Have your say Hawke's Bay

Tukua mai ō whakaaro Te Matau-a-Māui

on our recovery-focussed

Three-Year Plan 2024-2027

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

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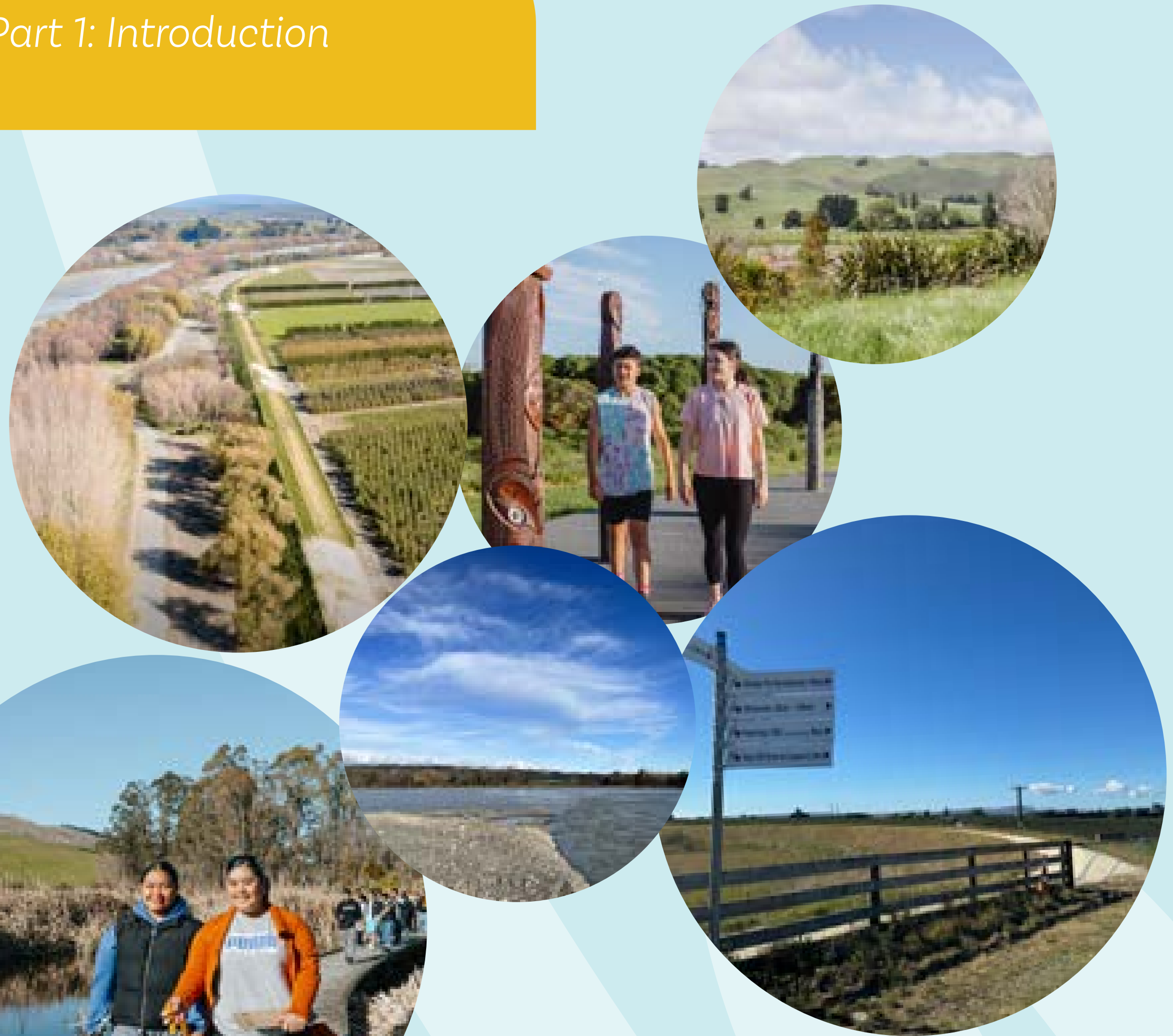
Our Long Term Plan consultation



Inside

Message from our Chair and Chief Executive

Have your say Hawke's Bay

We all have seen the phenomenal effort by so many in our communities to work positively together with the same goal – to build back Hawke's Bay, safer, smarter and more resilient.

It's been a tough few years. Covid disruption, closely followed by a disaster of the scale of Cyclone Gabrielle has had a significant impact across the region.

Our three-year plan is focused on recovery and resilience.

Our key work includes delivering a nearly $250 million flood resilience programme which will see us build flood infrastructure to move properties in Category 2 areas to Category 1 to enable people to move on with their lives.

We are investigating the long-term design and management of flood schemes in the face of our changing climate, and continuing to invest in critical partnerships and the core functions of the Regional Council.

We are setting up the Regional Council's investment arm - the Hawke's Bay Regional Investment Company - to improve returns to ratepayers from our investments.

We are also proposing to bolster funding for Civil Defence, as together with all the councils in the region we work on implementing the review of the Civil Defence Emergency Management response to the cyclone.

Hinewai Ormsby
Chair Hawke's Bay Regional Council

Dr Nic Peet
Chief Executive Hawke's Bay Regional Council

At the same time, we have to make some tough choices as the costs of recovery and day to day work increase. We are mindful of the impact of these increased costs on ratepayers.

To contain costs and redirect spending to recovery work, we are proposing to stop and temporarily slow some services. We have also made internal cuts which combined with the proposed service changes save $4.6 million in 2024-25.

Getting the balance right between savings, and delivering services communities value is always difficult which means your feedback is critical.

The proposed plan sets an average rate increase of

19.6% **for the first year (2024-25)**

18.1% **in 2025-26 and**

9% **in 2026-27**

You can see how it affects your property by looking at our online rates calculator at

hbrc.govt.nz, search #haveyoursay

Please have your say on how we support recovery and resilience in Te Matau-a-Māui.

Your opinions matter to us and we encourage your feedback.

Setting the scene

What is this document?

This document outlines our plan for the next three years, 2024-27, and seeks your feedback to help guide the Regional Council's decisions.

We would normally develop a 10-year long term plan as all councils are required to under the Local Government Act 2002. However special temporary legislation following Cyclone Gabrielle has changed the timeframe to three years for the worst affected councils.

The legislation also removes the need to have our plan audited given it is too hard to forecast beyond three years with enough certainty to meet the normal audit requirements.

You can give us your feedback in a number of ways – see the back page of this document for options.

Our focus is on recovery and building resilience for future events

The Regional Council's financial position has been impacted by two significant disasters in quick succession – the Covid pandemic and Cyclone Gabrielle.

Cyclone Gabrielle was one of the worst storms to hit New Zealand in living history and Hawke's Bay was one of the worst affected regions.

This Three-Year Plan is about recovering from Covid and the cyclone and building resilience for future events.

This includes the huge job of building new, and improving current, flood protection schemes across the region.

A lot of our recovery work has already been negotiated with the Government. However, there are some decisions to be made where we want your input.

How should we rate for our share of the flood resilience programme?

We also need to decide who pays for ongoing operations and maintenance.

Financial challenges

Our costs are increasing significantly – these are outlined in Part 2.

In response we are proposing to stop and slow down some community services to reduce our costs and the average rate increases.

We encourage you to read these proposals in Part 4 and let us know what you think. These are important community conversations we need to have.

What do you think of our proposals to stop/slow down some work to reduce costs and rates?

We have also made lots of internal cuts and these, with the proposed service changes, save about $4.6 million in 2024-25.

We thought about selling assets, however, this only delivers a one-off short-term benefit and we are wanting our assets to deliver better returns to reduce the rates burden over the long term.

Still a lot of uncertainty after the cyclone

There are still a lot of moving pieces at play as a result of Cyclone Gabrielle making planning and budgeting challenging.

We know further big construction costs are coming

The findings of the Hawke's Bay Independent Flood Review and the reviews into two of our significant flood schemes – Heretaunga Plains and the Upper Tukituki – are due in June and July 2024.

We anticipate significant investment will be needed. This will be a key affordability challenge for our next Long Term Plan.

Ongoing insurance claim process

Staff are still working through the very complex and labour-intensive claims process with our insurance providers and NEMA (National Emergency Management Agency) for the necessary repairs we undertook, and continue to undertake, on damaged assets such as stopbanks and pump stations. We expect this process to continue into 2025.

Cleaning up

We continue to play a huge role in the clean-up of the region after Cyclone Gabrielle. We are supporting the administration of the Silt Taskforce and the Commercial Silt Fund, and are managing distribution of the Government funding that has enabled this work.

Given the clean-up work is still underway it is difficult to plan with certainty as to whether the final funding of $40 million allocated to Hawke's Bay in March 2024 will be enough for our region.

We will also incur costs to close and ensure the safety of dedicated silt sites.

What will the rates increase be?

The proposed average rate increases for the next three years are outlined below*

19.6% for the first year (2024-25)

18.1% in 2025-26 and

9% in 2026-27

How much you pay depends on:

- The value of your property
- The revaluation cycle for your district or city
- The services your property is rated for.

19.6 percent is the average rates increase for all rates for the first year, but this doesn't mean everyone's yearly rates bill will increase by 19.6 percent.

On average we estimate residential ratepayers will pay ***$587 in 2024-25.***

See Part 8 *for rate impacts on a sample of properties in Hawke's Bay*

You can see how it affects your property by looking at our online rates calculator at

hbrc.govt.nz, search #haveyoursay

* Noting that these are set without knowing the outcome of the post-cyclone reviews which may result in reimagined flood resilience infrastructure with associated rating impacts.

