



Meeting of the Hawke's Bay Regional Council

Date: Wednesday 27 June 2018
Time: 10.15am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Attachments Excluded From Agenda

ITEM	SUBJECT	PAGE
7.	Adoption of the HBRC 2018-28 Long Term Plan <i>(hard copy provided only to councillors)</i>	
	Attachment 1: 2018-28 Long Term Plan for adoption	2
8.	Recommendations from the Regional Transport Committee	
	Attachment 1: RLTP Review 2015-25	280



Te Kaunihera ā-Rohe o Te Matau-a-Māui
Enhancing Our Environment Together. Te Whakapakari Tahi | Tō Tātau Taiao.

Item 7

Attachment 1

Item 7

Attachment 1

Facing Our Future 2018-28 Long Term Plan

Table of Contents

Part 1 - Introduction Wāhanga 1 – Kupu Whakataki	
Message from the Chair and Chief Executive	1
Message from Chair of Māori Committee	2
About this Plan	3
About Hawke's Bay Regional Council	7
<i>Councillors and their constituencies</i>	7
<i>Governance Structure</i>	8
<i>Regional Council Management</i>	9
Statement on the Development of Māori Capacity to Contribute to Decision Making Processes	11
<i>Regional Planning Committee</i>	11
<i>Māori Committee</i>	11
<i>Giving effect to co-management</i>	12
<i>Strengthening relationships</i>	12
Community Outcomes	13
<i>What are Community Outcomes?</i>	13
<i>Outcome descriptors</i>	13
<i>Outcome measures</i>	14
About Hawke's Bay Region	15
<i>Physical Environment</i>	15
<i>Social Environment</i>	15
<i>Economic Environment</i>	16

Part 2 - Key Decisions Wāhanga 2 - Ngā Whakatau Matua	
Contents	17
Public Consultation	18
Key consultation decisions	19

Part 3 - Financial Strategy Wāhanga 3 - Rautaki Pūtea	
Contents	24
1. <i>Introduction</i>	25
2. <i>Key goals and outcomes</i>	25
3. <i>Key considerations</i>	26
4. <i>Funding</i>	27
5. <i>Investment Strategy</i>	31
6. <i>Infrastructure Assets</i>	36
7. <i>Summary of Capital and Borrowing</i>	36
8. <i>Financial Metrics</i>	38

Part 4 Infrastructure Strategy Wāhanga 4 - Rautaki Hanganga	
Contents	39
<i>Executive summary</i>	40
1. <i>Introduction</i>	40
2. <i>Our region, infrastructure and assets</i>	41
3. <i>Strategic Issues, Trends and Related Impacts</i>	45
4. <i>Significant Infrastructure Issues</i>	50
5. <i>Management Approach</i>	56
6. <i>Major Project Summaries – THE BIG FIVE</i>	65
7. <i>Significant Assumptions</i>	66

Facing Our Future 2018-28 Long Term Plan

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Contents	68
<i>How to read this section</i>	<i>69</i>
<i>Governance and Partnerships.....</i>	<i>70</i>
<i>Strategic Planning.....</i>	<i>79</i>
<i>Integrated Catchment Management.....</i>	<i>85</i>
<i>Asset Management.....</i>	<i>96</i>
<i>Consents and Compliance</i>	<i>106</i>
<i>Emergency Management.....</i>	<i>112</i>
<i>Transport</i>	<i>119</i>

Part 6 Financials | Wāhanga 6 - Pūrongo Pūtea

Contents	125
<i>Forecast Financial Statements.....</i>	<i>126</i>
<i>Financial Reporting Benchmarks</i>	<i>141</i>
<i>Rates Comparisons</i>	<i>145</i>
<i>HBRC's Funding Impact Statement</i>	<i>149</i>
<i>Explanation of Rating Method.....</i>	<i>151</i>
<i>Details of Rates Calculated within each District and City</i>	<i>154</i>
<i>River Control and Drainage - Explanation of Rates.....</i>	<i>165</i>
<i>Local Government (Financial Reporting) Regulations.....</i>	<i>175</i>
<i>HBRC Funding Impact Statement.....</i>	<i>176</i>
<i>Resource Management Charges.....</i>	<i>185</i>
<i>Building Act Charges</i>	<i>193</i>
<i>Maritime Transport & Navigation Charges</i>	<i>194</i>
<i>Charges for the Preparation of, or Change to a Regional Plan ...</i>	<i>195</i>
<i>Charges for the Provision of Information.....</i>	<i>195</i>
<i>Other Charges Related Information.....</i>	<i>196</i>

