



Meeting of the Hawke's Bay Regional Council

Date: Wednesday 14 March 2018
Time: 1.00pm
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

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2.	Conflict of Interest Declarations	
3.	Confirmation of Minutes of the Regional Council Meeting held on 28 February 2018	
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HAWKE'S BAY REGIONAL COUNCIL

Wednesday 14 March 2018

Subject: ADOPTION OF THE POLICIES AND SUPPORTING INFORMATION FOR THE CONSULTATION DOCUMENT FOR THE 2018-28 LONG TERM PLAN

Item 4

Reason for Report

1. This report seeks Council's adoption of the policies and the supporting information for the 2018-28 Long Term Plan Consultation Document, as required by the Local Government Act 2002.

Draft Funding and Financial Policies for Adoption for Consultation

2. Under section 102 of the Local Government Act 2002 (LG Act), Council must, in order to provide predictability and certainty about sources and levels of funding, adopt the following funding and financial policies. Council must consult on draft policies in a manner that gives effect to the requirements of section 82 before adopting a policy under this section.
 - 2.1. *Investment Policy* – including the mix of investments, acquisition of new investments, an outline of the procedures by which investments are managed and reported to Council and an outline of how risks associated with investments are assessed and managed.
 - 2.2. *Liability Management Policy* - outlines the policies around borrowing including interest rate exposure, liquidity, credit exposure, debt repayment, borrowing limits, security and internal debt management. It also includes for the first time a statement around the use of Local Government Funding Agency.
 - 2.3. *Rates Remission and Postponement Policies* - These policies have been reviewed and updated to reflect our current practice on rate remissions and postponements. A policy on the remission and postponement of rates on Māori freehold land is a mandatory policy under the LG Act.
 - 2.4. *Revenue and Financing Policy* - identifies the funding sources and mechanisms that will be used to finance the Council's operating and capital expenditure for the 10 years beginning 1 July 2018.
3. Draft policies were presented to Council at workshops on 14 and 28 February 2018, with the exception of the Draft Revenue and Financial Policy which was out for external review.
4. Changes to the Draft Revenue and Financing Policy include a new group of activities approach to funding considerations such as community outcomes, user/beneficiary pays, intergenerational equity, exacerbator pays, and costs and benefits. Also a new section with an explanation of Council's considerations and moving the detailed allocation of rates and funding to an appendix to the policy.
5. It is proposed to adopt these draft policies for consultation alongside the Consultation Document. The final policies subject to community feedback will be adopted as part of the Long Term Plan in late June 2018.

Significance and Engagement Policy for Adoption

6. Under section 76AA, the Council must adopt and include in its long term plan a summary (or other description) of its Significance and Engagement Policy.
7. Council's existing Significance and Engagement Policy, first adopted in 2014, is in line with sector best practice and is considered fit for purpose. It was proposed to Council at

its workshop on 28 February 2018, to reconfirm this Policy with one amendment. The proposed change is to add “Waitangi Regional Park” to the list of Strategic Assets. This park, including the celestial compass, has been developed since the Policy was last adopted.

8. A strategic asset is defined in the Local Government Act 2002 as “an asset or group of assets that the local authority needs to retain to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future well-being of the community”.
9. Waitangi Regional Park has strategic value due to its location and cultural and historic significance. It is a long coastal park between Napier and Hastings and covers an area of 300 ha where numerous rivers meet the sea - Tukituki, Ngaruroro and Tutaekuri Rivers, Karamu Stream/Clive River plus Grange and Muddy Creeks. The Park links a significant chain of river and coastal reserve areas which have ecological, biodiversity and recreational values. The Ātea a Rangi Star Compass standing on the edge of the coast is a circle of pou (posts), stones and a whaharoa (gateway) to enhance this important historical part of the coast.
10. It is proposed to adopt the Significance and Engagement Policy and make it available as part of the supporting information package. It is not proposed to consult on a draft as this is considered a minor change that does not impact on the purpose of the Policy.

Supporting Information

11. Under section 93G of the LG Act, before adopting a consultation document, the Council must prepare and adopt the supporting information on which the content of the Consultation Document relies on and on which the Long Term Plan is prepared. These documents must be available to the public during the consultation process.
12. It is proposed to adopt the following documents as supporting information.
 - 12.1. Community outcomes
 - 12.2. Groups of Activities (including levels of services and cost of service statements)
 - 12.3. Council Controlled organisations
 - 12.4. Development of Māori capacity to contribute to decision-making processes
 - 12.5. HBRC Asset Management Policy, 30 Year (2018-48) Infrastructure Strategy and Asset Management Plans
 - 12.6. Financial Strategy
 - 12.7. Summary of Significant Accounting Policies
 - 12.8. Significant Forecasting Assumptions
 - 12.9. Financial statements
 - 12.10. Funding impact statement
 - 12.11. Information Memorandum on the Local Government Funding Agency (LGFA)
 - 12.12. Schedule of Fees and Charges.

