



Extraordinary Meeting of the Hawke's Bay Regional Council

Date: Tuesday 15 September 2020
Time: 11.30am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

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1.	Welcome/Apologies/Notices	
2.	Conflict of Interest Declarations	
3.	Confirmation of Minutes of the Regional Council Meeting held on 26 August 2020	
Decision Items		
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HAWKE'S BAY REGIONAL COUNCIL

Tuesday 15 September 2020

Subject: RECEIPT OF THE HAWKE'S BAY THREE WATERS, BUSINESS CASE OF THREE WATERS SERVICE DELIVERY OPTIONS REPORT

Item 4

Reason for Report

1. This report provides for the formal receipt by Council of the business case for a reformed delivery model for the delivery of three waters services in the region. The Regional Council has been a partner in this project alongside the territorial authorities in the region given the strategic importance of effective and efficient delivery of these services for the Council's role as regulator and manager of both source and receiving environments.

Officers' Recommendations

2. Council officers recommend that the Council receives and notes the **Hawke's Bay Three Waters, Business Case of Three Waters Service Delivery options report** and commits to continuing to work collaboratively with the region's councils in good faith to grow a thriving Hawke's Bay economy to support inclusive and connected communities and sustainable and resilient environments.

Executive Summary

3. Central Hawke's Bay District Council, Hastings District Council, Napier City Council and Wairoa District Council and the Hawke's Bay Regional Council commissioned Morrison Low in December 2018 to review the current and potential three waters (drinking, waste and storm) service delivery options for the region.
4. This report contributes to the strategic priority areas for the 2019-2022 triennium, Water – safety, security and planning agreed by the Hawke's Bay Leaders Forum on 25 November 2019 and expressed in the Triennial Agreement provided for by the Local Government Act 2002. Specifically, the priority areas for cooperative approaches on the regional three waters review of the provision of drinking water, wastewater and storm water services.
5. It should be noted that Central Hawke's Bay District Council, Hastings District Council, Napier City Council and Wairoa District Council have opted into the government three waters reform and stimulus programme committing these councils to engage in the first stage of the reform programme. This means that this report delivered to Council is for information only and will be used by council representatives participating in the government programme to inform discussions to represent Hawke's Bay's interests in the design of multi-regional service delivery entities.
6. The review followed a structured, staged process moving from current state assessment, definition of key objectives and principles, into analysis of a long and short list of options and their impacts on councils. The review report is now complete and provides independent analysis and recommendations on the effectiveness of existing drinking water, wastewater and storm water services, and alternative service delivery options.
7. It is important to note that the review is not directly about freshwater reforms, privatising assets or services, water storage or issues such as chlorination. Flood protection and control assets owned and managed by Hawke's Bay Regional Council were considered outside the scope for the review, but a reformed delivery model may present future opportunities for the delivery of Council's flood and drainage services.
8. The review report identifies that the status quo is not an option for the future of three waters service delivery in Hawke's Bay. Making no changes to the way the region's three waters services are delivered is not affordable or sustainable.

