



## Meeting of the Hawke's Bay Regional Council

**Date:** Wednesday 16 March 2011  
**Time:** 9.00am  
**Venue:** Council Chamber  
Hawke's Bay Regional Council  
159 Dalton Street  
NAPIER

### Agenda

ITEM	SUBJECT	PAGE
1.	Welcome/Prayer/Apologies/Notices	
2.	Conflict of Interest Declarations	
3.	Confirmation of Minutes of the Regional Council Meeting held on 23 February 2011	
4.	Matters Arising from Minutes of the Regional Council Meeting held on 23 February 2011	
5.	Action Items from Council Meetings	3
6.	Consideration of General Business Items	
<b>Decision Items</b>		
7.	Affixing of Common Seal	7
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<b>Information or Performance Monitoring</b>		
13.	Quarterly Significant Initiatives Update for Council	49
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18.	Matters Arising from the Public Excluded Minutes for the Regional Council Meeting held on 23 February 2011	



**SUBJECT: ACTION ITEMS FROM COUNCIL MEETINGS**

**INTRODUCTION**

1. On the list attached, are items raised at previous Council meetings that require actions or follow-ups. All action items indicate who is responsible for each action, when it is expected to be completed and a brief status comment for each action. Once the items have been completed and reported to Council they will be removed from the list.

**DECISION MAKING PROCESS**

2. Council is required to make a decision in accordance with Part 6 Sub-Part 1, of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained within this section of the Act in relation to this item and have concluded that as this report is for information only and no decision is required in terms of the Local Government Act's provisions, the decision making procedures set out in the Act do not apply.

**RECOMMENDATIONS**

1. That Council receives the report "Action Items from Council Meetings".



**Andrew Newman**  
**CHIEF EXECUTIVE**

**Attachment/s**

- 1 Action Items



## Actions from Council Meetings

	Agenda Item	Action	Person Responsible	Due Date	Status Comment
1.	Strategic Partnerships	Bring paper to Council for discussion	AN/EL	May 2011	
2.	Ruataniwha Stakeholders Meeting	Advise Crs of dates of meetings	GH	March 2011	Schedule to be advised as meeting dates confirmed.
3.	Land Management Work programmes	A further report on resourcing issues be prepared	MA/AN	Early 2011	2011/12 operating plan to be prepared for consideration by AM&B Committee in May
4.	Roof	Update Council on progress	MA		Issue has been referred to District Court. Hearing programmed for 5 April.
5.	Sergeant report on Haumoana	Where is this?	MA		MA to email to Crs about this.
6.	Annual Plan update	Would like an update on healthy homes and water metering to council or committee meeting	EL/DL		Update report being developed and this information will be included in that report for the April Council meeting.
7.	Update on renourishment project	Email about this, and how effective it is	MA		MA to email Crs about this.
8.	Update on Pouhokio Stream	Update on the 'state' of the catchment	MA		MA to Email Councillors about this



## HAWKE'S BAY REGIONAL COUNCIL

Wednesday 16 March 2011

Item 7

### SUBJECT: AFFIXING OF COMMON SEAL

#### COMMENT

1. The Common Seal of the Council has been affixed to the following documents and signed by the Chairman or Deputy Chairman and Chief Executive or a Group Manager.

		Seal No.	Date
1.1	<b>Leasehold Land Sales</b> 1.1.1 Lot 2 DP 12004 CT D1/1150 - Agreement for Sale and Purchase	3026	2 March 2011
1.2	<b>Specification</b> Upper Tukituki River Stopbank Contract No: 10-05-4217C Plan 4217	3025	25 February 2011
1.3	<b>Staff Warrants</b> 1.3.1 B. Powell <i>(Delegations under Soil Conservation and Rivers Control Act 1941; Land Drainage Act 1908; under Resource Management Act 1991; Civil Defence Act 1983 (s.60-64); Civil Defence Emergency Management Act 2002 (s.86-91) and Local Government Act 2002 (s.174))</i>	3027	4 March 2011

#### DECISION MAKING PROCESS

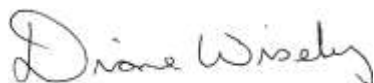
2. Council is required to make every decision in accordance with the provisions of Sections 77, 78, 80, 81 and 82 of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained within these sections of the Act in relation to this item and have concluded the following:
  - 2.1 Sections 97 and 88 of the Act do not apply;
  - 2.2 Council can exercise its discretion under Section 79(1)(a) and 82(3) of the Act and make a decision on this issue without conferring directly with the community or others due to the nature and significance of the issue to be considered and decided;
  - 2.3 That the decision to apply the Common Seal reflects previous policy or other decisions of Council which (where applicable) will have been subject to the Act's required decision making process.

#### RECOMMENDATIONS

That Council:

1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted policy on significance and that Council can exercise its discretion under Sections 79(1)(a) and 82(3) of the Local Government Act 2002 and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision due to the nature and significance of the issue to be considered and decided.

2. Confirm the action to affix the Common Seal.



**Diane Wisely**  
**EXECUTIVE ASSISTANT**



**Andrew Newman**  
**CHIEF EXECUTIVE**

### **Attachment/s**

There are no attachments for this report.



**SUBJECT: ADOPTION OF THE DRAFT 2011/12 ANNUAL PLAN**

**REASON FOR REPORT**

1. Council needs to consider and adopt the Draft Annual Plan 2011/12 so that the Plan can be finalised, printed and distributed for public consultation by Wednesday 6 April 2011.

**Process**

2. Council has undertaken considerable discussion on the content of the Annual Plan 2011/12 at the workshops held on 9 & 23 February 2011.
3. The Annual Plan as presented at this Council meeting shows a general funded deficit of \$51,000, this compares to a surplus of \$454,000 in the 10 Year Plan for the 2011/12 year. This move from surplus to deficit is mainly due to two important decisions made by Council:
  - 3.1. To not increase the general funding rates in this Plan and therefore leave these rates at the current level. The 10 Year Plan proposed an increase of \$152,000 for the 2011/12 year.
  - 3.2. Council's decision to increase the resources of Civil Defence by \$300,000 to be used to enhance the capability for the region's Civil Defence delivery.
4. The Draft Annual Plan 2011/12 proposes a rate increase of \$331,000 or 2.45% from the current 2010/11 rating levels. The 10 Year Plan proposed an increase of \$935,000 or 6.4% for 2011/12.
5. At the workshop on 9 February 2011 Council agreed to support through an underwriting of interest on a \$2.5 million loan to further assist the New Zealand Cycling Centre of Excellence for the Velodrome project. The recommendations in this paper set out the resolutions for Council's consideration which will serve to clarify this commitment.

**Draft Annual Plan 2011/12 – Printer's Proof**

6. Attachment 1 to this paper is the proposed Draft Annual Plan 2011/12. This draft is still being proofed by staff, however apart from some possible spelling adjustments and layout changes, the content of the Draft Annual Plan 2011/12 as set out in the Attachment is proposed to be available to the public on Wednesday 6 April 2011 for consultation.

**Summary Annual Plan**

7. A summary of the Annual Plan as required by section 89 of the Local Government Act 2002 will be sent out to all households in the week commencing 12 April 2011. The summary of the Draft Plan will be included in the "Big Picture" publication and will focus on those areas where there have been changes to the 10 Year Plan.

**DECISION MAKING PROCESS**

8. Council is required to make a decision in accordance with Part 6 Sub-Part 1, of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained within this section of the Act in relation to this item and have concluded that the Annual Plan as prepared under section 5 of the Act and sub part 2 of this section states that the Council must use the special consultative procedure as set out in section 85 of the Act when adopting the Annual Plan.
9. This Draft Annual Plan is not subject to audit, however section 94 of the Act does state that Long Term Council Community Plans and any amendments to such plans need to be audited. This Plan does not propose any amendments to Council's Long Term Council Community Plan.

## RECOMMENDATIONS

That Council:

1. Confirms that the Draft Annual Plan 2011/12 be subject to a special consultative procedure as required by section 95 (2) and 85 of the Local Government Act 2002.
2. Adopts the proposed scale and schedule of charges as set out in the “Resource Management Charges” section of the Draft Annual Plan 2011/12 included in Part 3 of that Plan, that these be part of the special consultative process as set out in section 85 of the Local Government Act 2002 (in conjunction with the Draft Annual Plan) and be part of the overall Statement of Proposal in accordance with section 36 (2) of the Resource Management Act 1991.
3. Agrees to fund the underlying deficit shown in the Plan from cash operating balances which are estimated to be at a level which is sufficient to provide such funding.
4. Approves further assistance for the New Zealand Cycling Centre of Excellence proposed Velodrome as set out below:
  - 4.1 This Council would commit to underwrite the interest on a \$2.5m loan to be raised by Hastings District Council at an interest rate acceptable to the Hawke’s Bay Regional Council.
  - 4.2 This \$2.5 m funding must be the last funding drawn down for the \$21 m Velodrome project – i.e. all other funding sources are to be accessed and used before the \$2.5 m loan is put in place.
  - 4.3 The \$2.5 m loan would be reduced to reflect the additional funding sought and received from the commercial sector and charitable trusts.
  - 4.4 This Council will undertake to pay the interest on the \$2.5 m, or the required lesser amount, for a period not exceeding two years from the loan drawdown date. Further, if after the drawdown date additional funding is received from the commercial sector and/or charitable trusts, then this funding needs to be used to reduce the \$2.5 m loan. This will in turn reduce this Council’s interest commitment.
5. Adopts the Draft Annual Plan 2011/12 incorporating the changes initiated by Council on 9 February 2011 and 23 February 2011 and any changes made by Council at its meeting held on 16 March 2011, under sections 85 & 95 of the Local Government Act 2002 for the purposes of initiating special consultative procedure and that the Draft Annual Plan, as adopted, will be the Statement of Proposal.
6. Resolves that where special consultative procedures are required for any significant decisions that are included in the Draft Annual Plan 2011/12, that the Statement of Proposal as required under section 83(1)(a)(i) of the Local Government Act 2002 is the Draft Annual Plan 2011/12.
7. Resolves that the summary of information as required by section 83(1)(a)(ii) in section 89 will be in the form of the Draft Annual Plan Summary and will be issued in the April issue of the ‘Big Picture’.
8. Resolves that the public notice pursuant to section 83(e), (f) & (g) of the Local Government Act 2002 be given to notify the adoption of the Draft Annual Plan with a closing date of submissions on 10 May 2011.



**Paul Drury**  
**GROUP MANAGER**  
**CORPORATE SERVICES**



**Andrew Newman**  
**CHIEF EXECUTIVE**

**Attachment/s**

- 1 Printers's Proof of Draft Annual Plan 2011/12      Under Separate Cover



**SUBJECT: CONSULTATION ON DRAFT ANNUAL PLAN****REASON FOR REPORT**

1. The Annual Plan process, which includes a Draft Annual Plan and public consultation period, enables the regional community to have their say in the work of Council. This paper outlines how the plan will be promoted to the public and how community consultation will occur.

**Background**

2. Council has always promoted the availability of the Draft Annual Plan to ensure that as many people as possible are aware of Council's planning process, so they can comment on Council's work programme if they want to. This process has been proven to be a reliable and thorough means of raising awareness and eliciting responses.

