a $12.69* fixed charge per separately used or inhabited parts of a rating unit on the property (SUIP).

**Noting this is based on 2023-24 Annual Plan figures so is indicative only.*

Status Quo - current funding method

- 70% funded by commercial/industrial properties based on capital value.
- 30% funded by all other rating categories as a $11.58 fixed charge (in 2023-24 Annual Plan).

Rationale for change

The main driver for the change is to treat user categories that benefit in a similar way, the same. In particular, this proposal broadens the user categories who contribute on CV to include rural properties on the basis they can generate income. Examples include wineries, orchards, farms, and 'other' such as forestry and golf courses.

'Businesses' are the primary beneficiary of the regional economic development rate through a prosperous community, including demand for goods and services, and labour supply.

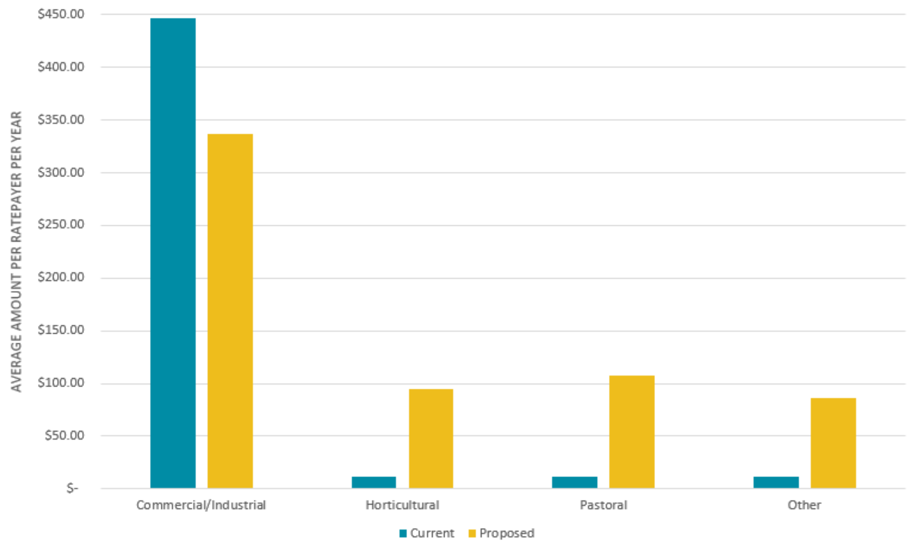
Residents and lifestyle ratepayers benefit to a lesser degree from enhanced lifestyles from modern amenities, things to see and do, and a sense of security which is vital for health and wellbeing.

Impacts

Figure 3 shows the impact to the business/rural community by category from the policy change to this rate. Previously commercial/industrial funded 70% of the activity. By including rural businesses – including horticulture, pastoral, and other categories – in the pool of ratepayers contributing on CV, the commercial/industrial share drops, and these other businesses pick up the balance.

We consider that the average increase for these types of ratepayers is reasonable as it is a small percentage increase on their total rates, and they directly benefit from this activity.

Figure 3: Impact on businesses by category from regional economic development proposal



Percentage of Total Economic Development Ratepayers
Commercial/Industrial 6% Horticultural 2% Pastoral 4% Other 1% Residential 87%
Total Ratepayers per Category
Commercial/Industrial 4,167 Horticultural 1,439 Pastoral 2,463 Other 799 Residential 59,561