- 8.1. New regulations and standards are coming which will force change
- 8.2. Future affordability challenges need to be addressed
- 8.3. Strategically there are good reasons for the councils to work together:
 - 8.3.1. For customers, ratepayers, staff and councils
 - 8.3.2. To achieve the best solution for Hawke's Bay.
9. The Hawke's Bay councils face the same or substantially the same issues and need to address these challenges in an affordable, coordinated way that eliminates duplication and ensures that all councils and their communities have access to the appropriate strategic capability and capacity to do so.
10. Meeting the new regulations under current service delivery arrangements poses significant affordability challenges for the Hawke's Bay region, and in particular smaller councils. Recent consent of wastewater in Central Hawke's Bay and current consenting processes for wastewater in Wairoa are highlighting challenges of asset performance and affordability for these smaller communities.
11. The Review's forecast investment in three waters infrastructure across the region to meet new drinking and wastewater standards is estimated to, at a minimum, double since councils' 2018-2028 Long Term Plans from \$313m to \$605m.
12. The report recommends an asset owning council controlled organisation (CCO) as the preferred service delivery model as, in the view of the reviewers, it best met the councils' investment objectives and the cultural principles.
 - 12.1. It is the option that best addresses the issue of affordability. It is also the option that best addresses the very real risk that the scale of investment required to meet new standards and community expectations is greater than forecast.
 - 12.2. A dedicated regional water CCO is able to concentrate on three water challenges and prioritise investment decisions across the region, leading to better environmental and community outcomes than the Councils can individually achieve.
 - 12.3. It would have sufficient scale to create strategic capacity and capability across the region and support the areas where that is currently lacking. Scale, strategic capacity and capability gives a level of expertise and resilience in three waters that can be applied regionally, benefitting all ratepayers of the region rather than only some as is the case now.
 - 12.4. The model best provides the opportunity to provide a meaningful role for Māori, including co-design and co-governance.
 - 12.5. A regional water CCO is able to provide improved asset management, improved management of risk, and be better placed to meet any increased compliance requirements or increased environmental standards than the councils can individually.
 - 12.6. In addition to being the only model that effectively addresses affordability issues across the region, the asset owning model also maximises available operational savings for the region, ensuring that services are not only affordable, but delivered in a cost effective way.
 - 12.7. There will be a need to ensure that the Statement of Intent and Shareholders Agreement of the regional CCO retain an appropriate balance between the individual priorities of each council with regional priorities including planning and supporting growth.
13. The reviewers believe that a regional asset owning CCO should be owned collectively by Central Hawke's Bay, Hastings, Napier and Wairoa and taking into account the findings of the cultural case should be implemented using a co-governance model in partnership with Māori.

14. Partnering with Māori to co-design and co-govern responds directly to the principles developed for the review and the investment objective to have a model that enables a meaningful role for Māori. It builds on existing models of co-governance but does so in a way that would be designed specifically for Hawke's Bay three waters service delivery.
15. A regional asset owning CCO would operate as a separate legal entity external to all four councils, with its own governance, executive, administration support, procurement strategies and operational equipment. Importantly it would also own the networks and treatment plants and deal directly with customers.
16. A board of professional directors would be appointed by the shareholding Councils and Māori. The directors would have the associated duties, obligations and liabilities of company directors rather than of councillors.
17. Scrutiny of the CCO would be provided by a joint committee of the combined councils and Māori. The joint committee would, amongst other responsibilities, appoint and remove the directors and provide Māori with a co-governance role.
18. The CCO would co-locate staff virtually and/or physically, housing all management, administration, asset management, planning and project management staff, and the coordination of the maintenance crews and contractors. Wairoa and Central Hawke's Bay would operate as satellite offices. There would be an estimated 143 staff (including Napier City Services staff) in the CCO. This includes more than 16 additional roles than are currently directly involved in delivering and supporting the three waters across the four councils.
19. The report also sets out the key challenges and risks associated with adopting asset owning CCO models.
 - 19.1. Perceived inequity that arises when councils are transferring different levels of debt or assets of varying conditions. Where this happens, ratepayers may feel that they are inheriting someone else's problem.
 - 19.2. The impact of regionalising costs is that in order to reduce the costs of three waters services to an affordable level across the Hawke's Bay, Napier ratepayers may pay more for three waters than they otherwise would (under the enhanced status quo).
 - 19.3. Without the critical mass of all four councils there is a danger that the benefits of change will be substantially reduced or lost.
 - 19.4. Water and the formation of CCO's are both politically sensitive issues for councils and a risk that other issues are brought into the conversation that detract from the key underlying issues highlighted in this report.
 - 19.5. The development of a co-design and co- governance approach will require councils and Maori to participate in a new and potentially a resource intensive process.
 - 19.6. Creation of a regional water entity will impact resourcing organisation structures and functions of each council. Water activity is a significant proportion of each council's budget so the transfer of the activity to a CCO will impact the way each council operates in the future. Consideration should be given to Councils broader priorities. COVID-19 has demonstrated how quickly the needs and priorities of communities can change.
 - 19.7. The extent to which Government is able to support formation of an asset owning CCO with a) legislative change to the Local Government Act 2002 and b) providing funding or investment to resolved the challenges of regionalisation and cross subsidisation.