Part 7 Policies | Wāhanga 7 - Ngā Kaupapa Here

Contents	197
<i>Treasury Policy.....</i>	<i>199</i>
<i>Policies on Rates Remission and Postponement</i>	<i>223</i>
<i>Revenue and Financing Policy.....</i>	<i>228</i>
<i>Statement on Council Controlled Organisations</i>	<i>254</i>
<i>Significance and Engagement Policy.....</i>	<i>256</i>
<i>Summary of Significant Accounting Policies</i>	<i>261</i>
<i>Significant Forecasting Assumptions</i>	<i>271</i>

Part 8 - Audit Report | Wāhanga 8 - Te Pūrongo a te Kaitātari Kaute ...280

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 1

Message from the Chair and Chief Executive



Kia ora

This Long Term Plan for 2018-28 forms the basis of a ten year plan to fix our environment. Boldly called 'Facing our Future', the focus of this plan has been to initiate a step-change approach. Based on your feedback, we have now signed-off on initiatives that accelerate our efforts to see major changes across our region. Millions more trees planted. Less soil lost. Cleaner water. A healthier marine environment. Better biodiversity.

We are now scaling up our work in the areas of land and water management and biodiversity. We will also do more in the areas of Sustainable Homes, Civil Defence and our work with the community including tāngata whenua.

We greatly appreciate the efforts of the many groups and individuals who gave their feedback to inform this plan. A wide variety of views were expressed, enabling us to confidently deliver this Long Term Plan to you.

This Plan also extends the new Strategic Plan for Hawke's Bay Regional Council, adopted in 2017, which gave us timely insight into areas of focus for this Council:

1. Water quality, safety and certainty
2. Smart, sustainable land use
3. Healthy and functioning biodiversity, and
4. Sustainable services and infrastructure.

Please read the message that follows this introduction, from Māori Committee Chair Mike Mohi. His perspective mirrors the increasing and beneficial contribution to co-governance and co-management that tāngata whenua offer.

We also encourage you to read the *Outcome Measures* we have committed to in Part I, pages 15-16.

For the first time, Part II now contains a Summary of *Community Feedback* received and the *Key Consultation Decisions* made by the Council.

The remaining sections contain our Financial Strategy, Infrastructure Strategy, Groups of Activities, Financials and Policies.

We continue to focus on our relationships throughout the region and with our national partners, where the assistance of third-party funding helps us to achieve much more than would otherwise be possible.

We encourage your ongoing interaction with us through direct contact, meetings, phone calls, social media and our website. Please keep in touch with your Councillors.

Rex Graham
CHAIR

James Palmer
CHIEF EXECUTIVE



The Regional Council's four focus areas are outlined in the Strategic Plan (2017): water, land, biodiversity, and infrastructure and services.

Item 7

Attachment 1

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 2

Message from Chair of Māori Committee

This Plan sends a strong message that Hawke's Bay Regional Council wants to get on with the job of improving land use, rivers and streams. This is well-aligned with Māori aspirations.

There's also real commitment to work more closely with tāngata whenua.

While farmers will see significant rate increases in many cases, there seems to be little kudos for the great work they do.



Seemingly lost from conversations on city streets is the contributing effect that urban stormwater and other concentrated activities have on the environment near our towns and cities. That said, the collaborative TANK Plan for Heretaunga Plains waterways has objectives to tackle town and country land and water use, working closely with Napier and Hastings Councils. This is just one example of the complex and long-term projects that require sensitive relationship management.

Another area is the focus given to tāngata whenua-based tourism initiatives by Hawke's Bay Tourism. Incubator funding in this sector could help new initiatives get to a sustainable position more quickly.