**Key dates in the Council Annual Plan process**

16 March 2011	Council adopts Draft Annual Plan
6 April 2011	Draft Annual Plan published and released for public consultation
Week commencing 12 April 2011	Delivery of Summary of the Draft Annual Plan as feature in The Big Picture (plus additional stories on key items) to all households in region
10 May 2011	Submissions close
13 May 2011	Public submissions - copies to Councillors
8, 9,10 June 2011	Council considers submissions on the Draft Annual Plan
29 June 2011	Council adopts the final Annual Plan
29 July 2011	Final Annual Plan 2011/12 published

**Draft Annual Plan Document**

3. Information contained in the Draft Annual Plan document will include the proposed annual budget and funding impact statement; will identify variations from the financial statements and funding impact statement included in the 10 Year Plan 2009-19; and will provide explanations of the variances where they are regarded as significant.
4. In relation to each Group of Activity the following is included:
  - 4.1. A statement of intended level of service provision, performance measures and targets
  - 4.2. The estimated expenses and how these will be met
  - 4.3. The estimated revenue levels and the reason for their selection in terms of 101 (3).
5. Furthermore, the Act under Section 95 provides the following needs and objectives for the Draft Annual Plan:
  - 5.1. Support the 10 Year Plan in providing integrated decision making and co-ordination of resources

- 5.2. Contribute to the accountability of Council to the community
- 5.3. Extend opportunities for the public participation in decision making relating to the costs and funding activities to be undertaken by Council.
6. Copies are mailed to key stakeholders including the Territorial Local Authorities, the Port of Napier, Central Government Departments, Audit Office and interest groups. Copies are also provided to public libraries throughout the region (8 in all) to have on display so that the public can access them.

### Summary of Information

7. The Local Government Act 2002 requires that a Summary of Information be prepared and that summary should be a fair representation of the major matters in the draft Annual Plan. This "Summary of Information" document has in the last few years been included as a double page feature in The Big Picture. It is proposed that the April issue of The Big Picture include this double page spread referring to the draft Annual Plan 2011/12. The Big Picture will be delivered to approximately 53,000 households within the region in the week commencing 12 April 2011.

### Advertising

8. The Local Government Act 2002 requires that public notice be given to advise of the availability of the draft Annual Plan and it is proposed that this public notice be placed in the newspapers throughout the region. The advertisements will specify the availability of copies of the 'Draft Annual Plan' and 'Summary of Information', any public meetings organised for the area covered by the newspaper and the closing date for submissions. Because of the importance of community consultation and the work done with the public to arrive at the Community Outcomes, it is considered advisable to publicise the availability of the Annual Plan in the more widely distributed free community newspapers.
9. A reminder advertisement for the closing date for submissions will be placed in the area-specific papers only, as this information will have already been more widely published at the opening of consultation. Additional advertising of public meetings may be required, depending on their timing and location.

#### Announcement ads (consultation period opens 6 April)

HB Today	26 March
CHB Mail, Wairoa Star	29 March
Napier/Hasting Mail	30 March
Hastings Leader / Napier Courier	30 March

#### Submission closure reminder ads (closes 10 May)

HB Today, CHB Mail and Wairoa Star	3 May
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### News media

10. Media releases are issued to all local newspapers and radio news stations to coincide with the release of the Draft Annual Plan, containing an outline of the issues (with a focus on any issues relevant to the particular community) and information on obtaining copies and making submissions. An opportunity for a formal briefing of key media will be offered, particularly in regard to proposed changes.

## Website

11. The Draft Annual Plan will be put on the website in PDF format, as will the easy-to-read Summary used in The Big Picture on the public release dates for each as listed above. Key points will be listed in html format.

## Budget

12. Expenditure will be kept to a minimum. Printing and advertising costs are estimated as follows.

Draft Annual Plan printed (180 copies)	\$3,700
Final Annual Plan printed (150 copies)	\$3,150
The Big Picture feature pages (53,000 printed)	\$2,500
Advertising (estimate only)	\$3,500
<b>Total</b>	<b>\$12,850</b>

## Encouraging submissions

13. Submission deadlines and details will be clearly stated in all Draft Annual Plan documents and summaries, media releases and in advertising. Guidelines for submissions have proven to be useful to help submitters provide sufficient information and understand the process their submission will go through, including the need to highlight any requirement to speak to the Council meeting. The guidelines will be printed as a page in the draft Annual Plan and a submission sheet will also be included to make it easy for the community to have its say. These will also be available in photocopy form on request and as a PDF on the website.

## Public meetings

14. Public meetings are organised by staff where Councillors wish to host them in their area. These meetings provide access to the community and the people who attend are interested in talking with Councillors and staff about the key points of the Plan and issues of concern to their local district.
15. A separate consultation process is being carried out on the Proposal for the establishment of an Investment Company. It is proposed to hold combined meetings on the Investment Company and the Draft Annual Plan in Wairoa and Central Hawke's Bay, but to retain separate meetings for these two topics in Napier and Hastings.
16. The following table sets out the suggested schedule of meetings in the four areas of the region:

Date	Venue
<b>Monday 18 April 2011</b> <b>Central Hawke's Bay*</b>	Hawke's Bay Regional Council Offices, Ruatanihia Street, Waipawa 5.30 pm – 7.30pm
<b>Tuesday 19 April 2011</b> <b>Wairoa*</b>	Venue to be confirmed 4pm – 6 pm
<b>Tuesday 26 April 2011</b> <b>Napier</b>	Hawke's Bay Regional Council offices, Dalton Street, Napier 5.30pm – 7.30 pm
<b>Thursday 28 April 2011</b> <b>Hastings</b>	Venue to be confirmed 5.30pm – 7.30pm

\* The meetings in Central Hawke's Bay and Wairoa will also cover the Proposed Investment Company

## DECISION MAKING PROCESS

17. Section 85 of the Local Government Act requires that the Annual plan is to be adopted using a special consultative procedure. The use of public meetings as part of this process falls within the discretionary provisions sections 79(1)(a) and 82(3) of the Act.

## RECOMMENDATIONS

That Council:

1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted policy on significance and that Council can exercise its discretion under Sections 79(1)(a) and 82(3) of the Local Government Act 2002 and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision due to the nature and significance of the issue to be considered and decided.
2. Endorses the Draft Annual Plan consultation programme set out in this agenda item.



**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**



**Paul Drury**  
**GROUP MANAGER**  
**CORPORATE SERVICES**

## Attachment/s

There are no attachments for this report.



**SUBJECT: INVESTMENT COMPANY STATEMENT OF PROPOSAL**

**REASON FOR REPORT**

1. This report sets out, for Council's consideration, the proposed Summary for the Statement of Proposal and the Statement of Proposal to cover the information to be provided to interested parties as part of the consultation on the establishment of an Investment Company.

**Background**

2. At the Council Meeting on 30 June 2010 it was resolved that a special consultative process should be undertaken to determine community views on the establishment of an Investment Company. The proposed Summary Statement of Proposal is attached as Attachment 1 and the Statement of Proposal as Attachment 2. The proposed distribution of these statements to interested parties in the community is set out as part of the proposed timeline for the consultation/information distribution process.
3. As discussed at the Council Annual Plan workshop on Wednesday 23 February 2011, the proposed Statement of Proposal includes that the Investment Company Board would have nine directors, being the elected members of Council. It also proposes that commercial director expertise would be available to the Investment Company through appointments to the boards on subsidiary and associated companies to the Investment Company.
4. Given that the proposed Statement of Proposal includes that all Councillors will be directors of the Investment Company and hence the Councillors will control all activities of the Investment Company, then it is considered appropriate that the Board of the Investment Company has the power to borrow for investment purposes without the specific approval of Council. The draft Statement of Corporate Intent as submitted to Council on 16 June 2010 did include provision for recourse to Council for future borrowings of the then proposed Holding Company, however the reason for this control was because all Councillors were not included as members of the Board.
5. The proposed timeline and consultation as set out below in this paper proposes that submissions will be heard by Council on 18 May 2011 and it is proposed that a decision on whether to establish an Investment Company be made by Council during the scheduled meeting of Council on 10 June 2011. A decision at this time would allow the establishment of an Investment Company prior to 30 June 2011 if it was Council's desire to do so.

**Consultation**

6. In June 2010 Council resolved to start a process of special consultation under the provisions of the Local Government Act ("the Act") with the intention of enabling the Council to hear submissions and make decisions in 2011.
7. The special consultative procedure is prescribed in s.83 of the Act and requires that, once it has been adopted, the statement of proposal be made available for public inspection, that public notice be given and that a period of not less than one month is available for public submissions, which will then be heard by Council.
8. The Act allows for Council to carry out a special consultative process in combination with one or more other matters requiring a special consultative procedure. With the Council also about to adopt the draft Annual Plan 2011/12 there is an opportunity for concurrent consultation. This is an option which Council may wish to consider, however staff recommend two separate consultation processes for the following reasons:
  - 8.1. The Council decision in June 2010 envisaged a separate consultation process

- 8.2. The formation of an investment company for strategic management purposes is a significant action by Council and warrants its own focus
- 8.3. Similarly the focus on issues in the Draft Annual Plan will be less at risk of being diverted to a single matter if the investment company proposal is consulted upon separately.
9. The following table sets out a timeline for the proposed consultation process on the formation of an investment company:

Action	Date	Notes
Adoption of Statement of Proposal and Summary of Proposal	16 March	Council meeting
Distribution of Statement to Libraries, HBRC offices	25 March	All public libraries, HBRC offices Napier, Waipawa, Wairoa
Public notice of statement of proposal, including notice of public meetings	26 March	HB Today, Wairoa Star, CHB Mail
Media release, Information on HBRC internet	28 March	Include radio ads as well as advertisements re Napier/Hastings meeting in Napier Mail, Leader, etc.
Public meeting – Napier/Hastings	5 April	Taradale Town Hall Proposed Investment Company only
Inclusion of summary of proposal in April Big Picture	Distribution in week beginning 12 April	This will include notice of the Wairoa and CHB meetings
Public meeting – CHB	18 April	HBRC offices - Waipawa Proposed Investment Company AND Draft Annual Plan
Public meeting - Wairoa	19 April	Venue to be confirmed Proposed Investment Company AND Draft Annual Plan
Submissions close	29 April	
Submissions heard	18 May	Following Strategic Planning and Finance Committee meeting
Decision of Council	10 June	Council meeting
Letters sent to submitters advising of decisions	17 June	

## DECISION MAKING PROCESS

10. The recommendations in this paper cover the proposal to carry out a special consultative process for the establishment of the proposed Investment Company. This special consultative process is in accordance with the provisions of the Local Government Act 2002.

**RECOMMENDATION**

That Council:

1. resolves to accept the proposed consultation process and timeline as set out in this paper and approves the content of the Summary of Statement of Proposal and the Statement of Proposal covering the proposed Investment Company and the issue of these statements to interested parties in the community.



**Liz Lambert**  
**GROUP MANAGER**  
**EXTERNAL RELATIONS**



**Paul Drury**  
**GROUP MANAGER**  
**CORPORATE SERVICES**

**Attachment/s**

- 1 Summary of Statement of Proposal - Investment Company
- 2 Statement of Proposal - Investment Company

## Managing Investments through an Investment Company – Summary of Proposal

Hawke's Bay Regional Council wants public feedback on the possible formation of an Investment Company.

Initially raised in the Ten Year Plan 2009-2019, an Investment Company would manage part of Council's investment portfolio. The possible transfer of Council's 100% shareholding in the Port of Napier Limited to the Investment Company was also publicised in a Statement of Proposal as part of the 2010/2011 Annual Plan.

The proposed Investment Company as a 100% Council controlled trading organisation would manage investments in companies and joint ventures as well as the 100% shareholding in the Port of Napier Limited. This would not include Napier's endowment leasehold land, cash and short term deposits. However, as cash is reinvested in new assets such as, potentially, infrastructure investments these would be managed via the investment company.

### Investment Company Proposal

An Investment Company Board would have nine directors, being the elected members of Council. This would ensure that control and accountability are seen to remain with Council, as representatives of the regional community, and would also mean no additional fee payments to councillor-directors from the Investment Company.

The Chief Executive of Hawke's Bay Regional Council would also manage the Investment Company, requiring no additional salary or fees to be paid concerning his role and responsibilities in the Investment Company.

The principal benefits of an Investment Company are that it would:

- Enhance Council's strategic management of its investments to achieve strategic development objectives for the Hawke's Bay region;
- Improve Council's ability to actively manage investments and their potential net financial, economic, environmental and cultural returns;
- Provide operational flexibility and access to tools not otherwise available directly to Council, resulting in increased returns.

