

Climate. Smart. Recovery.

2020-21 Annual Plan Consultation Document

Variations to Year Three of the
2018-28 Long Term Plan

hbrc.govt.nz


HAWKES BAY
REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

We are now proposing a climate smart Annual Plan that **responds to the challenges** being faced by our community.



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Extraordinary times

Kia ora tātau

Hawke's Bay people have been affected personally and financially by the COVID-19 lockdown and the drought, and we are now working hard to limit its impact on our regional economy.

We were not intending to consult on this year's Annual Plan. Our programmes of work, and budget, were on track with our Long Term Plan until COVID-19 and the drought.

We are now proposing a climate-smart Annual Plan that responds to the challenges being faced by our community.

We have needed to rethink how we fund the 2020-21 Annual Plan. While it is challenging to predict the economic conditions we will face in the coming year, we believe it is certain that the Council's non-rate income – which generates over half of our revenue – will be significantly impacted by the current economic downturn. This includes the income from investments that we use to offset how much we collect in rates each year.

The Regional Council is committed to progressing the region's vital environmental work programmes. None of the issues we manage on your behalf have gone away, especially the pressing need to prepare our region for a changing climate. There remains strong demand for our services, so we will continue to support the region in every way we can.

We hope to support Hawke's Bay through projects that create jobs and bring funding into our economy. From Central Hawke's Bay to Wairoa, we aim to grow in a climate-smart way and contribute to our regional recovery.

We plan to balance choices about economic growth with affordable rates for those deeply affected by COVID-19 and the drought.

Organisational costs and spending are under tight scrutiny and will remain so throughout the coming year. Our rating team will also operate with greater flexibility and compassion, recognising the genuine hardship that people are facing.

Why we're consulting

This year's Annual Plan consultation document has a focus on Climate. Smart. Recovery.

Due to COVID-19, the Regional Council anticipates a significant drop in non-rate income in the 2020-21 financial year, and that a number of ratepayers will face financial hardship.

We have two proposals for you to consider.

First, we can give some relief to ratepayers through our Rates Approach, while debt funding the expected shortfall in our income for the year ahead. Second, we also propose to establish a

Recovery Fund to leverage potential government co-funding into Council-related capital projects that create jobs and economic activity while enhancing our environment.

Please consider our proposals and send us a submission to tell us what you think. See the next page for how to have your say, or go to [hbrc.govt.nz](https://www.hbrc.govt.nz), search: #ourplan.

We'll also be back in touch later this year, to get your thoughts and ideas ahead of developing next year's 2021-31 Long Term Plan.

We look forward to your comments and submissions, and the fastest possible recovery for Hawke's Bay people.

Ngā mihi nui



Rex Graham
Chair



James Palmer
Chief Executive

Have your say

The 2020-21 Annual Plan consultation document is Open for Submissions.

This Annual Plan consultation document outlines two proposals that differ to what was forecast in the 2018-28 Long Term Plan. The current Long Term Plan contains full details of Council's work programmes.

A list of Council's activities, our recovery plan and financial information are part of the supporting information that supplements this document. This is all online at [hbrc.govt.nz](https://www.hbrc.govt.nz), search: #ourplan.

2020 TIMELINE	
June	July
Consultation opens: 8 June	Hearings and deliberations: 15 July
Consultation closes: 28 June	Council adopts Annual Plan: 29 July

How to have your say

There are a number of ways to give your feedback. Submissions on the 2020-21 Annual Plan consultation document can be made online, by telephone, or using the submission form on the last page. Submission forms will also be available at Regional Council offices and the region's libraries. Submissions must be received by Sunday 28 June 2020.

Submitters may speak to their submission at the Public Hearing on 15 July. Please note that COVID-19 guidance may affect the way we hear submissions.

Submissions can be made:

Digitally

Online: [hbrc.govt.nz](https://www.hbrc.govt.nz), search: #ourplan

Email: haveyoursay@hbrc.govt.nz

Facebook: [facebook.com/HBRegionalCouncil](https://www.facebook.com/HBRegionalCouncil) – social media posts on our page are considered as written feedback.

Text: 027 445 8290 – include your name and the town you live in.

Other ways

Call us: 06 927 8995 – to leave a message with your preferred options and comments.

By post: Annual Plan, Private Bag 6006, Napier 4142

By hand: Regional Council offices in Napier, Taradale, Waipawa or Wairoa.

Find out more

Join one of our advertised Facebook Live meetings to hear more from our Chair, Regional Councillors and Chief Executive. These meetings will be promoted using email and live-streamed at [facebook.com/HBRegionalCouncil](https://www.facebook.com/HBRegionalCouncil) – Like our Facebook page to keep up to date with our news.