Background /Discussion

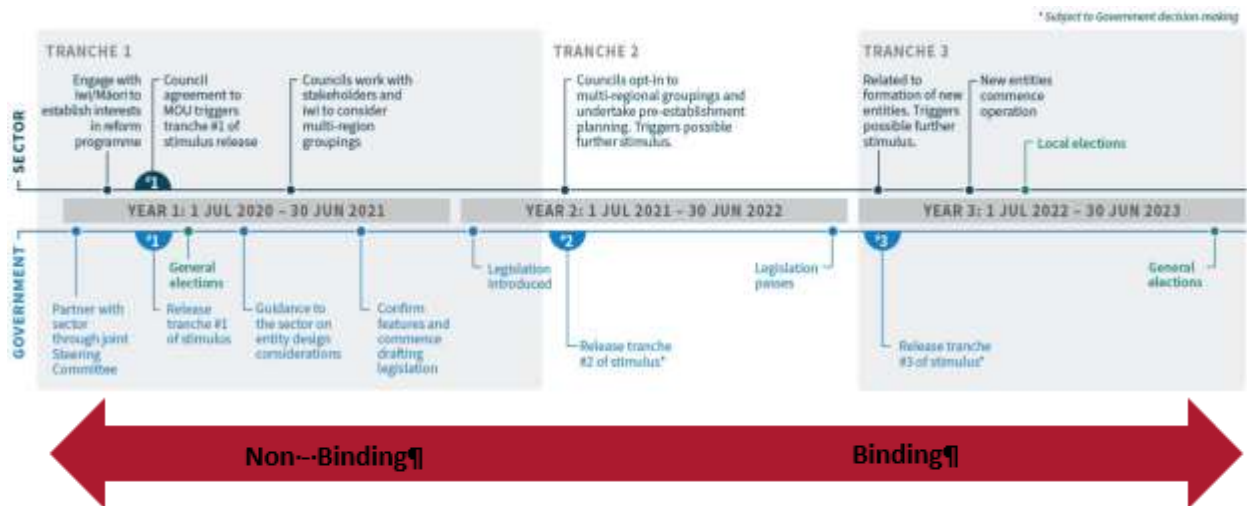
20. Central Hawke's Bay District Council, Hastings District Council, Napier City Council and Wairoa District Council and Hawke's Bay Regional Council commissioned Morrison Low in December 2018 to review the current and potential three waters (drinking, waste and storm) service delivery options for the region.
21. The review aligns with all five councils shared strategic priority for water safety, security and planning agreed as part of the Hawke's Bay Triennial Agreement October 2019 - 2022 and specifically referenced as a priority area for cooperation to review the provision of drinking, waste and storm water services.
22. Central government has supported the Hawke's Bay three waters review and the Minister's funding of \$1.55 million announced in January 2019 attests to that support. Hawke's Bay now has the opportunity to provide further perspective into the Central Government review on developing options to address the key concerns on regional solutions to improve the management of drinking water, storm water and wastewater.
23. Over the past three years, central government have been considering the issues and opportunities facing the system for regulating and managing the three waters.
24. The Government Inquiry into Havelock North Drinking Water – set up following the serious campylobacter outbreak in 2016 – identified widespread, systemic failure of suppliers to meet the standards required for the safe supply of drinking water to the public. It made a number of urgent and longer-term recommendations to address these significant systemic and regulatory failures.
25. The Government's Three Waters Review highlighted that, in many parts of the country, communities cannot be confident that drinking water is safe, or that good environmental outcomes are being achieved. This work also raised concerns about the regulation, sustainability, capacity and capability of a system with a large number of localised providers, many of which are funded by relatively small populations.
26. The local government sector's own work has highlighted similar issues. For example, in 2014, LGNZ identified an information gap relating to three waters infrastructure. A 2015 position paper, argued for a refresh of the regulatory framework to ensure delivery of quality drinking water and wastewater services, and outlined what stronger performance in the three waters sector would look like.
27. Both central and local government acknowledge that there are many challenges facing the delivery of water services and infrastructure, and the communities that fund and rely on these services. These challenges include:
 - 27.1. Underinvestment in three waters infrastructure in parts of the country, and substantial infrastructure deficits. For example, it is estimated that between \$300 to \$570 million is required to upgrade networked drinking water treatment plants to meet drinking water standards; and up to \$4 billion is required to upgrade wastewater plants to meet new consent requirements. These deficits are likely to be underestimates, given the variable quality of asset management data.
 - 27.1.1. Persistent funding and affordability challenges, particularly for communities with small rating bases, or high-growth areas that have reached their prudential borrowing limits.
 - 27.1.2. Additional investment required to increase public confidence in the safety of drinking water, improve freshwater outcomes, and as a critical component of a collective response to climate change and increasing resilience of local communities.
 - 27.2. COVID-19 has made the situation even more challenging. Prior to COVID-19, territorial authorities were planning on spending \$8.3 billion in capital over the next five years on water infrastructure. However, COVID-19 is likely to cause significant decreases in revenue in the short term. As a result, borrowing will be constrained due to lower debt limits that flow from lower revenues, and opportunities to raise revenue through rates, fees and charges will be limited.