After many years, I welcome this Council's intention to select a Tumuaki (a senior manager of Māori partnerships). This new role will sit alongside other senior managers and be a connecting agent between the Executive, the Council, Māori Committee and Regional Planning Committee members.

The Māori Committee members and I welcome your views and concerns at any time.

Mike Mohi
Chair – Māori Committee

Item 7

Attachment 1

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 3

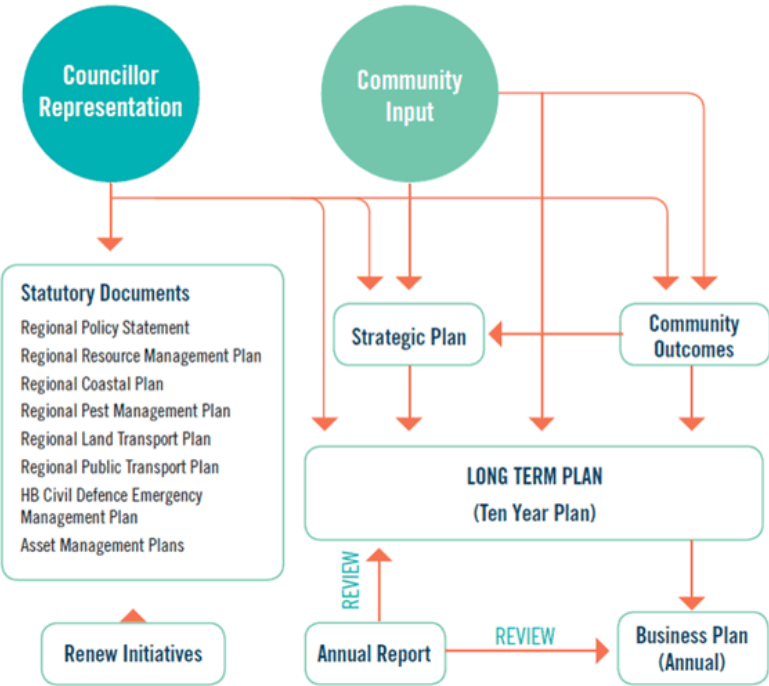
About this Plan

The Long Term Plan is a strategic planning document describing the community outcomes the Regional Council aims to achieve and the activities it will fund and undertake to achieve those outcomes over a 10 year period. Long Term Plans are adopted every three years.

The Long Term Plan is part of a broader planning cycle. An Annual Plan is prepared in the years between a Long Term Plan. It sets the budget and sources of funding for that year and highlights any variance from the Long Term Plan.

An Annual Report is produced at the end of each financial year, documenting actual financial and service performance against targets.

Hawke’s Bay Regional Council is required by law to prepare a number of other strategic planning documents and must follow the processes described in relevant legislation. Many of the ‘levels of service’, programmes, projects and activities funded in the Long Term Plan come from various policy documents and operational plans prepared by the Regional Council, which contain more specific information.



Item 7

Attachment 1

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 7

About Hawke's Bay Regional Council

Councillors and their constituencies



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Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Governance Structure

Regional Council and Committee meetings are open to the public, except where items of business exclude the public for specific reasons. Meeting dates and times are published in Hawke’s Bay Today and on Council’s website www.hbrc.govt.nz.

Council has established the following committees.