FACEBOOK LIVE MEETINGS

Join one of our public meetings on Facebook Live. This is your opportunity to ask questions about our proposals.

These 'events' will be promoted using Facebook and email. Register your interest in an event at [facebook.com/HBRegionalCouncil](https://www.facebook.com/HBRegionalCouncil)

Tuesday 16 June 6:00 PM

Thursday 18 June 11:00 AM

Our Councillors



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Climate. Smart. Recovery.

Our new focus for the 2020-21 year

The proposals in this document are key elements of the Regional Council's **'Climate. Smart. Recovery.'** plan, developed to guide the organisation's decision-making in response to COVID-19 and the drought. There are three time dimensions to the Recovery plan:

- **Our tactical response** – involved Civil Defence welfare support and coordination leading up to, during and immediately following the COVID-19 lockdown and the deepening drought conditions. We actively supported the business community by allocating the one-off COVID-19 Business Advisory Fund available through the Regional Business Partner (RBP) network. This gave businesses initial advice during Alert Levels 4 and 3.
- **Our strategic response** – includes the proposals in this document and other steps to be taken in the coming months, to achieve cost savings, accelerate planned projects and leverage government funding. We will continue to actively support the Hawke's Bay Rural Advisory Group in response to this region's worst ever drought.
- **Our longer term plan** – is the approach we'll take to next year's 2021-31 Long Term Plan and the review of priorities that support Hawke's Bay's community, economy and environment to a speedy recovery.

The Climate. Smart. Recovery. plan is available online with supporting information that supplements this document.

Cushioning the impact of COVID-19

Over the coming year, the financial impact of COVID-19 is expected to significantly reduce the non-rate revenue we receive from investments, dividends and other income. We estimate a \$6.1 million shortfall in funding for the financial year ahead.

This significant and unprecedented drop in investment income would - if not borrowed - mean an average rates increase of 24.7% in 2020-21 alone. The Council does not have reserves to call on to offset the impact of COVID-19.

We believe that debt funding, using a loan to manage the income gap, is the most preferable way to support ratepayers and our economy now, instead of significantly reducing our work programmes and our levels of service.

The activities already planned for the year ahead should continue. This will support Hawke's Bay's economy back to its fastest recovery at the same time as delivering on our long term plan to protect and enhance the environment. Take a look at some of the work we'll be doing this year, in our 2020-21 Activities document, which is online with other supporting information.

We plan to fund the \$6.1 million shortfall over ten years. This will add an additional \$687,000 to the general rate in 2021-22, and the subsequent nine years. This will increase rates in 2021-22 by 2.6%. The Council will adopt an unbalanced budget for the 2021-22 year.

To cushion the impact of COVID-19 on ratepayers, we are consulting on how we fund the rates increase of 7.3% planned for 2020-21 as part of the current Long Term Plan. If we go ahead with the preferred option to borrow the required funding, the related loan repayments will be added to the amounts and increase detailed above in the 2021-22 year.

Funding for shovel-ready projects

We will prioritise any central government funding to accelerate planned projects that encourage growth.

The Recovery Fund of \$1 million proposed in this consultation document has been reallocated from a budget tagged for additional office space and updated facilities for field staff. This fund will enable us to act quickly and with some flexibility should our funding applications for 'shovel-ready' projects be approved.

In the interim, the Council is working closely with Business Hawke's Bay, business organisations like the Chamber of Commerce, central government representatives in the region and iwi to see what issues they are facing and what support can be provided.

The tourism industry faces a significant challenge. It will need continued support from regionally-funded Hawke's Bay Tourism and through other Regional Council channels.

Into the future

While we plan to deliver on our work programmes included in the current Long Term Plan, we are committed to reducing costs and realising savings across the organisation. We will regularly and publicly report back on these measures through the coming year. Any reduction in costs will help to reduce the amount we need to borrow at the end of the year. Being smart about our costs now, will leave us open to more options in the future.

The impact of the current events will have an effect on our long term planning. The Council will come back to the regional community later this year, to seek thoughts and ideas that continue to stimulate recovery ahead of developing next year's 2021-31 Long Term Plan. We will also keep you informed of the impact COVID-19 and the drought may have on the current work programmes we are delivering.

What we're consulting on

On these pages we explain the two proposals for your feedback, and the options for each. The Council will consider all public feedback before the final option for each proposal is decided at the Council's public meeting on 29 July.

More details are in the supporting information on our website: hbrc.govt.nz, search: #ourplan.