Progress with government three waters regulatory reforms

28. Progress is being made to address the regulatory issues that were raised by the Havelock North Inquiry and the Governments Three Waters Review. The Government is implementing a package of reforms to the three waters regulatory system, which are designed to:
 - 28.1. improve national-level leadership, oversight, and support relating to the three waters – through the creation of Taumata Arowai, a new, dedicated Water Services Regulator
 - 28.2. significantly strengthen compliance, monitoring, and enforcement relating to drinking water regulation
 - 28.3. manage risks to drinking water safety and ensure sources of drinking water are protected; o improve the environmental performance and transparency of wastewater and stormwater networks.
29. Legislation to create Taumata Arowai had its third reading on 22 July 2020 and should be enacted shortly. This new Crown entity is currently being built, and will become responsible for drinking water regulation once a separate Water Services Bill is passed (anticipated mid 2021).
30. However, both central and local government acknowledge that regulatory reforms alone will not be sufficient to address many of the persistent issues facing the three waters system. Reforms to service delivery and funding arrangements also need to be explored.
31. Hawke's Bay as a region has now completed our Three Waters Review, which assesses current and potential service delivery options for drinking, waste and stormwater for all of Hawke's Bay. Through this, the intention was that our councils would form a collective view on how we can use this opportunity to find the best long-term solution for three waters service delivery in Hawke's Bay, meeting the needs of all our communities.
32. As a region and district, our communities will be in a very good position to participate in the Government's co-design of three waters service delivery entities. Together, we will form a collective view on how we can use this opportunity to find the best long-term solution for three waters service delivery in Hawke's Bay, meeting the needs of all our communities.

Government Reform Process and indicative timetable

33. Government has communicated a three-year programme to reform three waters service delivery arrangements, which is being delivered in conjunction with an economic stimulus package of Crown investment in water infrastructure. The reform programme will be undertaken in stages.
34. The initial stage is an opt in, non-binding approach, which involves councils signing a Memorandum of Understanding, Funding Agreement, and Delivery Plan documents. Wairoa District Council, Napier City Council, Hastings District Council and Central Hawke's Bay Council have agreed to participate in this initial stage of the reform process and will receive a share of the initial \$50 million Hawke's Bay funding package.
35. Any further tranches of funding will be at the discretion of the Government and may depend on progress against reform objectives.
36. An indicative timetable for the full reform programme is provided below. While this is subject to change as the reforms progress, and subject to future Government budget decisions, it provides an overview of the longer-term reform pathway.



Considerations of Tangata Whenua

37. The Local Government Act requires councils to provide for Māori to contribute to decision-making processes. Section 6(e) of the Resource Management Act 1991 sets out:
- 37.1. *“Matters of national importance – In achieving the purpose of this Act, all persons exercising functions and powers under it, in relation to managing the use, development, and protection of natural and physical resources, shall recognise and provide for the following matters of national importance: The relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu, and other taonga”.*
38. The Māori engagement strategy used in this project was to meet with the existing council Māori committees of the four territorial authorities, as well as the Hawke’s Bay Regional Council Regional Planning Committee and Māori Committee. Noting that Central Hawke’s Bay does not have a formal committee, a meeting was held with Te Taiwhenua o Tamatea in place of a formal committee of Central Hawke’s Bay District Council. Over 2019 and early 2020 tangata whenua engagement affirmed seven principles.

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

39. The significance Māori place on these principles and therefore on water is best encapsulated in the following korero.