Why are rates going up?

Like many households, businesses, and councils we are facing financial challenges on many fronts.

Covid and Cyclone Gabrielle in quick succession have put unprecedented strain on our financial position. Our investment returns are down, we are repaying money we have borrowed since Covid to keep rates down, and we've faced unplanned costs to repair infrastructure; and there's more to come to build resilience for future events.

The main drivers pushing rates up are:

- *Continuing cyclone recovery costs*
- *Repaying money we borrowed to help keep rates lower*
- *Lower than expected income from our investments*
- *Insurance and inflation*
- *Increasing costs to provide public transport.*

Continuing cyclone recovery costs

Since the cyclone, we have incurred significant unplanned costs, and helped administer the following activities:

- **$40M**.......... infrastructure repairs plus $35M forecast still to be completed
- **$15M** .... general cyclone costs including Civil Defence
- **$142M** .... local government silt and debris
- **$52M** .... commercial silt and debris
- **$8.5M** .... Disaster Relief Trust
- **$7M** .... Regional Recovery Agency
- **$4.7M** .... woody debris

We are going to be feeling the impacts for a long time. However, we expect most to be covered by our insurance and NEMA.

We introduced a Cyclone Recovery Rate in 2023-24 to raise around $5.9 million (including GST) to help pay for response and recovery costs we didn't expect to be covered by other sources. This is helping with some of the costs.

We still require funding to:

- continue to repair assets that were damaged in the cyclone
- cover loan and interest costs incurred to fund remediation of damaged cyclone assets not covered by insurance
- continue to support silt and debris waste management
- collect environmental disaster impact data.

This year, you will not see a separate charge for this on your rates bill as this has been absorbed into the general rate.

Proposed rates for new flood schemes

In August 2023, as part of the region's cyclone recovery funding package negotiated between the Government and Hawke's Bay's five councils, we agreed to fund $44.15 million of the nearly $250 million flood mitigation programme. Delivering this programme is a top priority.

We will borrow this funding but need to decide how to repay it; a variety of options exist as discussed in Part 3.

Repaying money we borrowed to help keep rates lower

In 2020-21 the Regional Council resolved to have a zero-rate increase to lessen the financial impacts of Covid across our region (deferring the 7.3% rates increase).

This happened at the same time we were implementing a step-change in activity, particularly in areas of land and water to achieve results on-the-ground at pace and scale, as well as in other areas of capital expenditure such as sustainable homes, asset management, and system integration software.

As a result, Regional Council borrowed to fund the proposed works for four years and defer the impact on ratepayers.

While beneficial at the time for our ratepayers, that decision is now having a significant cumulative impact on rates required. Not only are we replacing loan funding with rates funding, but we also need to repay the original loans with interest. This has a $4.44 million impact to rates in 2024-25 and another $4.12 million in 2025-26. The 2024-25 year will be the fourth and final year of borrowing for operating expenditure as agreed in the 2021-2031 Long Term Plan.

Lower than expected income from our investments

We have investments that our ratepayers benefit from.

Investment income is used to reduce general rates and allows ratepayers to realise some of the benefits from the investment portfolio each year.

Our investment portfolio includes:

- **Managed funds**
- **Leasehold property in Wellington and Napier**
- **Majority shareholdings in Napier Port and FoodEast Limited Partnership**
- **Forestry**
- **Carbon credits.**

On average over the last five years, we have received $11.8 million of normal income each year from having these investments. However, this is substantially less income than we had planned due to Covid, Cyclone Gabrielle, and other global events impacting local and international markets.

Compared to what was forecast in the 2023-24 Annual Plan, we anticipate our cash income to be down $3.8 million in 2024-25, $3.3 million in 2025-26 and $2.8 million in 2026-27, should no other changes be made.

We have reset our expected returns in line with the current financial outlook.

Inflation and insurance

We expect inflation to increase costs by $1.35 million in 2024-25. In the two years after that we are expecting annual increases of around $1 million.

Our insurance premiums are also increasing significantly jumping from $1 million in 2023-24 to $2 million over the three years of this plan.

Increasing costs to provide public transport

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

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

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

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

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

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

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

The increases are due to:

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

Growing costs to provide a public bus service

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

Providing a better bus service

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

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

What levers have we pulled?

We've looked closely at our budgets and identified ways to cut costs to lessen the impact on our ratepayers.

We can save around $4.6 million in 2024-25 by cutting some internal costs, and by stopping and slowing down some community services. We have also changed the way we fund Kotahi – an intergenerational regional plan review – by switching from rates to borrowing as and when required.

We outline the services we are proposing to cut or slow down in Part 4. We encourage you to read this and give us your feedback. These are the difficult conversations we need to have as a community together.

Internal cuts include:

- **capping staff numbers**
- **not filling some vacancies**
- **slowing down technology development**
- **reducing our fleet size and keeping our cars for longer.**

We've changed our Financial Strategy

Our 2021-2031 Long Term Plan consolidated the growth initiated in 2018 and continued to accelerate and scale up work to achieve more, sooner. The focus of this plan has changed from growth to one of recovery post-cyclone, concentrating on the must-dos and repaying borrowing for operational purposes to defer rate increases since Covid.

We want our investments to work harder

We have investigated selling assets from our investment portfolio to free up some money. Potential options are selling leasehold properties in Wellington or liquidating managed funds that exist as a result of the sale of 45% of Napier Port in 2018.

Although an initial cash injection would address short-term cash needs, selling off assets would eliminate forward investment income that our next generation should benefit from, and may expose the Regional Council to lack of financial resilience in the future.

After much consideration, we have tasked our investment company Hawke's Bay Regional Investment Company (HBRIC) to look at how we can build inter-generational financial stability, through using our investment portfolio to provide better returns to supplement our rates in the future.

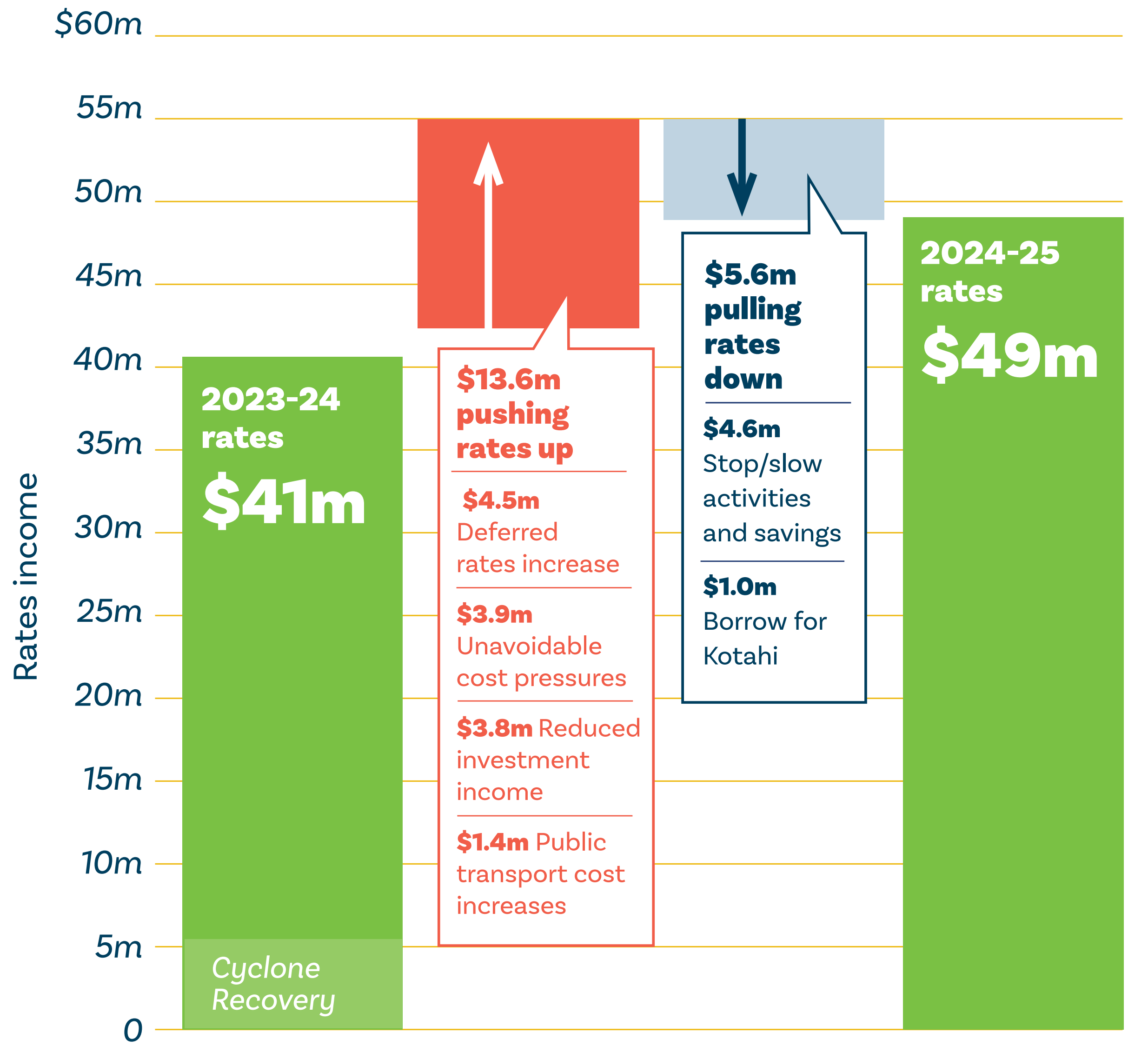
We'll continue to look for ways to improve our financial position

Over the next three years we will continue to look for savings across the organisation. We want to know we are delivering services and programmes as efficiently as we can.