Topic 1: Rates Approach for 2020-21

We are considering the impact of a 7.3% rates increase on our community. This was previously signalled in the Long Term Plan. We also now need to fund an income gap due to the anticipated drop in 2020-21 investment income.

The Regional Council has low external borrowings. One way to lessen the financial impact of COVID-19 on the region now is to borrow the money for this year's rates increase, rather than increasing rates.

There are three options to consider here. The Council's preferred option is B - Keep the rates revenue at the same level as 2019-20 and borrow the required funding.

In every option we still need to fund the shortfall in non-rates revenue. Refer to the Funding Impact Statement in the supporting information online for a sample of the proposed rates charges for households and businesses across the region.

Options

A - Status Quo for rates

No relief now, reduces impact in following years

Proceed with the planned 7.3% rate increase in line with the Council's 2018-28 Long Term Plan. This means we continue to deliver our work programmes as planned and won't have to play catch up by deferring rates until next year. The downside is no immediate rates relief for the community. We can soften this approach by operating with greater flexibility and compassion, recognising the genuine hardship that people are facing.

This has no impact on debt and does not increase the rates requirement for 2021-22.

The impact on next year's rates to fund the 2020-21 shortfall in non-rates revenue of \$6.1 million is \$687,000 every year for ten years, from 2021-22. This represents a 2.6% rate increase in 2021-22.

B - Cushioning the impact of COVID-19 Financial relief now, pay back in following years

OUR PREFERRED OPTION

Keep the rates revenue at the same level as 2019-20 and borrow the required funding - a 0% rates revenue increase.

Under this option the Council borrows the increase in funding required for the 2020-21 year, so the rate revenue stays the same as the 2019-20 year. This achieves a 0% increase in rates revenue for 2020-21.

This lessens the financial impact on ratepayers now when the impacts of COVID-19 and the drought may be at their worst. This recognises that people are facing real financial hardship. This attempts to cushion the impact without jeopardising the essential work we are performing to protect and improve the environment and build climate change resilience. This approach defers the rate increase by one year and future ratepayers will be responsible for paying back borrowing over ten years.

To achieve this the Council borrows an additional \$1.5 million of general rates that it does not charge to ratepayers, and \$284,000 of targeted rates are funded from Scheme Reserves for 2020-21.

The Council then repays this amount as well as the shortfall in non-rates revenue over ten years.

This adds an additional \$170,000 to the general rates in 2021-22, which is an increase of 0.7%. We also need to catch up on the increase in rates not charged, so the impact on 2021-22 is 8%.

The overall impact on rates in 2021-22, including the repayment of funding for the shortfall in non-rates revenue, is \$2.6 million, which is an increase of 10.7%.

C - Mid Point

Half way between options A and B

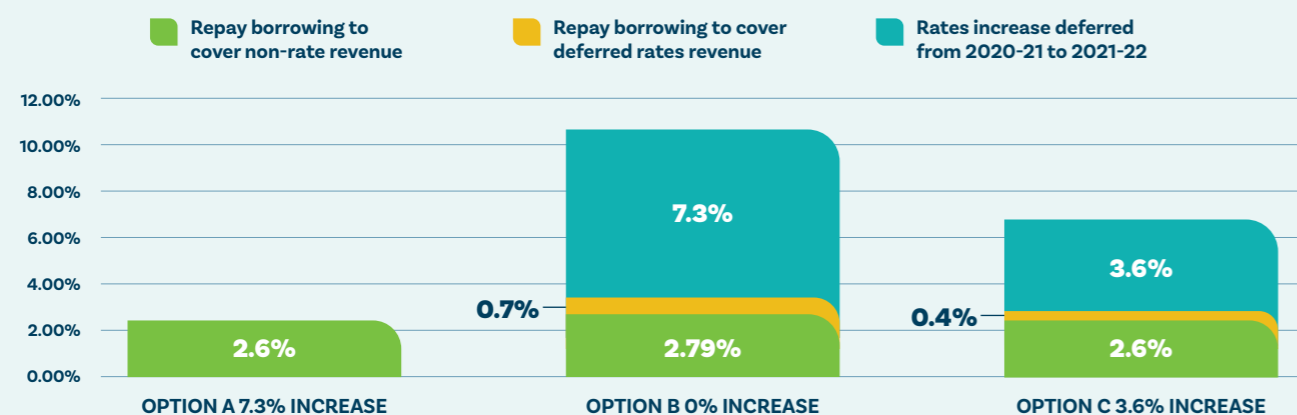
Proceed with a 3.6% rates increase for 2020-21 and borrow the balance of the required funding.