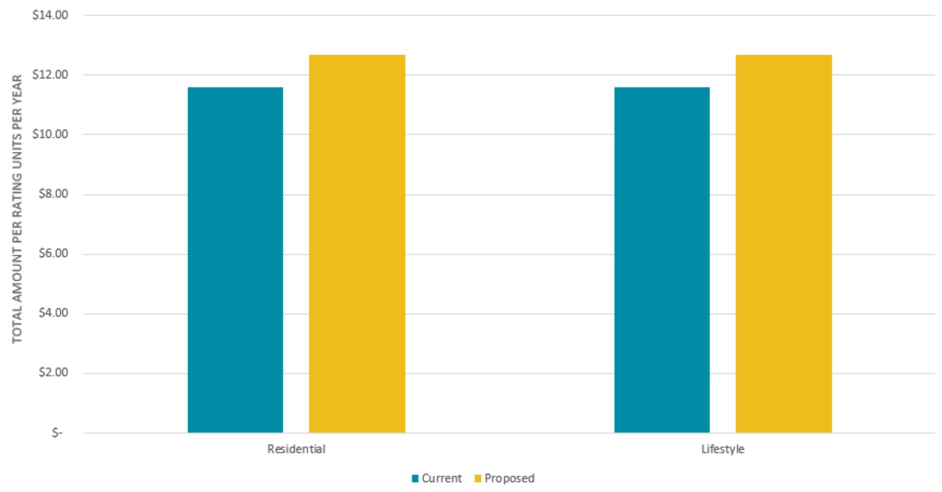
Regional economic development rate

Figure 3 is split by category to illustrate the average dollar rating impact for some sectors under the proposed versus current policy. The average rate for pastoral ratepayers is the largest because pastoral has, on average, a greater CV ($4M) than horticulture ($3.5M) and 'other' ($1.2M).

Below the graph in Figure 3 is a box which identifies the size of each category as a percentage and a number. Although 'Other' is showing a large increase under the new policy it is only 1% of the rating pool and is skewed by a small number of ratepayers with very large CVs.

Figure 4 below shows the impact to the remaining categories from the policy change. Residential and lifestyle ratepayers will continue to pay 30% of the costs of this activity as a fixed charge. As the pool of ratepayers paying the 30% has dropped (as previously rural businesses were included) the per property fixed charge has accordingly marginally increased.

Figure 4: Impact on residential and lifestyle ratepayers from regional economic development proposal



About regional economic development

This activity promotes economic development for the region through contributions to Hawke's Bay Tourism and a funding arrangement with the Regional Economic Development Agency (REDA).

HBRC is the sole local government funder of Hawke's Bay Tourism by agreement with the region's other local councils.

The region's newly established REDA is a tri-party partnership between business, iwi, hapū, and local government. There is a funding agreement with the five councils, including HBRC, for a 29% split of the local government contribution.

The total cost of regional economic development is $2.3M* in 2023-2024 and is fully funded by this rate.

**Note: This total is GST exclusive.*

Flood protection and drainage schemes

The proposal

- 30% general rate and 70% targeted rate (with 9 rating factors) based on capital value (CV) for the 4 flood protection and control schemes
- 10% general rate and 90% targeted rate (with 19 rating factors) based on CV for all drainage and pumping (except for Raupare Enhancement and Opoho schemes which are to remain based on area and fixed charge respectively).
- Rivers and stream maintenance moves to the general rate (25 rating factors).

Status Quo - current funding method

- Flood schemes are currently general and targeted rate funded, with targeted rates varying between 70-95%, (with 24 rating factors) based on a mix of CV and land value (LV).
- Drainage and pumping is general and targeted rate funded, with targeted rates between 88%-95%, (with 33 rating factors) based on a mix of CV, LV, Fixed Charge, and Area.
- Rivers and stream maintenance is 10% general rate and 90% targeted rate funded.

Rationale for change

The main drivers for change are:

- more consistency between similar schemes
- simplified rating differentials
- to spread the costs fairly across scheme beneficiaries.

The proposed changes will see the same rating basis and split of general and targeted rates across like schemes. CV will be consistently applied as the rating basis for all but two of the drainage and pumping schemes. CV is considered the most appropriate basis for the targeted rate component given flood protection and drainage activities benefit improvements on land as well as land, and the productive earning potential resulting from the activity.

The two exceptions – Raupare Enhancement and Opoho schemes – have a small number of ratepayers and changing to CV would create unnecessary complexity for them.

The larger general rate component (increased to 30% for most flood schemes) reflects an increasing awareness of the interconnectedness of our infrastructure. Districts are interwoven so regardless of where flooding occurs, it has regional economic and social impacts. This was demonstrated during Cyclone Gabrielle and reinforces the need to spread the costs fairly across urban and rural ratepayers.

