



## Meeting of the Corporate and Strategic Committee

**Date:** Wednesday 18 July 2012  
**Time:** 9.00am  
**Venue:** Council Chamber  
Hawke's Bay Regional Council  
159 Dalton Street  
NAPIER

### Agenda

| ITEM   | SUBJECT  | PAGE |
|--|--|------|
| 1.   | Welcome/Notices/Apologies  |      |
| 2.   | Conflict of Interest Declarations  |      |
| 3.   | Confirmation of Minutes of the Corporate and Strategic Committee held on 16 May 2012       |      |
| 4.   | Matters Arising from Minutes of the Corporate and Strategic Committee held on 16 May 2012  |      |
| 5.   | Action Items from Previous Corporate and Strategic Committee meetings                      | 3    |
| 6.   | Call for General Business Items  |      |
| <b>Decision Items</b>                        |  |      |
| 7.   | Local Government Act Amendment Bill Submission   | 7    |
| 8.   | Delivering the Tukituki Strategy   | 21   |
| 9.   | New Zealand Local Government Insurance Corporation Limited (Civic Assurance) - Share Offer | 27   |
| <b>Information or Performance Monitoring</b> |  |      |
| 10.  | General Business   | 35   |



**HAWKE'S BAY REGIONAL COUNCIL  
CORPORATE AND STRATEGIC COMMITTEE**

**Item 5**

**Wednesday 18 July 2012**

**SUBJECT: ACTION ITEMS FROM PREVIOUS CORPORATE AND STRATEGIC  
COMMITTEE MEETINGS**

**Introduction**


1. **Attachment 1** lists items raised at previous 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. 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.

**Recommendation**

1. That the Committee receives the report "Action Items from Previous Corporate and Strategic Committee Meetings".



**Andrew Newman  
CHIEF EXECUTIVE**

**Attachment/s**

- 1 Items from Previous Corporate and Strategic Committee Meetings



### Actions from Corporate and Strategic Committee Meetings

#### 14 March 2012

| Agenda Item  | Action  | Person Responsible | Due Date | Status Comment   |
|--|---|--------------------|----------|--|
| 10. Peter Winder Presentation – Shared Services Report | Update on opportunities under investigation and under way | AN/LL              |          | Feedback from LTP submissions process to provide context for C&S paper for 18 July - outlining Council's options |

#### 16 May 2012

| Agenda Item  | Action  | Person Responsible | Due Date | Status Comment  |
|--|---|--------------------|----------|---|
| 10. Peter Winder Presentation – Shared Services Report | Update on opportunities under investigation and under way | AN/LL              |          | Feedback from LTP submissions process to provide context for C&S paper for 12 September - outlining Council's options |

Item 5

Attachment 1



**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 18 July 2012**

**SUBJECT: LOCAL GOVERNMENT ACT AMENDMENT BILL SUBMISSION**

**Reason for Report**

1. As indicated to Council at its meeting on 27 June 2012 a submission is being prepared on the Local Government Act 2002 Amendment Bill.
2. A draft submission is attached for the Committee's consideration, with the final submission (including amendments from today's meeting) to be adopted at the Council meeting on 25 July 2012.

**Background**

3. Key components of the draft submission are:
  - 3.1. The "problems" the Bill is attempting to address are poorly defined and lack substantive evidence.
  - 3.2. Further work is required as part of the Better Local Government Reforms before any effective changes to the legislation can be initiated.
  - 3.3. No justified rationale is provided for amending the "purpose" of local government and it introduces a new level of uncertainty.
  - 3.4. Proposed fiscal responsibility measures are a blunt instrument for dealing with the problem as described, and time needs to be given for the 2010 amendments to have effect.
  - 3.5. The intervention and assistance framework has some useful initiatives but generally continues the theme prevalent in the Bill, of reducing the levels of local democracy further.
  - 3.6. The reorganisation proposals further undermine local democratic choice, and appear to pave the way for widespread amalgamations whether or not local communities support these.
4. The draft submission does not include commentary on alternatives to the current territorial/regional or unitary models as potential options for reorganisation. The recent reforms in Auckland led to the introduction of a third model where local issues are decided locally and regional issues regionally. This was also the contention of the Royal Commission on Auckland. It would be helpful to have feedback from the councillors on whether or not it would be helpful to put forward this option.

**Decision Making Process**

5. Council is required to make a decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained in Part 6 Sub Part 1 of the Act in relation to this item and have concluded the following:
  - 5.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 5.2. The use of the special consultative procedure is not prescribed by legislation.
  - 5.3. The decision does not fall within the definition of Council's policy on significance.
  - 5.4. The persons affected by this decision are also entitled to make a submission on the Bill.
  - 5.5. Options that have been considered include not making a submission.
  - 5.6. The decision is not inconsistent with an existing policy or plan.

- 5.7. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

### **Recommendations**

The Corporate and Strategic Committee recommends 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. Agrees to lodge the attached submission to the Local Government and Environment Select Committee, subject to any further amendments arising at the meeting.



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

### **Attachment/s**

- 1 Draft Submission to LGA02 Amendment Bill 2012



26 July 2012

## **SUBMISSION OF THE HAWKE'S BAY REGIONAL COUNCIL TO THE LOCAL GOVERNMENT AND ENVIRONMENT SELECT COMMITTEE**

**on the**

### **LOCAL GOVERNMENT ACT 2002 AMENDMENT BILL**

#### **1. INTRODUCTION**

The following submission by the Hawke's Bay Regional Council has been prepared in response to the *Local Government Act 2002 Amendment Bill 2012* ("the Bill"). Councillors formally considered the submission at a meeting on 25 July 2012.

In addition the Hawke's Bay Regional Council is a member of *Local Government New Zealand* and supports the majority of points contained in the submission lodged by *Local Government New Zealand*.

#### **2. LOCAL GOVERNMENT IN NEW ZEALAND**

Local government is a cornerstone of the democracy on which New Zealand's unwritten constitution is based. Local government has become significantly independent of central government and this independence has arisen in two main ways:

- The Local Government Act places an obligation on each local authority to be directly accountable through the annual planning process to its own community for the ways in which it will allocate resources. This has been accompanied by a selective reduction in central government oversight of essentially policy matters. There remains, however, oversight of local government's stewardship roles through an external audit of its management and environmental activities; and
- There has been a steady withdrawal, over a number of years, of central government financial assistance and subsidies to local government. Present local government funding is about 90 per cent locally sourced. The balance comprises mainly financial assistance from central government for land transport.