This option increases rates by 3.6%, around half that originally planned, which is \$878,000. The balance of the required funding of \$912,000 is borrowed as well as the shortfall in non-rates revenue. This option is a middle position between options A and B. It asks ratepayers to support half of the forecasted rates increase now, thereby cushioning some of the impact of COVID-19 and the drought and using borrowing to fund the balance.

This adds an additional \$103,000 to the 2021-22 rates and increases rates by 0.4%. We also have to catch up on the increase in rates not charged to ratepayers, so the impact on 2021-22 is 4%.

The overall impact on rates in 2021-22, including repayment of the funding for the shortfall in non-rates revenue, is \$1.7 million, which is an increase of 6.7%.

FULL IMPACT OF THIS YEAR'S THREE OPTIONS ON THE 2021-22 YEAR



Topic 2: Recovery Fund for 2020-21

The Regional Council is considering establishing a Recovery Fund of \$1 million to give the Council the flexibility to accelerate Council capital projects to help implement the 'Climate. Smart. Recovery.' plan. The Recovery Fund would be prioritised to leverage co-funding from central government for shovel-ready projects to support the Hawke's Bay economy.

The Recovery Fund of \$1 million proposed in this consultation document has been reallocated from a budget tagged for additional office space and updated facilities for field staff.

New opportunities arising from COVID-19 have enabled the Council to revisit needs for additional office space and delay the timing for this project. This releases some of the funding to the proposed Recovery Fund and would therefore have no impact on rates or the Council's debt.

There are two Recovery Fund options to consider. The Council's preferred option is B – Yes, establish a Recovery Fund of \$1 million.

Options

A – No, do not establish a Recovery Fund of \$1 million

This option makes no change to the budget tagged for additional office space and updated facilities for field staff, currently written into the Long Term Plan. As this funding was already included in the Long Term Plan budgets, there is no impact on rates or on debt levels.

B – Yes, establish a Recovery Fund of \$1 million

OUR PREFERRED OPTION

The government has signalled substantial funding for green recovery projects. Our objective in establishing this fund is to position ourselves favourably to leverage that funding. This fund also enables us to act quickly if our funding applications for 'shovel-ready' projects are approved. Government funding will help us achieve a step change in our strategic outcomes and contribute to a faster regional recovery.

This option is funded by reallocating money from the budget tagged for additional office space and updated facilities for field staff. As this funding was already included in the Long Term Plan budgets and is a reprioritisation, there is no impact on rates or on debt levels.

Financials

How we plan to fund the 2020-21 work programme

As part of the Annual Plan budget process, we reviewed all of the budgets and adjusted these to accommodate changes in expenditure and achieve cost savings where possible.

Our financial information, the 2018-28 Long Term Plan and other supporting information are online: hbrc.govt.nz, search: #ourplan.

Changes to rates

The Regional Council proposes to collect the same amount from rates as we did in 2019-20 - a 0% rates revenue increase.

While the total collected does not increase, this does not mean the rates will stay the same for individual properties.

We charge rates based on property values. Some of these values have changed in the past year. In particular, Hastings District has

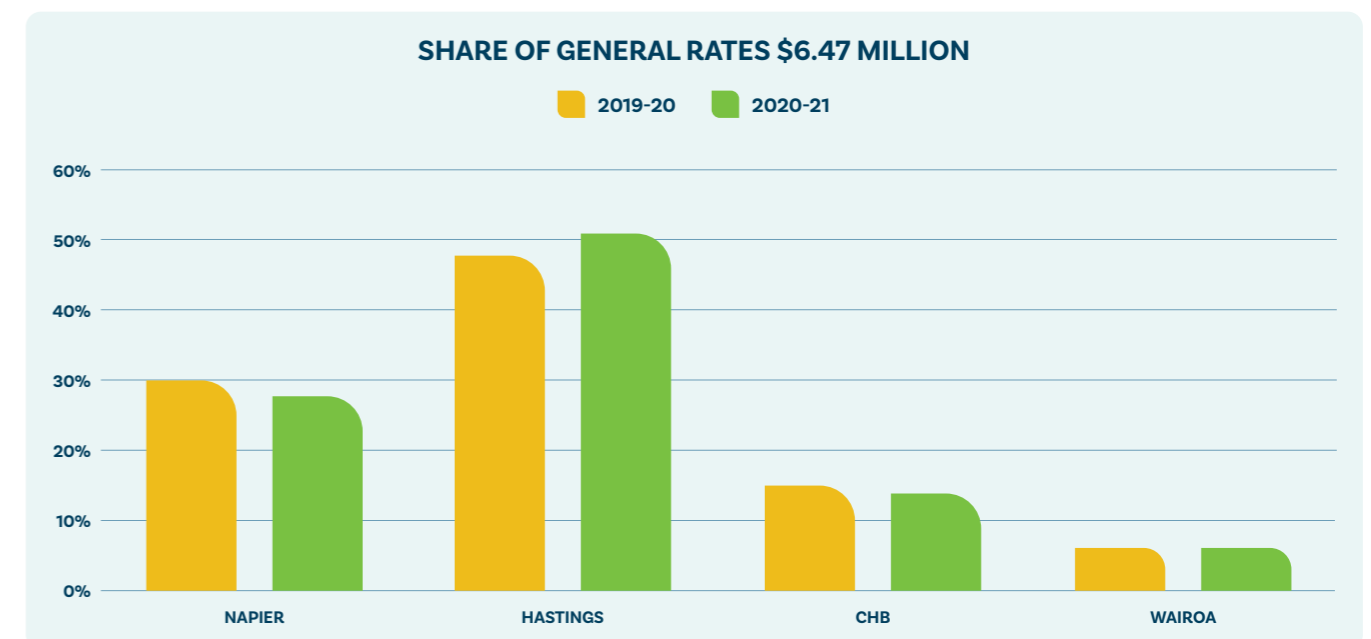
had a revaluation and these new values must be used to calculate rates for individual properties in 2020-21.