39.1. *Te wai, he taonga i tuku iho mai i ngā tipuna – water is a taonga, a precious treasure passed down from our ancestors.*

40. The chairs of the Māori committees were clear that a meaningful role for Māori starts with the opportunity for partnership with co-design of the model across co-governance and operations. They were stringent in their view that the status quo is not a sustainable option for our environment and Te mauri o te wai. An Assert owning CCO was their preferred model with adaptation to a Māori worldview that places people within the environment, and not in a dominant and exploitive view.
41. The engagement identified a cultural gap in the better business case framework. Initially the approach was to weave a cultural element through the business case but during the project it became clear that a separate cultural case was required. The rationale for a cultural case was that Māori cultural values and traditions associated with water have been well documented within Council processes, however the operational implementation of cultural values was considered to be a gap.
42. The role of the cultural case is to highlight that within the regulatory framework relating to water, Te Ao Māori, through its language, genealogy, stories and traditions, requires a greater level of competency than usual. The cultural case is underpinned by the Treaty of Waitangi.

Financial and Resource Implications

43. There are no financial implications arising from the receipt of this report at this time.

Consultation

44. Consultation on the options for reform of three waters service delivery was intended once council's selected a preferred approach or approaches, and the development and receipt of this report was intended to be the first step in this process. As a result of the Government's national reform process formal public consultation is currently on hold until such time as the implications of these reforms for the region become clearer.

Decision Making Process

45. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
 - 45.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 45.2. The use of the special consultative procedure is not prescribed by legislation.
 - 45.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
 - 45.4. 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 *Ngā Tūtohunga*

That Hawke's Bay Regional Council:

1. receives the report titled **Hawke's Bay Three Waters, Business Case of Three Waters Service Delivery options.**
 - 1.1. The report is for **information purposes only**. No decision relating to the recommendations set out in this report are required by Council.
2. Notes that Central Hawke's Bay District Council, Hastings District Council, Napier City Council and Wairoa District Council have opted in to the government three waters reform and stimulus programme committing our councils to engage in the first stage of the reform programme. This includes working together with neighbouring councils and government to consider the creation of multi-regional entities.
3. Agrees that the **Hawke's Three Waters, Business Case of Three Waters Service Delivery Options** report provides our region's representatives in the reform programme detailed information and analysis to engage with government to identify approaches to service delivery reform design that considers the recommendations, findings and challenges from the report.
4. Based on the principles agreed in the Hawke's Bay Triennial Agreement, agrees to continue the collaboration between the five councils as the region engages in the Central Government Three Waters Reform programme.

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Approved by:

James Palmer
CHIEF EXECUTIVE

Attachment/s

- | | |
|--|----------------------|
|  1 Hawke's Bay Business Case of Three Waters Service Delivery Options | Under Separate Cover |
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HAWKE'S BAY REGIONAL COUNCIL

Tuesday 15 September 2020

Subject: LEVERAGING COUNCIL'S \$1M RECOVERY FUND

Item 5

Reason for Report

1. This item seeks the Council's support to commit \$700,000 of the \$1M Recovery Fund established through this year's Annual Plan towards two Freshwater Improvement Fund applications.

Officers' Recommendation(s)

2. Council officers recommend that councillors consider the opportunity to utilise the Recovery Fund for leveraging funding from the Freshwater Improvement Fund (FIF) for two large environmental enhancement projects and agree in principle to support the funding of these projects as part of an application to the FIF by Hawke's Bay Regional Council and the Porangahau Catchment Group.

Executive Summary

3. Council staff are completing applications to the Ministry for the Environment's Freshwater Improvement Fund (FIF). The FIF will 50/50 match Hawkes Bay Regional Councils (HBRC) contributions towards the project, including external costs and in-kind time. To take greatest advantage of this match funding, we are requesting to use funds from the HBRC Recovery fund to leverage further funding from the FIF. This \$1million Recovery Fund is part of the HBRC Climate. Smart. Recovery. Programme to ensure our recovery from the COVID-19 crisis is sustainable and our environment enhanced.