Local government has responsibilities and delivers functions under a raft of legislation. Under some of this legislation local government acts as the main implementers of the legislation (e.g the Resource Management Act) and in some as agents of central government (e.g. liquor licensing). Reform over the past two decades has seen an emphasis on outcomes and outputs (instead of on inputs), and the legal requirement on councils to achieve the separation of policy and service delivery. The intention behind this is to bring about greater public accountability and transparency

in their conduct and to reduce conflicts of interest between their policy/regulatory and service delivery functions and between trading and non-trading activities.

The Local Government Act 2002 Amendment Bill is changing fundamentally the relationship between central and local government and its provisions are providing a challenge to democracy as it is understood within New Zealand. As drafted it will change the purpose and accountabilities of local government.

Parliament is elected to deal with issues relevant to New Zealand and its people as a nation. Local government is an essential component of democracy as it enables democratic local decision-making about local issues and services, and is focused on local needs and priorities. Managing diverse preferences requires that institutional structures reflect the principle of subsidiarity. Subsidiarity is an organising principle that says that matters ought to be handled by the smallest, lowest or least centralised competent authority. It is the idea that a central authority should have a subsidiary function, performing only those tasks which cannot be performed effectively at a more immediate or local level.

The amendments proposed by the Bill quite clearly reduce the capacity for local voters to determine their own requirements and parameters and to evaluate the subsequent performance of their local authority. In particular the provisions around the purpose of local government, an intervention framework, and fiscal responsibility see the power for central government to intervene in the operations of local government increase substantially. The principal concern of this Council is that these provisions lack justification for the wholesale changes being proposed – this concern is further analysed in commentary on the Regulatory Impact Statement.

### 3. BETTER LOCAL GOVERNMENT

The 'Better Local Government' announcements in March identified eight areas that the government saw as being in need of reform:

- Refocusing the purpose of local government
- The introduction of fiscal responsibility requirements
- The introduction of an assistance and intervention framework
- The streamlining of council reorganisation procedures
- The development of a framework for central and local government regulatory roles
- The establishment of a local government efficiency task force
- Reviewing the use of development contributions
- Examining the efficiency of local government infrastructure provisions

This Bill covers the first four of these areas, with the remaining four to be considered as part of "Phase 2" of the reforms. In Council's view this is **completely the wrong way around**. If the government is genuinely concerned about the performance of local government it needs to establish the evidence for this through the work of the Efficiency Taskforce and the Productivity Commission prior to the introduction of legislation that is not based on any justified problem descriptions.

The Efficiency Task Force has been appointed and its Terms of Reference developed. The Task Force is expected to report back by October 2012. Similarly the Infrastructure Taskforce has been tasked with identifying how good quality infrastructure to support a growing economy can be delivered at the least cost. Finally as part of Phase 2 the work of the Productivity Commission is underway and will examine the balance of functions allocated to local government by central government and ways to improve regulatory performance in the sector. This is to be followed by a non-statutory framework for guiding decisions on which functions should be undertaken by central and local government.

Hawke's Bay Regional Council is strongly of the view that, for the sake of efficiency and effectiveness for both sectors, these "Phase 2" reports should be completed, analysed and required changes identified as the first stage of achieving the government's desired goal of improving the operation of local government in New Zealand. The proposals contained in the current Bill could then be assessed to determine if and how they would further assist operational improvements.

#### 4. REGULATORY IMPACT STATEMENT

Of considerable concern to the Hawke's Bay Regional Council is the inescapable lack of confidence in the level of analysis that went in to the Bill, engendered by the Regulatory Impact Statement that accompanies it. We are of course aware of many of the political drivers that have lead to the hasty development of this Bill but have never before read a Regulatory Impact Statement that is quite so open and honest about the absence of evidence to support the proposals in the Bill.

Department of Internal Affairs senior officials state:

"There is limited evidence to inform the development of these proposals and the timeframe within which these proposals have been developed has restricted the ability to assess multiple options. The problem analysis and option assessment rely on assumptions that are not, or are only partially, tested."

and

"The short timeframe for formatting and drafting the legislation creates some risk that interventions could be incorrectly aligned, and/or require subsequent amendment to address unforeseen circumstances."

While we doubt that these statements will dissuade the government from its agenda we wish to express our fundamental concern at the costs to communities of hastily written and implemented legislation that also undermines the democratic process. There was no consultation on the formulation of the Better Local Government Bill. When these factors are put together with a reform work programme that should be reversed we seek a *suspension* of the Bill until more time and much greater consideration by both sectors can be given to these matters as a total package.

#### 5. SPECIFIC ISSUES IN THE BILL

##### 5.1 *Purpose of Local Government*

Hawke's Bay Regional Council questions the need for changes to the local government purpose statement. The current purpose focuses on the four wellbeings that, collectively, contribute to community wellbeing. This purpose statement has been in place since the passing of the Local

Government Act 2002. The new Bill changes that to “meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.”

We do not believe there is any rationale for removing all references to the wellbeings throughout the Act. The wellbeings provide an effective framework for determining how to best address community interests and needs, and for prioritising investment decisions. They do, in fact, underpin the rationale for local government.

Of even greater concern is the proposed replacement purpose and the myriad of uncertainties which that would bring. For example:

- What are “local public services” and what are not?
- How do you judge “good quality”?
- Would councils be able to support a future Rugby World Cup or similar, noting the government’s strong encouragement for councils to support the 2011 RWC?
- Is the construction of a water storage dam to improve the water flows within a major river catchment as well as enhancing irrigation potential in that catchment for the benefit of the regional economy classed as “local” infrastructure?
- The Super Gold Card for public transport is a central government funded initiative with increasing requirements of local funding – presumably this would not be classified as a “local” public service and councils would opt out.

In addition to the uncertainties around which activities might come under the proposed definition and which might not, there is the potential need to prove that a service has been delivered not merely cost effectively but “most” cost effectively. The term “most cost effective” does not provide explicitly for the wider consideration of the value derived from the investment or expenditure decision. It screams “cheapest option”.

Cost effectiveness is a very important element to be taken into account when an expenditure decision is made, but is not the only one. The concept of value includes not only cost effectiveness but also the opportunities for households and businesses to derive additional benefits on the back of infrastructure/services.

We support the request by Greater Wellington Regional Council in its submission that the term “most cost effective” be replaced with the more appropriate term: “in a way that provides the best value for households and businesses.” A focus on cost-effectiveness, rather than a broader consideration of value, may lead councils to make short term decisions involving deferral of maintenance on the grounds that this is the most cost-effective options for households and businesses during the course of the plan. These decisions could have negative implications if deferred maintenance or asset replacement generates significant additional and possibly unnecessary cost for future generations to meet.