Community Outcomes

13. To the extent determined appropriate by the local authority, a long term plan must describe the community outcomes for the local authority’s district or region.
14. At the Council workshop on 11 December 2017, staff presented the proposed performance management framework for the Long Term Plan. This included using the vision statement from the Council’s recently adopted *Strategic Plan 2017-2021* as the three community outcomes. These are:

OUR VISION: WE WANT

a healthy environment, a vibrant community and a prosperous economy

15. These icons have been developed to denote our community outcomes and are used in the Group of Activity Statements to show when activities primarily contribute to a community outcome.



16. Outcome measures were presented to Council at its workshop on 28 February 2018. The outcome measures are separate to the activity (or output) measures in the Group of Activities section. Their achievement is attributable to a range of Council's interventions as well as factors outside Council's control.
17. The outcome measures are sourced from the *Strategic Plan, 2017-2021*. The measures are timebound and wherever possible, align with national targets or an existing Hawke's Bay strategy or plan.

Groups of Activities

18. The Groups of Activities structure is the backbone of a long term plan. It is how information on what we do, why and what it costs is presented so needs to make sense to the reader.
19. At the council workshop on 11 December 2017, staff proposed aggregating council's business into the following seven groups of activities (GOA): These are:
- 19.1. Governance
 - 19.2. Strategic Planning
 - 19.3. Integrated Catchment Management
 - 19.4. Asset Management
 - 19.5. Consents and Compliance
 - 19.6. Emergency Management
 - 19.7. Transport
20. Levels of service, performance measures and targets were provided to Council at its workshop on 31 January. Feedback from Councillors received at this workshop has been incorporated as well as interim feedback from Audit NZ. The number of activity measures has been reduced from about 145 measures in the 2015 LTP to 60.
21. The complete Group of Activity statements were presented at the Council workshop on 28 February 2018.

Council Controlled Organisations

22. A long term plan must, in relation to each council-controlled organisation name the council-controlled organisation and identify:
- 22.1. the local authority's significant policies and objectives in relation to ownership and control of the organisation; and

- 22.2. the nature and scope of the activities to be provided by the council-controlled organisation; and
 - 22.3. the key performance targets and other measures by which performance is to be judged.
23. HBRIC continues to be HBRC's only council controlled organisation. The statement included in the 2015 Long Term Plan has been updated and was presented to Council at its workshop on 28 February 2018.

Development of Māori Capacity to Contribute to Decision-making Processes

- 24. A long term plan must set out any steps that the local authority intends to take to foster the development of Māori capacity to contribute to its decision-making processes over the period covered by that plan.
- 25. Staff have updated the statement on "Development of Māori Capacity to contribute to Decision Making Processes" from the 2015 Long Term Plan to bring it up-to-date with current co-governance and co-management processes and practices.
- 26. The revised *Statement on the Development of Māori Capacity to Contribute to Decision Making Processes* was presented to Council at its workshop on 28 February 2018.

HBRC Asset Management Policy, 30 Year (2018-48) Infrastructure Strategy and Asset Management Plans

- 27. As part of its long term plan, council must prepare and adopt an infrastructure strategy for a period of at least 30 consecutive financial years. The purpose of the infrastructure strategy is to identify significant infrastructure issues, plus options and implications for managing those issues. HBRC must include assets related to flood protection and control works in its Infrastructure Strategy as well as any other assets it wishes to include. The Infrastructure Strategy is informed by Asset Management Plans.
- 28. The draft Infrastructure Strategy, Executive Summaries of the Asset Management Plans for the two major schemes (Heretaunga and Upper Tukituki), plus an Asset Management Policy were presented to Council at its workshop on 8 November 2017. Feedback from Council and Audit NZ has since been incorporated into the Infrastructure Strategy.

Financial Strategy

- 29. A local authority must, as part of its long term plan, prepare and adopt a financial strategy for all of the consecutive financial years covered by the long term plan. The purpose of the financial strategy is to facilitate prudent financial management by providing a guide to consider proposals for funding and expenditure against; and provide a context for consultation on proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.
- 30. This strategy was first presented to Council on 14 February and again on 28 February with feedback included and the addition of an Investment Strategy. Since then, minor changes have been made as a result of feedback from Audit NZ.