Background /Discussion

Recovery Fund

4. In July 2020, Council resolved to proceed with its proposal through the 2020-21 Annual Plan to establish a \$1 million Recovery Fund. The purpose of the Recovery Fund is to enable Regional Council to act quickly and with some flexibility to leverage potential government co-funding into planned Council related capital projects that promote employment, encourage economic activity and accelerate positive environmental change and therefore support the Hawke's Bay economy back to its fastest recovery.
5. The \$1M for this fund was reallocated from a budget tagged for additional office space and updated facilities for field staff. New opportunities arising from COVID-19 have enabled the Council to revisit needs for additional office space and delay the timing for this project.
6. A draft Recovery Fund Policy was presented to Council at the time the Annual Plan was adopted to give confidence to submitters to the Annual Plan and ratepayers that there is rigour around the spending of the funding. The Policy is a non-statutory policy that sets out the decision-making process, including criteria that will be used to assess proposals.
7. The two projects put forward in this paper to access \$700,000 of the Recovery Fund, (i.e. the Freshwater Improvement Funding application for Ahuriri Catchment (\$400,00) and Porangahau catchment (\$300,000) are considered a good fit with the objectives and score highly when assessed against the Climate. Smart. Recovery criteria in the draft Policy.
8. At this stage no other projects have been identified and scored against the Climate. Smart. Recovery criteria, but staff have earmarked \$250,000 to support Asset Management activities such as regional parks and fish passage (subject to successful applications to the next round of the Freshwater Improvement Fund), and \$50,000 for the Whangawehi Catchment project.
9. As noted in the draft Policy, staff recommend these projects to Council for consideration.

Freshwater Improvement Fund (FIF)

10. In August, two new Freshwater Improvement Fund (FIF) rounds were announced as part of the \$1.3 billion Jobs for Nature programme. \$55 million is available over two rounds. The first-round closes on 21 September 20, while the second round will open from 27 January to 10 February 21. This funding is available for environmental projects supporting initiatives that create employment opportunities to improve the management of lakes, rivers, wetlands and streams.
11. Collectively, we expect the proposed catchment projects in this report to create work for approximately 40 people, through planters, fencers, project managers, engineers, and advisors.
12. The FIF is based on a 50/50 co-funding arrangement, therefore the Council is required to put forward 50% of the funding to be matched by the FIF. A contribution to the catchment projects from the HBRC Recovery Fund, would increase the total amount we are requesting to be matched by the FIF.

Project Funding

13. The two projects proposed for application to the FIF form part of the existing Catchment Management activity budgets. The existing budget for the Ahuriri Catchment project is within the Environmental Enhancement & Protection activity, funded by general rates. The Porangahau catchment project is part of the Erosion Control Scheme, which is a mix of loan funding, general funding and landowner contributions (external revenue).
14. The HBRC Recovery Fund established as part of the 20/21 Annual Plan is for capital works, to be funded via a 10-year external loan. A total of \$700,000 is requested from this fund, to be used towards the Ahuriri and Porangahau Catchment projects as outlined in this paper. As the projects are multi-year, the contribution requested from the Recovery Fund would not all be required in 20/21. If the request for funding from the Recovery Fund is approved and we are successful in obtaining the FIF funding, there would be a requirement to phase the loan drawdown over 4 years.
15. The two catchment projects requesting contribution from the Recovery Fund are not building Council owned assets, but they are creating community assets that will benefit future generations. As such, the use of the Recovery Fund loan funding is in alignment with the intergenerational equity principle.
16. If a contribution from the Recovery Fund is approved for the catchment projects, a budget would need to be added to these projects for the loan financing costs. This would not be an increase above existing funding, but rather a re-allocation from the original building project, which the Recovery Fund was created from.
17. Council should note that the FIF round is a contestable process and as an applicant we have no greater chance of successfully obtaining funding than any other applicant. If unsuccessful the funds in the Recovery Fund would then be potentially available to fund other projects as they are identified. The funding would be treated as 'committed' until such time as we are notified either way about our application, by mid-November.
18. In the event one or other project being unsuccessful we would bring back further advice for council on options for utilizing the uncommitted funding. For example if the Ahuriri catchment project was the only successful FIF application, we would potentially revisit the project and increase its scope to use any available budget within the recovery fund.

Projects (across 4 Financial years)	HBRC Existing Budgets		Landowner contribution (existing arrangements)	Request from Recovery Fund (HBRC)	FIF application (funding match from MfE)	Total Project \$
	External costs	Staff Time (In-kind)				
Ahuriri catchment	\$480,000	\$499,480	\$255,000	\$400,000	\$1,634,480	\$3.27m
Porangahau catchment	\$442,707	\$360,000	\$307,293	\$300,000	\$1,410,000	\$2.82m
Total	\$922,707	\$859,480	\$562,293	\$700,000	\$3,044,480	\$6.0m

FIF application for Ahuriri Catchment (Applicant: Regional Council)