Within the Regulatory Impact Statement’s criticism of the present purpose the old chestnuts of NCEA pass rates and investment in V8 car races as “non-core spending” are cited as evidence that

councils are operating outside their “core activities”. The NCEA reference appears to refer to the recently adopted Auckland spatial plan. Central government designed the spatial plan mechanism with the intent that it be a comprehensive focussed document that drew together central and local government investment intentions and agreed on joint priorities. Auckland Council has no intention of engaging in front-line delivery of education services as a result of this plan.

The V8 commentary in the Regulatory Impact Statement is also interesting. While berating Hamilton City Council for being involved in such an event the Government has now announced a \$2.2M contribution towards the facilities required to host the event at Pukekohe, **subject to contributions from** V8 Supercars and Auckland Tourism, Events and Economic Development (ATEED) – a Council Controlled Organisation under **Auckland Council**. This is sending confusing messages to the local government sector. As was the request from the Minister of Finance in 2009 for local government to kick-start the economy through spending on infrastructure and the deeming of the Rugby World Cup as a “core service” for local government.

What is the real message from central government? Could it please be consistent?

The reality of local government is that its purpose is to respond to the needs and aspirations of the communities it services. This is evidenced by the quantity and diversity of submissions made to Councils in Ten-Year and Annual Plan processes. An essential role that the community perceives is advocacy – where does that fit in with the purpose’s definitions?

As the Regulatory Impact Statement says: **“There is no clear quantitative evidence to suggest that the Local Government Act 2002 has resulted in a proliferation of new activities, or that local government is undertaking a wider group of functions.”**

## 5.2 Fiscal Responsibility

We agree that any organisation can improve. In the local government sector improvements have been achieved year on year and, in every Long-Term Plan cycle, the sector finds savings and efficiencies. The financial management framework emphasises the accountability of council to its community through:

- The adoption of an audited long-term plan every three years, which contains financial statements for the next ten years
- The adoption of annual plans in the intervening years
- The adoption of audited annual reports.

The Bill is proposing that parameters and benchmarks be set by local government by way of regulation. This appears to be developed on the premise that local councils are perceived to have insufficient incentives to reduce and constrain expenditure and keep rates and debt to minimum levels. Certainly media commentary on movements in rates and council debt are directed towards the allegations that these are “increasing too fast”.

The Regulatory Impact Statement (RIS) is particularly light on evidence in this area. It cites several examples of territorial authorities that have incurred financial management issues resulting in very high debt levels or not meeting statutory timeframes for annual plans and reports.

What it does not acknowledge is that:

- The 2010 amendments to the LGA requiring councils to adopt a financial strategy have only just come in to effect and it is way too early to ascertain their effects. It is worth noting that the Auditor-General has noted that the sector is generally planning to reduce debt levels in the 2012-22 Long-Term Plans. The examples cited in the RIS arose before this package of amendments was introduced and cannot be cited as evidence that the current framework does not provide adequate controls.
- The basis of much local authority expenditure is for investing in the future (and not just the here and now). Local authorities provide assets that have long service lives (50, 80, 100 years) meaning that both present and future generations get to enjoy the benefits of the assets. One of the core principles of government finance is intergenerational equity. Local authorities achieve this by borrowing part of the cost of the asset. A decision not to borrow or to borrow “too little” assumes that today’s ratepayers should subsidise the consumption of tomorrow’s ratepayers.
- The Government established the Local Government Funding Agency largely to assist councils with the cost of borrowing. At the 2009 Jobs Summit the local government sector was criticised for its lack of debt (“lazy balance sheets” was a term used at the summit) but also given the unambiguous message that councils should be increasing their infrastructural investment to “help communities through the recession.”

It is our view that the imposition of Government benchmarks is premature and heavy-handed. It would be preferable to allow for the sector to establish a central set of benchmarks as a self-regulatory mechanism in the first instance. If it is agreed at some point in the future that these are not working then this issue could be revisited.

As outlined earlier in our submission this is another example of a poorly thought-out tool to fix a problem that has not yet been determined or defined.

### **5.3 Intervention and Assistance**

As drafted the Bill confers significant powers on the Minister of Local Government to intervene in local government if he or she considers that there is a “problem”. The major omission from the Bill is that there is no definition of what constitutes a “problem”. Councils become effectively accountable in the first instance to the Minister of Local Government, rather than to their own electorates.

The “Better Local Government” reforms stated that: “New Zealand cannot afford to let some councils underperform, mismanage important decisions, or worse, risk failure. There is too much at

stake.” Accordingly the Bill “provides a graduated mechanism for Crown assistance and intervention in the affairs of local authorities, enabling central government to provide assistance to struggling councils before the situation becomes critical”. Disappointingly this fails to recognise that councils have been operating successfully for most of the country’s history.

These intervention powers are predicated in the existence of a “problem” which is defined in the bill as any of the following:

- Matters or circumstances relating to management or governance detracting from a council’s ability to give effect to its purpose
- The consequences of a state of emergency
- A failure to demonstrate prudent management of its revenues, expenses, assets, liabilities, investments or general financial dealings in terms of any parameters or benchmarks.

The Hawke’s Bay Regional Council has little issue with either of the first two criteria. Our concern is with the third, a failure to meet defined parameters or benchmarks. With the involvement several times each year by the Office of Auditor General (OAG) in each council’s financial affairs we can conceive of no circumstances where a council that is managing its finances imprudently would not have had this picked up by the OAG.

The new framework provides six Ministerial powers: three ‘powers to assist’ and three ‘powers to intervene’. These powers form a spectrum ranging from minimal intrusion at one end to maximum intervention at the other. As we have noted in our earlier comments the significant issue here is that these proposals make councils effectively accountable in the first instance to the Minister rather than to their own electorate.

Hawke’s Bay Regional Council supports in principle the introduction of lower level interventions not currently available to the Minister (provision of information upon request, appointment of Crown Reviewer, appointment of Crown Observer). Our concern, however, is over how the Minister will determine if a problem exists. We suggest that a role is considered for the Controller and Auditor-General to provide impartial advice to the Minister to better form a view on whether a problem exists in a local authority, and to assist in determining the nature of any intervention to address the problem. This will allow for sufficient pre-investigation of a problem, and remove the likelihood of a repetitive complainant initiating a full Ministerial review.

Finally as the Bill is drafted the Minister would be able to appoint any person they wish to a Crown Review Team, or as an Observer, Manager or Commissioner. We suggest that this discretion may be too wide and that experience in particular skill sets, such as financial management, law, asset management or local governance, should be prescribed for these appointments.

