



**CENTRAL  
HAWKE'S BAY**  
DISTRICT COUNCIL

# Council Workshop

Wednesday, 20 March 2024

9.00am

Council Chambers,

28-32 Ruataniwha Street, Waipawa

Workshop Meeting Agenda  
Wednesday, 20 March 2024

Council Chambers, 28-32 Ruataniwha  
Street, Waipawa

*Together we thrive! E ora ngātahi ana!*

## 1 COUNCIL WORKSHOP

**Author:** Doug Tate, Chief Executive

**Authoriser:** Doug Tate, Chief Executive

**Attachments:** 1. **20 March 2024 - Public Council Workshop Presentations** [↓](#)

### PURPOSE

This workshop covered key topics that continued to further build on the development of the Three-Year Plan budget.

A description of the public workshop items that were included are:

#### **Hawke's Bay Regional Council - Environment & Integrated Catchments Committee**

The Hawke's Bay Regional Council's Environment and Integrated Catchments Committee met in Central Hawke's Bay on 20 March 2023 at the Central Hawke's Bay Municipal Theatre.

Committee Chair, Councillor Sophie Siers extended an invitation for Councillors to meet with the Committee. The slides presented in this meeting relating to Central Hawke's Bay provided an update on the Three-Year Plan and Central Hawke's Bay Recovery issues. The slides presented are included in this workshop agenda.

#### **Three Year Consultation Document – DRAFT and Engagement Feedback**

This workshop session presented the initial Draft Three Year Consultation Document for feedback and in put from Councillors. In this session, we wre looking to confirm whether the draft document captured the key messages that Councillors have previously sought to outline with community.

As part of this workshop, Officers presented the proposed engagement approach for the Three-Year Plan. We sought feedback from Elected members on this as part of this workshop to refine the engagement approach.

#### **Three Waters Update**

Further to the Agenda item being presented at Councils Meeting of 14 March, Dan Bonifant from Morrison Low present to Council a refresher and background on the Hawke's Bay Model.

This presentation and background that was provided to all Councils across the Hawke's Bay Region.

For further background reading associated with this briefing, we referenced report *7.12 Water Services Reform Update and Future Direction* on page 375 of the Council meeting agenda of 14 March 2023 available [here](#).

#### **Public Excluded Briefing**

A public excluded briefing on the District Plan Appeals and Mediation was held in the afternoon.

This briefing was not be open to the public in accordance with Section 7(2)(g) of the Local Government Official Information and Meetings Act 1987, to maintain legal privilege.



# Public Council Workshop

20 March 2024



*Together we thrive!*

# Public Workshop Agenda – 20 March 2024

HBRC Environment and Integrated Catchments Committee
Three Year Consultation Document – DRAFT and Engagement Feedback
Three Waters Update





**Environment and Integrated Catchments Committee**

**Central Hawke's Bay**

20 March 2024

# Recovery Priorities

- Porangahau flood mitigation project
- Transport/Roading Recovery Funding
- 3 waters resilience
- Post cyclone reviews/data
  - Potential effects of those on the community
- The long term wellbeing, preparedness and resiliency of our communities

# Housing Status

Location	Downgraded to white	Yellow Partial	Yellow (Short Term)	White	Total
Otane	1				1
Porangahau	13	1	21	70	105
Waipawa	37		27	310	374
Waipukurau	5		1	74	80
Rural	1	1	3		5
Ongaonga				67	67
<b>TOTAL</b>	<b>57</b>	<b>2</b>	<b>52</b>	<b>521</b>	<b>632</b>

# Recovery Challenges

- Risks to CHBDC infrastructure from River Reviews
- NIWA Review and outcomes
- Pōrangahau concerns
  - Providing information and clarity to the Pōrangahau community on the flood mitigation options, the effects of the options and proposed plan going forward – Engaging the community, bringing them on the journey.
  - Meeting proposed timeframes and budgets.
  - Organisational coordination and delivery of the project.



# Housing Status

Location	Downgraded to white	Yellow Partial	Yellow (Short Term)	White	Total
Otane	1				1
Porangahau	13	1	21	70	105
Waipawa	37		27	310	374
Waipukurau	5		1	74	80
Rural	1	1	3		5
Ongaonga				67	67
<b>TOTAL</b>	<b>57</b>	<b>2</b>	<b>52</b>	<b>521</b>	<b>632</b>

# Three Year Plan

- 3 priorities
  - Land Transport
  - Critical Three Waters Investment
  - Recovery
  
- Need to stay focussed on long term
  
- Regional Tourism Support - \$13 a ratepayer

**Rates Reality**  
 The reality of our situation, requires significant increases for our future

	Actuals										Three Year Plan		
Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Rates increase	1.7%	1.6%	1.7%	3.3%	3.6%	4.9%	3.2%	7.8%	10.9%	10.7%	20.1%	15.6%	10.9%

# Rating Samples

Urban Residential	Land Value	Capital Value	Actual Rates	Proposed Rates	\$ Change	% Change
			2023/24	2024/25		
Waipukurau	280,000	770,000	4,171	5,004	833	20.0%
General Rate District			710	889	179	25.2%
District Land Transport			424	490	67	15.7%
Refuse Collection Service Available			35	54	19	53.1%
Sewerage Operations Rate Service Available			1,026	1,304	278	27.1%
Stormwater Operations Catchment			394	379	- 15	-3.8%
Water Supply Operations Service Available			1,012	1,311	299	29.6%
Recycling Collection Rate Service Available			139	134	- 5	-3.6%
District UAC UAC			432	442	11	2.5%
<b>Total</b>			<b>4,171</b>	<b>5,004</b>	<b>833</b>	<b>20.0%</b>

# Rating Samples

Rural	Land Value	Capital Value	Actual Rates	Proposed Rates	\$ Change	% Change
			2023/24	2024/25		
Ruataniwha	6,300,000	7,420,000	16,805	20,042	3,236	19.3%
General Rate District			6,845	8,571	1,726	25.2%
District Land Transport			9,529	11,028	1,499	15.7%
District UAC UAC			432	443	11	2.5%
Total			16,805	20,042	3,236	19.3%
Rural	Land Value	Capital Value	Actual Rates	Proposed Rates	\$ Change	% Change
			2023/24	2024/25		
Ruahine	3,020,000	3,820,000	8,523	10,142	1,618	19.0%
General Rate District			3,524	4,413	889	25.2%
District Land Transport			4,568	5,286	719	15.7%
District UAC UAC			432	442	11	2.5%
Total			8,523	10,142	1,618	19.0%



# Three-Year Plan Communications and Engagement Approach

20 March 2024



*Together we thrive!*

## Context

Influences on how we communicate and engage include:

- Rate increase 20% + across the country + cost of living crisis
- Residents are facing engagement fatigue and still in recovery
- Meet consultation requirements of 20 working days
- Streets for People and Representation Review



CENTRAL  
HAWKE'S BAY

*Together*

# Objectives

Objective	Measure
Demonstrate what Council has already achieved and how it's leveraging opportunities (Better Off Funding) to minimise impact on ratepayers	Survey results/submissions demonstrate community understand challenges facing Council
Provide context of Three-Year Plan and arm Councillors, Staff (specifically rates team) with information they need to answer questions	Councillors and staff feel supported with the information they need throughout the process
Encourage residents/ratepayers to have their say and listen to the community	High-volume of responses and spread of views from across demographic. People feel they have had their say and can see their views represented and/or acknowledged throughout the consultation, hearings and deliberation, adoption and post-engagement.