Summary of Significant Accounting Policies

- 31. These are our standard accounting policies and have not changed since last Annual Plan and Annual Report.

Significant Forecasting Assumptions

32. These Assumptions are an update on the 2015 LTP and were considered by Council at its workshop on 28 February. The assumption include interest rates, cost adjusters, asset value adjusters, investment assumptions, assets and risks on these assumptions.

Financial Statements

33. The Financial Statements set out the 10 year forecast based on the various assumptions and levels of service consulted on in the Consultation Document. Included are the following statements:
- 33.1. Prospective Statement of Comprehensive Revenue and Expense
 - 33.2. Prospective Statement of Changes In Net Assets / Equity
 - 33.3. Prospective Statement of Financial Position
 - 33.4. Prospective Cash Flow Statement
 - 33.5. Various notes to the Financial Statements

Funding Impact Statement

34. The Funding Impact Statement sets out the impact that the HBRC Revenue and Financing policy has on ratepayers. Included are the following sections:
- 34.1. Local Government (Financial Reporting) Regulations 2011 for the whole of Council and for each group of activity
 - 34.2. Comparison of rates on specific properties
 - 34.3. Funding Impact Statement – explanation of rating method

Information Memorandum on the Local Government Funding Agency (LGFA)

35. This memorandum provides more information on the proposal to join the LGFA, including the risks and benefits of joining the scheme.

Schedule of Fees and Charges

36. Fees and charges provide around 20% of Council's annual funding requirement. As part of the financial information provided in a long term plan, council lists a schedule of fees and charges that relate to:
- 36.1. Resource management
 - 36.2. Building Act
 - 36.3. Maritime Transport and Navigation
 - 36.4. Preparation of, or change to a Regional Plan
 - 36.5. Provision of Information; and
 - 36.6. Other Charges.
37. At the Council workshop on 29 November, the Council considered changes to improve the process of charging consent holders for the recovery of science charges under Section 36. It was agreed to more directly charge the users of our services and change how we recover our science charges in favour of a more equitable split, to reduce higher charges in areas with a low number of consent holders. The changes include the addition of charges for coastal discharge consents; the combining of charges for discharge to water and land; ceasing charging for pumped drainage and splitting the 80% zonal charge to 40% regional average and 40% zone based.

Decision Making Process

37. Section 93(A) of the Act provides for the use of a special consultative procedure in relation to the adoption of a long term plan as prepared under section 93 of the Act.
38. LGA Section 93(G) requires that:
 - 38.1. Before adopting a consultation document under section 93A, the local authority must prepare and adopt the information that—
 - (a) is relied on by the content of the consultation document adopted under section 93A; and
 - (b) is necessary to enable the Auditor-General to give the reports required by sections 93C(4) and 93D(4); and
 - (c) provides the basis for the preparation or amendment of the long-term plan.

Recommendations

That the Hawke's Bay Regional Council:

1. Receives and notes the "Adoption of the policies and supporting information for the Consultation Document for the 2018-28 Long Term Plan" staff report.
2. Adopts the following funding and financial policies for consultation under the provisions of section 82 of the Local Government Act 2002:
 - 2.1. Draft Investment Policy
 - 2.2. Draft Liability Management Policy
 - 2.3. Draft Rates Remission and Postponement Policies
 - 2.4. Draft Revenue and Financing Policy
3. Adopts the Significance and Engagement Policy and includes it as part of the supporting information package for the Consultation Document for the 2018-28 Long Term Plan as required by section 76AA of the Local Government Act.
4. Adopts the following as supporting information for the Consultation Document for the 2018-28 Long Term Plan as required by section 93G of the Local Government Act 2002 including minor amendments agreed today or requested by Audit NZ, being:
 - 4.1. Community outcomes
 - 4.2. Groups of Activities (including levels of services and cost of service statements)
 - 4.3. Council Controlled organisations
 - 4.4. Development of Māori capacity to contribute to decision-making processes
 - 4.5. HBRC Asset Management Policy, 30 Year (2018-48) Infrastructure Strategy and Asset Management Plans
 - 4.6. Financial Strategy
 - 4.7. Summary of Significant Accounting Policies
 - 4.8. Significant Forecasting Assumptions
 - 4.9. Financial statements
 - 4.10. Funding impact statement
 - 4.11. Information Memorandum on the Local Government Funding Agency
 - 4.12. Schedule of Fees and Charges