#### 5.4 *Employment and Remuneration policy*

The Bill provides for a local authority to adopt a single policy relating to employee staffing levels and employee remuneration. Specifying staff numbers is quite a blunt instrument to control inputs as consultants may be used instead to meet council expectations.

It is worth noting for the Select Committee's consideration that in 1993 remuneration costs for local authorities accounted for 29% of their expenditure while in the year to June 2010 it was 23% of local authority expenditure. The tools already exist for Councils through Long-Term and Annual plan budget setting processes to set a limit on spending on remuneration. These plans are subject to public consultation (unlike the proposed employment and remuneration policy).

As issues relating to staff numbers may be quite distinct from that of employee remuneration we suggest that this provision, should it be adopted, be amended to provide for the ability of councils to adopt separate policies on these matters.

The proposed changes would require the Chief Executive, when negotiating the terms of employment of staff of the local authority, to act in accordance with any remuneration and employment policy adopted by the Council. This could inadvertently lead to unions considering that employee staffing levels are part of any collective agreement negotiations.

#### 5.5 *Mayoral powers*

Hawke's Bay Regional Council does not oppose the provisions which generally align the roles and powers of Mayors with those of the Mayor of Auckland. We recognise that the power to appoint deputies and committee chairs, as well as to establish committees, would not be appropriate for Chairs of regional councils who are elected to the Chair position by the other elected representatives on the council.

However for the avoidance of any future uncertainty we consider that leadership provisions similar to that being given to Mayors under section 41A(1) be extended to regional council chairs.

#### 5.6 *Reorganisation*

The problem definition that this section of the Bill seeks to address continues the theme of other parts of the Bill in undermining local democratic choices. It contends that the current process makes it difficult for communities and other local government stakeholders to seek alternative arrangements unless they secure the support of their council as well as other affected councils, or have the time and resources necessary to generate a petition that meets statutory requirements. Proposals that are accepted then face a relatively long and complex process with no guarantee of success (Regulatory Impact Statement).

The reorganisation procedure outlined in the Bill appears to go to the other extreme to make reorganisation proposals a foregone conclusion with little broad community support required across the entire affected areas. It may well lead to hostile takeovers, the swamping of less



populous authorities and asset grabs (such as may well occur in the instance of the well managed and financially prudent regional councils, such as Hawke's Bay).

The Regulatory Impact Statement states that to address problems with the status quo a new system should seek to "confirm significant community support for change in each affected territorial authority." The Bill however talks about any body or group with an interest in the governance of an area may apply for reorganisation. They will have to demonstrate to the Commission that their application has "significant community support". While the term "significant community support" is defined nowhere is it clear what will be considered "the community" for these purposes. This is critical. For example, would a group with, say, 1000 members in a region of, say, 150,000 be classed as a 'community'?

It is the view of this Council that the relationship between the Minister of Local Government and the Local Government Commission should be once-removed in order to avoid any perceptions of pre-determination of proposal outcomes. We do not believe that the Minister should be able to prioritise or set timelines for consideration of reorganisation proposals by the Local Government Commission.

The provisions relating to a poll in any reorganisation proposal are fundamentally flawed. As drafted they require that a poll may be demanded by a petition of 10% or more of electors in the affected area and this petition must be submitted within 40 working days of the Commission's final proposal.

**In the view of the Hawke's Bay Regional Council a poll of persons in an affected area on a reorganisation proposal must be compulsory. This is a basic democratic right.**

In the absence of certainty around a test of "significant community support" a mandatory poll is the only democratic means of determining the views of the entire affected area.

The minimum safeguard for local democracy should be that 10% of electors in any of the affected areas could instigate a poll. Similarly 50+% support in a poll in any of the affected districts should entitle that community to either defeat the proposal or enable the community to stand aside from the reorganisation.

In Clause 27 of the Schedule dealing with reorganisation proposals it states that an affected local authority is prohibited from advertising in support or against a proposal when a poll is being held, whereas any lobby group that is not a local authority is not banned from advertising. This can, and should, be seen as a significant erosion of the rights of citizens to obtain information and should be struck out in its entirety.

For a proposal to succeed the Local Government Commission must be satisfied that the reorganisation will promote efficiencies, productivity improvements and simplified regulation. These are supported. What is missing from the Bill in this list of criteria, however, is any consideration of whether or not a reorganisation proposal will promote better democratic

processes or community engagement. Democracy is not necessarily the most efficient form of administration but it is what our earlier generations fought for.

#### 5.7 Summary of Requested Changes to the Bill

| Clause             | Suggested Amendment  |
|--------------------|--|
| All                | Suspend the progress of the Bill until reports are considered from the Efficiency Task Force, the Infrastructure Taskforce and the Productivity Commission   |
| Alternatively .... |  |
| 7                  | <p><b>Delete Clause 7</b></p> <p>Or</p> <p>Replace clause 7(1) with “to meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that provides the bet value for households and businesses”</p> |
| 14                 | Delete proposed section 31A in its entirety to remove the potential for perception of pre-determination of reorganisation applications.  |
| 16                 | <p>Insert a new proposed section 41B as follows:</p> <p><b>41B Role of regional council chairperson</b></p> <p>The role of a chairperson is to provide leadership to_</p> <p>(a) Other members of the regional council; and</p> <p>(b) the people in the district of the regional council</p>          |
| 17                 | Amend clause 17 (2) to refer only to remuneration policy.  |
| 22                 | Delete Clause 22 in its entirety   |
| 24                 | <p>Amend Clause 36A to read:</p> <p><b>“A local authority may adopt a policy or separate policies in relation to –</b></p> <p>(a) Employee staffing levels; and</p> <p>(b) the remuneration of employees</p>   |
| Schedule 1         | <p>Amend Clause 7 to:</p> <p>Define “community”</p> <p>Quantify “significant community support’</p>  |
| Schedule 1         | <p>Amend Clause 8 (1) (b) as follows:</p> <p>“Facilitating, in the affected local authority or local authorities:</p> <p>..</p>  |

|            |   |
|------------|---|
|            | ..<br>..<br>(iv) enhanced democratic processes and community engagement.”   |
| Schedule 1 | Delete Clause 21 in its entirety.<br><br>Replace with provisions that require that when a final proposal has been issued the Local Government Commission <u>must</u> conduct a poll to determine whether or not the final proposal is to proceed.<br><br>Make consequential amendments to Clause 22 |
| Schedule 1 | Amend Clause 25 as follows:<br><br>“(1) If more than 50% of the valid votes cast <b>in each affected area</b> in the poll are for a final proposal, the Commission must prepare a reorganisation scheme to give effect to its proposal”   |
| Schedule 1 | Delete Clause 27 in its entirety  |