## Key messages

1. Despite the challenges of the pandemic and Cyclone Gabrielle, Central Hawke's Bay has made **steady progress on the key focus areas** identified by the community in the Project Thrive process. We continue to have **Project Thrive at the heart of everything we do**.
2. **Times are tough**. The cost-of-living crisis and the impacts of Cyclone Gabrielle have hit households, businesses and Councils across the country hard. **We are doing everything we can to reduce rate increases** but there are core services and assets the community needs to continue to grow and our options are limited.
  - The same costs that are impacting households are impacting Council – increasing costs of insurance, debt servicing fees and interest rates and the increasing cost of construction and operations are all factors in the proposed rate increases.
  - Council is seeing the cumulative impact of restricting rates increases over many years, most recently deferring rate increases to ease the impacts of Covid-19.
  - While we have received some help from Central Government toward the impacts of Cyclone Gabrielle, there are still more costs to recovery for council.



## Key messages (continued)

3. While there are few options for managing increasing costs, we do have some choices on how we reduce rate increases, progress priority projects and limit the reduction of key services.

- The same costs that are impacting households are impacting Council – increasing costs of insurance, debt servicing fees and interest rates and the increasing cost of construction and operations are all factors in the proposed rate increases.
- Council is seeing the cumulative impact of restricting rates increases over many years, most recently deferring rate increases to ease the impacts of Covid-19.
- While we have received some help from Central Government toward the impacts of Cyclone Gabrielle, there are still more costs to recovery for council.

4. We want your feedback on how we balance delivering essential services with minimising rate increases. Council is consulting between Fri 5th April and Mon 6th May.

## Engagement plan: Fri 5 April – Mon 6 May

Engagement method	Goal
Community Conversations (drop-in) at key locations [1-3 sessions?]	To provide drop-ins at key locations across the district to reach geographical areas [Waipawa/Takapau/ Pōrangahau]
Councillors present at existing meetings	To reach interest groups e.g. Taiwhenua, RSA, Rotary, Lions, GreyPower.
Q&A FBLive	To reach those who can't attend drop-ins
Consultation tools - website, survey, submission forms, LTP docs, FAQs, presentations (for Councillors/staff) and rates tool online, printed materials also at key locations, EDM that can be shared to networks	To provide a range of mechanisms for community feedback To drive high level of awareness of consultation and context
Promotion – posters, flyers, media releases, social media, radio advertising and interviews, KIC, Rattling the Chains	To drive high level of awareness of consultation and context



## Considerations

- Balancing the engagement fatigue of our community, councillors and staff with the magnitude of this 3YP, is 3 face-to-face council-led engagement events right?
- What existing meetings can we present at within the consultation period? Which ones are a priority for you?

FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY



CENTRAL  
HAWKE'S BAY

*Together*



# Three Waters Update

*20 March 2024*



*Together we thrive!*



# Hawke's Bay Water

How did we get here, why and what's next?

March 2024





---

Prepared for:

© Morrison Low

*Except for all client data and factual information contained herein, this document is the copyright of Morrison Low. All or any part of it may only be used, copied or reproduced for the purpose for which it was originally intended, except where the prior permission to do otherwise has been sought from and granted by Morrison Low. Prospective users are invited to make enquiries of Morrison Low concerning using all or part of this copyright document for purposes other than that for which it was intended.*

## It's quite a long history



FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY

# Where and why did this all start?





## There was a national context

*“Our three waters system faces critical funding and capability challenges ... With pressures such as aging infrastructure, population changes, increased tourism numbers and the need to build in resilience against climate change and natural events, the situation will get much worse if we do not address it.” – Minister Mahuta*



## There was a Hawke's Bay context

- The five councils took a collaborative approach and showed regional initiative
  - Effectiveness of existing approach and recommendations to improve
  - Identify and develop alternative options
  - To inform the councils and support their response to the government review
- While initially driven by government's reform program, the Hawke's Bay councils were now leading
- The review was the first phase and only sought to provide independent recommendations

FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY

# What did we find?



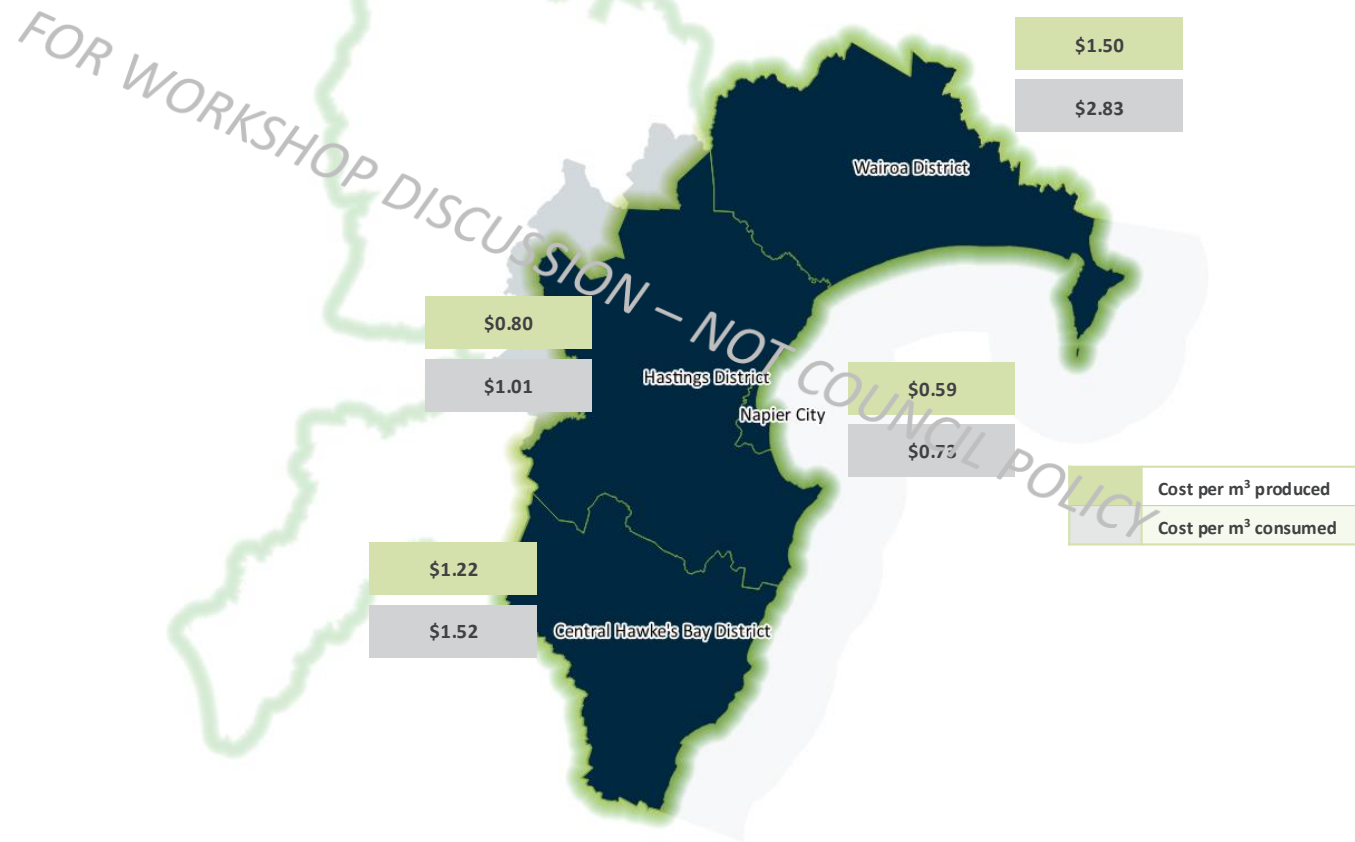
## Current situation (2019)