Authored by:

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Attachment/s (hard copies provided to Councillors only)

1	Draft HBRC Funding & Financial Policies	Under Separate Cover
2	Significance & Engagement Policy	Under Separate Cover
3	Community Outcomes	Under Separate Cover
4	Groups of Activities	Under Separate Cover
5	Statement on Council Controlled Organisations	Under Separate Cover
6	Development of Maori Capacity to Contribute to Decision-making Processes	Under Separate Cover
7	HBRC Asset Management Policy	Under Separate Cover
8	30 Year (2018-2048) Infrastructure Strategy	Under Separate Cover
9	Asset Management Plan Executive Summary for Heretaunga Plains Scheme	Under Separate Cover
10	Asset Management Plan Executive Summary for Upper Tukituki Scheme	Under Separate Cover
11	Financial Strategy	Under Separate Cover
12	Summary of Significant Accounting Policies	Under Separate Cover
13	Significant Forecasting Assumptions	Under Separate Cover
14	Financial Statements	Under Separate Cover
15	Funding Impact Statement	Under Separate Cover
16	Information Memorandum on the Local Government Funding Agency	Under Separate Cover
17	Schedule of Fees and Charges	Under Separate Cover

HAWKE'S BAY REGIONAL COUNCIL

Wednesday 14 March 2018

Subject: ADOPTION OF "FACING OUR FUTURE 2018-28" FOR CONSULTATION

Item 5

Reason for Report

1. This report seeks Council's adoption of the Consultation Document (CD) for the 2018-28 Long Term Plan, entitled "Facing Our Future 2018-28".
2. The proposals within the Consultation Document are the culmination of many months of work by councillors and staff in the development of the Long Term Plan budgets and prior to that, in the development of the Council's Strategic Plan 2017-2021.
3. Council provided iterative feedback on the content of the Consultation Document at LTP workshops held on 31 January, 14 and 28 February 2018. This version incorporates this feedback plus changes required by Audit NZ to ensure the document is legally compliant.
4. The Consultation Document is currently undergoing a "hot-review" by the Office of the Auditor General, and any material changes to the Consultation Document or any of the supporting information as a result of the hot review will be identified and tabled on the day of the Council meeting.
5. Following adoption, the Consultation Document will be sent for printing. Public consultation officially starts on 19 March 2018 and closes at 4pm on 23 April 2018.

Background

6. All councils are required by legislation to have a Long Term Plan (LTP) at all times and must use the special consultation procedure to adopt it every three years. An LTP describes the activities of a local authority, the outcomes it intends to achieve and how it will fund those activities over a period of not less than 10 years.
7. As part of the special consultative procedure, a council must prepare a Consultation Document to facilitate consultation on its Long Term Plan (LTP). The CD must provide a fair representation of the matters proposed for inclusion in the LTP, and present these in a way that explains the overall objectives of the proposals, and how rates, debt, and levels of service might be affected; and can be readily understood. It must identify and explain significant and other important issues and choices facing the council and region, and the consequences of those choices. In other words, the Consultation Document must engage the community in the right debate.
8. The Consultation Document must contain a report from the Auditor-General on whether the consultation document gives effect to its purpose (i.e. is legally compliant); and the quality of the information and assumptions underlying the information provided in the consultation document.
9. There are also a number of draft policies that are related to the LTP that require consultation under section 82 of the LGA and other supporting information that Council has relied upon in preparing the Consultation Document that must be made public. These policies and other supporting document are attached to a separate report and must be adopted by Council prior to the Consultation Document being adopted.
10. Since August 2017, Councillors and staff have held a number of workshops and meetings to formulate the budgets and work programmes to be included in the LTP 2018-2028. Pre-engagement was undertaken via a rates survey on areas for more investment and willingness to pay. Over 2000 ratepayers responded to the survey. Presentations were made to the Maori Standing Committee and the Tangata Whenua Regional Planning Committee members during the development stage of the Consultation Document.