### Objectives of the Investment Company

- Enable investment for strategic development of the Hawke's Bay region;
- Make the most of tax paid returns to Council from those assets;
- Improve investment portfolio returns;
- Provide an easier way to work with other public and private sector investors in future development projects;
- Ring-fence specific investment risks;

- Create a channel to realise profits, introduce other shareholders or dispose of under-performing investments;
- Strengthen the commercial focus of Council's investment decision-making through in-region and national external appointments to the subsidiary companies of the investment company;
- Move Council's corporate tax-paying entities, i.e. the Port of Napier Limited, to a more efficient tax structure, with improved financial returns.

Council would still control investment decisions and decide whether to add equity to the Investment Company for each new investment proposal.

### **Proposed Mission**

To optimise the financial and strategic returns to Council from its allocated investment portfolio and to assist Council to be "a region with a vibrant community, a prosperous economy, a clean and healthy environment, now and for future generations".

### **Activities**

The type of activities carried out by the proposed Investment Company will be to:

- Own and manage investment assets and liabilities transferred to it by Council from time to time
- Make new investments and dispose of current investments, in line with the Objectives
- Invest in and manage a range of financial and physical assets which may include property and infrastructure in Hawke's Bay and elsewhere in New Zealand, shares and equity investments in public listed and unlisted companies, equity in and loans to joint ventures, bonds, term deposits, mortgages and other fixed interest securities, and other financial instruments – in line with Council's Investment Policy detailed in the Ten Year Plan
- Raise funds for investment by selling bonds, mortgages, preference shares and other debt instruments or by reducing its holdings in equity investments, subsidiary or associated companies, but not by selling any of Council's 100% shareholding in the Investment Company itself
- Assist its subsidiary and associated companies to increase shareholder value and regional prosperity through growth and investment
- Apply best practice governance procedures within the Investment Company and its subsidiaries and other investments
- Enhance the Council's abilities to manage an active investment policy
- Provide flexibility of operation and access to financial tools not otherwise available to Council directly
- Help achieve Council's regional economic development objectives by investing in assets that will benefit the Hawke's Bay region. Where Council directs, the Investment Company may accept a lower return or slower route to profitability to balance achieving this objective with that of otherwise acceptable returns

All investments **must be made** or disposed of, and all income derived from these investments used, **for Regional Council purposes and functions as defined in statute**, that is, they must generate financial and economic and, where appropriate, environmental, social and cultural benefits for the Hawke's Bay region.

### Full Statement of Proposal

This document is a summary of the Statement of Proposal which was adopted by Hawke's Bay Regional Council on 16 March 2011.

The full Statement of Proposal is available for inspection at the following locations:

On line at: [www.hbrc.govt.nz](http://www.hbrc.govt.nz)

Regional Council Offices at:

- 159 Dalton Street, Napier
- 26 Ruataniwha Street, Waipawa
- Freyberg Street, Wairoa

Public libraries at:

Wairoa

- Napier
- Taradale
- Hastings
- Flaxmere
- Havelock North
- Waipawa
- Waipukurau

Copies of the Statement of Proposal may be requested from: [info@hbrc.govt.nz](mailto:info@hbrc.govt.nz) or by phoning (06) 835 9214

### Submissions

Submissions on the Proposal will be received by the Hawke's Bay Regional Council up until 5pm on Friday 29 April 2011. Submissions may be sent online to [info@hbrc.govt.nz](mailto:info@hbrc.govt.nz) or may be posted to Hawke's Bay Regional Council, Private Bag 6006, Napier 4142.

Submitters will be advised of the date and time for the hearing of submissions.

## **STATEMENT OF PROPOSAL - MANAGING INVESTMENTS THROUGH AN INVESTMENT COMPANY**

### **1. INTRODUCTION**

The Hawke's Bay Regional Council announced its intention to consider the formation of an Investment Company to manage part of its investment portfolio in its Long Term Council Community Plan 2009-2019 ("LTCCP 2009-2019").

An Investment Company structure is a tool for:

- Enhancing the Council's capability to manage an active investment policy for its portfolio.
- Improving net financial, economic, environmental and cultural returns from the Council's investment portfolio.
- Providing flexibility of operation and access to financial tools not otherwise available directly to the Council which should increase returns to Council from its ongoing financial management.

The Investment Company structure should generate both short and long term benefits as the Council's investment portfolio grows and diversifies.

Following public consultation on the LTCCP 2009-2019, the Council undertook further public consultation on the transfer of the Council's 100% shareholding in Port of Napier Limited to an Investment Company (in the event an Investment Company is established) in a Statement of Proposal which formed part of the 2010/2011 Annual Plan.

Public meetings were held in Napier and Havelock North to discuss the issue of establishing an Investment Company. Following this, and the consideration of submissions received from the public, the Council resolved to start a process of special consultation under the Local Government Act with the intention of enabling the Council to hear submissions and make appropriate decisions in 2011.

The Special Consultative Procedure (SCP) involves releasing a proposal for public comment. The Council has now begun the procedure by adopting this Statement of Proposal as a statement of its intent. Council wishes to establish an Investment Company and this Statement of Proposal provides an evaluation of the proposed course of action.

### **2. SUMMARY OF PROPOSAL**

The Council will establish a 100% Council owned company into which it will transfer a selection of its investment assets, including all of its shareholding in the Port of Napier Limited, and its other investments in companies and joint ventures.

Some investment assets will continue to be held directly by the Council, including the Napier endowment leasehold land and cash and short term deposits.

## 2.1 BOARD

The Investment Company Board will consist of nine directors, all of whom will be the elected members of Council. No additional fees will be paid to councillor-directors by the Investment Company.

## 2.2 MANAGEMENT

The Chief Executive of the Hawke's Bay Regional Council will also be Chief Executive of the Investment Company. No additional salary or fees will be paid to the Chief Executive in respect of his role and responsibilities in the Investment Company.

## 2.3 OBJECTIVES

The Council's objectives for its investment portfolio are to:

- Facilitate investment to achieve strategic development objectives for the Hawke's Bay Region;
- Maximise tax paid returns to the council from those assets;
- Improve returns from the investment portfolio as a whole;
- Provide an effective platform for engaging with other public and private sector investors in future development projects;
- Ring-fence particular investment risks;
- Facilitate exits from "corporatised" investments, whether to realise profits, introduce other shareholders or dispose of underperforming investments;
- Secure greater commercial focus in Council investment decision-making by formally accessing commercial experience from within the region and elsewhere in New Zealand through the appointment of external people to the Boards of the Investment Company's operating subsidiaries, associate companies and joint ventures; and,
- Ensure the Council's corporate tax-paying entities, (for example Port of Napier Limited), are moved to a more efficient tax structure of the Investment Company and improve financial returns as a result.

Council will retain control of strategic decision making about investments requiring Council funding because the Council will decide whether to provide additional equity to the Investment Company, (from the Council's cash or other investments), for each new investment proposed by the Investment Company.

## 2.4 PROPOSED MISSION

The Investment Company's mission is:

*To optimise the financial and strategic returns to the Council from its allocated investment portfolio to assist the Council achieve its vision of "a region with a vibrant community, a prosperous economy, a clean and healthy environment, now and for future generations".*



## 2.5 NATURE AND SCOPE OF ACTIVITIES

The nature and scope of its activities will be to:

- Own and manage the investment assets and liabilities transferred to it by the Council from time to time;
- Make new investments and dispose of current investments in pursuit of its objectives;
- Invest in, and manage, a range of financial and physical assets including, but not limited to, property and infrastructure in the Hawke's Bay Region and elsewhere in New Zealand, shares and equity investments in public listed and unlisted companies; equity in, and loans to, joint ventures; bonds, term deposits, mortgages and other fixed interest securities; and other financial instruments, in accordance with Council's Investment Policy detailed in its LTCCP 2009-2019;
- Raise funds for investment by selling bonds, mortgages, preference shares and other debt instruments or by reducing its holdings in equity investments, subsidiary or associated companies, but at no time by selling any of the Council's 100% shareholding in the Investment Company itself;
- Assist its subsidiary and associated companies to increase shareholder value and regional prosperity through growth and investment;
- Apply best practice governance procedures within the Investment Company and its subsidiaries and other investments;
- Enhance the Council's capability to manage an active investment policy;
- Provide flexibility of operation and access to financial tools not otherwise available to Council directly; and,
- Help achieve the Council's regional strategic economic development objectives by investing in assets that will benefit the Hawke's Bay Region as a whole. Where the Council directs, the Investment Company may accept a lower return or slower route to profitability to balance achieving this objective with that of otherwise acceptable returns.

All investments **must be made** or disposed of, and all income derived from these investments used, **for Regional Council purposes and functions as defined in statute**, that is, they must generate financial and economic and, where appropriate, environmental, social and cultural benefits for the Hawke's Bay Region.

## 3. REASONS

The Hawke's Bay Regional Council manages a significant investment portfolio which currently largely reflects the assets transferred to the Council at the time of local government reorganisation in 1989, supplemented by investment of cash surpluses generated since then in property and bank cash investments. A review of Council's investment policy in 2008 concluded that a continuation of Council's passive investment policy, coupled with a continued predominance of Council's shareholding in the Port of Napier Ltd and constraints on future investment performance from the Napier leasehold land portfolio, were likely to inhibit Council achieving its strategic, financial and economic return objectives for Hawke's Bay.

Council subsequently adopted a more active investment policy as part of the LTCCP (2009-19). The key change was an expansion of the Investment Policy to ensure that investments generate both financial returns and *support the Council's economic development policies*. The new policy also indicated that Council was examining the advantages and disadvantages of forming a holding company to manage the investment portfolio.

In the Draft Annual Plan 2010/11 Council proposed to transfer the ownership of the Port of Napier Ltd to the holding company that would be 100% owned and managed by Council. Submissions received on this covered the following general points:

- Council needs to retain control and accountability to ratepayers
- Ratepayers need transparency on management of regionally-owned assets and access to information
- Costs and benefits of the formation of a company are unclear
- Corporate governance should be separated from political governance.

In managing investments there is always a significant trade-off between risk and return. By weighing the financial and decision-making risks against the status quo Council has formed the view that an Investment Company would reduce the level of risk to which the Council is currently exposed and increase the potential return to Council.

Council has taken into account the concerns expressed by ratepayers during the submission process in 2010 and believes that the proposal now out for submission addresses the issues around perceived loss of control and accountability to ratepayers through the membership of the Company Board which will comprise all nine elected councillors. The costs and benefits of the formation of the company are detailed in section 5 of this statement. In relation to the separation of corporate and political governance the Investment Company Board members will undertake training on the specific responsibilities of company directors and will be supported by commercial expertise from within its subsidiary and associate companies.

## 4. DETAILS OF THE PROPOSAL

### 4.1 CURRENT STRUCTURE

Currently, all investments (including 100% of the Port of Napier Limited) are held directly by the Council. The Council has not borrowed (or “geared”) against these assets itself for investment, although the Port of Napier had loans outstanding from its bankers of around \$54 million, (about 32% of the Port’s total assets), at last balance date (30 September 2010).

The annual yield on this investment portfolio is around 4% or about \$10.9 million.

The following **Table 1** summarises the Council’s investment portfolio as at last balance date of 30 June 2010.