**The Hawke’s Bay Regional Council wishes to be heard in relation to this submission.**

**Address for Service:**

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**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 18 July 2012**

**SUBJECT: DELIVERING THE TUKITUKI STRATEGY**

**Reason for Report**

1. The purpose of this report is to present Council's proposed approach to deliver the Tukituki Strategy and to co-ordinate the decision-making elements of the Tukituki Plan Change and the Ruataniwha Water Storage project.
2. The proposed approach involves the following:
  - 2.1. Preparation of a change to the Regional Policy Statement (RPS) to incorporate key elements of the Land and Water Management Strategy (to be heard by a Council Hearing Panel).
  - 2.2. Preparation of a document which identifies choices – a number of different land and water management scenarios for the community to consider and understand the implications of these choices. A 'Tukituki Choices' document would be supported by an assessment of options and their respective benefits and costs. Such an assessment is essential to meet requirements of s32 RMA in any event for plan change processes.
  - 2.3. Preparation of consent and designation application documents for RWS project if deemed feasible in light of the water management framework in the plan change.
  - 2.4. Having the Minister for the Environment, through the Environmental Protection Authority, consider any consent applications associated with the RWS project and the proposed Tukituki Plan Change as matters of National Significance in order that they might then be directed to a Board of Inquiry.
3. The Council's decision regarding the use of the Environmental Protection Authority process can only be 'in principle' because the Feasibility studies for the RWS project have not yet been completed and considered by either the Investment Company (HBRIC) or HBRC, and therefore no decision has been made to proceed to the consenting phase.
4. In the absence of the Environmental Protection Authority/Board of Inquiry option, the status quo would apply in as much that a council hearing panel for the RPS and plan change would then occur with the applications for consents for Ruataniwha Water Storage being a direct referral to the Environment Court.

**Background**

5. The Council has considered a range of model approaches in public excluded sessions. Council indicated a preferred approach but requested that the proposed approach be presented to the Ruataniwha Leadership Group and the Ruataniwha Stakeholder Group to test the proposition.
6. A combined meeting of the above two groups was held on Monday 25 June 2012 and a presentation was made to them. The approach was positively received. Many noted that the Tukituki Choices document was an important document and that the scenario evaluations needed to be robust.
7. A similar paper was presented to the Regional Planning Committee on Wednesday 11 July 2012. The recommendation from that Committee was that Council:
  - 7.1. Approves the development of a change to the Hawke's Bay Regional Policy Statement to incorporate relevant elements of the Hawke's Bay Land and Water Strategy to set the regional context for values associated with the region's freshwater resources.

- 7.2. Supports the preparation of the 'Tukituki Choices' document which identifies different land and water management scenarios for the Tukituki catchment.
- 7.3. Instructs staff to undertake specific consultation with Te Taiwhenua O Tamatea and Te Taiwhenua O Heretaunga regarding the Tukituki Choices document.
- 7.4. Approves an approach to the Minister for the Environment seeking to have the following matters considered as matters of national significance determined by a Board of Inquiry:
  - a) the proposed plan change for the Tukituki River Catchment
  - b) applications for all consents relating to the Ruataniwha Water Storage project.
8. An outline of the basis for the proposed approach is outlined in the following sections.

### **Hawke's Bay Land and Water Management Strategy**

9. The 2011 Hawke's Bay Land and Water Management Strategy provides a non-statutory overarching direction for the management of land and water in the region. It was developed through multi-party Reference Group process reflecting that there are many agencies that have a role to play in achieving the desired environmental and economic outcomes. The Strategy has a focus on future viability and resilience of the region's land and the regional long term prosperity through sustainable land use and water management while maintaining overall quality of freshwater ecosystems for agreed management objectives. It is therefore an important context for the Tukituki Strategy.
10. Key policies in the Land and Water Management Strategy in relation to freshwater management include:
  - 10.1. Land and water management is tailored and prioritised to address the key values and pressures of each catchment (Policy 1.5)
  - 10.2. Relevant HBRC investments are aligned to the Strategy (Policy 1.7)
  - 10.3. Adequate transition times and pathways for changes to water allocation and to reach water quality targets are worked out with communities (Policy 1.8)
  - 10.4. Forward thinking water management decisions are made in the interests of longer environmental, economic, social and cultural values. (Policy 3.1)
  - 10.5. Large scale community storage infrastructure which can provide increased water security in water scarce catchments is recognised as a key element of long term sustainable solutions. (Policy 3.8)
  - 10.6. Develop an integrated catchment approach to land and water management. (Policy 3.23)
11. These policies, along with others, need to be embedded in the statutory documents in order to give context to the catchment specific objectives and limit setting.
12. It is proposed to change the Regional Policy Statement to provide the regional context for tailoring and prioritising the key values and freshwater management objectives across the region.

## Tukituki Strategy

13. The Tukituki Strategy is described in Table 1. It sets out what we want to achieve and what HBRC is proposing to do to get there.

**Table 1: Tukituki Strategy**

| Resilient Ecosystems  | Resilient Economy   | Resilient communities  |
|---|---|--|
| <b>We want:</b><br>Improved summer flows<br>Improved water quality<br>Improved aquatic and riparian habitats  | <b>We want:</b><br>Improved water security<br>Increase business certainty<br>Increased inwards investment<br>Sustainable economic growth        | <b>We want:</b><br>Improved amenity<br>Restored mauri<br>Improved social well being  |
| <b>How do we get there:</b><br>Harvest winter flows for summer use as replacement to surface and groundwater takes<br><br>Review minimum flow and allocation limits<br><br>Set water quality limits<br><br>Support CHBDC to meet wastewater upgrade requirements in the current consent through appropriate treatment technology<br><br>Land and riparian management (Water and Nutrient) | <b>How do we get there:</b><br>Storage based Community irrigation scheme<br><br>Plan provides allocation framework (water quantity and quality) | <b>How do we get there:</b><br>Flow on effects from business certainty and security<br><br>Flow on effects from allocation framework |

14. Much of this will be delivered through changes to the Regional Resource Management Plan and through the Ruataniwha Water Storage project, should it progress to the next phase.
15. A number of different options have been explored in terms of how decisions on these two projects could be made. Key criteria for the options included:
- 15.1. Transparency – independent decision-maker from Council
  - 15.2. Certainty – a decision is made one way or the other within a defined timeframe
  - 15.3. Timeliness – maintains the momentum of the Storage project
  - 15.4. Cost efficiency – minimises duplication of processes, allowing funding to be spent in the right areas
  - 15.5. All strategy elements on the table - for stakeholders and decision-makers.