- It is the differences and the similarities of three waters which provide the opportunity and benefits of change
  - Long term, major strategic issues are substantially similar
  - The service itself is the same
- For the region to thrive, Hawke's Bay needs core infrastructure and 'basic services' at a cost that is affordable throughout the region

## Current situation (2019)

- There are wide variations in
  - the condition of the three water assets across the region
  - the approach to service delivery
  - how the services are funded
- There are differences in the strategic capacity of smaller, rural councils compared to the city councils
- Serious affordability challenges are predicted to arise under the current service delivery model

# Cost of water (2019)

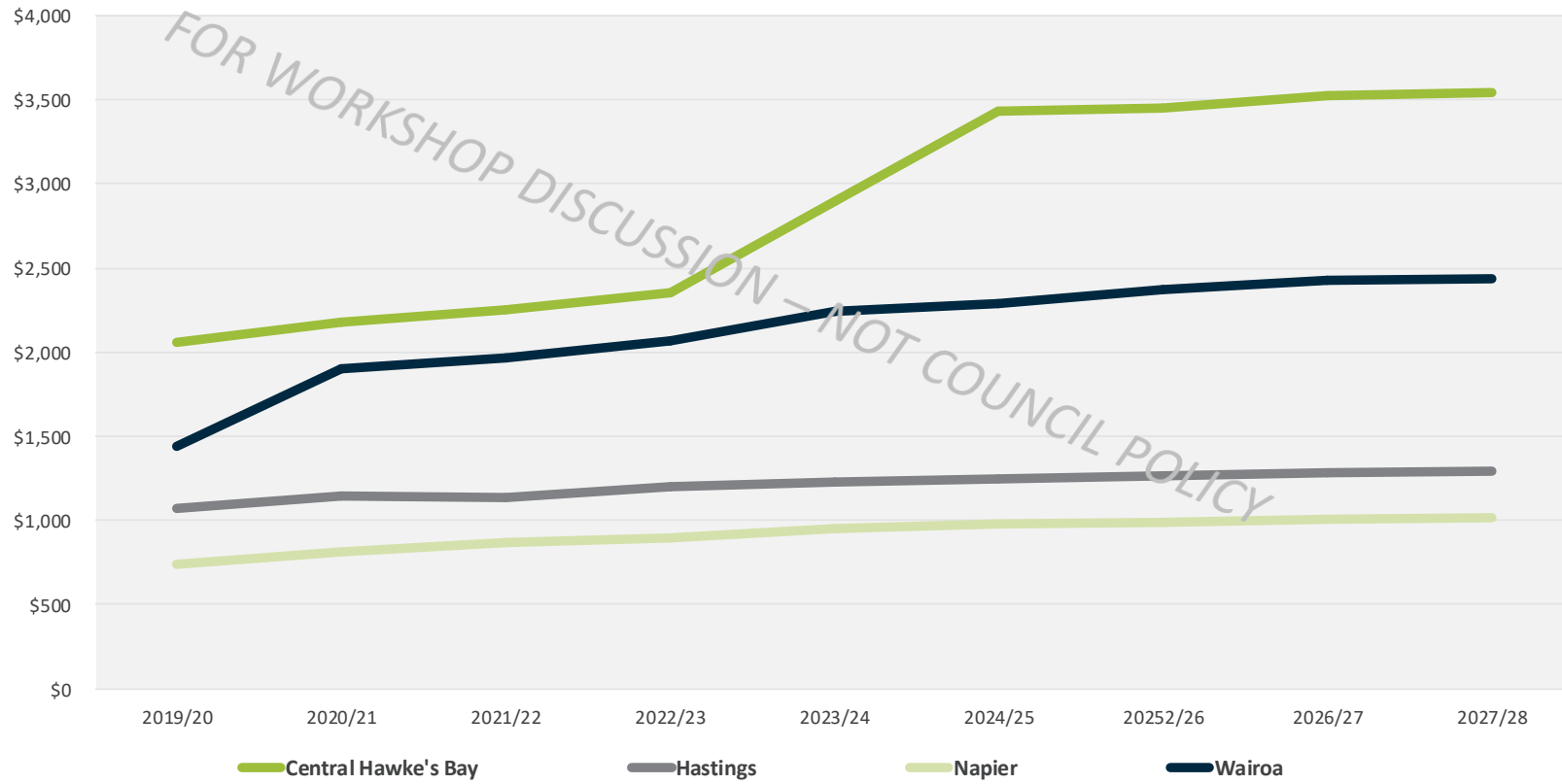


# Cost of wastewater (2019)



# Predicted three water costs (2019)

Average three water rates - Enhanced status quo





## Addressing these challenges

- Preferred option(s) are those that best address the investment objectives, but there will be trade-offs
- An answer developed by the Hawke's Bay for the Hawke's Bay gives the councils the best chance to
  - ❖ learn from other examples
  - ❖ address risks of change and the models themselves
  - ❖ engage, inform and involve the community
  - ❖ leverage government support and contributions

FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY

# So what did we do?



# It was never about just the financials

## Investment objectives

*Valid then, supported through Central Government 3W Reform and remain valid now*

<p>To provide three water services in a way that is affordable and effective</p>	 <p>The three waters service's model must address the challenge of providing for an effective, affordable service in a fiscally responsible way</p>
<p>To provide services that are safe, reliable and resilient</p>	 <p>Access to safe and reliable three waters service are fundamental to all the urban and rural communities of Hawke's Bay</p>
<p>To provide services through a model that enables a meaningful role for Māori</p>	 <p>The Local Government Act requires a local authority to provide opportunities for Māori to contribute to its decision making processes</p>
<p>To provide services through a model that has the value of water at the centre</p>	 <p>Water is vital to community life and as such three water services are part of a holistic water system</p>
<p>To provide three waters services in a way that supports our urban and rural communities</p>	 <p>The services influence how people across Hawke's Bay live, work, gather, socialise, recreate and value environmental amenity</p>
<p>To provide three waters services that build enduring capability and capacity</p>	 <p>The three waters model must be capable of, and have the capacity to, deliver quality sustainable planning, management and operation of three water services now and into the future</p>