Amalgamating rating factors will make the rates invoice easier to understand and more cost efficient for rates staff to implement. Maps showing the changes to rating categories are available in Supporting Information. Moving rivers and stream maintenance schemes, which are geographically small with complex rating factors and low value, to the general rate will also reduce the administrative burden.

Impacts

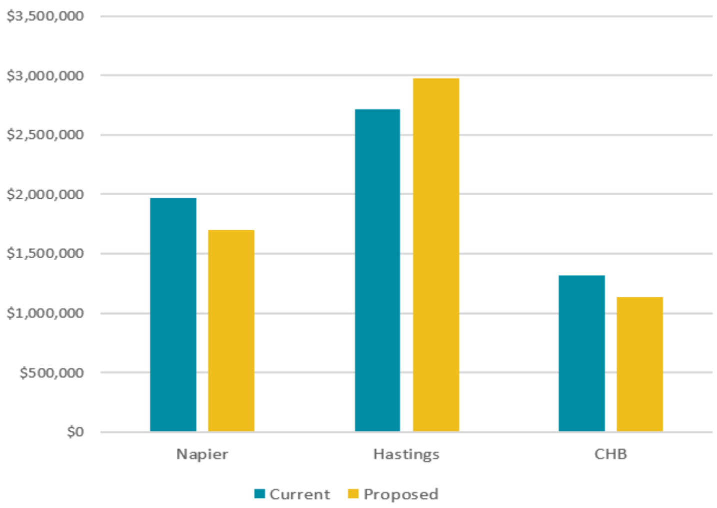
Every ratepayer will experience a different impact from these policy changes depending on what scheme their property contributes to. Average properties are not useful in this situation. Sample properties are designed to show the impact by schemes. See the sample properties in the Supporting Information.

Efforts have been made to ensure the impact to scheme ratepayers is minimal in light of possible changes that might arise from post-cyclone reviews and new schemes from Category 2 flood mitigation works. For this reason, changes to scheme footprints were deliberately excluded from this review.

Figure 5 shows the change by district from the changes to the flood protection schemes. Ratepayers with the largest CVs in the scheme will see the largest increases. Hastings is the largest geographical area and therefore is more highly represented in the schemes.

Flood protection and drainage schemes

Figure 5: Change to targeted rate by district for Flood Protection proposal



**Note: There are currently no flood schemes in Wairoa, therefore not shown in the graph above.*

About flood protection and drainage schemes

Hawke's Bay Regional Council administers a mix of flood control, drainage, and stream (or channel) maintenance schemes. We maintain networks of stopbanks, hydraulic structures, and pump stations to ensure they work as expected during heavy rain to help protect life and property. Rivers and stream maintenance schemes typically have no infrastructure and can involve planned or reactive interventions. Stream maintenance schemes are proposed to be moved to the general rate.

The total cost of the combined activity is $14.8M* in 2023-2024, of which it is proposed $4.79M* is general rate funded, and $9.38M* is targeted rate funded.

**Note: These totals are GST exclusive.*

Flood protection and drainage assets have different levels of services as follows:

Component	Current level of service
River assets	The level of protection in technical terms is to convey a flood discharge with a 1% probability of being exceeded in any one year (1% AEP) safely to the sea.
Drainage assets	The design standard is to drain 32mm of runoff in 24-hours from rural areas and 50mm of runoff in urban areas. This is nominally a five-year return period event.

For funding purposes, schemes are categorised as follows:

Flood Protection	Drainage	Rivers and stream maintenance
Heretaunga Plains	Brookfields/Awatoto	Central/Southern
Maraetotara	Clive and Muddy Creek	Esk
Upper Makara	Haumoana and Te Awanga	Kairakau
Upper Tukituki	Karamū Drainage and Tributaries	Kopuawhara
	Karamū Enhancement	Pōrangahau
	Napier/Meeanee/ Puketapu	Te Ngarue
	Ohuia Whakakī	Wairoa
	Opoho	Whirinaki
	Paeroa	
	Pākōwhai	
	Poukawa	
	Puninga	
	Raupare and Twyford	
	Raupare Enhancement	
	Tūtaekurī/Waimate/Moteo	

Passenger transport rate

The proposal

- 100% targeted rate based on capital value (CV) for Hastings and Napier ratepayers, with an extended urban footprint.