Especially during this recovery time, we need to consider what work we can and should do as a regional council. Should we narrow our focus even more? Or are there some services we should do more of?

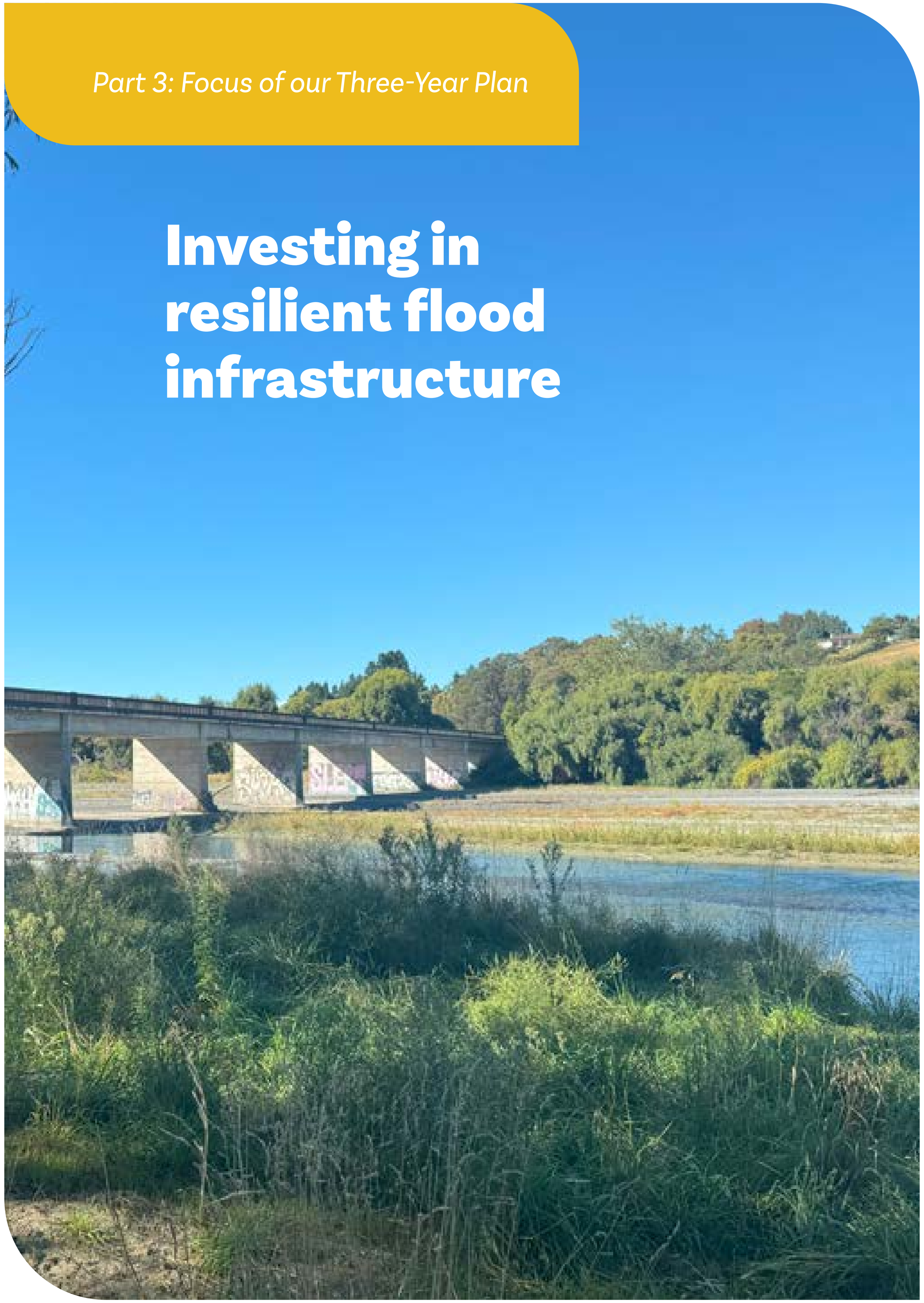
We will continue to advocate for fairer funding sources to address the infrastructure costs that have grown over the years with a changing climate, ageing assets, and long-term underinvestment.

What's impacting rates?



Proposed rates increase from 2023-24 Annual Plan to 2024-25

Investing in resilient flood infrastructure



Living with rivers

The Regional Council has a huge task ahead over the next 3-4 years to deliver the nearly $250 million Flood Resilience Programme negotiated with the Government.

It is the largest flood resilience construction programme for Hawke's Bay since many of the existing flood and drainage schemes were built in the 1950s-1980s.

Currently, we have budgeted $230 million of planned activity. This excludes Beach Road, Tangoio and Joll Road, Havelock North. Since the cost-share agreement was negotiated, Beach Road has been changed to Category 3 as there was no feasible flood mitigation solution. Funding for implementing solutions for Joll Road is under discussion.

The majority of the Flood Resilience Programme is to build flood protection schemes in areas deemed unsafe to live in without improved flood protection.

These areas are known as Category 2 and are in:

Wairoa

Parts of Heretaunga (Pākōwhai, Waiohiki, and Ohiti Road/Omāhu)

Whirinaki

Pōrangahau

As part of the Flood Resilience Programme we also committed to fund our share ($17 million) of $68 million of general works. This includes additional work to rapid repair sites, telemetry, pumpstations and scheme reviews.

Pulling out all the stops

We are pulling out all the stops to support the community and deliver the programme as quickly as we can.

We have been working with the Government to speed up the usually lengthy resource consent process. This means we will be able to start work sooner.

We are building staff capacity and expanded our Programme Management Office to do this significant programme of work.

Staff are committed to working with impacted communities to identify and deliver feasible solutions. Staff will also be working closely with the Crown Infrastructure Partners, who are responsible for approving business cases and granting funding on behalf of the Government at each key stage of the projects.

How to rate for Category 2 flood mitigation

The Regional Council agreed to its share of the flood mitigation cost-share arrangement in August 2023.

It was the best deal on the table to help communities in Category 2 areas. At the time, it agreed to debt fund its share and consult later on how to repay this debt including interest costs.

We want your feedback on these choices:

Should we pay it back quicker or spread it longer?

One of the choices is the term of borrowing - we can spread capital and interest repayments over a short time or a longer time. This is important as a shorter term results in higher costs now and in the coming years, while a longer term lowers initial costs now but creates a repayment burden for many years into the future.

Council has looked at the impacts of this and its preferred option is to spread the costs over 20 years. This reflects the intergenerational benefits from the flood protection schemes with long life cycles and our desire to reduce the accumulated interest costs of borrowing.

Who should pay?

The major decision we are seeking community views on is who should pay for the four new Category 2 flood schemes in Wairoa, Whirinaki, parts of Heretaunga , and Pōrangahau.

More information by scheme is in the following pages.

How to determine who should pay for the new schemes is set by legislation (section 101 of the Local Government Act 2002). Councils must consider a number of factors including community outcomes, distribution of benefit, period of benefit, who creates the need, and the costs and benefits for transparency and accountability of funding the activity distinctly from other activities. Council must then consider the overall impact on current and future well-being (such as affordability) and seek community views.

To consider affordability, we have used the best information available to:

- spread the initial capital costs (negotiated with the Government) across four years with planning, consenting, and land acquisition occurring in the first year across all schemes
- estimate operating and maintenance costs for each scheme (noting these costs aren't included in the three years of this plan but are shown in the tables that follow to help assess affordability)
- estimate new scheme footprints split by direct and indirect beneficiaries
- consider the average direct and indirect rate for a community within a targeted rate footprint under a range of funding splits.

In the tables on the following pages we show the average rates over 20 years to give an indication of affordability. Further refinement of capital costs, ongoing operating and maintenance costs, and scheme footprints is dependent on community conversations on the best solution in each area and these will have an effect on average rates shown. For example, applying the costs over a larger indirect scheme footprint will bring the average targeted rate down.

The timing of expenditure will also impact on actual yearly rates. For example, the average rates in 2024-25, in Whirinaki in particular, will be lower than the dollar amounts shown because the full cost of the work and borrowing is yet to come.

To progress business cases with Crown Infrastructure Partners, we must agree how the Council's share of the funding will be rated. We are using the best information we have to progress this at pace.

Should we apply existing policy settings or apply bespoke arrangements?

The Regional Council's starting point was to apply the existing Revenue and Financing Policy (R&F Policy) settings for flood schemes - 70% targeted rate and 30% general rate, based on capital value (shaded green in the tables).

The advantage of applying existing policy settings is consistency between like schemes (existing flood schemes with similar levels of service are funded this way) and there is recent precedent for this approach. The Taradale stopbank and Upper Tukituki gravel extraction IRG projects that received Covid Government funding used the existing R&F Policy settings at that time to fund the Council's share of the capital spend.

Where the rating impact could be unaffordable for a community within a targeted rate footprint, we have proposed bespoke or specific options for consultation. The Regional Council agreed to consult on a specific option for Pōrangahau and part of Whirinaki (shaded blue in the tables). For all four areas, where new schemes are proposed we have included other possible rating models with dollar impacts for comparison but these are not specifically proposed by the council.

How we rate doesn't change the overall rates impact, it just changes whether it is paid across the region (general rate) or by the most impacted (targeted rate).

Which rating models do you prefer? Tell us what you think.

Wairoa Flood Scheme

Wairoa was badly affected in Cyclone Gabrielle, resulting in over 600 properties identified as Category 2 under the Government's land categorisation framework. A similar area was also flooded during Cyclone Bola in 1988.