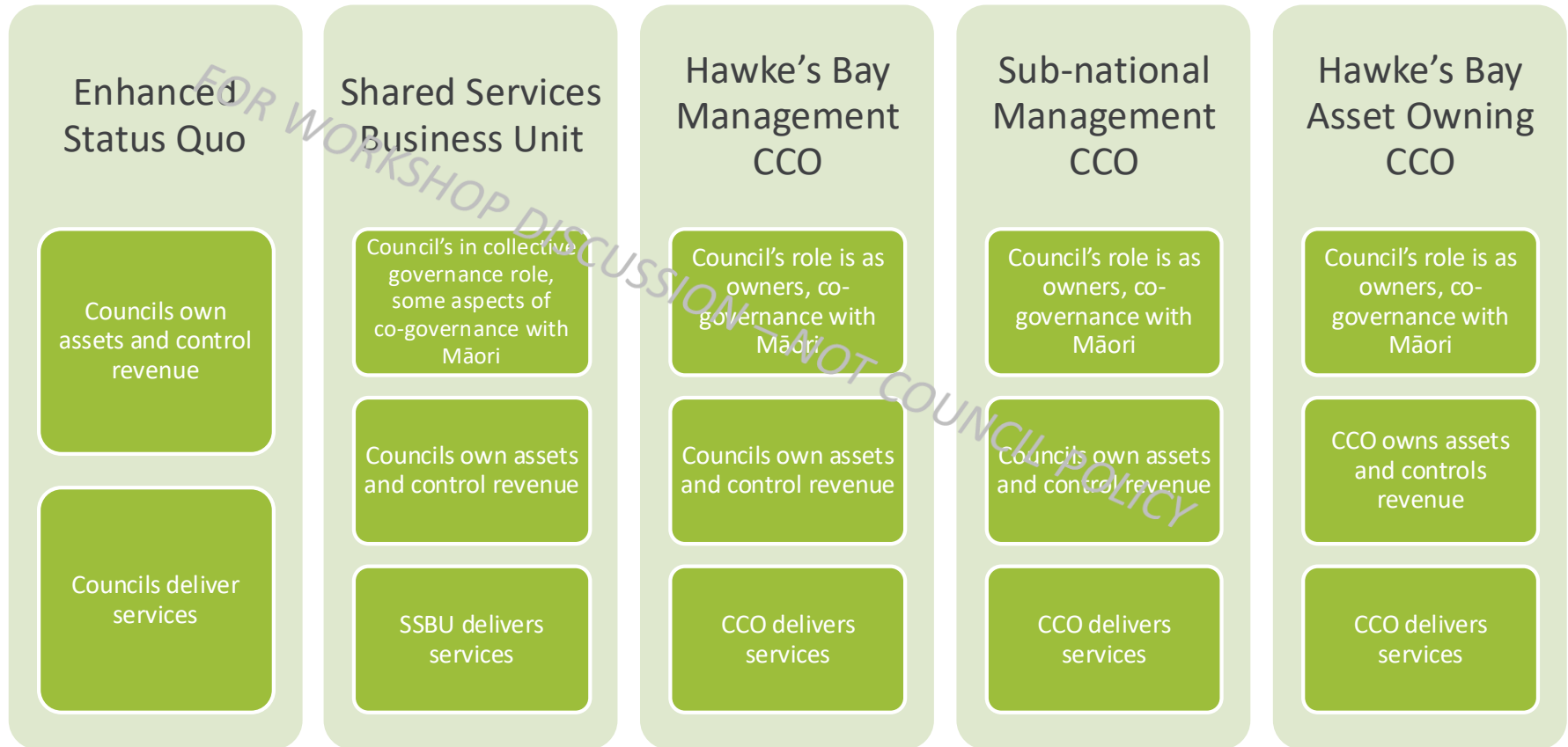
# It was never about just the financials

## Principles

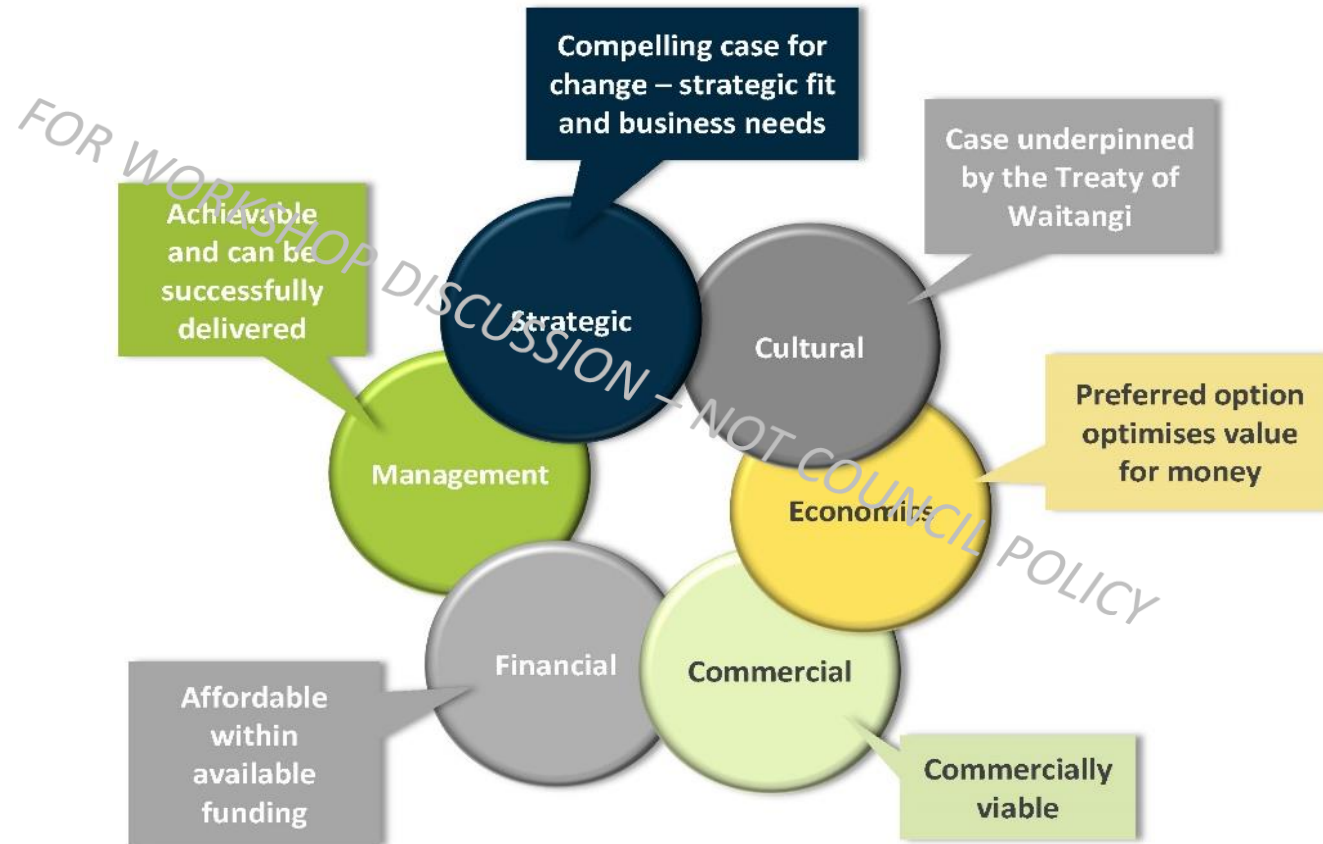
*Valid then, supported through  
Central Government 3W  
Reform and remain valid now*