Status Quo - current funding method

- 100% targeted rate based on land value (LV) for Hastings and Napier ratepayers, with rating cap for residents of Clive.

Rationale for change

We are proposing to extend the passenger transport rating area to account for urban development since the policy was last reviewed. By extending the rating area, we are able to include more ratepayers with access to public transport near to current routes provided. This means that funds sourced will be fairer and more consistently spread across a larger number of ratepayers. The map on the page 15 shows the new footprint.

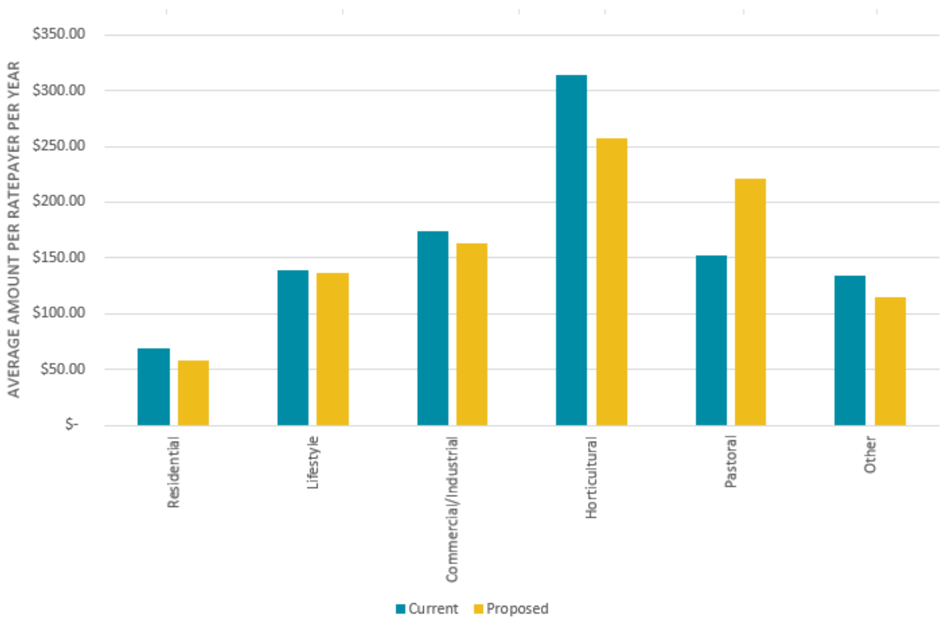
We are also proposing to change the rating basis from LV to CV as passenger transport delivers benefits more closely aligned with capital value. For example, capital improvements to land may result in more jobs, therefore more people needing public transport. This will mean that some properties will pay slightly more, while others pay slightly less. Those ratepayers with a larger gap between CV and LV than the average will pay proportionately more than before.

Impacts

Figure 6 shows the impact of the new policy setting on average rates by ratepayer category. The change in footprint will see more pastoral, lifestyle, and horticultural ratepayers pay more, but it will spread the rate fairly across all.

Pastoral ratepayers are the only category to see an increase in the average amount. This is due to an increase from six to nine properties under the new footprint. The high CV of the new properties distorts the impact.

Figure 6: Changes to the passenger transport rate by category



Passenger transport rate

Mapa of extended rating area for passenger transport (PT)

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

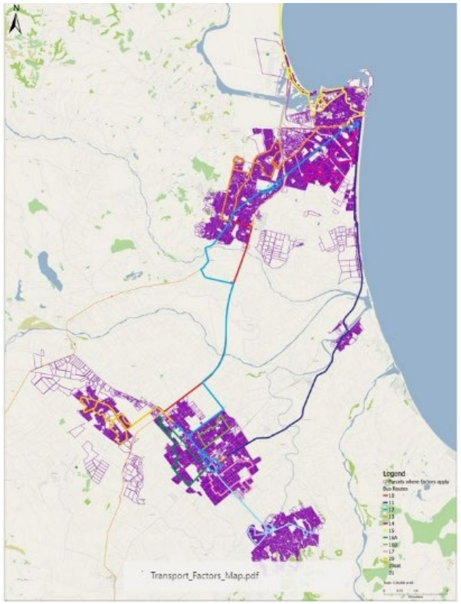


Figure 8: Map of proposed PT area

About passenger transport

Our bus service, goBay, connects people with a public transport system that currently operates in the urban areas of Napier, Hastings, Havelock North, and Clive. It consists of nine public bus routes including a commuter express service between Napier and Hastings.