As part of the cost-share agreement the Government agreed to 100% fund the capital build of a new flood mitigation solution to overcome affordability barriers experienced after Bola. We now need to decide how to rate for the ongoing operations and maintenance of the scheme.

A further option for Wairoa is to extend the indirect scheme footprint. Direct scheme beneficiaries are assessed for risk and benefit based on the flood solution; they will typically be properties flooded in Cyclone Gabrielle or likely to flood in a similar event. Indirect scheme beneficiaries are those who benefit from a more resilient township and could include Frasertown or all of the Wairoa District Council's boundary. Extending the indirect footprint would lower the average targeted rate shown below, and benefit properties with high capital values within the indirect footprint.

Operating and Maintenance

Rating models (TR%/GR%)	Average Targeted Rate (TR) increase		Average General Rate (GR) increase
	Direct (476 properties)	Indirect (2,376 properties)	
70/30 split (as per R&F Policy)	$109.77	$9.46	$0.44
50/50 split	$78.40	$6.75	$0.73
100% GR	-	-	$1.46

Heretaunga (Ohiti Road/ Omāhu, Pākōwhai, Waiohiki)

Enhancements to the Heretaunga Plains Flood Control Scheme (HPFCS) aim to address the areas most impacted by Cyclone Gabrielle.

As these improvements form part of a larger scheme, the targeted portion of the costs are shared across all existing scheme ratepayers. This results in the additional costs per scheme ratepayer being lower than the other new schemes. In Ohiti Road, Omāhu the impacted community of 17 rateable units will become direct (as well as indirect) beneficiaries. Pākōwhai and Waiohiki properties that will be protected by the new solutions are already direct and indirect ratepayers.

Initial Capital

Rating models (TR%/GR%)	Average* Targeted Rate (TR) increase		Average General Rate (GR) increase
	Direct (~40,800 properties)	Indirect (~58,500 properties)	
70/30 split (as per R&F Policy)	$22.86	$6.84	$7.80
50/50 split	$16.28	$4.84	$13.01
100% GR	-	-	$26.01

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

Operating and Maintenance

Rating models (TR%/GR%)	Average Targeted Rate (TR) increase		Average General Rate (GR) increase
	Direct (~40,800 properties)	Indirect (~58,500 properties)	
70/30 split (as per R&F Policy)	$1.47	$0.42	$0.51
50/50 split	$1.04	$0.32	$0.85
100% GR	-	-	$1.71

Whirinaki Flood Scheme

The Whirinaki flood scheme has been split into two parts – Whirinaki (Industrial) and Whirinaki (Other).

Whirinaki (Industrial) relates to the flood mitigations to protect the commercial/industrial activities in the area flooded during Cyclone Gabrielle up to 1 in 500-year level of service. There are four rating units in this scheme owned by Pan Pac, Transpower, and Contact Energy. These ratepayers require this protection to insure their assets and continue operating.

Another rating model for this scheme could be a greater targeted component to reflect the more direct benefit such as 90% Targeted Rate and 10% General Rate split.

Initial Capital (Industrial)

Rating models (TR%/GR%)	Average* Targeted Rate (TR) increase	Average General Rate (GR) increase
	Direct (4 properties)	
70/30 split (as per R&F Policy)	$25,758.57	$0.60
50/50 split	$18,398.78	$1.01
100% GR		$2.01

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

Operating and Maintenance (Industrial)

Rating models (TR%/GR%)	Average Targeted Rate (TR) increase	Average General Rate (GR) increase
	Direct (4 properties)	
70/30 split (as per R&F Policy)	$11,491.21	$0.27
50/50 split	$8,208.41	$0.45
100% GR	-	$0.90

Whirinaki (Other) relates to the predominately residential area covering Pohutukawa Drive which was flooded during Cyclone Gabrielle and the wider Whirinaki community who have a more indirect benefit such as road access. It's also about retaining community.

The Regional Council agreed to consult on a specific option for Whirinaki (Other) of 50%/50% split to fund the capital build of the scheme. This would improve affordability for the small scheme footprint.

Initial Capital (Other)

Rating models (TR%/GR%)	Average* Targeted Rate (TR) increase		Average General Rate (GR) increase
	Direct (37 properties)	Indirect (198 properties)	
70/30 split (as per R&F Policy)	$2,080.20	$162.10	$0.63
50/50 split (specific option for consultation)	$1,485.87	$115.74	$1.05
100% GR	-	-	$2.09

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

Operating and Maintenance (Other)

Rating models (TR%/GR%)	Average Targeted Rate (TR) increase		Average General Rate (GR) increase
	Direct (37 properties)	Indirect (198 properties)	
70/30 split (as per R&F Policy)	$928.00	$72.36	$0.28
50/50 split	$662.87	$51.69	$0.47
100% GR	-	-	$0.93

Pōrangahau Flood Scheme

This new scheme covers the predominately residential area in Pōrangahau where flooding occurred during Cyclone Gabrielle plus the wider Pōrangahau township which has a more indirect benefit.

There are four small-scale commercial or industrial properties which also fall within the footprint.

The Regional Council agreed to consult on a specific option for Pōrangahau of 100% general rate to fund the capital build of the scheme and 50 percent/50 percent split for operating and maintenance once it is built.

The bespoke arrangement is being considered due to the small scheme footprint and socio-economic status of the area. The 100% general rate funding of the capital build is aligned with the approach for Wairoa, who are not incurring the capital costs of the flood mitigation scheme.

In addition, the recently released NIWA flood analysis indicates that the annual return interval for an event the size of Cyclone Gabrielle is around 80 years at Pōrangahau River (noting a high level of uncertainty due to short records). This reinforces the need for appropriate flood protection for this community to reduce the risk of future flooding, which will increase with a changing climate.

Initial Capital

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

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

Operating and Maintenance

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

How should we rate for our share of general works?

In addition to the flood schemes, the Regional Council agreed to fund $17 million of $68 million of general works as part of the cost-share agreement with the Government. As these are spread across a range of assets, geographical areas, scheme type (flood, drainage and river maintenance) and years, we are proposing to fund initial costs through the general rate. Future operational and capital expenditure will be funded using the existing policy settings for the particular activities.

What	Why	Total	HBRC's share
Additional work to already repaired stop-banks	Funding to access immediately to ensure a 1% Annual Exceedance Probability level of protection after NIWA flood analysis work	$30M	$7.5M
Pumpstations	Replacing and upgrading to the Brookfields, Mission, and Pākōwhai pumpstations which were flooded in Cyclone Gabrielle	$30M	$7.5M
Telemetry network repairs and upgrades	Improving flood warning systems across Hawke's Bay	$5M	$1.25M
Scheme reviews	Accelerating infrastructure planning	$3M	$750,000
TOTAL		$68M	$17M

Changes to our Revenue and Financing Policy

The proposed rating models for new flood schemes and the general works require amendments to our Revenue and Financing Policy. We are consulting on this at the same time as our Three-Year Plan. A Statement of Proposal with a marked-up copy of the policy showing the changes is in the supporting information.

Investing in resilient communities

Civil Defence

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

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

Bolstering Civil Defence in Hawke's Bay

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

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

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

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

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

Level	Role and responsibility
National	
National Emergency Management Agency Te Rākau Whakamarumaru	The National Emergency Management Agency (NEMA) is an autonomous government agency and has three key functions – stewardship, operator of the system, and assurance.
Regional	
Hawke's Bay Emergency Management Group	The Group is governed by a Joint Committee (made up of mayors and HBRC Chair). The Group is managed by a Coordinating Executives Group (chief executive officers from the region's councils, regional emergency service leads, and representatives of central government agencies). HBRC's role is to: • collect a regional rate on behalf of the region's councils. • act as the administering authority for the Group and manage the HBCDEM Group office on behalf of the Group. This includes employing staff and providing office support.
Local	
Napier City Council Heretaunga Hastings District Council Central Hawke's Bay District Council Hawke's Bay Regional Council	Councils plan and provide for civil defence emergency management within their districts, and ensure that their organisations can fully function, even though this may be at a reduced level, during and after an emergency. They do this by: • actively participating and supporting the HBCDEM Group • providing staff to assist the HBCDEM Group office in readiness and in an emergency • having their own Business Continuity Plan • having their own Incident Management Team to stand up their own Emergency Operations Centre • delivering local level welfare support.
Community	
	Communities are often the first responders. We saw the vital role communities and marae played in the Cyclone Gabrielle response and supporting our communities to recover through the setting of up community hubs, marae-based hubs, and community-led centres. Since the cyclone, it has been recognised that communities need to have well-resourced facilities, where people can get critical supplies and information if their area is cut off in an emergency. Councils and communities have been working to set up these community emergency hubs across the district.

Tough choices. Have your say Hawke's Bay

As a regional council, we play a core role in the management of natural resources including: land, air, and water; supporting biodiversity and biosecurity; providing regional transport services; and building more resilient communities to climate change and natural hazards.

Most of what we do is set by legislation. We do, however, have limited discretion over some services and some service levels.

To make savings and to reduce the average rates increases we are proposing to stop some services we provide to the community and temporarily slow down some others.

Cutting services is a difficult conversation that we want to hear from you on. Below is some information about our proposals and the impacts of them. We encourage you to have a read and let us know if we have got it right by making a submission.

What should we stop or slow?

We propose to:

1. **Phase out our funding for Hawke's Bay Tourism**
2. **Stop our Clean Heat/ Sustainable Homes programme**
3. **Reduce funding available through our Erosion Control Scheme**
4. **Continue a slow down of our biodiversity and biosecurity programmes**
5. **Reduce maintenance on our regional parks, defer development of new parks, and stop grant funding Te Mata Park**

*For all these proposals, the Regional Council's preferred option has been included in our draft budget, resulting in rates increases of **19.6%** in 2024-25, **18.1%** in 2025-26 and **9%** in 2026-27.*

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

What we currently do

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

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

What we are proposing to do

Phase out our funding for Hawke's Bay Tourism.