**TABLE 1: CURRENT INVESTMENT PORTFOLIO MIX AS AT 30 JUNE 2010**

INVESTMENT CLASS	VALUE		SHARE %
	\$'000	\$'000	
<b>EQUITY</b>			
Port of Napier shareholding	120540		
Other public listed equities	1012		
<b>TOTAL EQUITY</b>		<b>121552</b>	<b>46.2%</b>
<b>TUTIRA CARBON SEQUESTRATION</b>		<b>825</b>	<b>0.3%</b>
<b>INVESTMENT PROPERTY</b>			
Leasehold Property			
Napier	80300		
Wellington	11400		
Total Leasehold Property		<b>91700</b>	<b>34.8%</b>
Other Investment Property		<b>777</b>	<b>0.3%</b>
Central Hawkes Bay Wastewater		<b>2050</b>	<b>0.8%</b>
Mahia Wastewater		<b>51</b>	<b>0.0%</b>
Waterco (Ruataniwha Plains Scheme)		<b>360</b>	<b>0.1%</b>
<b>TERM DEPOSITS</b>			
Sale of land	34344		
Bank Deposits	8321		
<b>TOTAL TERM DEPOSITS</b>		<b>42665</b>	<b>16.2%</b>
<b>OTHER</b>			
Government Stock		<b>3350</b>	<b>1.3%</b>
Joint Venture Forestry Agreements		<b>2</b>	<b>0.0%</b>
<b>PORTFOLIO TOTAL</b>		<b>263332</b>	<b>100.0%</b>

Source: HBRC Annual Report & Financial Statements for year ended 30 June 2010

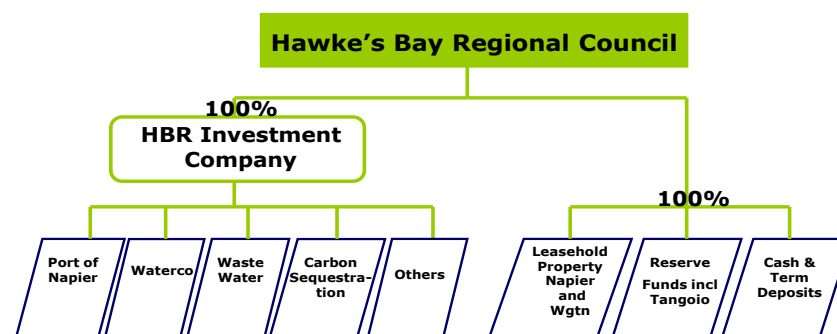
Notes:

1. Excludes community loans (\$43,000), cash at the bank (\$3,181,000) and clean heat ratepayer loans (\$579,000).

## 4.2 PROPOSED STRUCTURE

The following **Figure 1.1** illustrates the situation of the Investment Company within the Council's operational structure.

### PROPOSED COMPANY STRUCTURE



## 4.3 INVESTMENTS

The Council will transfer a selection of its investment assets, including all of its shareholding in the Port of Napier Limited, and its other investments in companies and joint venture into the Investment Company which will manage these assets for and on behalf of the Council in the future.

The Council's other investment assets will continue to be held directly by the Council, including the Napier endowment leasehold land, various reserve funds and cash and short term deposits. The allocation of assets between the Investment Company and those retained directly by the Council is illustrated in the following **Table 2**.

**TABLE 2: TOTAL PORTFOLIO SUMMARY**

ASSETS	INDICATIVE	
	VALUE at 30-Jun-10 \$'000	SHARE %
Holding Company owned	123826	47.0%
Retained Directly by Council	139506	53.0%
<b>TOTAL PORTFOLIO</b>	<b>263332</b>	<b>100.0%</b>

Sources: HBRC Financial Statements for year ended 30 June 2010

**Table 3** below shows the detail of the assets proposed to be transferred from the Council to the Investment Company (around \$124 million in value) on commencement of the Investment Company. It is important to note the beneficial interest in these assets remains entirely with the Council because it is the 100% owner of the Investment Company.

**TABLE 3: ASSETS TO BE TRANSFERRED**

ASSETS TO BE TRANSFERRED	INDICATIVE VALUE at 30-Jun-10 \$'000
Port of Napier Limited	120540
Waterco (Ruataniwha Plains Scheme)	360
Central Hawkes Bay Wastewater	2050
Tutira Carbon Sequestration land & forest	825
Mahia Wastewater	51
<b>TOTAL ASSETS</b>	<b>123826</b>
<b>LIABILITIES</b>	
Loan from HBRC	100000
<b>EQUITY</b>	
Shares held by HBRC	23826
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>123826</b>

Sources: HBRC Financial Statements for year ended 30 June 2010

Note: The transfer of assets to the Investment Company will be funded by equity and loans provided by the Council. This funding is shown under liabilities in this Table 3

**Table 4** shows the detail of assets continuing to be retained directly by the Council (around \$139million in value) after transfers to the Investment Company.

**TABLE 4: COUNCIL RETAINED ASSETS**

<b>ASSETS RETAINED</b>	<b>INDICATIVE VALUE at 30-Jun-10 \$'000</b>
Napier leasehold land	80300
Investment properties - Wellington	11400
Investment properties - Napier	777
Fixed term bank deposits	42665
Government & Other Stock	3350
Publicly listed equities	1012
Joint Venture forestry agreements	2
<b>TOTAL ASSETS</b>	<b>139506</b>

*Sources: HBRC Financial Statements for year ended 30 June 2010*

## 5. ANALYSIS OF OPTIONS

A range of options for achieving the objectives outlined above were evaluated in reaching the conclusion that establishing an Investment Company is the most efficient and effective way of doing so. These were:

- Status Quo: no change in current structure of the investment portfolio
- Establish an Investment Company.

### 5.1 ADVANTAGES

#### 1. Efficient Separate Balance Sheet and Greater Investment Scope

The investment portfolio could be operated more efficiently through a separate Investment Company balance sheet. This would give the following benefits to the Council.

- Gearing the Investment Company balance sheet to generate cash for investment.

This involves using the company's revenue and tax structure to borrow, or raise external funds through issue of hybrid securities to an acceptable level, to increase the funds available to invest in suitable opportunities.

For example, by issuing debt in the Investment Company to gear the portfolio to say 33% debt/67% equity, the total funds available for investment per \$10million of the current ungeared portfolio would grow to around \$15 million or about 50% more than is currently available. Assuming these additional funds are invested to earn more than the interest cost of debt, the net effect would be to increase return on the underlying portfolio.

At current market rates (February 2011) the effect of gearing to this level could be to increase the yield by around 1.25% or \$125,000 per \$10 million. If the current portfolio was geared to 33%debt/67%equity as a whole, the potential additional revenue return could improve by around \$1.5million per annum.

Unlike the Council, (which could of course gear its own balance sheet to fund further investment), the Investment Company would have the ability to issue different forms of:

- debt security (eg, secured debenture stock through to unsecured capital notes); and,
- equity (eg, preference shares, convertible notes etc) in the Investment Company subsidiaries

to facilitate its gearing.

- b. Full utilisation of underlying assets.

At present the Council is unable to fully utilise some assets underlying its investment portfolio. For example, there is no current benefit to the Council from Port of Napier Limited's excess imputation credits (\$13.4million as at 30 September 2010) because the Council doesn't pay income tax itself except on income from trading operations which is already met by from the ongoing tax payments made by the Port of Napier Limited on its annual profits. This asset could be utilised in an Investment Company to reduce funding costs by the Investment Company issuing hybrid securities that allow investors to use the imputation credits to lower net cost to the Investment Company, (and therefore the Council), while improving the yield to external investors. This enhances the attractiveness of the securities to external investors while reducing the effective net cost of funding to Council.

- c. Grouping investments for income tax purposes within the Investment Company, so any losses in one investment are offset against taxable profits in others.

## 2. Improved Returns

An Investment Company should improve return for the Council as a result of:

- a. Investment in a wider range of investment types within approved investment classes should lift overall return on the portfolio.
- b. Gearing the portfolio to create a more financially efficient balance sheet, where debt funding costs are less than the weighted average cost of capital and therefore improve return on the portfolio correspondingly.
- c. Maximising income tax efficiencies. For example:
  - i. Interest on debt funding would be tax deductible, (an advantage the Council itself doesn't have), therefore reducing the effective cost of debt funding by around 28%.
  - ii. Any losses on an investment are deductible against taxable profits from other investments.

- iii. Council expenditures on behalf of the Investment Company are deductible to the Investment Company, so for example Council's present costs of managing the investment portfolio would be met by the Investment Company, reducing their net cost to the Council.
- d. The Council recovering the cost of its specialist services (such as advice on, say, forestry investments) by reimbursement from the Investment Company reduces the effective net cost of those services to Council.

### 3. Greater Management Flexibility

An Investment Company should give the Council a greater range of investment tools to assist it improve return on its portfolio and achieve its strategic economic development objectives.

- a. For example, the Investment Company can act as a "corporate partner" with another (private sector) corporate partner in a joint venture with both partners operating under the same environment and rules, rather than under two sets of rules that could apply to a joint venture directly between the Council and a corporate partner. Using the Investment Company in this way should improve operational efficiency and therefore return on any joint venture.
- b. Access to additional financial tools, (e.g. debt, equity and structure instruments such as joint ventures), that are available to a corporate, rather than a Council will assist execution of strategic investments.

### 4. Ring-fencing risk

In an Investment Company:

- a. New investments can be isolated as separate corporate entities, (that are subsidiaries of the Investment Company), so, for example, funding and performance of new investment activities can be separated from funding and performances of other investments, and risk managed individually (rather than as a class).
- b. This limits creditor's recourse to Council if an investment fails. It should not impact on other investments in the portfolio as a result.
- c. It can act to minimise or eliminate risk (by selling the investment for example) in each investment without necessarily affecting other investments within the portfolio.

### 5. Facilitating exit strategies

Council will wish to exit investments from time to time. This may be to:

- To help achieve strategic economic objectives
- Encourage investment by the regional community
- Raise cash
- Realise profits for reinvestment or other purposes
- Crystallise losses.

The range of exit strategies available to Council should become wider and easier to execute, by, for example:

- a. Sale of business units into Initial Public Offerings (“IPO’s”) or to other entities outside Hawke’s Bay Regional Council to realise capital profits to return cash to the portfolio.
- b. Encouraging the regional community to invest in the Council’s business units by selling part of full shareholdings in its corporate investment assets to ratepayers and other community stakeholders at appropriate times and under suitable terms and conditions, without losing control of its portfolio.
- c. Winding up of any investments, if that produced a better result than sale or retention, without impacting other investments in the portfolio.

#### **6. Monitoring and Evaluation**

This structure should enhance monitoring and evaluation tools to assess effects of investments made to progress Council’s strategic economic objectives while achieving a satisfactory return on the portfolio as a whole. It will ensure:

- a. Investments can still be managed, monitored and evaluated on their own individual merits.
- b. Any cross-subsidies from one investment to another can be clearly identified and evaluated.
- c. Effects of investment decisions made to assist Council’s strategic economic development objectives can be identified, monitored and evaluated.

#### **7. Formalise Greater Access to Commercial Expertise**

The Council will acquire greater access to commercial expertise available in Hawke’s Bay region by appointing competent experienced business people to the boards of future operating subsidiaries and associated companies of the Investment Company.

#### **8. Retains continuing Council Control**

- a. The Investment Company will be 100% owned by the Council and its Board will consist of the elected members of Council.
- b. The Investment Company and subsidiaries and other investments will still be bound by the Council’s Investment Policy.
- c. An annual Statement of Corporate Intent for the Investment Company will set the Council’s objectives for, and requirements of, the Investment Company.



## 5.2 DISADVANTAGES

### 1. Additional Costs

An Investment Company will incur additional costs for its establishment and is likely to incur ongoing operating costs over and above the costs of managing the portfolio of the Council's previous passive investment policy. Apart from the costs of establishment, the Council's adoption of an active investment policy will increase operating cost in any event. However, the advantages of an Investment Company structure, as outlined earlier, should result in sufficiently improved returns to more than offset additional operating costs.

### 2. Continued Reliance on Investment Income for Council Operations

The Investment Company needs to recognise the Council will continue to rely on substantial investment income to fund its operations. As the Investment Company will be 100% owned and controlled by the Council, its annual Statement of Corporate Intent should include a requirement to deliver such income to the Council.

## 6. OTHER INFORMATION

Council has chosen to follow the special consultative procedure set out in the Local Government Act for the formation of an Investment Company.

The Hawke's Bay Regional Council is releasing this proposal on 28 March 2011. Written submissions will be received until 29 April 2011.

Council will meet to consider submission on the proposal on 18 May 2011.