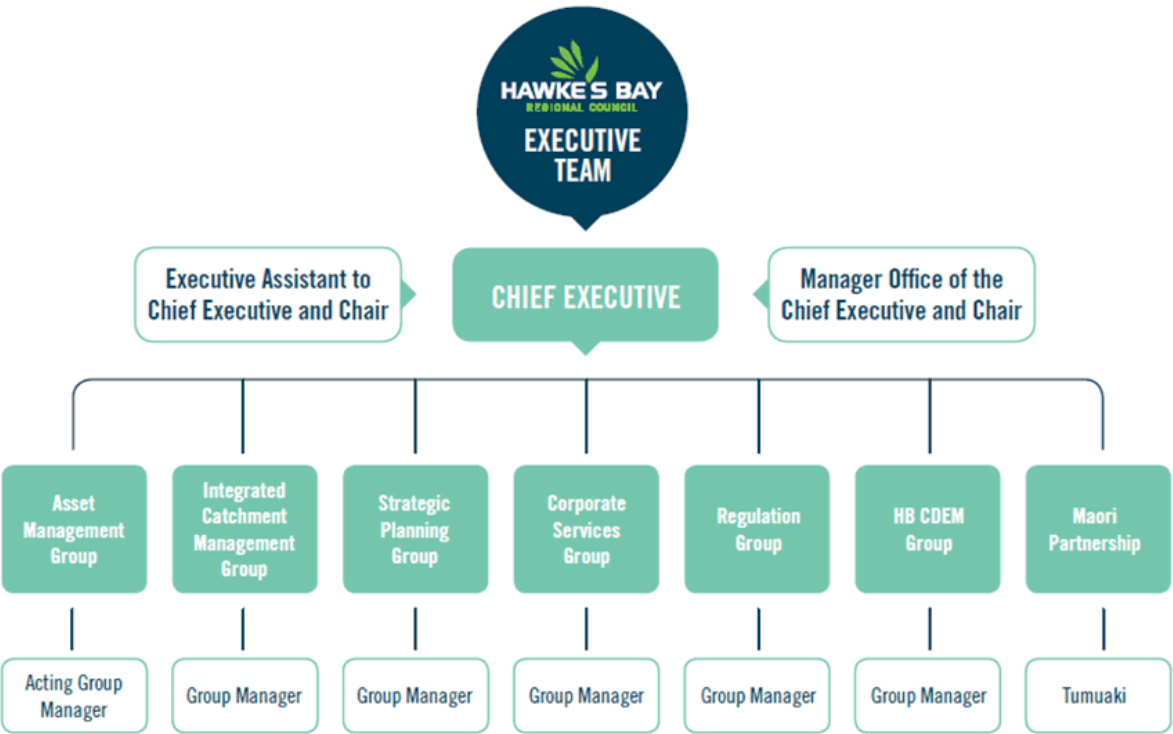


Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 9

Regional Council Management

Hawke’s Bay Regional Council is supported by a professional corporate organisation, led by the Chief Executive. Officers provide the Council with policy advice and are responsible for implementing the Council’s policies to achieve the results the Council wants. The Chief Executive and staff are responsible for managing day-to-day issues and implementing the Councils’ decisions and policies. The organisation has been structured under six Groups, each headed by a Group Manager.



The Executive Team comprises each Group Manager plus the Human Resources Manager (who reports directly to the Chief Executive), and is headed by the Chief Executive. The Executive Team considers organisation-wide issues and provides a key linkage between Councillors and staff. They ensure what is undertaken within the Groups is consistent with the Council’s goals and objectives in the Long Term and Annual plans.

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 10

OUR VISION: WE WANT

a healthy environment, a vibrant community and a prosperous economy

OUR PURPOSE: WE WORK

with our community to protect and manage the region's precious taonga of rivers, lakes, soils, air, coast and biodiversity for health, wellbeing and connectivity

OUR FOCUS: WE PRIORITISE

1. Water quality, safety and certainty
Kia kouna, kia haumarū, kia pūmau te pai o te wai
2. Smart, sustainable land use
Kia koi, kia ukauka te whakamahinga o te whenua
3. Healthy and functioning biodiversity
Kia ora, kia mahi tika te kanorau koiora
4. Sustainable services and infrastructure
Kia ukauka ngā ratonga me ngā hanganga ā-rohe

OUR VALUES: WE BELIEVE IN

- **Partnership and Collaboration**
we work with our community in everything we do
- **Accountability**
we hold ourselves to account to deliver results, be responsive to community expectations, and the best use of ratepayers' funds and assets
- **Transparency**
we report on what we do and the value this delivers for our community
- **Excellence**
we set our sights and expectations high, and never stop striving to do better



OUR MISSION STATEMENT:

ENHANCING OUR ENVIRONMENT TOGETHER
TE WHAKAPAKARI TAHI I TŌ TĀTAU TAIAO

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 11

Statement on the Development of Māori Capacity to Contribute to Decision Making Processes

Under the Local Government Act 2002, a local authority must establish and maintain processes to provide opportunities for Māori and foster Māori capacity to contribute to the decision-making processes of the local authority

This statement sets out the avenues to develop Māori capacity to contribute to Council’s decision-making processes.