Levels of service, rates and debt

11. This plan signals a step-change in Council activity, particularly in the areas of land, water and biodiversity to achieve noticeable results on-the-ground at pace and at scale. There is increasing pressure on government (local and central) to deliver better environmental outcomes, and faster. The challenge for Council is to provide funding for its new strategic agenda, maintain a balanced operating budget and take into account the community's ability to pay.
12. Under the current proposals, the overall proposed rate increase is 13.8% to focus on environmental priorities and 5.2% for the regional Civil Defence in Year 1. Total rates in is forecast to be 6.4% in Year 2 and 6.1% in Year 3.
13. HBRC has historically had very low external debt. The plan focuses on leveraging the balance sheet by borrowing more for larger, long-term projects that provide intergenerational benefits. These include new borrowing of \$71M over ten years. Council is considering joining the Local Government Funding Agency (LGFA) scheme to access lower interest rates and more favourable terms and conditions. After repayments, debt will increase to \$38M by year ten of the plan. This equates to 6.8% of equity which is still relatively conservative and well below our debt limit of 28%.

Consultation Topics

14. There are seven key consultation topics in our Consultation Document. These are:
 - 14.1. Land, Water and Biodiversity - This is 9.5% of the total proposed rate increase in Year 1, to help us act more urgently to fix issues in our environment.
 - 14.2. Sustainable Homes - We plan to extend this fully cost-recovered programme to include solar hot water heating, PhotoVoltaic cells, domestic water storage and septic tank replacement.
 - 14.3. Civil Defence - Our plan is to take full responsibility for collecting a regional rate for Civil Defence, amounts to 5.2% of the total proposed rate increase in Year 1.
 - 14.4. Coastal Hazards Strategy 2120 - Threats to our coastal communities associated with climate change and sea level rise are behind this 0.9% targeted increase in total proposed rates for Napier and Hastings people in Year 1.
 - 14.5. Tangata Whenua - Our plan to work more effectively with Tāngata Whenua accounts for 2% of the total proposed rate increase in Year 1.
 - 14.6. Hawke's Bay Tourism - Stepping back the funding of Hawke's Bay Tourism is a 1.6% rates reduction and enables us to focus on environmental priorities.
 - 14.7. Local Government Funding Agency - Joining this scheme has no impact on rates or debt but gives Council access to lower interest rates for borrowing.
15. The options (including Council's preferred option) to address each of these issues and the implications in terms of impact on rates, debt and levels of services are set out in detail in the Consultation Document.
16. These consultation topics are in addition to our business as usual activities. These are described in more detail in the Groups of Activities statements in the Supporting Information. Our Groups of Activities include: Governance and Partnerships; Strategic Planning; Integrated Catchment Management; Asset Management; Consents and Compliance, Emergency Management and Transport.

Consultation Process

17. There are several proposals within the LTP Consultation Document that are of high public and media interest. These proposals will have major financial implications for Council and ratepayers. Therefore, the decision to adopt the LTP Consultation Document has a high level of significance.

18. The LG Act recognises the importance of the LTP Consultation Document and therefore, requires that the Special Consultative Procedure, as set out in section 83, must be used prior to adopting the final Long Term Plan. Staff are confident that the processes for consultation being used will meet Section 83 requirements, including:
 - 18.1. Media releases post adoption of the Consultation Document
 - 18.2. Making the Consultation Document, policies and supporting information (including a submission form and information on how to submit and be heard) available to the public on or before 19 March 2018 in council offices, libraries and online
 - 18.3. Writing to every ratepayer with a 4-page summary of the Consultation Document
 - 18.4. Providing a personalised rating comparison tool online
 - 18.5. Seven community meetings across the region over the consultation period to be fronted by Councillors
 - 18.6. Hearing of submissions between 22-24 May 2018
 - 18.7. Deliberations and adoption of the final after on 27 June 2018.

Decision Making Process

19. Section 93(A) of the Act provides for the use of a special consultative procedure in relation to the adoption of a Long Term Plan as prepared under section 93 of the Act. This section further provides that for the purposes of 83(1)(a), a Consultation Document must be prepared and adopted and will replace the need for a statement of proposal and a summary of the information contained in the statement of proposal.

Recommendations

That the Hawke's Bay Regional Council:

1. Receives and notes the "Adoption of Facing Our Future 2018-2028 for Consultation" staff report.
2. Adopts Facing Our Future 2018-2028, the Consultation Document for the 2018-28 Long Term Plan, subject to any changes required by Audit NZ and the insertion of the audit opinion.
3. Agrees that the HBRC Chairman and Chief Executive will have final approval of any further minor editorial amendments in the Consultation Document prior to it being printed and made available for public consultation.

Authored by:

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COMMUNICATIONS MANAGER

Desiree Cull
PROGRAMME LEADER

Approved by:

James Palmer
CHIEF EXECUTIVE

Attachment/s

1. Facing Our Future 2018-2028 consultation document Under Separate Cover