Option A:

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

Preferred option

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

Option B:

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

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

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

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

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

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

Why?

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

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

Background

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

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

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

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

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

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

2. Stop our Clean Heat and Sustainable Homes programme

The Sustainable Home Programme has two offerings:

1. Clean Heat

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

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

2. Sustainable Homes

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

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

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

What we are proposing to do

Option A:

Preferred option

The Regional Council's preferred option is to stop the Clean Heat grants and loans and stop the Sustainable Home loans from July 2024.

We will need to continue to charge the targeted rate for the next 12 years to allow the programme to balance.

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

Option B:

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

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

Why?

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

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

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

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

Background

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

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

3. Reduce funding available through the Erosion Control Scheme

What we currently do

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

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

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

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

What we are proposing to do

Option A:

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

Preferred option

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

Option B:

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

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

Why?

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

Impact of our proposals

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

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

Background

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

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

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

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

What we currently do

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

Our targeted key work includes:

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

What we are proposing to do

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

Option A: Preferred option

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

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

Option B:

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

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

Impact of our proposals

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

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

Background

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

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

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

What we currently do

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

What we are proposing to do

Option A:

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

Preferred option

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

Option B:

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

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

Impact of our proposals

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

Background

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

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

Draft policies for consultation

During the development of our Three-Year Plan we identified the need to amend and consult concurrently on changes to three policies.

Revenue and Financing Policy

This is related to how to rate for the Flood Resilience Programme, see Part 3.

Fees And User Charges Policy

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

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

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

We are proposing two new Harbourmaster fees

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

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

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

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

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

2. We are proposing to introduce an Anchorage Levy

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

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

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

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

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

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

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

Rates Remission & Postponement Policies

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

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

What's the issue?

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

As a result of the Regional Council's recent decision to change the way we calculate the general rate, from land to capital value as part of a comprehensive rates review, these ratepayers will now be charged the general rate for the first time. In some cases, this will see their rates bills increase quite substantially.

During the submission process for the policy review, the Regional Council received a joint submission from the four district and city councils in Hawke's Bay requesting relief to lessen the impact on their utility rolls rates from the policy change. The rationale given was that the capital value of Three Waters assessments stand out as being disproportionate to other rateable assessments in the rating database, and that their community infrastructure assets do not impose a significant burden on regional council services.

What are we proposing?

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

We are consulting on three options.

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

A.

Option A: No remission

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

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

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

Preferred option

B.

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

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

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

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

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

C.

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

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

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

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

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

What else is happening?

We are continuing our work in key areas such as Land for Life, mātauranga Māori, and regional water security. Some other important work we have been doing has either been impacted by the new government, or we have chosen not to fund in this Three-Year Plan to focus on recovery. We provide an update on the following pages.

Land for Life

Land for Life is a public-private partnership project aimed at supporting landowners to plant trees in the right place, to improve freshwater quality, and build regional resilience to climate change.

A pilot has been running for three years, growing to 12 farms, to set up a model and understand the details in set-up costs, partnership, and delivery options. We are working with our partners, the Ministry for Primary Industries and an international organisation The Nature Conservancy, to secure funding to scale up the programme with the aim to deliver the programme to up to 300 farms in the next three years.

We have not allocated further funding in our proposed Three-Year Plan. Our role will change from project funder to a connector between farmers and funding. We will provide in-kind staff support of $1.1 million in the next two financial years from within existing work programmes. This includes project management, farm planning support, science and technical support, and communications.

For more information go to hbrc.govt.nz, search #landforlife

Mātauranga Māori

We are committed to enhancing the capability of our staff to meaningfully engage with mātauranga Māori. This initiative is an important step in our longer journey to ensure mātauranga Māori and te ao Māori perspectives are appropriately acknowledged and understood across our organisational functions, especially environmental monitoring, science and policy setting.

The development of this framework will be informed by tāngata whenua expertise and guided by our Māori Committee and Regional Planning Committee.

Regional Water Security

With climate change impacting our environment, the gap between how much water we will use and how much we can access is growing. The Regional Water Security Programme aims to ensure Hawke's Bay has long-term, climate-resilient and secure supplies of freshwater, for all.

In 2020, the Government's Provincial Growth Fund (PGF) allocated $30.6 million for a package of freshwater security initiatives, co-funded and led by Hawke's Bay Regional Council. These include:

- Regional Water Assessment (publicly released June 2023)
- Managed Aquifer Recharge three-year pilot in Central Hawke's Bay (resource consent granted August 2023)
- Community-scale water storage feasibility investigation for Heretaunga (work continues on potential sites and regional governance, ownership and operating models)
- 3D Aquifer Mapping project (aerial survey completed 2020, ground water drilling completed 2022, geological data modelling due for completion 2024).

More information on all these projects is available on at hbrc.govt.nz, search: #watersecurity

RMA (Resource Management Act) and Essential Freshwater reforms

Freshwater management is a core priority for Regional Council, and we have until the end of 2027 to deliver improved freshwater policy for our rivers, lakes, aquifers, streams, and wetlands.

Specific funding has been allocated to build the capacity and capability of PSGEs (Post Settlement Governance Entities) and taiwhenua to ensure the perspectives of mana whenua are embedded in these policies from start to end.

Central government has a pipeline of on-going reform in both the freshwater and broader resource management space. While we don't know the full scope of those changes, we are working to ensure we are as ready as we can be for them. This includes continuing to participate in sector lobbying to ensure those reforms are implementable.

Three Waters reforms

While regional councils are not the core focus of Three Water reforms, we are responsible for regulating stormwater, freshwater supply, and wastewater discharge – and that is unlikely to change.

We do, however, have some stormwater operations which may be impacted by Three Water reforms.

Clifton to Tangoio Coastal Hazards Strategy 2120 implementation

We've been working with communities, tāngata whenua, Napier City Council, and Hastings District Council for around 10 years to plan how our coastal communities can respond to the impacts of climate change over the next 100 years.

Last year, the community was consulted on which organisation should lead the Clifton to Tangoio Coastal Hazards Strategy and an in-principle decision was made that it would be Regional Council. Later this year, Regional Council will consult on the strategy, including proposed interventions, costs, and how they could be funded.

No funding for strategy implementation has been allocated in this Three-Year Plan. If Regional Council agrees to implement the strategy following consultation it will amend this plan and rate accordingly.

Infrastructure and Financial Strategies

Infrastructure Strategy overview

Hawke's Bay Regional Council manages significant infrastructure assets on behalf of the community. This includes flood and drainage schemes, publicly accessible regional parks and cycleways, and forestry blocks.

We set out how we intend to manage those assets in our Infrastructure Strategy. We normally plan for 10 years, with forecasts out to 30 years, and review every three years as part of our organisation-wide long-term planning process.

Cyclone Gabrielle has meant we had to pivot and focus on recovery and building resilience for future events.

The cyclone had a devasting impact on the Hawke's Bay region. The intense rainfall in a short period was more than our river management network was designed and built to manage. Recent NIWA (National Institute of Water and Atmospheric Research) data showed the cyclone was the largest flood on record at 13 of the 20 river monitoring sites it analysed. Nearly 6km of stopbanks across our 248km stopbank network was breached and a further 28km weakened.

We had to be agile and stand things up very quickly. We formed a Rapid Rebuild team that worked around the clock to urgently repair stopbanks They completed an extraordinary amount of work that would typically take years to design, plan, and execute. Repairs to restore the stopbanks back to pre-cyclone levels of service were completed in populated areas within four months, and 99 percent of repairs to the network were completed by the end of October 2023. We have spent around $40 million on infrastructure repairs to date and have forecast a further $35 million.

We were the lead agency to undertake risk assessment for the land categorisation process developed by the Government. This process identified areas that were safe for people to continue living (known as Category 1), areas that needed improved flood mitigation to be deemed safe (known as category 2), and areas that weren't safe due to an intolerable risk to life (known as Category 3).

We are continuing our investment in building resilience. The focus of our 2024 Infrastructure Strategy is to deliver a nearly $250 million Flood Resilience Programme. This is part of the region's cost-share recovery package negotiated with the other councils in Hawke's Bay and the Government. We have agreed to fund $44.15 million of the work.

The programme includes working with communities to build new flood protection schemes in Category 2 areas, additional work to already repaired stopbanks, replacing and upgrading three pumpstations and telemetry that was flooded, and accelerating scheme reviews.

The programme is a massive undertaking - it is the biggest construction programme for our organisation - and we are committed to doing this work as quickly as we can.

Prior to Cyclone Gabrielle we had already started significant work to accelerate flood resilience in our stopbanks. Work is continuing on our Heretaunga Plains Flood Control Scheme upgrade programme which is made possible with substantial Government Covid-recovery co-funding.

Under this programme we completed the upgrade of the stopbank in Taradale in December 2022. We strengthened it from a 1% to a 0.2% likelihood of flooding in any given year (or from a 1 in 100-year to a 1 in 500-year level of protection). This helped protect the Taradale community from Cyclone Gabrielle flooding.

The stopbank upgrade in Ngatarawa was completed in November 2023, and planning and investigation for the other four sites in the flood scheme were well underway before Cyclone Gabrielle hit. These were Moteo, Omarunui, East Clive, and Farndon Road river erosion.