Regional Planning Committee

Treaty Settlements with Hawke’s Bay claimant groups are significant for HBRC where they relate to natural resource management and cultural redress.

HBRC and the Treaty claimant groups worked collectively to establish the Regional Planning Committee. This was formally adopted by the Council in September 2011 and the first Regional Planning Committee meeting was held in April 2012.

The Hawke’s Bay Regional Planning Committee Act came into effect in August 2015. This Act formalises the statutory existence of the Committee. The purpose of this Act is to improve tāngata whenua involvement in the development and review of documents prepared in accordance with the Resource Management Act 1991 for the Hawke’s Bay region. The RPC comprises equal numbers of elected members and Treaty settlement claimant representatives. All committee members have full speaking and voting rights.

When the committee has prepared a plan or policy statement or a change to either of these, it recommends the document to HBRC for formal adoption and public notification. HBRC cannot then make amendments before notification but must refer the document back to the committee for its further consideration should it not agree with the Committee’s recommendation.

Māori Committee

HBRC has had a representative group of Ngati Kahungunu tāngata whenua as its Māori committee since 1991, one of the first councils in New Zealand to do so.

The committee consists of 12 Māori members, three from each of the four Taiwhenua within HBRC boundaries plus three councillors.

The committee meets every third month and considers relevant issues and provides the Council with recommendations, taking into account tāngata whenua views, expectations and aspirations.

The Charter

In 1994 a charter was developed which set out the way in which the Māori committee and HBRC would engage. The Charter was last reviewed in October 2017 and includes HBRC’s responsiveness to its statutory obligations including policies aligning to the Te Tiriti O Waitangi, resource consents consultation, and communication and engagement. Consultation policies will be developed as part of the Māori Committee’s 2018/19 work programme specifically defining how it will be involved in decision-making processes.

Giving effect to co-governance

In summary, capacity building processes for tāngata whenua include:

- Nine treaty settlement claimant group members sit alongside nine elected members on the Regional Planning Committee
- The Chair of the Māori Committee sits in HBRC meetings as a non-voting participating member
- A tāngata whenua member from each of the RPC and Māori committees sits on the following Council committees:
 - Regional Transport Committee
 - Corporate and Strategic Committee
 - Environment and Services Committee
 - Hearings Committee

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 12

Giving effect to co-management

HBRC is committed to building the cultural competency of all its staff to ensure effective co-management of the region's natural resources. HBRC is developing a cultural competency framework to enable staff to understand te reo (Māori language), tikanga (protocols) and te taiao (environment through a Māori lens).

This will provide staff with the knowledge and tools for engaging appropriately with tāngata whenua.

HBRC recognises Mātauranga Māori and Kaitiakitanga are emerging fields of Council business therefore formal engagement of this capability is sought when needed. A new position of Tumuaki will strengthen our knowledge of Mātauranga Māori and enhance relationships with tāngata whenua of our region.

HBRC recognises that treaty settlements are accelerating change, and as such provide Council with both challenges and opportunities. HBRC will work to incorporate legislative requirements of post-Treaty settlement arrangements and tāngata whenua engagement into our day-to-day business processes, aiming for Māori partnerships to become business as usual.

Strengthening relationships

A fundamental partnership exists between HBRC and the Treaty Settlement Groups. While this is tangibly demonstrated through the Regional Planning Committee, HBRC is committed to meeting with the Post settlement governance entities on a regular basis to discuss matters of concern beyond the remit of the Regional Planning Committee. HBRC has continued to forge strong relationships with individual marae communities and hapu groups as well as with the Treaty claimant groups, both inside and outside of the Regional Planning Committee.

HBRC staff and councillors attend hui throughout the region involving particular marae communities to listen to particular issues that those communities have, and to assess where Council can best help. Some of those strong relationships have seen Council and marae work in tandem on issues affecting that particular community. These relationships have been particularly positive in assisting marae communities to enhance waterways and develop initiatives that affect broader marae communities.