Value Te Ao Māori	Incorporating and implementing mātauranga Māori, culture and values (i.e. Te Aranga Design Principles) are a core element for any potential framework to realise and enhance the region's commitment to Māori to protecting/enhancing water
Value water	Wai is the essence of all life and the world's most precious resource. It is of high important to Māori, as it is the life giver of all things, a precious taonga, part of our whakapapa
Whakapapa – genealogical links	Recognise and respect the relationship and whakapapa (genealogical link) that mana whenua have with water.
Te mauri o te wai – the life force of water	Mauri is the integrated and holistic well-being and life support capacity of water. The well-being/healthiness of the water, the land and the people are intrinsically connected.
Holistic approach to water	Although the project is based around the review of the service and delivery of the three waters (infrastructure), the proposed model needs to take into account a holistic water approach: there is only one water.
Enabling of Te Tiriti o Waitangi	Involving mana whenua in governance and decision making required to ensure Te Tititi o Waitangi obligations are met, as well as making sure they are able to actively exercise kaitiakitanga in a practical way
Mana motuhake - identity, self-determination	The identity of mana whenua in Hawke's Bay should not be lost in any potential model. But inclusion and co-governance whilst keeping their identity is an opportunity

# Options considered



# How the options were assessed



## Financial benefits of 'Hawke's bay' model

2032 (\$M)	Debt	Cumulative capital spend	Annual operating cost
Enhanced status quo	\$316.7	\$758.5	\$131.5
Shared service business unit	\$307.5	\$749.6	\$121.7
Management CCO	\$303.1	\$745.6	\$121.9
Asset owning CCO	\$288.4	\$727.4	\$114.8

When considered at a regional level all options provide a better financial outcome over time than the status quo

2021 – 2032 (\$M)	Costs	Benefits
Shared services business unit	\$9.1	\$22.9
Management CCO	\$20	\$47.1
Asset Owning CCO	\$23.2	\$70.8



# Why was the regional asset owning CCO the preferred model?



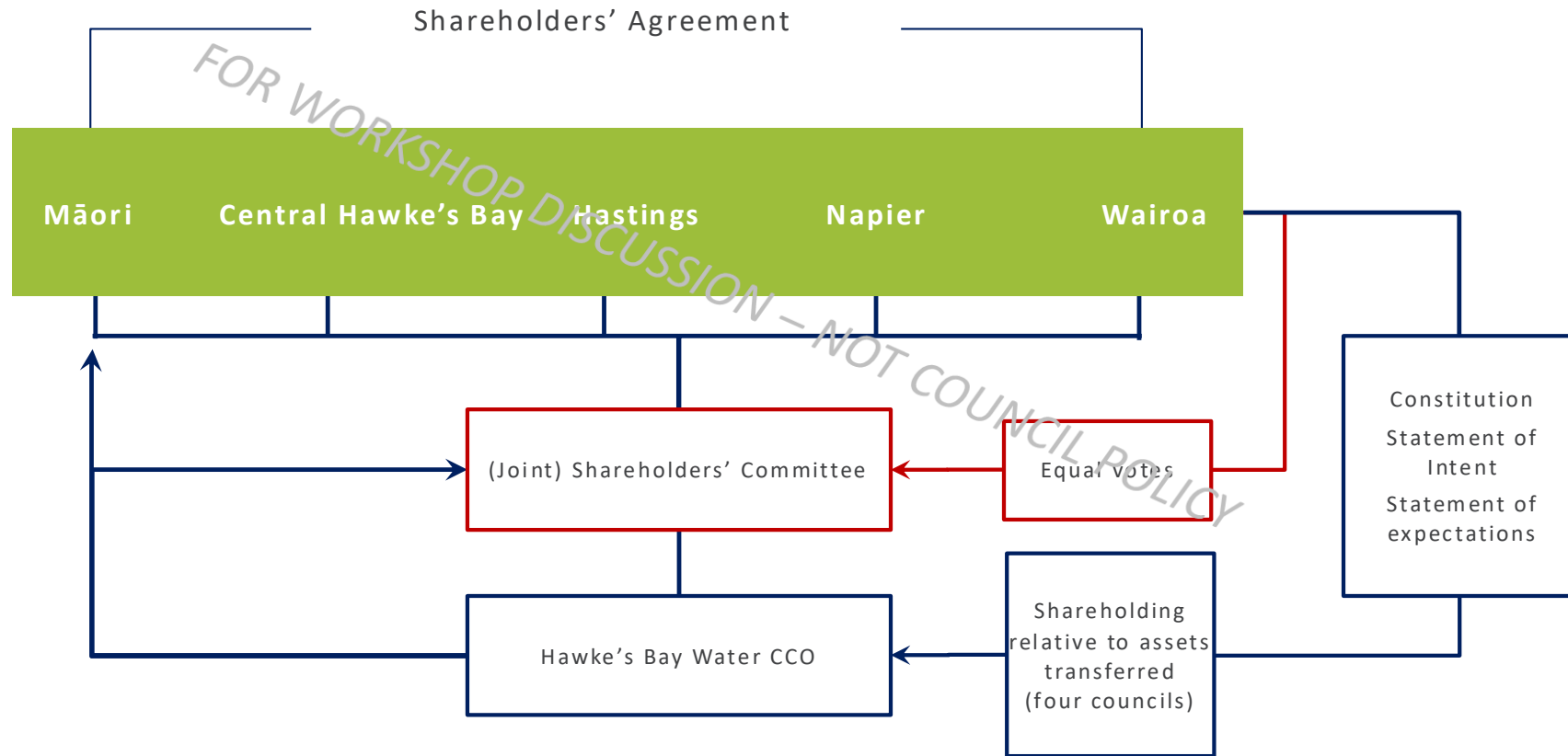
*Key functions of CCO:*

- ✓ To develop a single set of strategic asset management plans and a combined infrastructure delivery programme
- ✓ Plan and deliver all capital and operational works within the region
- ✓ Accountability for overall performance of the networks
- ✓ Regional strategic oversight of network management