The share of rates spread across the region is driven by the relative movement in property prices. In particular this applies to the General Rate where the share paid by each district is determined by how much values have moved in that area.

What this all means is that many Hastings District properties will see an increase in rates, driven by changing valuations, while many in Napier, Central Hawkes Bay and Wairoa will see a small decrease. In Hastings District there will also be variations between different property types driven by the impact of changes in the Hastings District revaluation.

Overall we do not collect any more rates income, but the share paid by individual properties is changing.

The chart below shows the movement in the share of general rates between 2019-20 and 2020-21.





2020-21 Annual Plan Submission Form

Have your say! Please give us your feedback on the 2020-21 Annual Plan consultation document by Sunday 28 June 2020. This includes online, email, hand-delivered and mailed submissions. Post written submissions to: **Hawke's Bay Regional Council, Private Bag 6006, Napier 4142**

Please be aware that 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.

Name: _____

Address: _____

Daytime Ph: _____

Email: _____

Is your feedback on behalf of an organisation or business? (If yes, this confirms you have authority to submit on the organisation's behalf):

YES NO (circle one)

Name of organisation or business: _____

Do you wish to speak at the Regional Council hearing on 15 July 2020?

YES NO (circle one)

Please note that COVID-19 guidance may affect the way we hear submissions.

TOPIC 1: Rates Approach for 2020-21

Select one option for the Regional Council to charge rates for 2020-21.

The Council's preferred option is **B**: Keep the rates revenue at the same level as 2019-20 and borrow the required funding - a 0% rates revenue increase.

Which option do you prefer? Please circle one.

A. Status Quo for rates - Proceed with the planned 7.3% rate increase in line with the Council's 2018-28 Long Term Plan.

B. Cushioning the Impact - Keep the rates revenue at the same level as 2019-20 and borrow the required funding - a 0% rates revenue increase.

OUR PREFERRED OPTION

C. Mid Point - Proceed with a 3.6% rate increase for 2020-21 and borrow the balance of required funding.

Please state your reason/s here (optional):

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

TOPIC 2: Recovery Fund for 2020-21

To establish a Recovery Fund of \$1 million to accelerate Council capital projects to help implement the **Climate. Smart. Recovery.** plan.

The Council's preferred option is **B**: Yes, establish a Recovery Fund of \$1 million.

Which option do you prefer? Please circle one.

A. No, do not establish a Recovery Fund of \$1 million.

B. Yes, establish a Recovery Fund of \$1 million.

OUR PREFERRED OPTION

Please state your reason/s here (optional):

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

Changes to debt

In 2020-21 we are expecting to borrow \$19 million, with scheduled loan repayments of \$4.8 million.

The main borrowing this year includes funding the Long Term Plan programme which includes the Erosion Control Scheme, Freshwater Security, and Flood and Drainage scheme works. In addition, a further \$7.6 million loan is proposed to fund the projected revenue shortfall, from lower investment returns and reducing the increase in rates from 7.3% down to 0% - the same as in 2019-20.

Closing debt at 30 June 2021 is now projected to be \$41.3 million, compared to \$35.5 million forecast in the 2018-28 Long Term Plan.

What makes up the 7.3% rates increase

This graphic shows the increase in expenditure for the 2020-21 year compared to the 2019-20 Annual Plan.