Entry Waharoa at Atea a Rangi celestial compass, Waitangi Regional Park.

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 13

Community Outcomes

Under the Local Government Act, our Long Term Plan must describe the community outcomes for the Hawke's Bay region and link our activities to these outcomes.

What are Community Outcomes?

Community Outcomes are what "... a local authority aims to achieve to meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions".

In 2016-17, the Hawke's Bay Regional Council went through a comprehensive process to reset its priorities for this electoral term and beyond.

In August 2017, the Council adopted its *Strategic Plan 2017-2021*. To embed the Strategic Plan into the Regional Council's business, we have revised the community outcomes to match the vision statement from the Strategic Plan.

OUR VISION: WE WANT

a healthy environment, a vibrant community and a prosperous economy

HBRC's Strategic Plan includes a number of time bound and measurable strategic goals. We are using these as our outcome measures.

These demonstrate a desire by this Council to shift from reporting activity or outputs, to managing for and reporting on outcomes – the things that matter to the community. Typically, the Regional Council does not have full control over the achievement of these outcomes, but it has a clear statutory role in achieving them, along with others.

Wherever possible, the outcomes align with national targets or an existing Hawke's Bay strategy or plan. These measures will be refined over time and will include work already under way to better integrate Mātauranga Māori (Māori knowledge) into our monitoring and reporting activities.

These icons are used in the Groups of Activities statements to show when activities primarily contribute to a specific community outcome.



Outcome descriptors

- Aquatic ecosystems are protected and enhanced for all to safely enjoy, and all water users have knowledge on what water is available to meet their needs.
- Hawke's Bay farmers and growers are thriving due to high-value returns from resilient farming systems and through smart, sustainable land use.
- Working together, Hawke's Bay's biodiversity is enhanced, healthy and functioning (source: *HB Biodiversity Strategy 2015-2050*).
- The region has resilient physical, community and business infrastructure to unlock potential growth and prosperity from our natural resource base (source: *Matariki HB Regional Economic Development Strategy and Action Plan 2016*).

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 14

<p>Outcome measures</p> <p>Water</p> <ol style="list-style-type: none">By 2025, plans for catchments where life supporting capacity is compromised are in place and actively implementedBy 2025, Tāngata Whenua values for all catchments are identified and embedded in the Regional Resource Management PlanBy 2030, all aquifers, lakes and rivers will have community-agreed quantity and quality limits in forceBy 2030, cultural monitoring tools are in-use in all catchmentsBy 2030, all popular Hawke’s Bay swimming sites will be swimmable 80% of the time, and 90% of the time by 2040 <i>(source: NPS –FM updated Aug 2017)</i>By 2050, there will be an improving trend in the life-supporting capacity of all of the region’s degraded rivers and major streams. <p>Land</p> <ol style="list-style-type: none">By 2025, stock is excluded from all year-round flowing streams and rivers and at least 30% are fenced and planted to filter contaminantsBy 2025, Land Use Suitability information is available to all commercial land owners to inform smarter land useBy 2030, all commercial farms, orchards and vineyards operate under a Farm Environment Management Plan or an independently audited industry best-practice frameworkBy 2030, all farms in critical source areas will have phosphorus management plans being implemented, with at least 50% of highly erodible land treated with soil conservation plantingsBy 2030, there will be 20% less contaminants from urban and rural environments into receiving waterbodiesBy 2050, all highly erodible land will be under tree coverBy 2050, there will be 50% less contaminant from urban and rural environments into receiving waterbodies.	<p>Biodiversity</p> <ol style="list-style-type: none">By 2020, regional priority locations for ecosystem restoration – including in the coastal marine area – have been identifiedBy 2030, key (target) species and habitat (sites) are prioritised and under active restoration <i>(source: HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020)</i>By 2050, a full range of indigenous habitats and ecosystems, and abundance and distributions of taonga species are maintained and increased in every catchment in Hawke’s Bay <i>(source: HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020)</i>By 2050, Hawke’s Bay is predator free in line with NZ 2050 target. <p>Services and Infrastructure</p> <ol style="list-style-type: none">By 2025, regional air quality consistently meets World Health Organisation guidelinesBy 2025, coastal hazards are being managed to meet foreseeable climate change risks to coastal communities out to 2100.By 2025, the Napier Port is future-proofed with the addition of a new wharf with supporting land transport infrastructureBy 2030, flood risk is being managed to meet foreseeable climate change risks out to 2100By 2030, HB has environmentally sustainable, harvestable water identified and stored or plans to be stored if required.By 2040, Hawke’s Bay is carbon neutral. <p>All 23 outcome measures will be reported against for the first time in the 2018-19 Annual Report.</p>
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Item 7