**SUBJECT: ELECTED MEMBERS' ALLOWANCES AND EXPENSES**

**REASON FOR REPORT**

1. On 15 December 2010, Council approved amendments to the policy on Elected Members' Allowances and Expenses, which varied from guidance provided by the Remuneration Authority (Authority) in respect of the rules surrounding Councillors' entitlement to vehicle mileage allowance.
2. On 22 December 2010 Staff submitted the amended policy for approval by the Authority including a letter that set out the reasons for Council's reluctance to include any restriction or limitation in relation to a travel distance threshold or mileage cap per year on the payment of vehicle mileage.
3. In a letter dated 23 February (Attachment 1) the Authority provided its rationale and thinking behind the rules surrounding mileage allowances as well as the final view of the Authority.
4. This paper sets out the changes required in the Elected Members' Allowances and Expenses rules approved by Council last December in order to comply with the final view of the Authority.

**Background**

5. Council resolved on 15 December 2010 to approve amendments to the Elected Members' Allowances and Expenses rules. Two aspects of these rules now fall outside the requirements of the Authority in respect of:
  - 5.1. Inclusion of a daily threshold distance which must be not less than 30 kilometres. Members are to be paid a vehicle mileage allowance only when the daily distance travelled on Council business exceeds this threshold.
  - 5.2. Setting maximum mileage allowances payable to any member in a twelve month period of:
    - 5.2.1. \$0.70 per kilometre for the first 5,000 kilometres, and
    - 5.2.2. \$0.35 per kilometre for any distance over 5,000.
6. The Authority's letter dated 23 February 2011 set out its rationale and thinking for these limitations to the payment of vehicle mileage allowances to members.
7. The Authority stated that it will not approve any expense rules that do not comply with the above limitations and asked councils that have submitted expense rules which do not comply with the limitations to re-submit expense rules that do apply.
8. A proposed amended policy on Elected Members' Allowances and Expenses is attached as Attachment 2. Section 5, Vehicle Mileage Allowance, has been revised to comply with the Authority's requirements. All amended sections are underlined and italicised.

**DECISION MAKING PROCESS**

9. Council is required to respond to the Authority as a requirement of statute, and is required to determine for itself whether to amend the policy on Elected Members' Allowances and Expenses.

## RECOMMENDATION

That Council:

1. Adopts the amended policy on Elected Members' Allowances and Expenses as set out in Attachment 2 to this paper, and submit this policy to the Remuneration Authority for their approval and incorporation in the Local Government Elected Members' Determination for the remainder of the 2010/11 financial year.



**John Peacock**  
**FINANCIAL CONTROLLER**



**Paul Drury**  
**GROUP MANAGER**  
**CORPORATE SERVICES**

## Attachment/s

- 1 Remuneration Authority letter dated 23 February 2011
- 2 Proposed Elected Members' Allowances and Expenses Rules



23 February 2011

To All Councils (including Auckland Council)

**Vehicle Mileage and Travel Time Allowances**

There have been numerous letters sent to Councils regarding these allowances and the Authority has received many responses and submissions from different Councils.

We have studied carefully the many submissions we have received and have taken the opportunity to discuss the main issues with Local Government NZ.

Most of the submissions about the Vehicle Mileage Allowance have been about the threshold of 30 kilometres (round trip), the imposition of a cap of 5,000 kilometres, and arguing for a higher cap or a different rate of reimbursement for distances over that cap. Many submissions pointed out that applying the rules to each event would not work where an elected member made many trips in one day.

There have been very few submissions on the Travel Time Allowances, apart from the need for a threshold, but it was clear that the per event rule would not work for the same reasons as for the Vehicle Mileage Allowance.

We also realised that it would be helpful to set out our thinking and rationale so that elected representatives would have a clearer understanding of the reasons for our rulings.

This letter accordingly sets out the rationale and thinking behind our setting of the rules surrounding these allowances and the final Authority view.

In coming to this final view we have:

- taken into account the numerous points of view and arguments raised by various Councils
- taken into account the employment and tax status of elected representatives
- had regard to normal practices in both the private and public sectors
- had regard to Inland Revenue's tax guidance on vehicle expenses deductions

**Remuneration Authority**

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Telephone 04 499 3068 Facsimile 04 499 3065 Email [info@remauthority.govt.nz](mailto:info@remauthority.govt.nz)

- used the research carried out by the Automobile Association into vehicle running costs
- consulted with Local Government NZ
- taken into account our statutory requirements to be fair to those we are setting remuneration and allowances for, as well as being fair to ratepayers.

*Overarching principles and observations*

1. It is not normal practice for a person to be paid for the cost of travelling to and from work where the place of work is unchanged. This applies in general to employees and to people permanently employed on a contractual basis. It certainly applies to members of statutory or other crown bodies, such as those covered by the Cabinet Fees Framework. Thus, an elected representative who lives within normal commuting distance of Council offices would not be expected to have the cost of travel to and from the Council offices paid for. The Authority considers it fair to regard normal commuting distance as being up to 15 kilometres each way.
2. Underlying the Authority's methodology for determining local authority pools, and the Auckland remuneration levels, is the recognition that elected representatives' remuneration should reflect the size of the job and the proportion of full-time employment necessary to carry out the job. In making this recognition, the Authority draws on its knowledge of remuneration in the public sector for similar sized jobs. In all cases this remuneration is expected to meet the cost of getting to and from work, within reasonable distances.
3. It is recognised that some elected representatives live much further away from Council offices, often because of the geographic nature of their electorate. The Authority considers it fair to recognise the **extra cost** those representatives incur in attending to those electorate responsibilities. In this case the extra cost is the cost over and above normal commuting costs.
4. It is fair to recompense elected representatives for the use of their own car to carry out Council business, over and above normal commuting costs.
5. It is not normal practice for a person to be paid for the time taken to travel to and from work when within normal commuting distance. It is recognised that some elected representatives live much further away from Council offices and so it is fair to recognise the **extra time** they may need to attend to normal council business, over and above normal commuting time. The Authority considers it fair to regard normal commuting time to be up to 1 hour each way.
6. It is fair to recompense elected representatives for additional time needed to travel on council, business, over and above normal commuting time.
7. It is fair to recognise that an elected member may use their own car, or need additional time to carry out their Council business in any one day outside of normal commuting distance or time.

8. Vehicle mileage and travel time allowances are there to recognise additional costs (both in terms of expenditure and in terms of extra time involved in carrying out their duties) **not** to compensate for a perceived inadequate remuneration. Perceived inadequate remuneration should be addressed as a separate issue.
9. The latest research (2010) carried out by the Automobile Association shows that:
  - a. The average distance travelled in a private car is 14,000 kilometres per year
  - b. For a medium size car (2000cc to 3500cc and cost up to \$60,000) the overall cost of running the car is 73.5 cents per kilometre for those 14,000 kilometres.
  - c. If one takes the year distance travelled as 15,000 kilometres then the running cost is 70.2 cents per kilometre for those 15,000 kilometres.
  - d. Running costs for distances over 15,000 kilometres is 24.3 cents per kilometre, as all the fixed overheads have been met by the first 15,000 kilometres.
  - e. Running costs for distances over 15,000 kilometres even for a large car (over 3500cc and cost up to \$75,000) is 28.6 cents per kilometre.
10. If a person uses their car for council business then it is reasonable to assume, on average, that the distance they travel on council business would be in excess of the normal average 14,000 per year private use. Therefore an allowance which pays 70 cents per kilometre is actually reimbursing in excess of the actual extra cost incurred. If a person travels an extra 5,000 kilometres on council business then their actual average running cost per kilometre is 60.6 cents per kilometre for those 19,000 kilometres.
11. A vehicle mileage allowance which pays at the rate of 70 cents for kilometre for the first 5,000 kilometres and then at the rate of 35 cents per kilometre is actually reimbursing more than the actual cost of running the car.
12. The payment of a vehicle mileage allowance by a council should not be confused with the ability of elected representatives to claim mileage costs as a tax deduction. One does not depend on the other – nor do the rules surrounding each have to be consistent. An elected representative can, to the best of our knowledge, claim reasonable travel costs as a tax deduction, regardless as to whether or not they receive some recompense for those costs. Similarly the extent of recompense does not, and should not, depend on the tax treatment of that expense.

Since we released our determinations and explanatory notes which, inter alia, had a cap of 5,000 kilometres and expressed the vehicle mileage allowance limitations in terms of “per event”, we have listened to and have noted some valid arguments against the 5,000 kilometre cap and the use of a “per event” definition. We accept that a 5,000 kilometre cap would significantly disadvantage some elected representatives who have to cover large distances to carry out their duties. We

therefore have removed the limit and allowed distance over 5,000 kilometres in any one year to be reimbursed at the rate of 35 cents per kilometre.

We also recognise the difficulties that a “per event” definition could have, particularly for an elected representative who makes many journeys in their own vehicle in one day where each of their trips may be less than 30 kilometres, but in total add up to over 30 kilometres.

We agree with some submissions that there is no good reason to have a cap on the number of hours for which travel time may be reimbursed, and so have removed the reference to a maximum number of hours.

Accordingly, the Authority sets the following guidelines under which it will approve Vehicle Mileage Allowances and/or Travel time Allowances.

#### *Vehicle Mileage Allowance*

Future determinations (including the ones covering the periods post 2010 elections) will contain the following, or similar, wording:

- (1) A local authority may pay a member or a member of a community board a vehicle mileage allowance for travel by the member each day, but only if—
  - (a) the member is not otherwise provided with a vehicle by the local authority; and
  - (b) the distance travelled by the member on the day exceeds the threshold distance; and
  - (c) the travel is—
    - (i) in a private vehicle; and
    - (ii) on the local authority’s business; and
    - (iii) by the most direct route that is reasonable in the circumstances.
- (2) The vehicle mileage allowance is payable only in respect of the member’s travel for that day that exceeds the threshold distance.
- (3) The maximum vehicle mileage allowance payable to the member in any twelve month period (pro-rated for the period of this determination) is—
  - (a) \$0.70 per kilometre for the first 5 000 kilometres;
  - (b) \$0.35 per kilometre for any distance over 5 000 kilometres.
- (4) In this clause,—

**on the local authority’s business** includes travel to and from a member’s residence to the offices of the local authority

**threshold distance** means the distance set by the local authority, which must not be less than 30 kilometres.



*Travel Time Allowance*

Future determinations (including the ones covering the periods post 2010 elections) will contain the following, or similar, wording:

- (1) A local authority may pay a member or a member of a community board a travel time allowance each day but only if—
  - (a) the travel time of the member on the day exceeds the threshold time; and
  - (b) the travel is on the local authority's business; and
  - (c) the travel is by the quickest form of transport reasonable in the circumstances; and
  - (d) the office of the member cannot be properly regarded as a full-time position.
- (2) The travel time allowance is payable only in respect of the member's travel for that day that exceeds the threshold time.
- (3) The maximum amount payable is \$15.00 per hour.
- (4) In this clause,—

**on the local authority's business** includes travel to and from a member's residence to the offices of the local authority

**threshold time** means the time set by the local authority, which must not be less than 2 hours.

*Going Forward*

The Authority has approved many councils' expense rules where they are consistent with the above.

We have been asked to approve expense rules which do not comply with the above. We will not be approving those expense rules.

Where councils have submitted expense rules which do not comply with the above, rather than the Authority declining each set individually, we would be very grateful if councils would re-submit expense rules which do comply.

Regards



Angela Foulkes  
Deputy Chairman

## ELECTED MEMBERS ALLOWANCES AND EXPENSES

Council's policy and rules for expenses (including reimbursement allowances) for elected members 15 October 2010 to 30 June 2011 was adopted on 16 March 2011.

## ELECTED MEMBERS ALLOWANCES AND EXPENSES

Hawke's Bay Regional Council has resolved to adopt the following policy as provided to the Remuneration Authority.

### SECTION 1 – NAME OF LOCAL AUTHORITY

Hawke's Bay Regional Council

Contact person for enquiries: Paul Drury, Group Manager Corporate Services

Email: pdrury@hbrc.govt.nz Telephone: 06 835 9205

### SECTION 2 – DOCUMENTATION OF POLICIES

*Rules and procedures relating to the expenses and allowances payable to elected members are recorded in the following document:*

HBRC Policy Handbook, Section 1.4 Councillors, Last Updated 16 March 2011.