### Proposed approach

16. The option which met all the criteria was:
- 16.1. To prepare a discussion document 'Tukituki choices' which sets out a range of land and water management scenarios, including storage, along with a cost benefit analysis so that all parties can consider the implications of different land and water management regimes.
  - 16.2. To apply to the Minister for the Environment to call in the Ruataniwha Water Storage consent application, along with the proposed Tukituki plan change, as a matter of national significance and to refer it to a Board of Inquiry. This would mean that:
    - 16.2.1. an independent body would be making the decision;
    - 16.2.2. the Board of Inquiry could consider both the plan change and the consent application and all the submissions received in respect of each one before making decisions on each one;

- 16.2.3. under law, the Board of Inquiry must make a decision within 9 months of the notification. This provides certainty within a known timeframe;
- 16.2.4. only one hearing process would be held and appeals would be limited to the High Court on points of law.
- 16.3. The hearing would still be held in Hawke’s Bay.
- 16.4. As the Board of Inquiry is unable to award costs, parties to the hearing are not at risk of being subject to an appeal on costs by other parties.

**Time frames**

- 17. Tables 2 and 3 show the proposed time frame for the Regional Policy Statement and the Tukituki Plan Change and Ruataniwha Storage Process. Time frames are tight and there is a level of urgency across all projects.

**Table 2: Regional Policy Statement timeframe**

| RPS PROCESS | 2012 |   |   |   |   |   |   |  | 2013 |   |   |   |   |   |   |   |   |   |   |
|-------------|------|---|---|---|---|---|---|--|------|---|---|---|---|---|---|---|---|---|---|
|             | J    | J | A | S | O | N | D |  | J    | F | M | A | M | J | J | A | S | O | N |
| TASKS       |      |   |   |   |   |   |   |  |      |   |   |   |   |   |   |   |   |   |   |
| Draft       | ■    | ■ |   |   |   |   |   |  |      |   |   |   |   |   |   |   |   |   |   |
| Engage      |      |   | ■ | ■ |   |   |   |  |      |   |   |   |   |   |   |   |   |   |   |
| Notify      |      |   |   |   |   |   |   |  |      |   |   |   |   |   |   |   |   |   |   |
| Submissions |      |   |   |   | ■ | ■ | ■ |  |      |   |   |   |   |   |   |   |   |   |   |
| Report      |      |   |   |   |   |   |   |  | ■    | ■ | ■ |   |   |   |   |   |   |   |   |
| Hearings    |      |   |   |   |   |   |   |  |      |   |   | ■ |   |   |   |   |   |   |   |
| Decisions   |      |   |   |   |   |   |   |  |      |   |   |   | ■ |   |   |   |   |   |   |
| Appeals     |      |   |   |   |   |   |   |  |      |   |   |   |   | ■ | ■ | ■ | ■ | ■ | ■ |



**Table 3: Tukituki Plan Change and Ruataniwha Water Storage Project timeframe**

| PLAN CHANGE and RWS PROCESS      | 2012 |   |   |   |   |   |   | 2013 |   |   |   |   |   |   |   |   |   |   |
|----------------------------------|------|---|---|---|---|---|---|------|---|---|---|---|---|---|---|---|---|---|
|                                  | J    | J | A | S | O | N | D | J    | F | M | A | M | J | J | A | S | O | N |
| TASKS                            |      |   |   |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |
| Tukituki Choices                 | █    | █ | █ |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |
| Engage                           |      |   |   | █ | █ |   |   |      |   |   |   |   |   |   |   |   |   |   |
| Plan Change document Preparation |      | █ | █ | █ | █ | █ |   |      |   |   |   |   |   |   |   |   |   |   |
| Notify                           |      |   |   |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |
| Submissions                      |      |   |   |   |   |   | █ | █    | █ |   |   |   |   |   |   |   |   |   |
| EPA process                      |      |   |   |   |   |   |   |      |   | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| <b>Ruataniwha Water Storage</b>  |      |   |   |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |
| Feasibility                      | █    | █ | █ |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |
| Consideration                    |      |   |   | █ | █ |   |   |      |   |   |   |   |   |   |   |   |   |   |
| Document Preparation             |      |   |   | █ | █ | █ | █ | █    |   |   |   |   |   |   |   |   |   |   |
| Lodge                            |      |   |   |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |
| Call in period                   |      |   |   |   |   |   |   |      |   | █ |   |   |   |   |   |   |   |   |
| EPA 9 month process              |      |   |   |   |   |   |   |      |   |   | █ | █ | █ | █ | █ | █ | █ | █ |

**Decision Making Process**

18. Council is required to make a decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements contained in Part 6 Sub Part 1 of the Act in relation to this item and have concluded the following:
  - 18.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 18.2. The use of the special consultative procedure is not prescribed by legislation. However, all matters are subject to formal consultation procedures under the Resource Management Act.
  - 18.3. The decision does not fall within the definition of Council’s policy on significance.
  - 18.4. The persons affected by this decision are all persons with an interest in the region’s management of natural and physical resources, and specifically those resource users in the Tukituki River Catchment.
  - 18.5. Options that have been considered previously by Council include options with different decision-makers. None met all the criteria listed in this paper.
  - 18.6. The decision is not inconsistent with an existing policy or plan.
  - 18.7. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

**Recommendations**

The Corporate and Strategic Committee recommends 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. Approves the development of a change to the Hawke's Bay Regional Policy Statement to incorporate relevant elements of the Hawke's Bay Land and Water Strategy to set the regional context for values associated with the region's freshwater resources.
3. Supports the preparation of the 'Tukituki Choices' document which identifies different land and water management scenarios for the Tukituki catchment.
4. Instructs staff to undertake specific consultation with Te Taiwhenua O Tamatea and Te Taiwhenua O Heretaunga regarding the Tukituki Choices document.
5. Approves, in principle, an approach to the Minister for the Environment seeking to have the following matters considered as matters of national significance determined by a Board of Inquiry:
  - 5.1 the proposed plan change for the Tukituki River Catchment
  - 5.2 applications for all consents relating to the Ruataniwha Water Storage project.



**Helen Codlin**  
**GROUP MANAGER STRATEGIC**  
**DEVELOPMENT**

**Attachment/s**

There are no attachments for this report.