Attachment 1

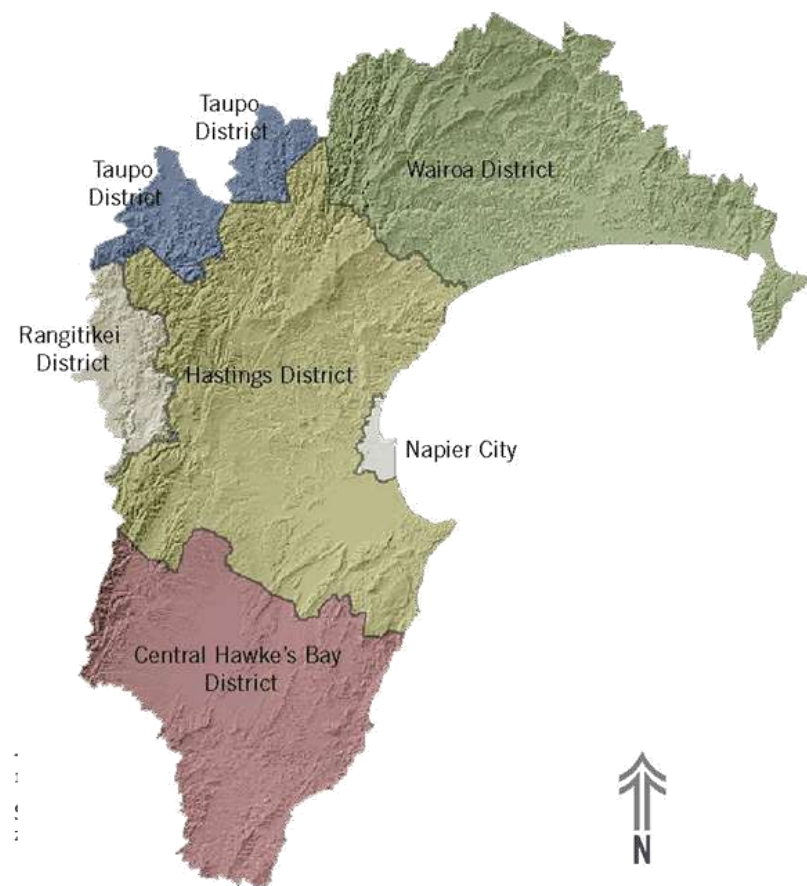
Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 15

About Hawke's Bay Region

Physical Environment

- Total land area of 1.42 million hectares.
- Geographically diverse region comprising foothills of major mountain ranges in the west, 7 major river systems and extensive river plain areas, coastal hills and a 350km eastern coastline with a range of physical features.



- Other notable physical assets of the region include significant lake and wetland areas; features such as Lake Waikaremoana, Mahia Peninsula; Cape Kidnappers and Te Mata Peak.
- River plains provide significant areas of rich alluvial soils for horticultural production.
- Extensive water aquifer systems under the Heretaunga and Ruataniwha plains.
- Number of significant environmental reserve areas.
- Significant natural hazard risks face the region, such as sea inundation, river flooding, tsunami, earthquakes, storms, strong winds and volcanic eruptions.
- Dry temperate climate with periods of drought and high rainfall.
- Diverse physical environment provides a wide range of recreational opportunities for Hawke's Bay people.

Social Environment

- Hawke's Bay ranks ninth in size out of 16 regions in New Zealand. The estimated resident population in Hawke's Bay is 164,000 with a median age of 40.9 years¹.
- Population increased by 1.5% or 2,440 between 30 June 2016 and 2017 and 0.8% per annum on average over the past 3 years².
- The Hawke's Bay population is projected to increase to 169,900 by 2028, an average yearly increase of 0.3%. The median age is projected to rise to 43.3³

³ Subnational Population Projections: 2013(base)-2043 update, medium series, published February 2017, Statistics NZ.