New long-term approach needed for flood mitigation

The impact of Cyclone Gabrielle, a changing climate with more storms expected for Hawke's Bay, and difficult financial times for our communities has challenged some of the basic assumptions of the flooding and drainage schemes we operate.

We need to reimagine our long-term approach to managing infrastructure and this will require healthy challenging debate on levels of service, affordability, and risk with our communities.

Some key concepts that will form part of our vision and approach are outlined below.

Building resilience to better manage over-design events

Our planning cannot remove the risk of our stopbanks being overtopped by extreme weather events, however an approach to develop options for alternative flow paths/floodways, detention features, and stopbanks with greater overtopping resilience could limit the impact.

This thinking forms part of the current flood scheme reviews and options under consideration for future scheme development.

Nature-based solutions

We are undertaking work to assess the feasibility of nature-based solutions in reducing flood peaks and providing additional layers of resilience for flooding events. These mitigations may include wetland restoration/creation, soil and land management, detainment bunds, ponds, making room for rivers and forest/understorey restoration/creation. This Ministry for the Environment funded feasibility work is due in June 2025.

Making room for rivers

This is about giving rivers more space to manage high floods. The thinking is that rivers with more room can cope better with bigger river flow events. Other benefits of this approach are that it can provide more habitat for native species, and make these areas more accessible for people to explore and play.

This concept will require a long-term approach and represents a significant change to be incorporated into future river management in our 30-year planning cycle. There will be challenging conversations to work through as options are explored with our communities.

Integrated planning

Cyclone Gabrielle has reiterated the importance of integrated planning and flood mitigation decisions.

Recommendations from scheme reviews based on new flood probabilities after Cyclone Gabrielle will challenge existing scheme levels of service and identify new scheme requirements. These will require option development and investment planning to agree a sustainable way forward with our communities.

Financial Strategy overview

The Financial Strategy for our Three-Year Plan has multiple prongs, but primarily has been developed to ensure we are focused on providing good value for ratepayers' investment by delivering the right services at the best cost. We have applied the following four principles in the development of our plan:

- Financial prudence (not taking undue risks).
- Meeting our statutory requirements (we are required to undertake certain functions under various legislation).
- Ensuring fairness across generations (by spreading the cost of major capital over several years).
- Transparency (through providing information on options and choices to the community).

In planning the next three years, we expect there will be continued pressures on costs of delivery along with the tension of needing to keep rates affordable. The factors that we expect to have a significant impact on our financial position during this period include:

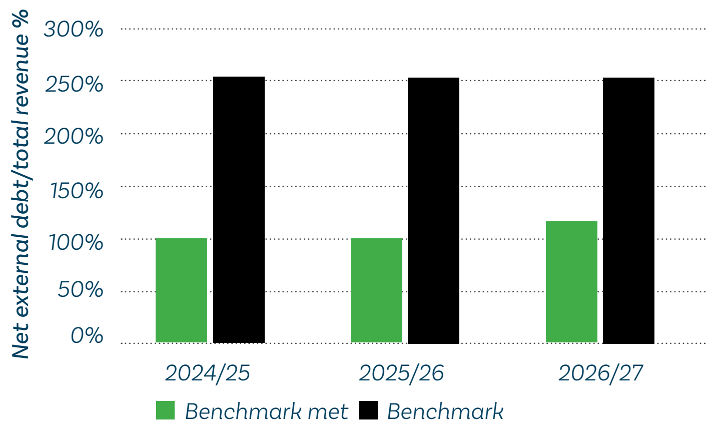
- recovery from the impacts of Cyclone Gabrielle
- changes to our expected investment cash returns
- increased capital costs for the Flood Resilience Programme with up to $44.15 million borrowing committed over the next four years
- balancing the risk of reducing core programmes of work with the environmental needs of our work
- increased risk of severe weather events
- the likelihood of further financial hardship challenges for our ratepayers
- increased staffing costs incurred with recruitment and attracting talent to the Regional Council
- uncertain economic forecasts
- population growth and its impact on land use.

Borrowing

A core principle from 2025-26 onwards is we will only borrow to support capital programmes and intergenerational activities that benefit our community; we will not borrow for operational purposes.

We are seeking a credit rating that will give us access to cheaper borrowing to help keep our interest costs down and give us further capacity to borrow to help fund infrastructure.

With a credit rating, we are proposing an increase in net external debt as a percentage of total revenue from 175% to 250% within the Local Government Funding Agency's (LGFA) policy regulations.



Making our investments word harder

We are also supporting activities undertaken within our investment company, HBRIC, to set them up for better future returns and reduce the rates burden over the long term.

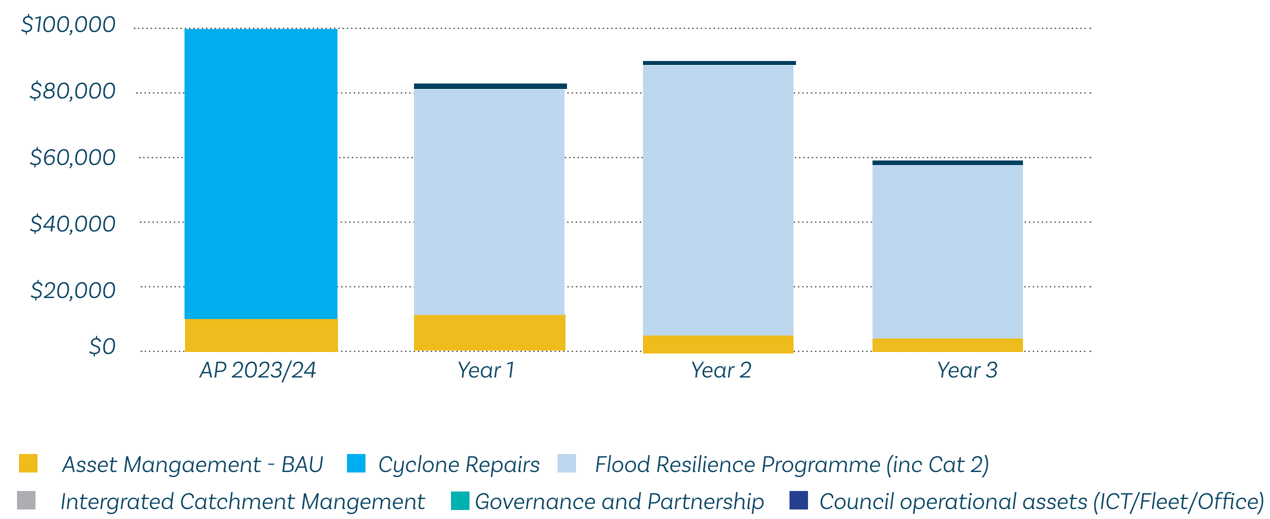
To do this, we are proposing the following actions:

1. Allow investment assets that are currently tagged as "strategic" to be repositioned to provide better returns. This will support the mandate given to HBRIC for growth of our investment portfolio.
2. Build an Investment Income Equalisation Reserve with gains made in investment portfolios over and above returns expected within the Statement of Expectations.

The cost of our work for the next three years

Capital expenditure over the term of this Three-Year Plan is dominated by our Flood Resilience Programme, as outlined in Part 3: Focus of our Three-Year Plan. Year 1 in Asset Management – BAU (business as usual) includes the Heretaunga Plains Flood Control Scheme upgrade programme ($6.4 million) and the Regional Water Security programme ($3.2 million).

Capital spend per annum by group of activity ($,000)

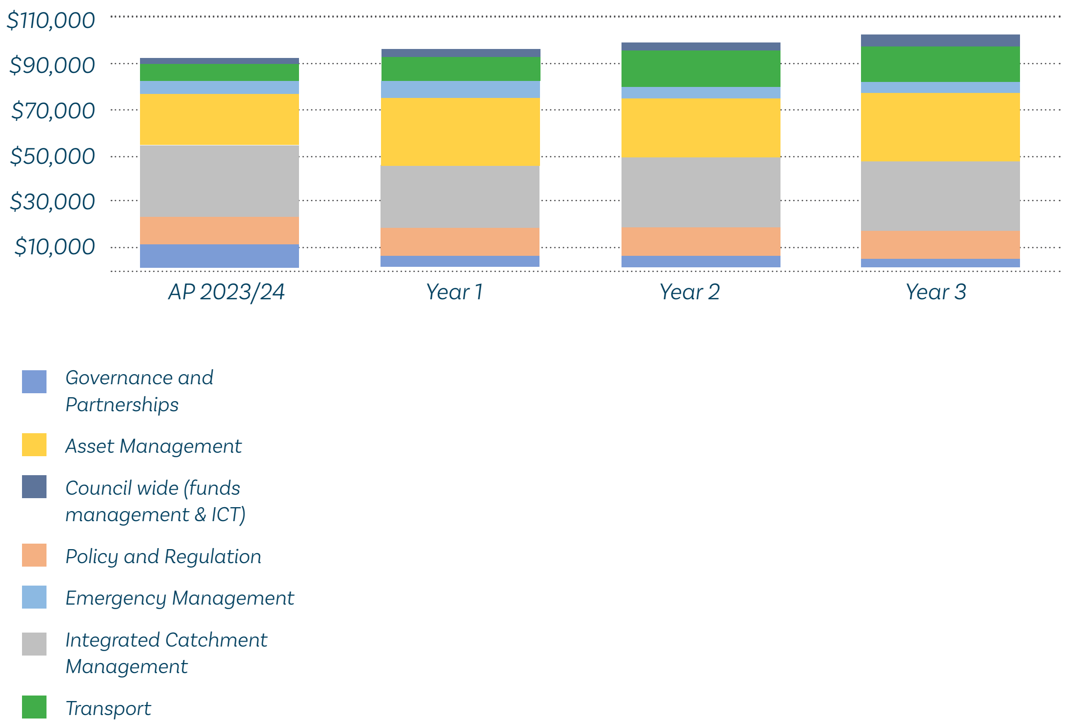


The cost of our work for the next three years cont.