### SECTION 3 – AUTHENTICATION OF EXPENSE REIMBURSEMENTS AND ALLOWANCES

The principles and processes under which Hawke's Bay Regional Council ensures that expense reimbursements and allowances are payable are as follows.

#### Principles

- Are in line with Council policies
- Have a justified business purpose
- Are payable under clear rules communicated to all claimants
- Have senior management oversight
- Are approved by a person able to exercise independent judgement
- Are adequately documented
- Are reasonable and conservative in line with public sector norms
- Are, in respect of allowances, a reasonable approximation of expenses incurred on behalf of the local authority by the elected member
- Support administrative efficiency by the payment, where possible, of standard allowances based on fair and reasonable value of costs incurred, rather than requiring elected members to continue to make numerous claims.

#### Processes

1. Councillors are issued with an explanatory memorandum explaining their entitlements and how they should claim them.
2. Councillors are required to make expenditure claims for all allowances, other than agreed regular payments, which are approved by the Chief Executive prior to payment.
3. All reimbursement costs will be based on actual and reasonable expenditure with claims to be supported by appropriate invoices to substantiate the claim and will be approved as part of the Council's normal creditor payment process.

## SECTION 4 – VEHICLE PROVIDED

Where the Chairman decides to take up the entitlement to a Council vehicle then the terms and conditions for the supply of a vehicle will be determined by the Chief Executive Officer in line with policies set out by the Remuneration Authority.

## **SECTION 5 – VEHICLE MILEAGE ALLOWANCE**

1. A vehicle mileage allowance is payable to an elected member for travel by that member each day, but only if:

(a) the member is not otherwise provided with a vehicle by the Council; and

(b) the distance travelled by the member on the day exceeds the threshold distance; and

(c) the travel is:

(i) in a private vehicle; and

(ii) on Council business; and

(iii) by the most direct route that is reasonable in the circumstances.

2. Vehicle mileage allowance is payable only in respect to the member's travel for that day that exceeds the threshold distance.

3. The maximum vehicle mileage allowance payable in any one twelve month period is:

(i) \$0.70 per kilometre for the first 5,000 kilometres;

(ii) \$0.35 per kilometre for any distance over 5,000 kilometres.

4. Restrictions on mileage claims:

(a) The daily threshold distance is 30 kilometres (round trip).

(b) "Council business" is defined as "official Council business whereby elected members are invited or required to attend both informal or formal meetings or events related to Council. These do not include meetings with constituents, or the elected member's own initiatives to familiarise or better inform themselves in any way with Council business, or where a Council function is primarily entertainment".

## SECTION 6 – TRAVEL AND ACCOMMODATION

(Mileage Claims – refer Section 5)

### **Taxis and other transport**

Elected members will be reimbursed for the actual and reasonable cost of any expenditure on taxis and other transport incurred where such expenditure is considered reasonable and necessary for the attendance at conferences, seminars and business related meetings attended at the request of Council, or approved by the Chairman.

### **Carparks**

Individual carparks are allocated to each elected member for use on Council and Committee meeting days only. In addition, the Chairman has a permanent car park and one other car park is permanently available for any other elected member to attend Council business at the Council offices.

### **Use of rental cars**

Elected members will be reimbursed for the actual and reasonable cost of any expenditure on rental cars where this is considered necessary to attend conferences, courses and business meetings attended at the request of Council, or approved by the Chairman. If rental cars are used they are to be cheaper than mileage allowance or air fare.

### **Air Travel – Domestic**

All domestic travel is to be approved in advance by the Chairman or Chief Executive and booked through Council Corporate Services.

**Air Travel – International**

All international travel is to be approved in advance by the Chairman or Chief Executive and booked through Council Corporate Services.

Council will meet the cost only of economy class airfares unless specifically approved otherwise by the Chairman or Chief Executive.

Stopovers for long distance flights will be at the discretion of the Chairman or Chief Executive, and where approved, will be paid or reimbursed.

**Airline Clubs / Airpoints / Airdollars**

The Chairman is provided with a Koru Club membership on the basis of frequency of air travel.

Airpoints or airdollars earned on travel, accommodation etc., paid for by the Council are available for the private use of members.

**Accommodation costs while away at conferences, seminars, etc**

Elected members will be reimbursed for the actual and reasonable cost of any expenditure incurred where this expenditure is incurred for attendance at the request of Council or approved by the Chairman or Chief Executive. Travel is to be approved in advance and all bookings are to be made through Council Corporate Services. This provision also applies to Councillors who normally live at a distance from Napier who stay overnight prior to or between Council or committee meetings

**Meals and sustenance, incidental expenses**

The reasonable cost of meals and sustenance will be paid or reimbursed where such expenditure is incurred for attendance at conferences, courses and business meetings attended at the request of Council, or approved by the Chairman or Chief Executive. A light lunch is generally provided to Councillors on Council and Committee meeting days.

**Private accommodation paid for by local authority**

An allowance of \$35 per night can be claimed by elected members where they decide to stay privately when attending a conference, course or business meeting where their attendance is at the request of the Council or approved by the Chairman or Chief Executive. Reasonable additional costs associated with staying privately can be claimed only if the prior approval of the Chairman or Chief Executive has been received.

**SECTION 7 – ENTERTAINMENT AND HOSPITALITY**

There are no hospitality or entertainment allowances paid to elected members. Where entertainment or hospitality is required at the request of the Council, or on the approval of the Chairman or Chief Executive, reimbursement can be claimed of an actual and reasonable basis.

**SECTION 8 – COMMUNICATION ALLOWANCES****Equipment and technology provided to elected members**

The following allowances are paid to elected members to assist with the costs of equipment and technology provided by the elected member.

**Computers**

Subject to the conditions below, elected members may be paid an allowance of \$65.55 per month to assist them to provide a personal computer that is available for use for Council business, including email and printing costs.

The allowance is based on the following formula:

$$\text{Allowance} = (\$2,200/36/2) + \$20 + \$15 = \$65.55$$

\$2,200 is taken as the cost of a personal computer with Microsoft Word (or equivalent) and anti-virus protection together with a printer. This figure is divided by 36 (the number of months in a triennium and also the expected life of a personal computer) and then by 2, taking Council use as half of the use of the computer.

\$20 is half the monthly cost of a basic Internet connection. The cost of a printer cartridge set is \$80 for usage six months i.e. \$15 per month.

Printer paper will be supplied on request from the Council for Councillors to use on council business.

**Conditions**

1. The computer allowance is subject to the elected member providing, and using regularly for Council business, a home computer connected to the Internet and loaded with a current version of Microsoft Word (or equivalent) and anti-virus software that is kept up-to-date.
2. The internet connection shall be such that when in use the normal telephone of the elected member continues to operate.

**Telephone Rental**

Except as set out below, elected members may be paid an allowance of \$21.50 per month, being half the standard cost of a residential phone connection. If the installation of a second telephone line is necessary for Council business, the Council will pay the costs of installing (subject to network availability) the second line and the elected members will be entitled to an allowance of \$35 per month to cover the monthly rental cost. The decision about whether a second line is necessary will be made by the Chairman of the Council in consultation with the Chief Executive. Elected members who have a second line installed will not be entitled to the allowance of \$21.50 per month. The cost of toll calls that are made to conduct the business of the Council will be reimbursed.

**Mobile phones**

All elected members who can be contacted on a mobile telephone are entitled to an allowance of \$20 per month. This allowance is based on half the cost of the monthly rental plus a contribution towards the cost of calls relating to Council business. It is assumed that a key benefit of a mobile phone is for incoming calls where the cost is met by the caller, and that elected members will make most outgoing calls from land lines. All elected members will provide their own phone at their expense.

**Answer Phones, Fax, Filing Cabinets**

On request, elected members will be supplied with an answer-phone, facsimile (where a claim is not being made by an elected member for computer-related equipment) and filing cabinet for the period of office. The Council will also supply a reasonable amount of necessary consumables.

Where a faxability line is required, then the cost of this will be paid by the Council. (The cost at the present time is in the order of \$3 per month.)

The equipment remains the property of the Council and must be returned when the elected member leaves office. New equipment will only be supplied where existing surplus equipment is not available.

**Limitation to Total Communications Allowance Payable**

Councillors will be limited to a total payment in any one financial year of \$750 and in the case of the 2010/11 financial year \$500 from 15 October 2010 to 30 June 2011.

**SECTION 9 – PROFESSIONAL DEVELOPMENT, CLUBS AND ASSOCIATIONS**

Council pays for the cost of professional development courses, seminars, etc approved by Council or the Chairman, within a specified annual budget.

No expenses or allowances in respect of subscriptions to Clubs or associations are paid other than professional bodies specific to their role with Council e.g. RMLA for Hearings Committee Members.

**SECTION 10 – OTHER EXPENSE REIMBURSEMENTS AND ALLOWANCES**

The following are reimbursed or provided to elected members:

**Clothing**

Elected members will be supplied with a rain jacket bearing the Council's logo.

**Stationery**

Stationery is available on request for use on Council business.

**Elected Members' Office**

Elected members are entitled to use the Councillors' Office, located next to the Council Chamber on the ground floor of the Regional Council building. The office is equipped with desks, phone and a computer.

**Chairman's Office**

The Chairman is provided with an office at the Council's offices in Napier. This office includes a direct dial telephone extension and networked computer. Limited secretarial assistance is also provided.

**SECTION 11 – TAXATION OF ALLOWANCES**

Withholding tax will be deducted from all allowances (as distinct from reimbursements of actual business expenses)

**SECTION 12 – SIGNATURE**

I seek approval from the Remuneration Authority, in relation to the period 15 October 2010 to 30 June 2011, of the expense reimbursement rules and payments of allowances applicable to elected members as set out in this document which was adopted by Council on 16 March 2011.

The approved document and any attachments will be available for public inspection in accordance with the Remuneration Authority's determination.

	<b>A Newman</b>	
Signature	Chief Executive	Date

**SUBJECT: RECOMMENDATIONS FROM ASSET MANAGEMENT AND  
BIOSECURITY MEETING**

**REASON FOR REPORT**

1. The following matters were considered by the Asset Management and Biosecurity Committee on Wednesday 9 March 2011 and are now presented to Council for consideration and approval.

**DECISION MAKING PROCESS**

2. These items have all been specifically considered at the Committee level.

**RECOMMENDATIONS**

**Mahia Community Wastewater Project – Memorandum of Understanding (MoU)**

That Council:

1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted policy on significance and that Council can exercise its discretion under Sections 79(1)(a) and 82(3) of the Local Government Act 2002 and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision due to the nature and significance of the issue to be considered and decided.
2. Endorses the signing of the Memorandum of Understanding (MOU) with the Mahia community marae.
3. Delegates signing authority to the Council Chairman.

**Regional Pest Management Strategy – Discussion Document**

That Council:

4. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted policy on significance and that Council can exercise its discretion under Sections 79(1)(a) and 82(3) of the Local Government Act 2002 and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision due to the nature and significance of the issue to be considered and decided.
5. Notes that in complying with the requirements of the Biosecurity Act 1993, Council will meet the requirements of the Local Government Act 2002.
6. Adopts, subject to any amendments agreed by Council, the Discussion Document for the Review of Council's Regional Pest Management Strategy as tabled.
7. Agrees that consideration of submissions on both the Discussion Document and the Proposed Reviewed Regional Pest Management Strategy be handled by:
  - 7.1 A panel comprising members of the Hearings Committee and the Chairman of the Asset Management and Biosecurity Committee, with delegated authority given to the Chairman of the Hearings and Asset Management Biosecurity Committees to appoint panel members.



**Mike Adye**  
**GROUP MANAGER**  
**ASSET MANAGEMENT**

**Attachment/s**

There are no attachments for this report.