19. The 'jewel' of Napier, and Te Maara a Tawhao (the garden of Tawhao), Te Whanganui-ā-Orotu (Ahuriri Estuary) is an ecologically unique east-coast estuary, with a rich cultural history, traditionally a sustainable 'food-basket', a taonga, a place of physical and spiritual connection. Natural and anthropogenic changes have contributed excess sediments, nutrients and contaminants to the estuary over the last century, which has resulted in the estuary 'tipping' into a highly nutrient rich and disturbed state.
20. The purpose of this project is to provide a targeted approach to control identified high sediment source areas within the Ahuriri Catchment with a focus on remediating high risk erosion sites along Wharerangi Stream. This will be achieved using a range of activities, including:
 - 20.1. Hard and soft river engineering solutions
 - 20.2. Fencing for stock exclusion
 - 20.3. Riparian planting for bank stability
 - 20.4. Investigating improved fish passage
 - 20.5. Land Services advisor provision and erosion control subsidy scheme
 - 20.6. Biodiversity and partnerships.

Recovery fund leverage

21. The purpose of the Recovery fund is 'to accelerate the delivery of Council-related capital projects'. If this project could leverage \$400,000 from Council's \$1m Recovery fund, it would allow the total project delivery timeframe to be reduced from five years to three years. The project would prioritise delivering the engineering solutions that would remediate an identified high-risk sediment area that could impact significantly on the Ahuriri Estuary if it were to fail. Additionally, it would allow for an increased focus on biodiversity and working in partnership with tangata whenua and community.
22. By completing the engineering solution in three years, it would enable the environmental enhancement funding to be shifted to a wider programme of work to enhance the Ahuriri Estuary two years earlier.

Proposed funding by year

Financial Years	Existing HBRC Environmental Enhancement Budgets		Landowner contribution (existing arrangements)	Request from Recovery Fund	FIF match funding
	Staff time (In-kind)	External Costs			
Year 1 - FY20/21 (6 months Feb to 30 June)	\$80,000	\$ 80,000	\$42,500	\$ 100,000	\$ 260,000
Year 2 – FY 21/22	\$ 178,080	\$ 160,000	\$85,000	\$ 300,000	\$638,080
Year 3 - FY 22/23	\$ 161,400	\$ 160,000	\$85,000		\$321,400
Year 4 - FY 23/24 (6 months Jul to 31 Dec)	\$80,000	\$80,000	\$42,500		\$160,000
TOTAL	\$ 499,480	\$ 480,000	\$255,000	\$ 400,000	\$1,634,480

TOTAL PROJECT \$3,268,960

Strategic Fit: Assessment Criteria

23. This project has been assessed to determine their fit with the draft criteria from the HBRC Recovery Fund.

	Score	Reasoning
Climate action	4	This project will protect land and productive systems within the catchment including Ahuriri estuary from the challenges posed climate change by planting and stream protection. This includes flood protection, increased rainfall intensity and sediment loss.
Strategic Alignment	5	This project aligns with all four of the strategic outcomes. It is targeting sediment control on a catchment scale which improves water quality and health of the Ahuriri estuary and protects infrastructure such as bridges. The planting will promote biodiversity outcomes. Climate is mentioned above.
Core Competencies	4	The recovery funding portion of the project will be delivered using an experienced Senior Catchment Advisor who is already actively working in the Ahuriri Catchment. Specific consultants will be engaged during the detailed design phase. Their expertise will be used to build the competency of our internal experts.
Ease of implementation	4	The recovery funding portion of the project is an extension of the existing Protection and Enhancement fund which has been successfully delivered on time and within budget for the past 3 years.

	Score	Reasoning
Leverage	4	This funding, as well as \$980,000 other existing HBRC funds will be used as leverage for 50:50 funding from the MFE Freshwater improvement Fund.
Impact	3	The project has a positive impact across a number of fronts including water quality, biodiversity and infrastructure.
Recovery	4	The Ahuriri Estuary makes a significant contribution to Hawke's Bay marine fisheries, the region's tourism industry and recreational resources. This project will protect existing economic growth and create jobs through additional planting, fencing and engineering work in the catchment.