The key drivers for increased spend is in Asset Management as we begin the repayments of our borrowing to deliver the Flood Resilience Programme, and in Transport as we implement the Regional Passenger Transport Plan. The Emergency Management group of activities includes increased capability for CDEM as proposed in Part 3: Focus of our Three-Year Plan offset by reducing expenditure related to the cyclone response.

Key decreases in operating spend include the proposed reduction in funding for Hawke's Bay Tourism in Governance and Partnerships, and the scaling back of activity in biosecurity and biodiversity in Integrated Catchment Management (which then scales back up in Years 2 and 3).

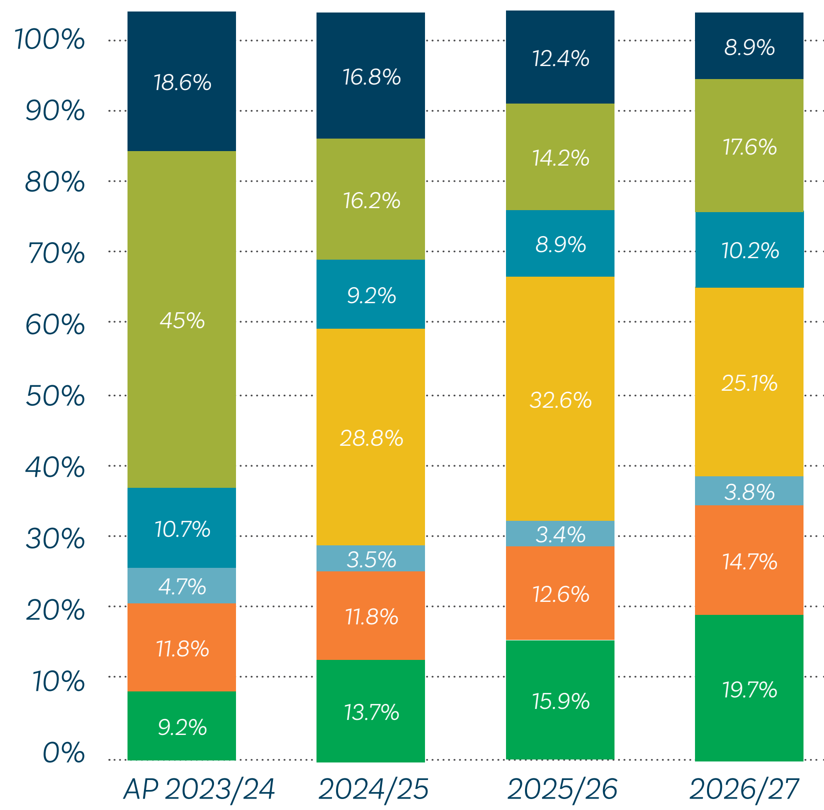
Operating expenditure by group of activity ($,000)



How we fund our work

We fund our operational costs through a mix of funding sources. This includes rates, subsidies and grants received from other parties, returns on our investments, fees and user charges for activities such as consents, reserves, and where required we will loan-fund for intergenerational projects where the spend is capital in nature.

Sources of funding per annum



Nearly half (44%) of our income in 2023-24 is from Government grants for the response and immediate recovery activities following the cyclone. For the following three years, a large proportion of our funding is from the Government to fund our Flood Resilience Programme.

Part 8: Sample rates

The infographics below provide sample rates to show the difference between current rates 2023-24 and proposed rates 2024-25. The difference is partly due to changes proposed in this plan and partly due to recent changes to our Revenue and Financing Policy.

We implemented many changes to how we rate in the Revenue and Financing Policy – one of the biggest changes was the change from land value to capital value for the general rate. How these changes impact individual ratepayers will depend on a range of factors including the ratio of capital to land value, the location of the property, and the activities provided in that area.

Residential – Wairoa

Proposed increase **9.9%**
CV valuation $376,000
Current rates 2023-24 $268.79
Proposed rates 2024-25 $295.39
An extra **$0.51** per week

Residential – Napier Hill

Proposed increase **21.3%**
CV valuation $890,000
Current rates 2023-24 $452.57
Proposed rates 2024-25 $549.14
An extra **$1.86** per week

Residential – Taradale

Proposed increase **17.1%**
CV valuation $670,000
Current rates 2023-24 $493.23
Proposed rates 2024-25 $577.40
An extra **$1.62** per week

Residential – Napier South

Proposed increase **12.0%**
CV valuation $620,000
Current rates 2023-24 $491.81
Proposed rates 2024-25 $551.04
An extra **$1.14** per week

Residential – Flaxmere

Proposed increase **20.2%**
CV valuation $520,000
Current rates 2023-24 $403.34
Proposed rates 2024-25 $484.79
An extra **$1.57** per week

Residential – Hastings

Proposed increase **17.8%**
CV valuation $810,000
Current rates 2023-24 $543.54
Proposed rates 2024-25 $640.16
An extra **$1.86** per week

Residential – Havelock North

Proposed Increase **24.4%**
CV valuation $1,230,000
Current rates 2023-24 $612.69
Proposed rates 2024-25 $762.06
An extra **$2.87** per week

Residential – Central Hawke's Bay

Proposed increase **22.0%**
CV valuation $405,000
Current rates 2023-24 $508.63
Proposed rates 2024-25 $620.48
An extra **$2.15** per week

Commercial – Wairoa

Proposed increase **3.6%**
CV valuation $340,000
Current rates 2023-24 $299.35
Proposed rates 2024-25 $309.99
An extra **$0.20** per week

Commercial – Napier

Proposed increase **4.6%**
CV valuation $1,250,000
Current rates 2023-24 $1,252.96
Proposed rates 2024-25 $1,311.18
An extra **$1.12** per week

Commercial – Hastings

Proposed increase **9.5%**
CV valuation $2,250,000
Current rates 2023-24 $1,456.50
Proposed rates 2024-25 $1,594.73
An extra **$2.66** per week

Industrial – Hastings

Proposed increase **-6.2%**
CV valuation $3,720,000
Current rates 2023-24 $2,662.83
Proposed rates 2024-25 $2,497.24
$3.18 less per week

Commercial – Central Hawke's Bay

Proposed increase **28.4%**
CV valuation $520,000
Current rates 2023-24 $758.93
Proposed rates 2024-25 $974.75
An extra **$4.15** per week

Rural – Wairoa

Proposed increase **-5.4%**
CV valuation $810,000
Current rates 2023-24 $610.82
Proposed rates 2024-25 $577.64
$0.64 less per week

Rural – Hastings

Proposed increase **19.4%**
CV valuation $3,170,000
Current rates 2023-24 $2,289.85
Proposed rates 2024-25 $2,734.01
An extra **$8.54** per week

Rural – Central Hawke's Bay

Proposed increase **-7.3%**
CV valuation $4,230,000
Current rates 2023-24 $2,102.30
Proposed rates 2024-25 $1,948.83
$2.95 less per week

See our online rates calculator at ***hbrc.govt.nz search #haveyoursay*** *for an estimate of what your rates are likely to be in the 2024-25 financial year.*

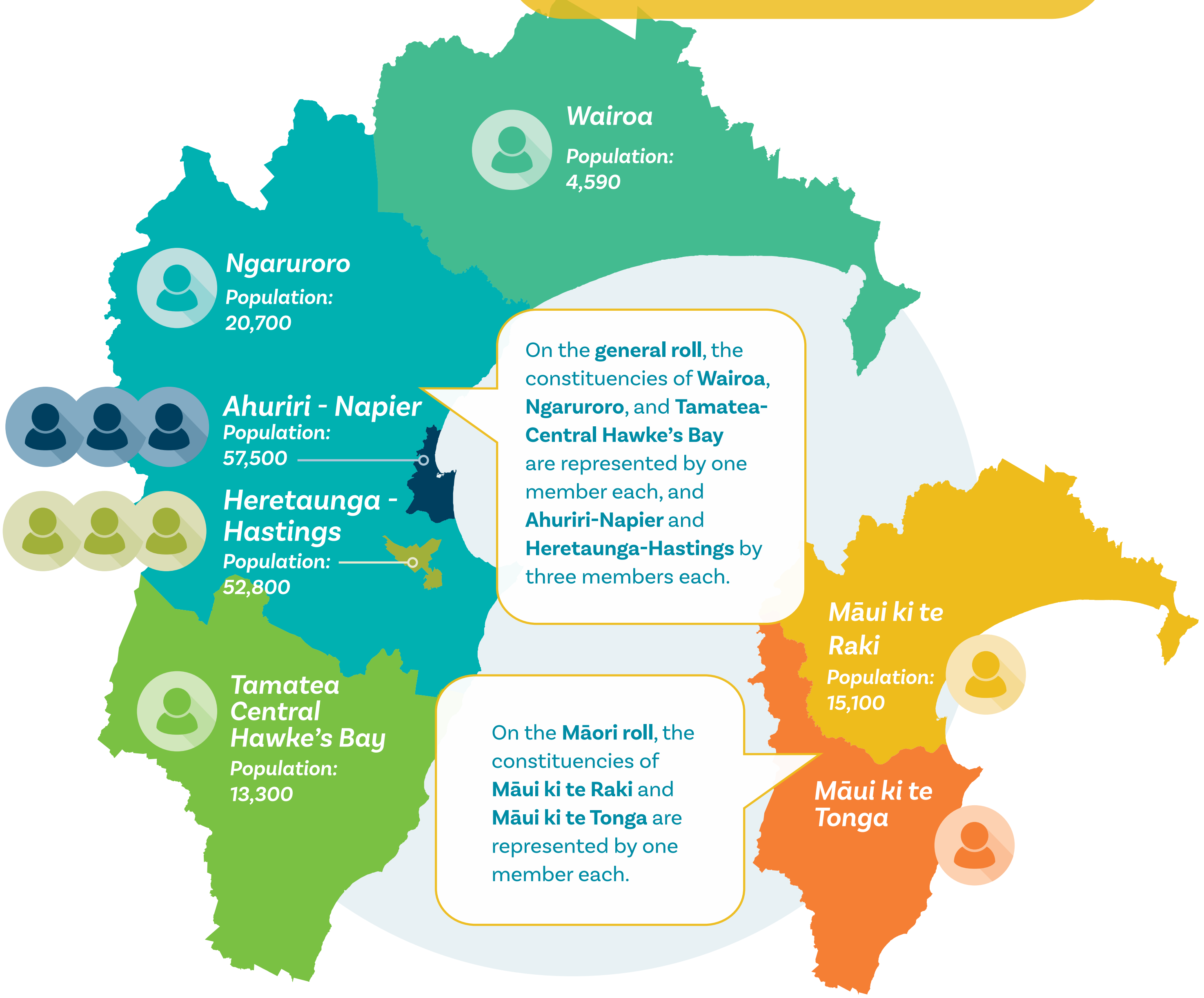
Noting that actual rates will not be known until the Regional Council's Rating Information Database (including the rating footprints for flood protection schemes) is finalised for 2024-25. We rely on our Territorial Authorities to provide us updated information.