**SUBJECT: QUARTERLY SIGNIFICANT INITIATIVES UPDATE FOR COUNCIL**

**REASON FOR REPORT**

1. Significant council resources are being directed toward various initiatives which reflect the Council's evolving agenda and it is considered important that Council is more consistently informed on progress in areas that have a high external profile.
2. This is not intended to be a 'repeat' of information reported through the Project Narratives or Group Summaries, but rather 'additional' information or statistics not contained within those documents. Staff will provide these updates within the quarterly Annual Plan reporting timeframes.
3. This report provides Council with suggestions about the significant initiatives to be reported on, as well as 'how' progress will be reported and 'what' information will be included. In developing this report, staff seek feedback from Councillors as to whether the proposed initiatives and measures meet their needs.
4. It is anticipated that over time some areas will drop off and others will be added as the agenda evolves.

**Suggested Initiatives to be Reported On**

**WATER**

**Water Metering**

5. In 2009, Council specifically targeted installation of water meters as part of its water demand management plan. Since then national regulations have been gazetted. These regulations require all takes greater than 5 L/s to have a meter installed and report their water use to Council.
6. The following lead-in periods apply before existing consents have to comply with the regulations:
  - 6.1. A permit that authorises 20 L/s or more – 10 November 2012
  - 6.2. A permit that authorises 10 L/s up to 20 L/s – 10 November 2014
  - 6.3. A permit that authorises 5 L/s up to 10L/s – 10 November 2016.
7. There are approximately 3500 water take consents currently in existence in the region. There are 380 consented takes for 20 L/s or greater that are required to have a water meter installed by November 2012.
8. All *new* consents with a volume of 5 L/s or greater are required to have a meter installed before the consent is exercised, and 151 Twyford consents fall into this category and are currently in the process of being installed.
9. Telemetry is a mandatory requirement for water take consents issued to:
  - 9.1. 73 Ngaruroro consents by 1 September 2011
  - 9.2. 156 Twyford consents by September 2012.
10. Since November 2010, 212 consent holders, for approximately 300 individual resource consents have installed meters and are using Council's new web entry system to report their water use, with more consent holders joining weekly.

**Water Storage**

***Ruataniwha Water Storage***

11. The Ruataniwha project has progressed through prefeasibility and advanced prefeasibility stage to full feasibility. The programme of works identified to complete the full feasibility phase over the next 18 months, to the stage of lodgement of consent

application, is listed below. This table and estimated timelines will be used to inform Council of progress.

<b>Ruataniwha Water Storage Feasibility Project - Summary of Key Tasks</b>	
<b>Category</b>	<b>Activity</b>
<b>Detailed Site Investigations</b>	Preliminary site investigations (Geological recon, seismic study)
	Drilling & pitting and test boreholes
	Reporting (factual & interpretive)
<b>Dam Break</b>	Modelling & interpretation of dam break event
<b>Environmental/Cultural Investigations</b>	Gap analysis to identify necessary environmental investigations
	IFIM/min flow policy development implications for Tukituki catchment
	Cultural Impact Assessment
	Determine flow requirements for each river
	Historic Heritage Assessment
	Fishery Assessment (site analysis & establishing context)
	Assess effects of reservoir water quality on receiving environment
	Terrestrial Vegetation and Fauna Assessment
	Values Assessment
	Exploring enhancement options (recreation & environmental)
	Assessment of road and infrastructure replacement needs
	Assessment of Effects on recreation and enhancement opportunities
	Visual modelling and Assessment of Effects on Landscape Values
	Assessment of Effects - Construction (e.g. traffic, noise etc)
	Assessment of Effects of land use change and water storage on SW/GW quality
	Environmental Planner time to collate info and prepare planning report
<b>Water Resource Investigations</b>	Model ground water/surface water interactions
	Min flow study and exploration of river augmentation
	Water allocation regime (hydrological and storage modelling, flow sharing and pump design)
	Water demand confirmation (on-farm and land use, incl town supply)
<b>Engineering Investigations</b>	Dam engineering costings
	Intake engineering costings
	Distribution network costings
	River/reservoir sedimentation study
	Power supply (pumping) & hydropower options
<b>Economic/Commercial Investigations</b>	Assess on-farm Economics/Affordability (beneficiary farmers and Financial Advisor)
	Assess hydro viability and energy supplier opportunities
	Economic Analysis and Value Proposition (All Zones - net benefit at farm gate + regional economy)
	Valuation
	Refined valuation building on initial Crighton Stone work
	Extended cost/benefit analysis incl social and environmental issues
	Develop ownership and management institution
	Merchant banker input to funding options for dams, distribution systems, and farmers
	Assess implications and opportunities for agricultural processing industry
<b>Land Tenure and Access</b>	Land access for investigations
	Land tenure and valuations
	Land tenure; dams A7 & D5 - DOC and Iwi
<b>Consultation &amp; Community Liaison</b>	Community consultation and liaison, including:
	-Ongoing liaison with Leadership and Stakeholders Groups
	-Targeted consultation and community liaison to determine hierarchy for development
	-Confirmation of water demand and drought standard
	-Liaison with Territorial Local Authorities
<b>Project Management</b>	Project management & reporting

### **Ngaruroro Water Storage**

12. In January 2010 Tonkin and Taylor (consultants) were contracted by HBRC, with funding assistance from the Sustainable Farming Fund (MAF), to complete the Ngaruroro Water Storage Prefeasibility Study. Water storage opportunities have been investigated and summarised as part of a prefeasibility study - stage 1 report identifying irrigation demand, irrigation zones and potential storage sites.
13. There are 2 further stages to the project which involve:
  - 13.1. Stage 2 - Refining options and cost estimating, fatal flaw analysis, dam break analysis and downstream distribution costs
  - 13.2. Stage 3 - Assessment of on-farm costs, potential downstream benefits, assessment of environmental issues and consultation.
14. The Prefeasibility stage is due for completion by the end of this financial year.

### **Central Hawke's Bay Wastewater Treatment and Discharge**

15. Concept design and draft resource consent applications prepared for the treatment of waste water from Waipawa and Waipukurau are currently being reviewed by a new consultant. This consultant has been tasked with reporting back to Central Hawke's Bay District Council by the end of March, with detailed approaches to treatment utilising land owned by HBRC and planted in forest during the 2010 winter.
16. Post planting tree survival counts for the forests are programmed for March 2011 together with some access tracking.

### **Mahia Wastewater Treatment and Discharge**

17. No appeals on the Environment Court decision to grant consent were lodged. Council's agreement to purchase the land for wastewater treatment is now unconditional. Fencing of the land is currently underway. Survey for subdivision purposes is also underway. Once survey is completed, consent for subdivision will be applied for from Wairoa District Council and land title will follow granting of consent.
18. Planting of the block is being planned for the winter of 2011. Preparation work for forest establishment with initial spraying commenced in 2010 and continues.

### **Development of the HB Regional Water Strategy**

19. Reporting will initially focus on the development of the strategy. A budget estimate has been prepared which will be presented to the Strategic Planning and Finance Committee at its March meeting. The key milestone/indicators will include:
  - 19.1. Reference Group meetings held.
  - 19.2. Presentation of a draft Strategy to a Committee or Council in June 2011.
  - 19.3. Report on actual costs against the budget estimates.

### **Plan Changes**

20. In February 2010, the Council set timeframes for notification of a number of plan changes over the next two years or so. Progress against the development of the plan changes are proposed to be assessed against the following measures:
  - 20.1. Consultation/engagement undertaken with stakeholders as part of the development of the draft plan change.
  - 20.2. Draft plan change to Council for adoption for wider consultation.
  - 20.3. Proposed plan change to Council for notification and the commencement of the formal statutory process.

21. Currently, the following plan changes are scheduled:

<b>Change</b>	<b>Indicative notification timeframe</b>
Regional Coastal Environment Plan	N/A (appeal resolution only)
Air Quality	N/A (appeal resolution only)
Rivermouth hazard areas	N/A (submissions closed, hearing to be scheduled)
Taharua strategy	July 2011
Growth management (incl HPUDS, onsite wastewater, stormwater)	October 2011
Freshwater flows / allocation	March – July 2012

### **Future Scenarios Utilisation Plan**

22. HB 2050 Land River Us comprises three scenarios supported by a considerable amount of information about different factors which have the potential to impact and influence Hawke's Bay futures. It is, in itself an output, which when used as a tool becomes an input into discussions about what the future may hold. It is difficult to monitor the use of this tool by external organisations so the performance measure is limited to our use of the tool. The utilisation plan is to be presented to the Strategic Planning and Finance Committee at its March meeting.
23. The key measure will be the number and type of engagements that have used the scenarios as a tool to raise awareness and encourage discussion about futures.

### **LAND**

#### **Council owned Forestry**

24. Council forestry assets include the following:
- 24.1. Tutira Park 120 ha (Pinus Radiata)
  - 24.2. Waipawa 85 ha (mainly eucalyptus but a few pines on harder faces)
  - 24.3. Waipukurau 100 ha (mainly eucalyptus but a few pines on harder faces)
  - 24.4. Waihapua 116 ha eucalyptus and 24ha Redwoods and mixed dryland species; 20-30 ha is proposed for planting this year with the intention to complete the majority of the balance of the plantable area in 2012
  - 24.5. Mahia 40 ha to be planted this winter (mainly eucalyptus but a few pines on harder faces)
  - 24.6. Tangoio (managed by Council on behalf of Central Government) 550 ha of which 300 ha is production forestry, mainly Pinus Radiata.
25. Staff are currently:
- 25.1. Seeking registrations of interest from locally based forestry management operators with the objective of contracting to one of these the day to day management of these forest assets. It is expected that this arrangement will be in place by end of this financial year.
  - 25.2. Undertaking a feasibility assessment for further forestry investment that will improve financial and environmental performance of erodible hill country while providing an investment return to Council. This study will result in a report for Council consideration by June 2011.

- 25.3. Investigating options for further forest establishment on Council owned or administered river berm land and leased land where this will increase the efficiency of existing investments.
- 25.4. Developing a management framework for the effective and efficient management of these assets, the measurement of carbon sequestration, and the trading of associated carbon units.

### **Afforestation Grants Scheme**

- 26. Five projects have been completed in the 2010/11 financial year – Planted area 82.1 ha; grant \$191,575.
- 27. Eight projects have been approved for the 2011/12 year –area to be planted 270 ha; grant \$254,220.

## **COMMUNITY**

### **Healthy Homes**

- 28. The Healthy Homes programme was established in 2009 and encompasses the coordination of the programme for the Healthy Homes Coalition and the management of Council's Heat Smart programme.
- 29. Reporting will focus on three areas of work:
  - 29.1. The effectiveness of the Coalition in the development of programmes toward achieving broad healthy homes goals
  - 29.2. Progress on uptake of Council's Heat Smart Programme
  - 29.3. Progress on programmes funded by other organisations involving retrofitting of insulation and clean heat to homes.

### **National Cycleways**

#### ***Landscapes Ride***

- 30. The Landscape ride was approved in August 2010 for the construction of 35 km of new trail, additional to the existing 20 km of Rotary Pathway trail already constructed. To date 15 km of trail have been completed and opened for use prior to Christmas 2010. These sections were the coastal section of the ride from Haumoana to Te Awanga and a river stopbank section of the Tukituki River from the coast upstream toward Havelock North on the true right bank of the river.
- 31. Our expectation for the next three months is to construct the River road/Red Bridge/Moore Road section of the ride which is located alongside the upper section of the Tukituki River. This work is being carried out in conjunction with Hastings District Council. This section includes both on-road and off-road sections of trails totalling 14.6 km. A tender has been let for the construction of the on-road sections of trail due to commence in March 2011.
- 32. Further work is still required to progress the remaining section of the Landscapes trail which involves a connection between Red Bridge and the coast at Te Awanga. Options for this include the Craggy Range route along the Maraetotara River or a possible Cape Kidnappers connection through the Golf course and wildlife sanctuary areas, or combinations thereof.
- 33. The Craggy Range route is not currently supported by the NZCT project team due to issues around alignment, grade, landowner approvals and practicalities of construction.
- 34. Discussions for the Cape Kidnappers option are progressing slowly with tentative support from representatives of the predator free sanctuary indicating strong synergies between a possible cycleway and educational support for wildlife aspects of the sanctuary.