Passenger transport also includes our Total Mobility service which provides subsidised taxi travel for eligible people to access appropriate transport to meet their daily needs. This assistance is provided in the form of subsidised door-to-door transport services wherever scheme transport providers operate.

Passenger transport is the single largest activity that we fund and is subsided with funding from Waka Kotahi NZ Transport Agency.

The total operating cost is $6.6M* in 2023-2024, of which $3.09M* is targeted rate funded.

**Note: These totals are GST exclusive.*

Freshwater science charges, and a new targeted rate

The proposal

Ratepayers with consents for water takes and discharge to water/land are currently charged under section 36 of the Resource Management Act 1990 (RMA). This is for their share of the costs of performing science investigations and monitoring of the region's freshwater resources.

We currently fund the science activity for water quality and water quantity in the same way. We propose to change the way we fund water quality science and monitoring as below:

- 65% general rate, 20% targeted rate on non-urban properties based on land value, and 15% as section 36 charges.

Status Quo - current funding method

- 65% general rates and 35% as section 36 charges.

Rationale for change

The main driver for change is to share the costs fairly amongst those who contribute to the need for this work.

The introduction of a targeted rate to fund water quality science recognises that both consented and non-consented activities, typically from diffuse sources (widespread or dispersed), can exacerbate impacts on water quality, creating the need to monitor and understand water quality across the region.

Sharing the costs will better reflect exacerbation on water quality as well as reducing the burden on the small number of consent holders who discharge to water and land (approximately 700) who currently pay 35% of the total water quality science costs as part of their section 36 charges.

Fair and reasonable charges to consented activities

Our starting point was to consider 'to what extent do consentable discharges exacerbate impacts on water quality'. In the absence of any current modelling that would enable source apportionment on a regional scale, the Council concluded that land area is the best way to address the question.

The region was spatially examined for land parcels which were attracting section 36 charges. 'Built up areas' benefiting from an interconnecting network were also included.

This was then adjusted for 'unproductive' land and overall impact, resulting in the proposal that section 36 charges to consent holders be applied at 15% of the water quality monitoring costs, and 20% as a targeted rate on non-urban properties.

Impacts

The proposed changes to the funding method for water quality science will see $635K* (2023-2024 Annual Plan figures) removed from user charges and applied to the new targeted rate.

Unlike other proposals in this consultation document, the introduction of the new targeted rate and reduction in freshwater science charges will change the size of the rating pie (as well as how we split the pie). The size of the total revenue pie remains the same.

There are also some minor changes to Fees and Charges proportions in the Environmental Science and Information activity.

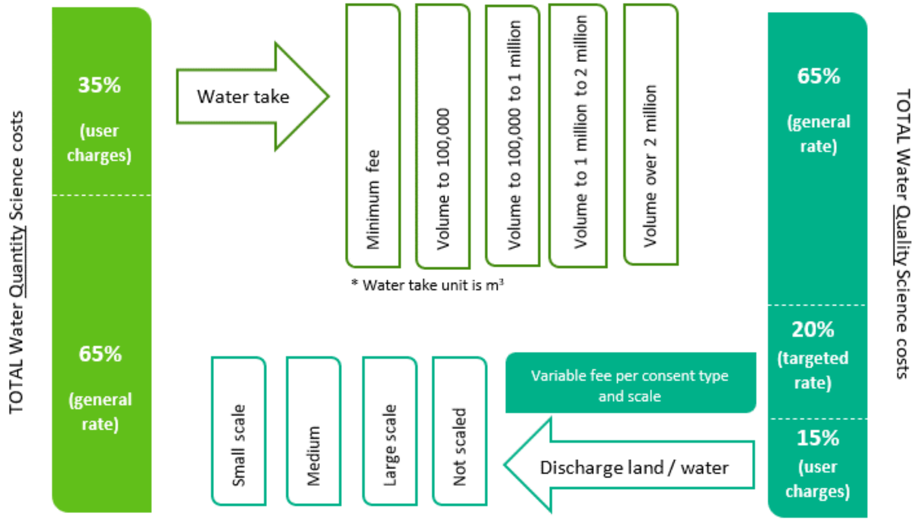
See the Draft Revenue and Financing Policy for more information.