hbrc.govt.nz search #haveyoursay

How is council made up?

The Hawke's Bay region has **seven constituencies** represented by **11 councillors**.

Elected members are responsible for setting the strategic direction and adopting all major policies to enable the Regional Council to achieve its vision for a healthy environment and a resilient and prosperous community.



On the **general roll**, the constituencies of **Wairoa**, **Ngaruroro**, and **Tamatea-Central Hawke's Bay** are represented by one member each, and **Ahuriri-Napier** and **Heretaunga-Hastings** by three members each.

On the **Māori roll**, the constituencies of **Māui ki te Raki** and **Māui ki te Tonga** are represented by one member each.

Councillors elect a Chair at the first Regional Council meeting following a local body election.
The most recent election was on **8 October 2022.**

The next election will be held in 2025.

Your councillors

Hinewai Ormsby
Chair
Ahuriri - Napier
Cr.Hinewai.Ormsby@hbrc.govt.nz

Will Foley
Deputy Chair - Tamatea Central Hawke's Bay
Cr.Will.Foley@hbrc.govt.nz

Di Roadley
Wairoa
Cr.Di.Roadley@hbrc.govt.nz

Martin Williams
Ahuriri/Napier
Cr.Martin.Williams@hbrc.govt.nz

Neil Kirton
Ahuriri/Napier
Cr.Neil.Kirton@hbrc.govt.nz

Xan Harding
Heretaunga/Hastings
Cr.Xan.Harding@hbrc.govt.nz

Sophie Siers
Heretaunga/Hastings
Cr.Sophie.Siers@hbrc.govt.nz

Jock Mackintosh
Heretaunga/Hastings
Cr.Jock.Mackintosh@hbrc.govt.nz

Jerf van Beek
Ngaruroro
Cr.Jerf.vanbeek@hbrc.govt.nz

Thompson Hokianga
Māui ki te Tonga Māori Constituency
Cr.Thompson.Hokianga@hbrc.govt.nz

Charles Lambert
Māui ki te Raki Māori Constituency
Cr.Charles.Lambert@hbrc.govt.nz

For more information and contact details go to hbrc.govt.nz, search: #councillors

Talk to a councillor at a drop-in session near you

Wairoa

Tuesday 16 April, 4.30pm to 6.30pm
outside New World, Wairoa

Thursday 18 April, 1pm to 3pm,
Function Room, Wairoa Community Centre, 33 Marine Parade

Napier

Wednesday 17 April, 12pm to 2pm,
pop-up cnr of Emerson Street and Market Street, Napier

Tuesday 8 May, 5pm to 7pm,
Regional Council chambers, 159 Dalton Street, Napier

Thursday 9 May, 1pm to 3pm,
Taradale Town Hall

Hastings

Sunday 21 April, 8.30am to 12.30pm, Hawke's Bay Farmers Market, Hawke's Bay Showgrounds

Tuesday 23 April, 1pm to 3pm,
Flaxmere Community Centre, Hastings

Tuesday 23 April, 5pm to 7pm,
Waiaroha Discovery Centre, Hastings

Saturday 11 May, 10am to 12pm,
Havelock North Function Centre

Central Hawke's Bay

Tuesday 30 April, 1pm to 3pm,
Waipukurau Club, 11 Russell Street, Central Hawke's Bay

Thursday 2 May, 4.30pm to 6pm,
Waipawa Municipal Theatre, Central Hawke's Bay

Have your say Hawke's Bay

What is the process from here?

15 April 2024
Consultation period opens

15 May 2024
Consultation period closes

30 -31 May 2024
Hearings for submitters to present their views in person

18 June 2024
Council to make decisions

26 June 2024
Council to adopt Three Year Plan

Have your say Hawke's Bay

Tukua mai ō whakaaro Te Matau-a-Māui

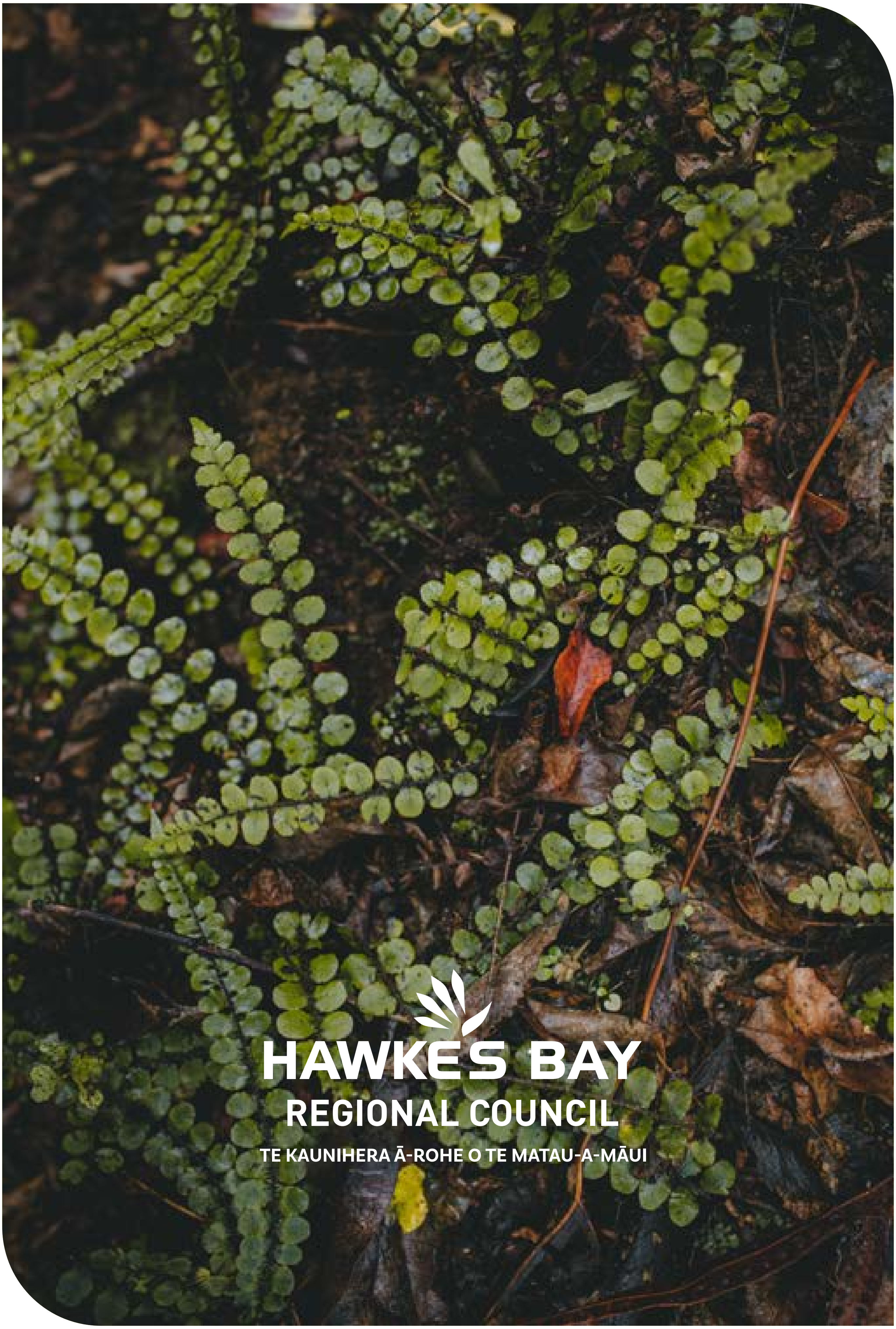
on our special

Three-Year Plan 2024-2027

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

Online:
hbrc.govt.nz, search: #haveyoursay or scan our QR code on this form
Email: haveyoursay@hbrc.govt.nz
Post: Hawke's Bay Regional Council, Private Bag 6006, Napier 4142
Hand deliver: 159 Dalton Street, Napier
26 Ruataniwha Street, Waipawa
46 Freyberg Street, Wairoa

Scan here


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