FIF application for Porangahau Catchment (Applicant: Porangahau Catchment Group)

24. The Porangahau Estuary is one of the most ecologically significant but vulnerable estuarine ecosystems on the East Coast. It forms part of a 700ha Recommended Area for protection that also includes the region's best examples of coastal dune and rare dune wetland ecosystems. The applicant for this project is the newly formed Porangahau Catchment Group. Council has a great relationship with this group and Councils Catchment Management team have agreed to support them through this application. Any recovery funding provided by Council can only be used as leverage for this application.
25. The Porangahau Catchment application will deliver a combination of:
 - 25.1. Funding for a Catchment Coordinator
 - 25.2. Assistance with the planning and resourcing of excluding all classes of stock from priority waterways
 - 25.3. Increased capacity for poplar and willow planting on erosion prone pastoral hill country
 - 25.4. Targeted protection and management of regional areas of protection, including the Porangahau estuary and dune systems, significant wetlands and whitebait spawning areas
 - 25.5. The coordination of a native riparian plant programme
 - 25.6. A series of workshops/field days to promote industry best practice and resilience building
 - 25.7. Facilitated farm planning sessions

Recovery fund leverage

26. If this project could leverage \$300,000 from Councils \$1m Recovery Fund, it would allow work to occur in Ecosystem Prioritisation Sites. These highly valued sites are remnant native bush blocks which comprise important headwater streams. They provide carbon storage, nutrient cycling, water and air purification, wildlife habitat and social and cultural benefits. They also include headwater streams and springs which have aquatic communities that are distinct and contribute significantly to regional biodiversity.
27. Year one has been planned for this project and will build 5.4km of deer fencing to protect 45 hectares on two sites. Year two and three will achieve similar outcomes. The team will work with landowners in Year one to plan projects and will aim to achieve 5km of deer fencing annually to protect 40 ha of EP sites annually.

Proposed funding by year

Financial Years	Existing HBRC Budgets		Landowner contribution (existing arrangements)	Request from Recovery Fund	FIF match funding
	Staff time (In-kind)	External Costs			
Year 1 - FY20/21 (6 months Feb to 30 June)	\$60,000	\$73,785	\$51,216	\$50,000	\$235,000
Year 2 - FY 21/22	\$120,000	\$147,569	\$102,431	\$100,000	\$470,000
Year 3 - FY 22/23	\$120,000	\$147,569	\$102,431	\$100,000	\$470,000
Year 4 - FY 23/24 (6 months Jul to 30 Dec)	\$60,000	\$73,785	\$51,216	\$50,000	\$235,001
TOTAL	\$360,000	\$442,707	\$307,294	\$300,000	\$1,410,001

TOTAL PROJECT \$2,820,000

Strategic Fit: Assessment Criteria

28. This project has been assessed to determine their fit with the draft criteria from the HBRC Recovery Fund.

	Score	Reasoning
Climate action	3	Protecting these EP sites will ensure they continue storing carbon in perpetuity. They will provide an ecosystem for wildlife in the future while allowing the farmers to continue farming the sustainable areas of their farms.
Strategic Alignment	5	The recovery fund portion of this project will protect and enhance healthy functioning and climate resilient biodiversity.
Core Competencies	5	HBRC is already delivering the Ecosystem Prioritisation program and is only limited by funding. It is a core competency of the council.
Ease of implementation	4	The first year of work is already planned with landowners, they are poised to put up the fences and are just awaiting the green light. The Ecosystem Prioritisation team have delivered similar sized projects in the past.
Leverage	4	This funding, as well as \$800k other existing HBRC funds will be used as leverage for 50:50 funding from the MFE Freshwater improvement Fund.
Impact	3	This change proposal will have a noticeable impact on the native bush in the Porangahau catchment. It will create fencing work immediately and will create pest plant and animal work into the future.
Recovery	3	Local growth and investment will be supported by the EP site projects directly related to this.

Decision Making Process

29. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
 - 29.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 29.2. The use of the special consultative procedure is not prescribed by legislation.
 - 29.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
 - 29.4. 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

That Hawke's Bay Regional Council:

1. Receives and considers the "*Leveraging Council's \$1M Recovery Fund*" staff report.
2. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community or persons likely to have an interest in the decision.
3. Notes the opportunity to utilise the Recovery Fund for leveraging funding from the Freshwater Improvement Fund for two large environmental enhancement projects and agrees to support the funding of these projects as part of an application to the FIF by Hawke's Bay Regional Council and the Porangahau Catchment Group.

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Attachment/s

There are no attachments for this report.