**Note: This total is GST exclusive.*

Freshwater science charges, and a new targeted rate

Figure 9 below describes at a high level how the changes to Freshwater Science section 36 charges will impact affected consent holders. Note that consent holders receive more information on charges when they get their invoice.

Figure 9: The proposed allocation of the total water science costs



About environmental science and information

This activity involves the monitoring and analysis of environmental information and research and investigations on matters relevant to policy development and regional plan implementation. The information gathered and science activities are also needed to issue consents.

The total operating cost of the combined activity is $11M* in 2023-2024.

- Air Quality – $761K* is general rate funded
- Land Monitoring and Research - $958K* is general rate funded, $319K* is targeted rate funded
- Marine & Coast - $966K* is general rate funded
- Other Research & Grants - $88K* is general rate funded
- State of the Environment reporting - $224K* is general rate funded
- Water Quantity - $2.6M* is general rate funded, $1.2M* is fees & charges funded
- Water Quality - $2.1M* is general rate funded, $635K* is targeted rate funded, $476K* is fees & charges funded
- Water Info Systems – $421K* is Fees & User Charges funded.

**Note: These totals are GST exclusive*

Sustainable land management, biodiversity and biosecurity

The proposal

- 100% general rate for sustainable land management and biodiversity.
- 100% targeted rate on non-urban ratepayers based on land value for primary production pests.

Status Quo - current funding method

- 75% general rate, and 25% targeted rate on non-urban land over 4 hectares based on area for sustainable land management.
- 14 different rating combinations for biodiversity and biosecurity activities depending on the pest, including a 4-hectare threshold, dividing northern and southern areas, and a differential rate for forestry between 4-400 hectares.

Rationale for change

Sustainable land management

The main driver for change is to spread the costs of sustainable land management to all ratepayers to recognise the whole of region, community-wide benefits of this work. Sustainable land management contributes to a healthy environment. The community as a whole benefits from reduced environmental pressures from good land management practices and compliance with regulations such as farm plans.

Biodiversity and biosecurity

The main driver for change is to simplify how we rate for biodiversity and biosecurity activities by treating all work we do for biodiversity outcomes as one group. All the work we do for primary production benefits are treated as another. Biodiversity related work, including possum control, was then assessed as having whole-of-region, community-wide benefits. The Council considered the general rate to be the most appropriate funding source. In contrast, ‘primary-production pests’ including rooks, rabbits, and some plant pests was assessed as benefiting parts of the community, namely primary producers. A 100% targeted rate was considered the most appropriate funding source. The removal of the 4 hectares rating threshold also removes administrative burden and ensures smaller parcels of land pay their share.

Impacts

Combined, these changes will result in $2.7M* net moving from targeted rates to general rates. Urban ratepayers will be most impacted from the shift to the general rate.