**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 18 July 2012**

**SUBJECT: NEW ZEALAND LOCAL GOVERNMENT INSURANCE  
CORPORATION LIMITED (CIVIC ASSURANCE) - SHARE OFFER**

**Reason for Report**

1. The purpose of this report is to advise that Civic Assurance, which has a major role in the provision of insurance products to Local Government, is offering the opportunity for councils, whether currently a member or not, to subscribe for up to 2,538,629 new shares at 0.90c per share.
2. Hawke's Bay Regional Council (HBRC) is not currently a shareholder and this paper provides the background on Civic Assurance and provides an assessment of HBRC becoming a shareholding member.

**Comment**

3. Shareholding in Civic Assurance is currently held by 68 of the 78 councils, and this shareholding represents 11,030,364 shares at \$1.00 each. Please refer to **Attachment 1** for an analysis of the councils that currently hold these shares. The net asset value per share is currently approximately \$1.29.
4. Civic Assurance is proposing to increase its shareholding by offering for sale, 2,538,629 shares at an offer price of 0.90c per share; this offer being available until 31 August 2012. If all these shares are taken up, then the amount raised will be \$2,280,000 and the net asset value per share will reduce to approximately \$1.22.
5. This additional capital raising will strengthen the balance sheet of Civic Assurance and its solvency margin which will enable the negotiation of insurance premiums at more favourable rates. These rates will then be offered to Local Government to assist with reducing all councils' expenditure on insurance. Civic Assurance's most current update is appended as **Attachment 2**.
6. Civic Assurance provides the following services to Local Government.
  - 6.1. Offers insurance cover for material damage, contracts, vehicle and plant, business interruption, deaths and benefits insurance and over the years Civic Assurance has been successful in securing placement of this insurance in Local Government, thus achieving lower premiums on a consistent basis for Local Government insurance. For example, prior to the Christchurch earthquake Civic Assurance placed the material damage cover for 86% of councils in 2008/09 and 31% of councils for 2009/10.
  - 6.2. As Administration Manager for the Local Authority Protection Programme (LAPP), Civic Assurance is currently in negotiations with the Local Government sector, covering the best way forward to continue with the placement of LAPP cover for the infrastructural assets of all councils in the event of these assets incurring damage in a disaster. In many cases the cover extended by the LAPP policies exceeds those available from the commercial sector, specifically in the replacement of live edge protection.
  - 6.3. As the Administration Manager for Riskpool, provides cover for public liability, professional indemnity, Harbourmaster and wreck removal insurance for Local Government. The premiums achieved through Riskpool have been much lower than those offered by commercial insurers.
  - 6.4. As the Administration Manager for SuperEasy, provides Kiwisaver advice and fund services to a high proportion of staff within Local Government.

7. Civic Assurance is owned by the 67 councils that are currently shareholders in the company and there is a Board of six Local Government representatives that controls the company.
8. Dividends are paid on a regular basis to shareholders as a return on their shareholding. These dividends have been maintained at an average rate of 11.86% over the five years ending 31 December 2009. There were no dividends paid in 2010 or 2011 as in those years Civic Assurance made losses as a consequence of the Christchurch earthquakes.
9. Civic Assurance is encouraging councils that are not currently shareholding members to subscribe for a shareholding as this would not only secure the involvement of an increasing number of councils but would also enable current large shareholding members to have the ability to increase their purchase of shares. The shareholding is currently limited to no more than 19.9% of shareholding to any one council.
10. Civic Assurance is not a Council Controlled Organisation as the Local Government Act 2002, part 1, section 6(4)(f) specifically excludes the New Zealand Local Government Insurance Corporation Limited (Civic Assurance) and its subsidiaries from being Council controlled organisations.
11. The Board of Civic Assurance established that the minimum subscription under this offer is 20,000 shares at 0.90c per new share, which would mean if HBRC was to subscribe for the minimum shareholding offer the outlay would amount to \$18,000. The proposal is to fund this outlay from the Sale of Land Investment Account.
12. An investment in these shares is consistent with the investment categories set out in HBRC's investment policy included in the 2012-22 Long Term Plan, and dividends would be paid on such an investment.

### **Decision Making Process**

13. As the Local Government Act 2002, part 1, section 6(4)(f) specifically excludes the New Zealand Local Government Insurance Corporation Limited (Civic Assurance) from being a Council Controlled Organisation, there is no need under the Act for a special consultative process to be undertaken prior to consideration and approval of the purchase of a shareholding by this Council in Civic Assurance.

### **Recommendations**

The Corporate and Strategic Committee recommends that Council:

1. Notes that as the Local Government Act 2002 specifically excludes the New Zealand Local Government Insurance Corporation Limited (Civic Assurance) from being a Council Controlled Organisation, there is no need under the Act for a special consultative process to be undertaken prior to consideration and approval of the purchase of a shareholding by Council in Civic Assurance.
2. Approves the purchase of 20,000 shares in the New Zealand Local Government Insurance Corporation Limited (Civic Assurance) at a price of 0.90c per share, and that the total cost of \$18,000 is funded from the Sale of Land Investment Account, noting that dividends are paid by Civic Assurance on these shares.
3. Notes that the purchase of shares in Civic Assurance is consistent with Council's Investment Policy as adopted in the LTP 2012-22.