# Asset owning CCO was recommended model



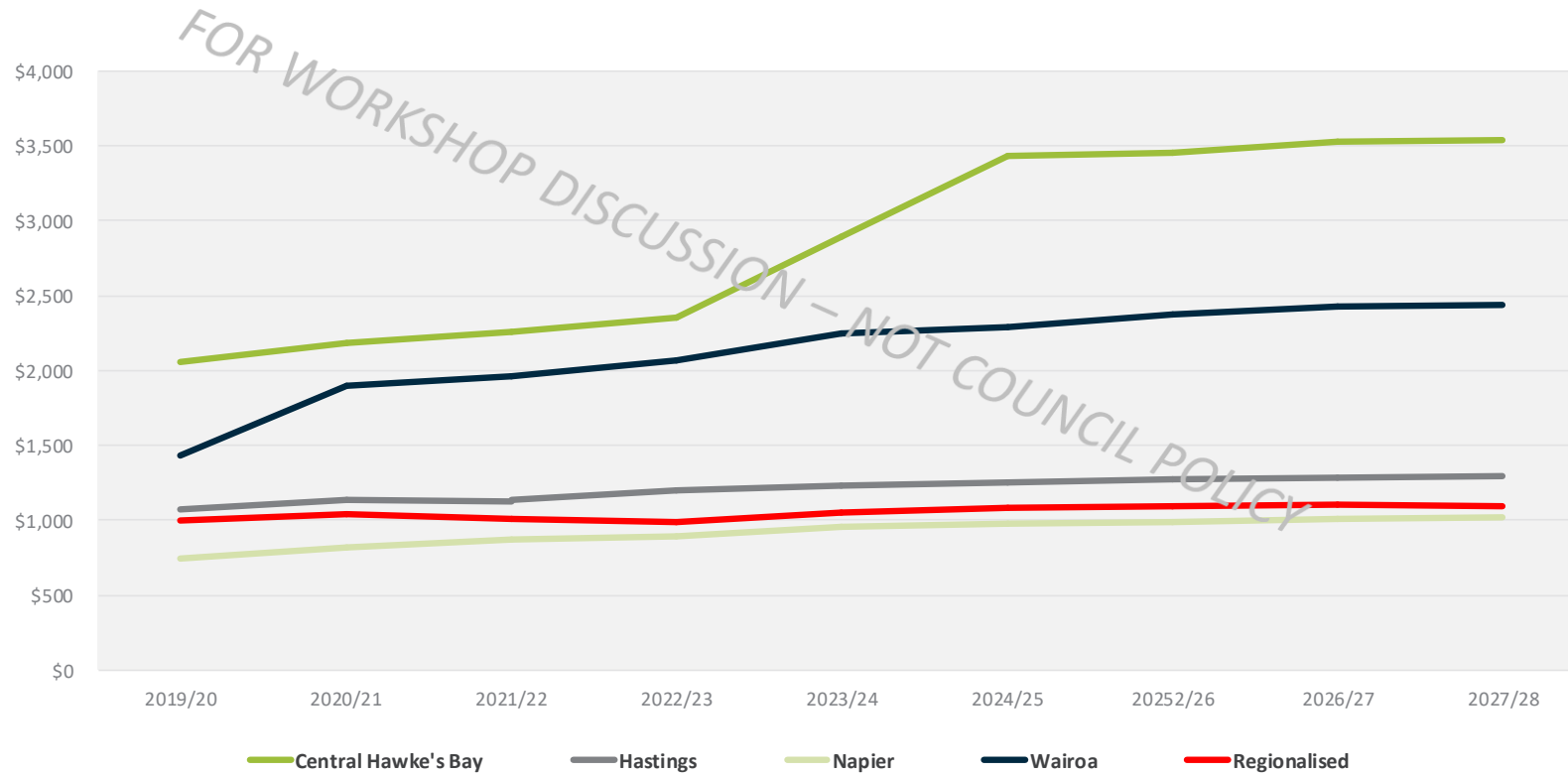
## Shareholding

- Typically shareholding in an asset owning CCO would be based on the net assets transferred. Asset value and discounted cashflows are both shown below for comparative purposes

	Net assets % shareholding	Discounted cashflows % shareholding
Central Hawke's Bay	7%	13%
Hastings	55%	43%
Napier	34%	39%
Wairoa	4%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

# Household cost projections (2019)

Average three water rates



## Sensitivity analysis

### Costs and Benefits of change

- +/- 50%
- Little impact on outcomes

### Capex increases

- Two scenarios – across the board increase, individual council 'big' project
- Asset owning CCO best insulates the region's ratepayers from risk that investment is greater than estimated

### Asset values/condition

- Normalised based outcomes of WSP review
- Cross over for Napier and to lesser extent Hastings demonstrated the importance of comparable, consistent valuations in implementing the CCO

## Summary

### No simple solution to implement

- Many good strategic reasons for the change for customers, staff and the councils
- Water CCOs are proven models in NZ and internationally
- The region needs to address future affordability challenges
- Government support will be contingent on a regional solution that meets their objectives
- There are risks and challenges ahead. In our view these are best addressed collaboratively and regionally

## Other important issues to consider

- There were many other key issues that needed to be carefully considered as part of any decision making. These include:



FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY

# Why stop there?

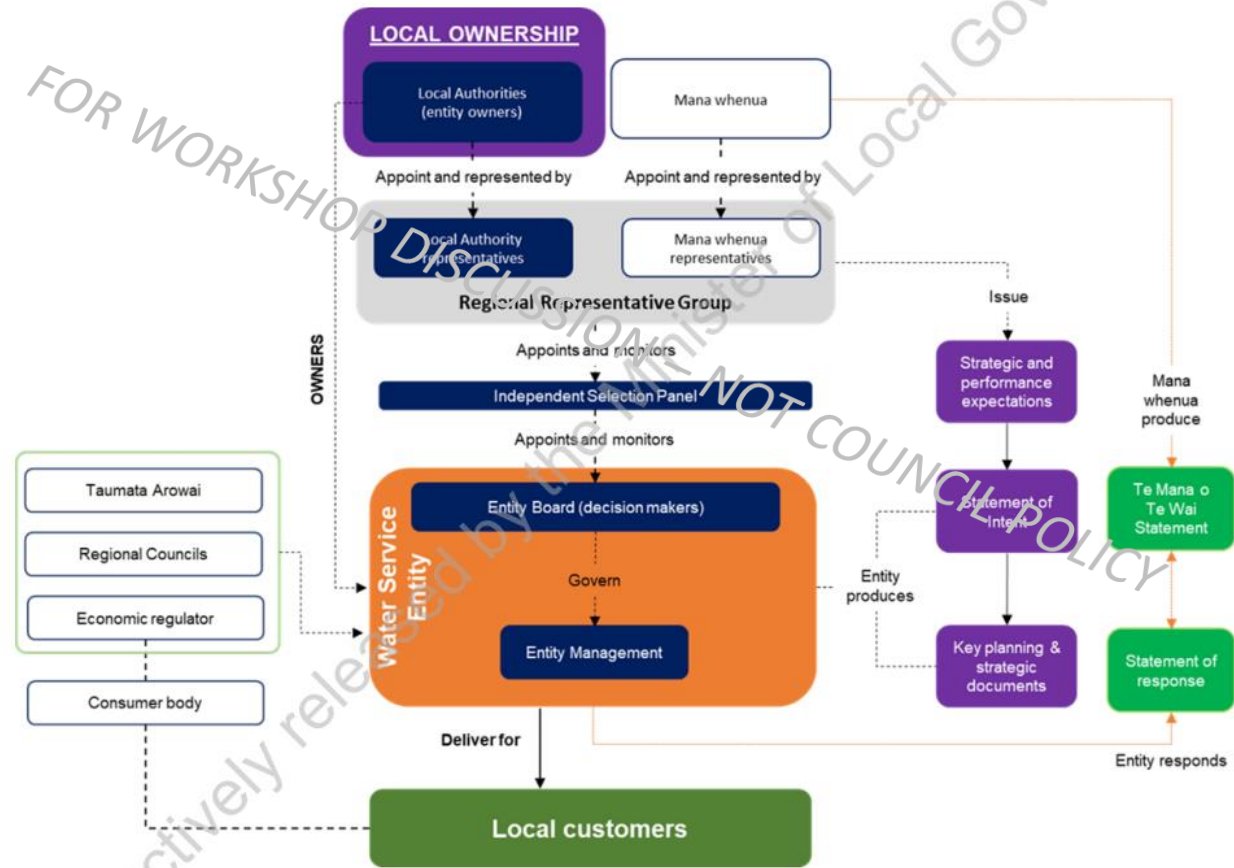


## Then three waters reform happened





# Hawke's Bay model v Water Services Entity



## Hawke's Bay Model v Entity C

Council	Morrison Low 2031 Updated (Uninflated)	WICS 2031 (Uninflated)
Central Hawke's Bay	\$3,199	\$6,521
Hastings	\$1,381	\$3,583
Napier	\$1,427	\$1,793
Wairoa	\$3,869	\$8,801
Hawke's Bay Asset Owning CCO	\$1,471	
Entity C		\$1,260*

FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY

# Where are we now?



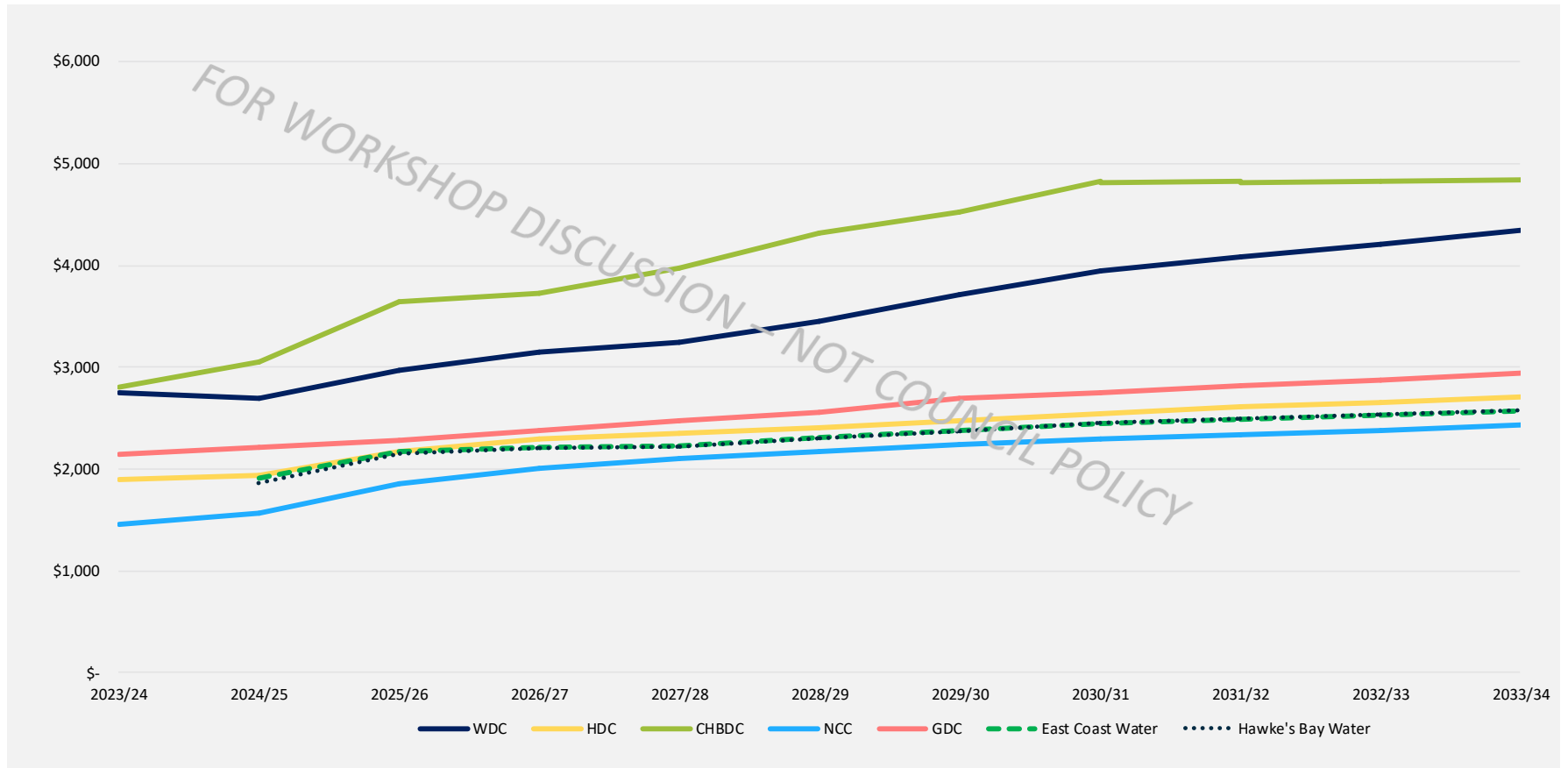
# Updated Forecast Investment



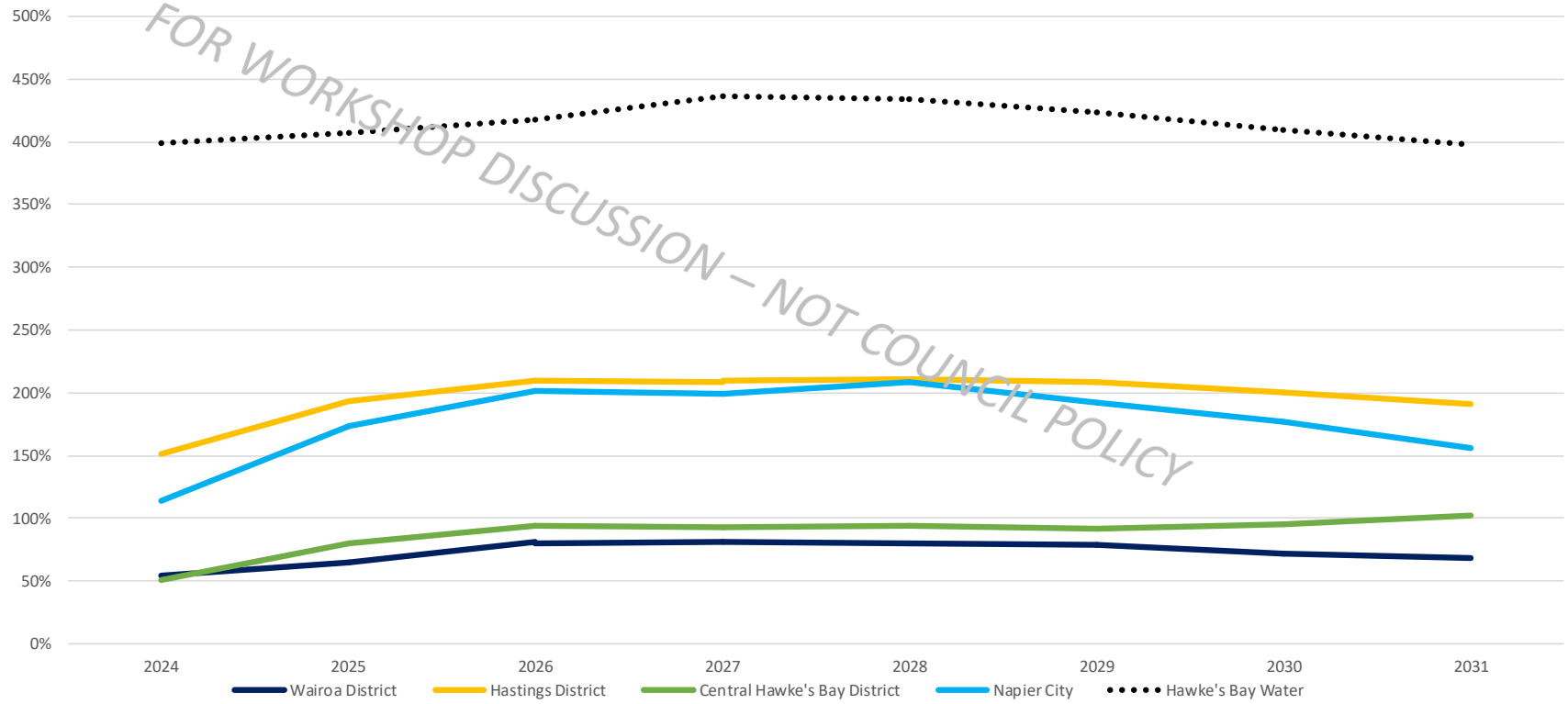
Based on ML modelling  
Councils' LTP figures