### **Water Ride**

35. Approval for the Water ride was received in December 2010 and includes a large section of the Ahuriri Estuary area adjacent to Napier city and the airport to the north. The proposed ride provides for 32km's of new ride in addition to the existing 46km's already constructed as part of the existing cycleway network for this ride and has a strong water, wildlife and cultural theme. Landowner approvals are well advanced with concession and easement documents being developed and finalised for the various properties. Agreements in principle already exist for the entire ride. Works is now commencing on specific on-site design detail and contract documents with the expectation for the first sections of work to be constructed prior to the end of this summer.
36. The proposed work programme has been separated into two areas, with Napier City Council managing and delivering the coastal sections of work over the next 6 - 9 months, while the Hawke's Bay Regional Council will manage and deliver the inland estuary works concurrently over a similar timeline. The overall project control and accountability remains with the Regional Council.
37. Specific work over the next three months will include finalising the easement documents and design and contract documents for the first sections of work.

### **Winery Ride**

38. Not supported by NZCT as part of the approved trails project but recognised locally as the most popular trail in its current form, i.e. on road, on state highway, as part of existing winery tourism sector initiatives. There is strong support for a purpose built off road safe Winery trail cycleway network. This trail has been included in the 2011/12 annual plan subject to sourcing full external funding.

### **Leasehold Land**

39. The information provided to Council in relation to Leasehold Land will include:
  - 39.1. The number of leasehold properties sold, and their value
  - 39.2. The number of leasehold properties where the ownership has been transferred
  - 39.3. The number of properties where a deferred payment applies
  - 39.4. The number of 'assistance supplements' processed through WINZ
  - 39.5. Progress on the strategy for the sell down of Napier leasehold property.

### **Treaty Settlements and the Establishment of the Regional Plan Committee**

40. The relationships between Council and the various Treaty settlement groups with interests in Hawke's Bay continue to develop at various rates.
41. Reporting on this initiative will initially focus upon two areas:
  - 41.1. The involvement of Council in specific Treaty settlement negotiations and the status of each of those settlements
  - 41.2. Progress in determining the principles and procedures for the establishment and operation of the Regional Plan Committee.
42. Once the Regional Plan Committee is operating this would no longer be reported on through this paper.

### **DECISION MAKING PROCESS**

43. Council is required to make a decision in accordance with Part 6 Sub-Part 1, of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained within this section of the Act in relation to this item and have concluded that, as this report is for information only and no decision is to be made, the decision making provisions of the Local Government Act 2002 do not apply.

## RECOMMENDATION

1. That Council receives the report titled '*Quarterly Significant Initiatives Update for Council*'.

A handwritten signature in dark ink, reading "Andrew Newman". The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line.

**Andrew Newman**  
**CHIEF EXECUTIVE**

## Attachment/s

There are no attachments for this report.





# HAWKE'S BAY REGIONAL COUNCIL

Wednesday 16 March 2011

## SUBJECT: MONTHLY WORK PLAN LOOKING FORWARD

Item 14

### REASON FOR REPORT

1. This report is provided in order to update Councillors with information about any significant issues and activities coming up over the next month in each area of Council.

Group	Area of Activity	Report to go to Council or Committee as indicated
<b>Asset Management</b>	<ul style="list-style-type: none"> <li>Review of Heretaunga Plains Scheme</li> </ul>	Review options for changes to levels of service for Heretaunga Plains Flood Control and Drainage Scheme – Rivers including cost/benefit analysis of options in May.
	<ul style="list-style-type: none"> <li>Asset Management Plan reviews</li> </ul>	Reviews of Asset Management Plans commenced. Committee approval for reviewed plans will be sought by November 2011.
	<ul style="list-style-type: none"> <li>Capital Works</li> </ul>	Upper Tukituki stopbank upgrade and Plantation Drain project commenced.
	<ul style="list-style-type: none"> <li>Biosecurity</li> </ul>	Regional pest management strategy review discussion document considered by AM&B Committee in March; submissions close April.
	<ul style="list-style-type: none"> <li>Management of Coastal hazards at Haumoana / Te Awanga</li> </ul>	Peer review work continuing. Report on outcome of peer review work will be prepared with HDC staff and presented to Council in early 2011.
	<ul style="list-style-type: none"> <li>Land Management</li> </ul>	Operational plan for 2011/12 year being prepared for consideration by AM&B Committee May 2011.
	<ul style="list-style-type: none"> <li>CHB District Council Wastewater project</li> </ul>	System design and consenting progressing.
	<ul style="list-style-type: none"> <li>Mahia Wastewater project</li> </ul>	Forest establishment planned for winter 2011.
<b>Resource Management</b>	<ul style="list-style-type: none"> <li>Replacement resource consent applications in the Twyford area</li> </ul>	Remainder of decisions (63) to be released on 18 March.
<b>Strategic Development</b>	<ul style="list-style-type: none"> <li>The Scenario report is now available and has been distributed. Positive feedback has been received. A Utilisation Plan to be prepared.</li> </ul>	Utilisation Plan to SP&F Committee in March.
	<ul style="list-style-type: none"> <li>Development of the Water Strategy with input from the Reference Group that has been established. A Water Strategy programme has been prepared.</li> </ul>	Present programme to April meeting of Environmental Management Committee.

Group	Area of Activity	Report to go to Council or Committee as indicated
	<ul style="list-style-type: none"> <li>28 submissions received to public notification of Variation 1 (Rivermouth Hazard Areas) to the proposed Regional Coastal Environment Plan. No further submissions received. Awaiting technical evidence then officers report will be prepared</li> </ul>	Hearings to be scheduled mid-late 2011.
	<ul style="list-style-type: none"> <li>Work on the drafting of objectives and policies for RPS to incorporate HPUDS/ Stormwater and Wastewater. Aiming to notify by October 2011.</li> </ul>	Update on progress to April EMC.
	<ul style="list-style-type: none"> <li>Progress Taharua Strategy as per project plan.</li> </ul>	Report on policy options to Environmental Management Committee in April.
<b>Corporate Services</b>	<ul style="list-style-type: none"> <li>Options for freeholding of Napier leasehold land.</li> </ul>	April 2011 – proposed Council Workshop.
	<ul style="list-style-type: none"> <li>Reassessment of the valuation methodology for freeholding Napier leasehold land.</li> </ul>	April 2011 – proposed Council Workshop.
	<ul style="list-style-type: none"> <li>Annual Budget 2011/12</li> </ul>	Consultation commences Wednesday 6 April 2011.
	<ul style="list-style-type: none"> <li>Proposed Joint Venture Agreement between RTO and Council.</li> </ul>	April 2011 Council Meeting.
	<ul style="list-style-type: none"> <li>Regional Public Transport Plan</li> </ul>	Discussion document being drafted and sent out during March.
<b>External Relations</b>	<ul style="list-style-type: none"> <li>Consultation on establishment of Investment Company</li> </ul>	Commences April 2011.
	<ul style="list-style-type: none"> <li>Continuation of discussions with Treaty claimant groups on development of Regional Planning Committee ToR</li> </ul>	Progressing.
	<ul style="list-style-type: none"> <li>Consultation on Draft Annual Plan</li> </ul>	April/May 2011.
<b>Operations/ Water Group</b>	<ul style="list-style-type: none"> <li>Pekapeka project – Foundation works completed on first bridge and 70% complete on second' disrupted by wet conditions through February. Remaining above water structure and decking to complete over the next period.</li> </ul>	Ongoing

Group	Area of Activity	Report to go to Council or Committee as indicated
	<ul style="list-style-type: none"> <li>Cycleways – Still awaiting landowner approvals, easements and concession documents. Work is progressing on final plans for NCC coastal section with work due to be tendered in the next month. On ground detail being finalised with DOC for western section of trail, with a decision on first section to be made next month.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>Plantation Drain – Work is to be completed on 4 major underground crossings of the Napier sewer pipe this month, prior to tendering of earthworks contract.</li> </ul>	
	<ul style="list-style-type: none"> <li>Ruataniwha Water storage – Work over the next month involves; a peer review of the project programme and budget and development of a contract brief in preparation for tendering the engineering work for the full feasibility phase.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>Ngaruroro Water storage – A stage 1 version of the prefeasibility report has been completed. Work on refining available irrigation areas will be completed this month to allow stage 2 &amp; 3 to proceed, prior to completion by the end of the financial year.</li> </ul>	Ongoing
<b>CE's Office</b>	<ul style="list-style-type: none"> <li>2011/12 Annual Plan</li> </ul>	Draft to Council's March meeting for adoption.
	<ul style="list-style-type: none"> <li>Commencing draft documentation of HBRC strategic plan post December for consideration by Councillors (with Exec Team)</li> </ul>	Scheduling a workshop with Councillors for May.
	<ul style="list-style-type: none"> <li>Freshwater Governance and Management – RAC paper, Central government policy agenda to be discussed with Central Govt CEs</li> </ul>	RAC paper to be circulated.
	<ul style="list-style-type: none"> <li>Further RAC work including public comment from RAC chair post LAWF report back to Govt.</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>Convening the RCEOs Water Sub-Group</li> </ul>	February meeting held in Hawke's Bay provided an opportunity to update officials from MAF, MfE, MED and LINZ on HB water issues.
	<ul style="list-style-type: none"> <li>Treaty Settlements – further work with Claimant Groups</li> </ul>	Met with Maungaharuru Tangitu

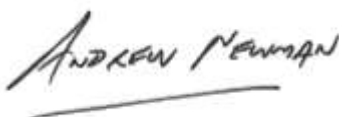
Group	Area of Activity	Report to go to Council or Committee as indicated
	<ul style="list-style-type: none"> <li>Investment Portfolio scenarios</li> </ul>	Scheduling Strategic Plan workshop.
	<ul style="list-style-type: none"> <li>Draft JV for Tourism Hawke's Bay (noting Annual Plan)</li> </ul>	April Council meeting
	<ul style="list-style-type: none"> <li>Options for Economic Development component of VHB</li> </ul>	Part of the Economic Strategy review.

### DECISION MAKING PROCESS

- Council is required to make a decision in accordance with Part 6 Sub-Part 1, of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained within this section of the Act in relation to this item and have concluded that as this report is for information only and no decision is required in terms of the Local Government Act's provisions, the decision making procedures set out in the Act do not apply.

### RECOMMENDATION

- That Council receives the Monthly Work Plan Looking Forward report.



**Andrew Newman**  
**CHIEF EXECUTIVE**

### Attachment/s

There are no attachments for this report.

# HAWKE'S BAY REGIONAL COUNCIL

Wednesday 16 March 2011

## SUBJECT: GENERAL BUSINESS

Item 16

### INTRODUCTION:

This document has been prepared to assist Councillors note the General Business to be discussed as determined earlier in Agenda Item 6.

ITEM	TOPIC	COUNCILLOR / STAFF
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## HAWKE'S BAY REGIONAL COUNCIL

Wednesday 16 March 2011

### **SUBJECT: CONFIRMATION OF THE PUBLIC EXCLUDED MINUTES FOR THE MEETING HELD ON 23 FEBRUARY 2011**

That the Council exclude the public from this section of the meeting being Agenda Item 17 Confirmation of the Public Excluded Minutes for the Meeting held on 23 February 2011 with the general subject of the item to be considered while the public is excluded; the reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution being as follows:

**GENERAL SUBJECT OF THE  
ITEM TO BE CONSIDERED**

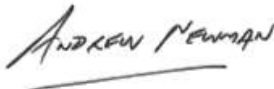
Confirmation of the Public Excluded Minutes for the Meeting held on 23 February 2011

**REASON FOR PASSING THIS RESOLUTION**

7(2)(b)(ii) To protect information which otherwise would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

**GROUND(S) UNDER SECTION 48(1) FOR  
THE PASSING OF THE RESOLUTION**

The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.



**Andrew Newman  
CHIEF EXECUTIVE**