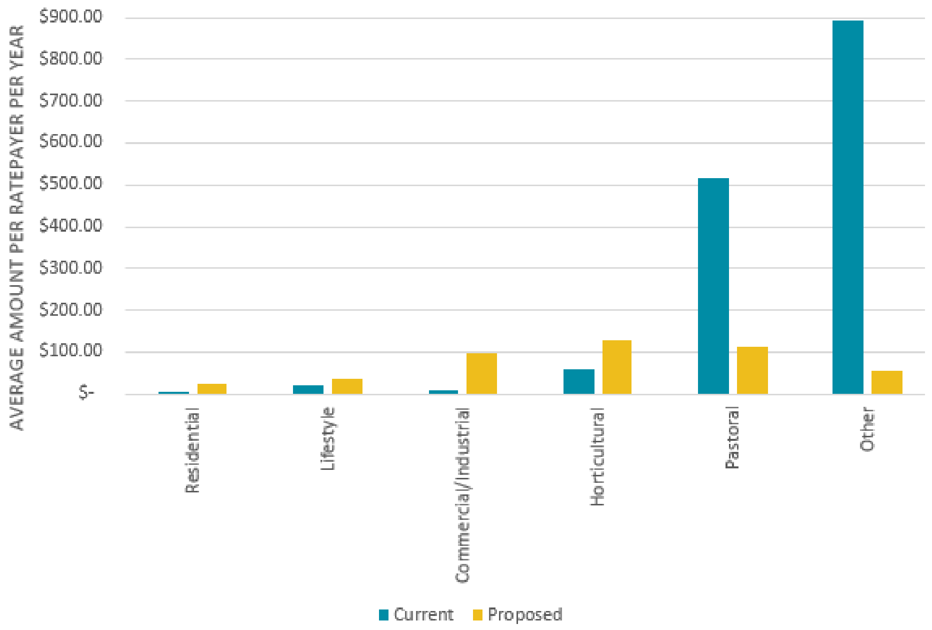
**Note: This total is GST exclusive.*

Sustainable Land Management, Biodiversity and Biosecurity

Figure 10 shows the ratepayer categories most impacted. Under the proposal, 'Pastoral' and 'Other' experience a significant reduction in their rates due to the shift from area to CV, and the larger footprint in the non-urban areas.

As noted earlier there are a large number of ratepayers with small CVs in the 'Other' category but this is skewed by a small number of ratepayers with very large CVs. This is compounded in this proposal by the impacts on forestry from changing from area to land value and by removing the forestry differential.

Figure 10: Average per ratepayer for primary production pests targeted rate



About sustainable land management, biodiversity and biosecurity

This consultation topic incorporates changes from the following three activities:

Sustainable land management covers our core catchment management work. This includes catchment advisors who work with industry, communities, and landowners to promote good land management practices in line with current regulation and regional rules. It also includes the Environmental Enhancement programme, rural recovery, and water efficiency.

The total operating cost is $15M* in 2023-2024, $8.4M* is general rate funded.

Biodiversity contributes to the region's natural character and ecosystem services that are essential for a healthy environment, and human health and wellbeing. This activity has been broadened to encompass animal and pest control activities that contribute to improved biodiversity outcomes, such as possum control. These activities go hand-in-hand to support a goal of thriving biodiversity.

The total operating cost is $5.2M* in 2023-2024 which is general rate funded.

Primary productions pests are categorised as such because it targets pest animals and plants that primarily cause loss to pasture, crops, trees, and shrubs, and therefore reduced economic benefit. These include rabbits and rooks (animals) and plants such as Chilean Needle Grass.

The total operating cost is $1M* in 2023-2024 which is targeted rate funded.

**Note: These totals are GST exclusive*

Rates Remission and Postponement Policies

The proposal

The proposed changes are a result of careful revision of the policies carried out at the same time as the Revenue and Financing Policy review. Both policy documents are interlinked.

Minor improvements have been made to some of our current policies, and two additional policies are proposed for:

- Hardship resulting from changes to the rating system.
- Postponement of Sustainable Homes Voluntary Targeted Rate to enable full debt recovery (under section 62 of Local Government Rating Act 2002).

Rationale for change

The Council acknowledges that ratepayers may experience a variety of financially challenging situations that impact their ability to meet payment deadlines for rates. The proposed changes provide a wider range of options to support ratepayers experiencing financial hardship.

We also recognise the extension to the definition of non-ratable land, which supersedes some remission criteria in our current policies. This brings the policy in line with the Schedule 1AA, Part 4, clause 22 LGA: *Provisions relating to Local Government (Rating of Whenua Māori) Amendment Act 2021.*

Hardship resulting from changes to the rating system

Subject to application and approval, it is proposed that the remission will be set at 50% of the difference between the property rates for 2024-2025, and the rates payable if the changes to the rating system had not been applied.

Postponement of Sustainable Homes Voluntary Targeted Rate

This new policy extends our debt recovery powers in the event of default of Sustainable Homes Financial Assistance payments. This recognises that this assistance is a voluntary targeted rate and aligns it with other rating debt recovery policies and practices.