# Ratepayer Impacts – to 2034



# Debt to Revenue\*



## Summary

### The updated modelling shows:

- Forecast investment in three waters continues to grow across the region
- Future costs of three waters services will rise significantly in response to meeting changes in standards, regulation and an increasingly rigorous compliance regime. Increases in costs will not fall equally across the region
- There are financial benefits from aggregation of three waters services from efficiencies and savings compared to the status quo
- There are strategic benefits, an improvement in capability and capacity and potentially a more meaningful role for Māori with a change in service delivery model
- Household charges under a regional asset owning Water CCO are projected to be significantly lower for Central Hawke's Bay and Wairoa but given the data confidence the charges for Hastings and Napier should be considered to be largely in line with those of the Water CCO
- The model was always developed with ability to provide for Council's to join in the future (or leave)

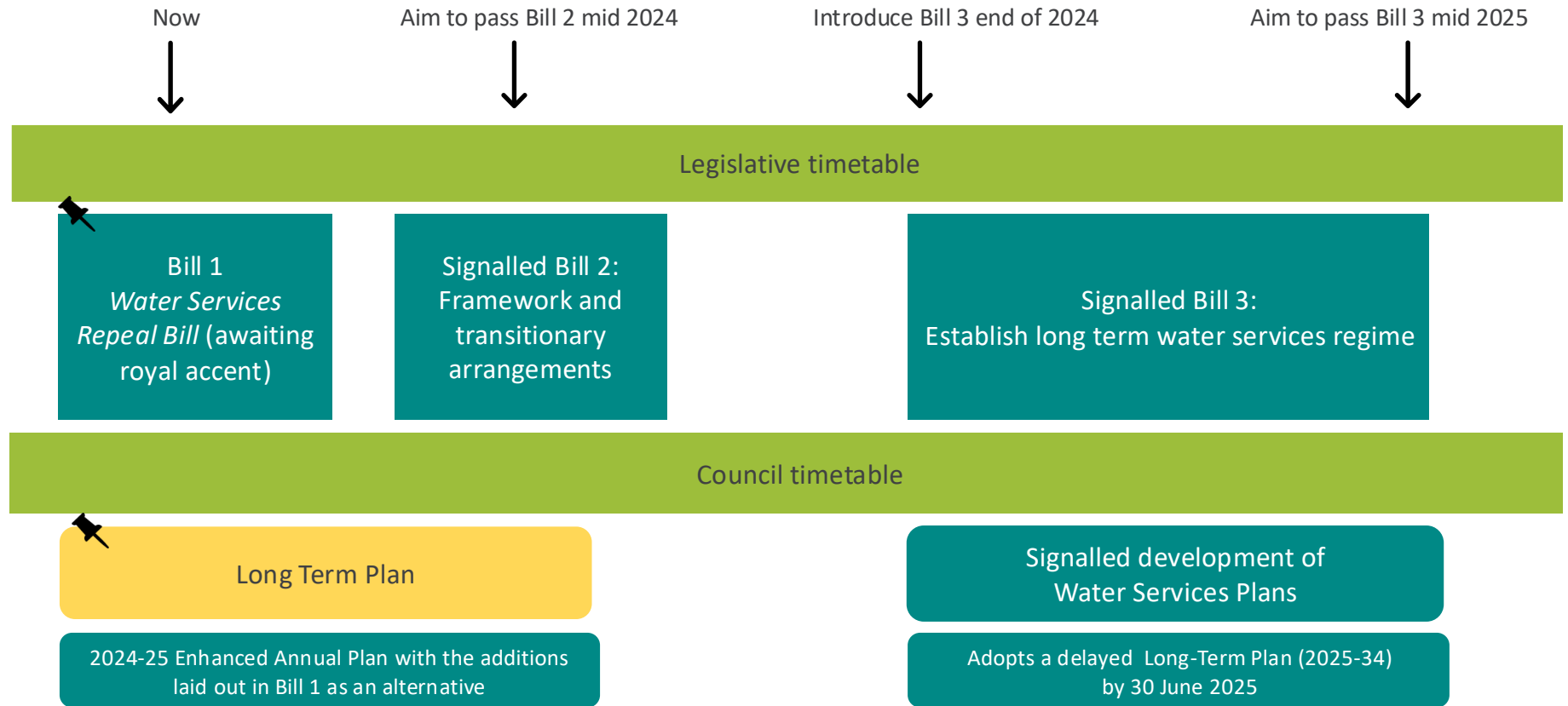
FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY

# What now?





# Local Water Done Well - What do we know?



## Local Water Done Well - What do we know?

### Reset – now



- Price regulation remains part of the system
- Drinking water standards remain and Taumata Arowai (TA) as the regulator (restored powers to investigate customer complaints)
- The role of Iwi/Māori is now for council's to determine except where arrangements required by treaty settlement legislations
- Wider stormwater definition continues (including overland flow paths & relevant green water services infrastructure and watercourses) and TA can establish stormwater environmental performance standards (s.139A of Water Services Act 2021)
- Water services in some cases can be included in LTPs without reconsulting
- LTP options can include adoption three months later than usual or deferring by one year and preparing/consulting on an annual plan for 2024-25 instead (with additional information about groups of activities and capital expenditure)
- The definition of Te Mana o te Wai remains as set out in the National Policy Statement for Freshwater Management 2020

# Local Water Done Well - What we have been told is coming?

<p><b>Transition – from mid year</b></p>	<ul style="list-style-type: none"> <li>• Councils may voluntarily shift the delivery of water services into more “financially sustainable models” with “streamlined” requirements for establishing CCOs under the LGA02</li> <li>• All councils have 12 months to develop <i>water service delivery plans</i> satisfying:             <ul style="list-style-type: none"> <li>• Addressing water quality</li> <li>• Infrastructure investment requirements (<i>undefined</i>)</li> <li>• Demonstrating financial sustainability (<i>undefined</i>)</li> </ul> </li> <li>• Plans will require approval (Minister?)</li> </ul>
<p><b>New regime – from mid 2025</b></p>	<ul style="list-style-type: none"> <li>• Long term requirements for financial sustainability</li> <li>• A complete economic regulation regime</li> <li>• New types of structural and financing tools</li> <li>• Regulatory backstop powers to be used to ensure effective delivery of financially sustainable or safe water services</li> <li>• May consider TA’s empowering legislation</li> <li>• May refine the system settings to support consistent industry standards</li> </ul>



**1 DATE OF NEXT MEETING**

**RECOMMENDATION**

That the next meeting of the Central Hawke's Bay District Council be held on 4 April 2024.

**2 TIME OF CLOSURE**