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



**Fenton Wilson**  
**CHAIRMAN**

**Attachment/s**

- 1 Civic Assurance Share Register
- 2 Pulse Article 20 June 2012



| <b>NZ Local Government Insurance Corporation Ltd</b> |                           |                |
|--|---------------------------|----------------|
| Shareholder  | <b>As at 30 June 2012</b> |                |
|  |                           | <b>%</b>       |
| Ashburton District Council                           | 56,016                    | 0.51%          |
| Auckland City Council                                | 2,195,042                 | 19.90%         |
| Buller District Council                              | 27,698                    | 0.25%          |
| Carterton District Council                           | 23,642                    | 0.21%          |
| Central Hawkes Bay District Council                  | 28,580                    | 0.26%          |
| Central Otago District Council                       | 91,238                    | 0.83%          |
| Christchurch City Council                            | 1,417,704                 | 12.85%         |
| Clutha District Council                              | 33,711                    | 0.31%          |
| Dunedin City Council                                 | 470,966                   | 4.27%          |
| Environment Canterbury                               | 152,696                   | 1.38%          |
| Environment Waikato                                  | 22,000                    | 0.20%          |
| Far North District Council                           | 35,440                    | 0.32%          |
| Gisborne District Council                            | 99,404                    | 0.90%          |
| Gore District Council                                | 44,589                    | 0.40%          |
| Greater Wellington Regional Council                  | 80,127                    | 0.73%          |
| Grey District Council                                | 33,742                    | 0.31%          |
| Hamilton City Council                                | 202,729                   | 1.84%          |
| Hastings District Council                            | 129,170                   | 1.17%          |
| Hauraki District Council                             | 63,434                    | 0.58%          |
| Horizons Regional Council                            | 2,000                     | 0.02%          |
| Horowhenua District Council                          | 110,689                   | 1.00%          |
| Hurunui District Council                             | 14,000                    | 0.13%          |
| Hutt City Council                                    | 479,822                   | 4.35%          |
| Invercargill City Council                            | 407,927                   | 3.70%          |
| Kaipara District Council                             | 13,629                    | 0.12%          |
| Kapiti Coast District Council                        | 15,060                    | 0.14%          |
| Kawerau District Council                             | 31,161                    | 0.28%          |
| Manawatu District Council                            | 203,964                   | 1.85%          |
| Marlborough District Council                         | 86,022                    | 0.78%          |
| Masterton District Council                           | 127,230                   | 1.15%          |
| Matamata Piako District Council                      | 122,554                   | 1.11%          |
| Napier City Council                                  | 283,842                   | 2.57%          |
| Nelson City Council                                  | 95,543                    | 0.87%          |
| New Plymouth District Council                        | 441,456                   | 4.00%          |
| Otorohanga District Council                          | 5,000                     | 0.05%          |
| Palmerston North City Council                        | 411,737                   | 3.73%          |
| Porirua City Council                                 | 140,146                   | 1.27%          |
| Queenstown Lakes District Council                    | 31,149                    | 0.28%          |
| Rangitikei District Council                          | 23,338                    | 0.21%          |
| Rotorua District Council                             | 175,906                   | 1.59%          |
| Ruapehu District Council                             | 56,666                    | 0.51%          |
| South Taranaki District Council                      | 135,496                   | 1.23%          |
| South Waikato District Council                       | 42,374                    | 0.38%          |
| South Wairarapa District Council                     | 53,930                    | 0.49%          |
| Southland District Council                           | 13,715                    | 0.12%          |
| Stratford District Council                           | 65,608                    | 0.59%          |
| Taranaki Regional Council                            | 1,000                     | 0.01%          |
| Tararua District Council                             | 99,972                    | 0.91%          |
| Tasman District Council                              | 65,584                    | 0.59%          |
| Taupo District Council                               | 83,971                    | 0.76%          |
| Tauranga City Council                                | 124,242                   | 1.13%          |
| Thames Coromandel District Council                   | 7,120                     | 0.06%          |
| Timaru District Council                              | 230,118                   | 2.09%          |
| Trustpower   | 137,251                   | 1.24%          |
| Upper Hutt City Council                              | 51,209                    | 0.46%          |
| Waikato District Council                             | 41,070                    | 0.37%          |
| Waimakariri District Council                         | 88,172                    | 0.80%          |
| Waimate District Council                             | 30,458                    | 0.28%          |
| Waipa District Council                               | 149,082                   | 1.35%          |
| Wairoa District Council                              | 22,992                    | 0.21%          |
| Waitaki District Council                             | 120,000                   | 1.09%          |
| Waitomo District Council                             | 16,940                    | 0.15%          |
| Wanganui District Council                            | 289,660                   | 2.63%          |
| Wellington City Council                              | 526,821                   | 4.78%          |
| Western Bay of Plenty District Council               | 28,142                    | 0.26%          |
| Westland District Council                            | 16,356                    | 0.15%          |
| Whakatane District Council                           | 38,788                    | 0.35%          |
| Whangarei District Council                           | 63,524                    | 0.58%          |
| <b>TOTAL shares on issue</b>                         | <b>11,030,364</b>         | <b>100.00%</b> |





## CIVIC ASSURANCE UPDATE

Large losses to Civic's reinsurers from the Christchurch earthquakes meant they were not prepared to renew Civic's 2010-11 reinsurance programme. Unable to secure suitable alternative property reinsurance protection, Civic therefore withdrew from offering property insurance from 30 June 2011.

For Civic to re-enter the property insurance market in June 2012, three things needed to happen: (1) a successful capital raising, (2) suitable reinsurance support, and (3) an improved credit rating.

Step 1: Civic's capital raising at the beginning of 2012 was supported by 42 councils and raised \$4.2m, which lifted Civic's solvency margin from just over 100% to a more reassuring 163%. Thanks to the support from these 42 councils, it is possible for Civic to offer councils property insurance this year.

Step 2: Reinsurers' experience of local government in New Zealand is revealed in the following table:

| Entity   | Period    | Reinsurance Premiums | Reinsurance Estimated Claims |
|----------|-----------|----------------------|------------------------------|
| LAPP     | 1993-2011 | \$26 million         | \$192 million                |
| Riskpool | 1997-2011 | \$17 million         | \$62 million                 |
| Civic    | 2010-2011 | \$5 million          | \$900 million                |

Thus the high insurance prices currently being faced by councils are probably here for a while and are very unlikely to return to 2010 levels. The good news is that each of LAPP, Riskpool and Civic has secured reinsurance for 2012-13.

Step 3 to getting Civic back to writing property insurance was an improved credit rating. Prior to the Christchurch earthquakes Civic had an A (Excellent) stable rating. After Civic withdrew from the property insurance market in 2011 this became B++ (Good) with negative outlook. The indicative rating from AM Best today is A- (Excellent) stable.

Civic is now having a second capital raising to allow non-shareholding councils to become Civic shareholders and to allow those shareholders who missed out on the first offer or who would like to purchase additional shares an opportunity to do so. This will also provide Civic with extra capital that it can use to leverage its reinsurance capacity.

Being offered for sale are the 2,538,629 shares at an offer price of \$0.90 per share compared to a net asset value per share of approximately \$1.29. The offer closes 31 August 2012 and investors (only councils allowed) will be encouraged by the fact that before the Christchurch earthquakes, Civic enjoyed 49 years of consecutive profits.

A total in today's dollars of well over \$200 million in the form of dividends and premium rebates has been distributed to the sector by Civic and its predecessors (Municipalities Cooperative and Counties Cooperative). Civic over that time has also been a significant sponsor of LGNZ and SOLGM activities. Tested by time and disaster, Civic looks forward to the next fifty years.

Tim Sole  
Chief Executive Civic Assurance



**HAWKE'S BAY REGIONAL COUNCIL  
CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 18 July 2012**

**Item 10**

**SUBJECT: GENERAL BUSINESS**

**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 |
|------|-------|--------------------|
| 1.   |       |                    |
| 2.   |       |                    |
| 3.   |       |                    |
| 4.   |       |                    |
| 5.   |       |                    |