Minor improvements to existing policies

A summary includes:

- all references to approval and delegations removed
- obsolete references to postal delays, and historic arrears removed
- application deadlines standardised to 14 days prior to due date
- Uniform annual general charge remission policy extended to include related separately used or inhabited part of a rating unit (SUIP) targeted rates
- robustness of policy wording and application to accommodate unforeseen events.

See the new and revised draft Rates Remission and Postponement Policies in the Supporting Documents.

*Our existing **Remission of rates on properties affected by natural calamity policy** remains available, including for those ratepayers affected by land categorisation.*

Our current Rates Remission and Postponement Policies are available hbrc.govt.nz, search: #ltp2131

We invite you to Have Your Say

Be sure to get your submission in before **8pm on Sunday 28 January 2024**.

Late submissions will not be accepted.

Choose how you *Have Your Say*

We have prepared an easy online submission form you can use on any device anywhere. If the online survey isn't for you, feel free to email us at haveyoursay@hbrc.govt.nz (don't forget to let us know if you want to give a verbal presentation on your submission in front of the Council).

*The easiest way is online at **hbrc.govt.nz**, search: **#haveyoursay***

If you don't want to use our online form, a submission form is provided with this document. Please fill it out and get it back to us in the following ways:

Scan & email: haveyoursay@hbrc.govt.nz

Post:

Have Your Say
Hawke's Bay Regional Council
Private Bay 6006, Napier, 4142

Pick up & drop off a copy at one of our offices:

- 159 Dalton Street, Napier
- 280 Guppy Road, Taradale
- 26 Ruataniwha Street, Waipawa
- 46 Freyberg Street, Wairoa

Submission form: *Your Community Your Rates*

About you

Your name: ....

Organisation (if applicable): ....

....

Email: ....

Which constituency do you live in?

☐ Wairoa ☐ Ngaruroro ☐ Ahuriri-Napier

☐ Heretaunga-Hastings ☐ Tamatea-CHB

☐ Māui ki te Tonga ☐ Māui ki te Raki

Are you a ratepayer? ☐ Yes ☐ No

What kind of property do you own? (Tick all that apply)

☐ Residential ☐ Rural ☐ Lifestyle

☐ Commercial/Industrial ☐ Other

Do you support the proposed move from land value to capital value for the general rate?

☐ Yes ☐ No ☐ Don't know

Comments: ....

....

2. Do you support the regional economic development rate proposal?

☐ Yes ☐ No ☐ Don't know

Comments: ....

....

3. Do you support the flood protection and drainage schemes rate proposal?

☐ Yes ☐ No ☐ Don't know

Comments: ....

....

4. Do you support the passenger transport rate proposal?

☐ Yes ☐ No ☐ Don't know

Comments: ....

....

5. Do you support the freshwater science charges and new targeted rate proposal?

☐ Yes ☐ No ☐ Don't know

Comments: ....

....

6. Do you support the sustainable land management and biodiversity/biosecurity proposal?

☐ Yes ☐ No ☐ Don't know

Comments: ....

....

7. Do you support the additional policies for rates remission and postponement?

☐ Yes ☐ No ☐ Don't know

Comments: ....

....

8. Do you have feedback on any other of the proposed changes to draft Revenue and Financing Policy?

Comments: ....

....

Need more room? You can attach extra pages, just make sure they include your name and address.

Do you wish to present your submission to the Regional Council at a hearing in February 2024?

☐ Yes ☐ No If yes, please provide a daytime contact number: ....

Privacy Statement: Submissions are public information. Your name and feedback will be included in public documents as part of the decision-making process. All other personal details will remain private. This information will be held by Hawke's Bay Regional Council but only for the purpose of this consultation.

Send us your submission

Scan & email: haveyoursay@hbrc.govt.nz

Post: Hawke's Bay Regional Council, Private Bag 6006, Napier 4142

Hand deliver: 159 Dalton Street, Napier

We must receive your submission by **8pm on Sunday 28 January 2024.**

*The easiest way is online at **hbrc.govt.nz**, search: **#haveyoursay***