Part 1 - Introduction | Wāhanga 1 – Kupu Whakataki

Part 1 | page 16

Economic Environment

- Hawke's Bay's economy is largely an open rural economy dominated by export orientated primary production and therefore exposed to significant environmental (e.g. climatic) and international market fluctuations.
- Total economic activity or GDP in Hawke's Bay was \$5.6B for the year ending March 2016, this contributed approximately 2.5% of national GDP. Economic growth in Hawke's Bay was 1.6% in 2016 and 0.6% per annum on average over the past 10 years. This compares to the national economic growth rate of 2.5% in 2016 and 1.8% per annum over 10 years⁴.
- The percentage of labour force that was unemployed in the HB (and Gisborne) region stood at 6.3% in the year to March 2018. This is compared unfavourably to the NZ unemployment rate of 4.6% and is equal with Northland region for the highest unemployment rate. Hawke's Bay's unemployment rate improved by 0.4% from the year before.
- The mean annual household income in Hawke's Bay was \$83,400 for 2017, compared with the New Zealand average of \$97,100. The change in mean annual household income was -4.1% between 2016 and 2017, compared with 1.15% nationally⁵.
- The mean house value in Hawke's Bay was \$435,513, in the year to December 2017. This was a 17% increase on the year before⁶.
- The estimated mean weekly rent in Hawke's Bay was \$349, for the year to January 2018, an 8.7% increase on the year before.⁷



Photo: Above Hawke's Bay, Peter Scott

⁴ Infometrics, Hawke's Bay at a Glance, 2016.

⁵ Regional Economic Activity Report 2017, Web Tool, MBIE, NZ Government (based on Statistics NZ Income Survey and Census).

⁶ Regional Economic Activity Report 2017, Web Tool, MBIE, NZ Government (source: Quotable Value).

⁷ Regional Economic Activity Report 2017, Web Tool, MBIE, NZ Government (source: MBIE Tenancy Bond Database).

Part 2 - Key Decisions | Wāhanga 2 - Ngā Whakatau Matua

Part 2 | page 17

Part 2 - Key Decisions | Wāhanga 2 - Ngā Whakatau Matua

Contents

Public Consultation.....18

Key consultation decisions19

Land, Water and Biodiversity..... 19

Sustainable Homes 20

Civil Defence..... 21

Local Government Funding Agency 21

Working with Tāngata Whenua 22

Hawke’s Bay Tourism..... 22

Overall Rates Impact..... 23

Item 7

Attachment 1

Part 2 - Key Decisions | Wāhanga 2 - Ngā Whakatau Matua

Part 2 | page 18

Public Consultation

Facing our Future 2018-28, was available to the public on Monday 19 March 2018. Notification and subsequent promotion included radio and newspaper advertising, newspaper coverage, a mail-out to ratepayers, emails, social media, library displays and the Regional Council’s website.

During the consultation period, seven public meetings drew in more than 400 attendees.

Date	Area	Venue	Attendance
Wed 4 April	Havelock Nth	Porters Hotel	72
Thurs 5 April	Hastings	Te Taiwhenua o Heretaunga	25
Mon 9 April	Napier	Napier Conference Centre	79
Tues 10 April	Taradale	Taradale Town Hall	65
Wed 11 April	Waipawa	CHB Municipal Theatre	83
Thurs 12 April	Hastings	Karamū High School	40
Thurs 19 April	Wairoa	War Memorial Hall	40
TOTAL			404

Consultation closed at 4.00pm on Monday 23 April 2018. A total of 569 submissions were received. This was considerably more submissions than in recent years (2017-18:137; 2016-17: 192; 2015-25:152). However, this was similar to the 2012-22 Long Term Plan which received 583 submissions, most notably on the Ruataniwha Scheme. Submissions were received online, by email, fax, phone, posted hardcopy and hand delivered.

Of the seven key topics in the Consultation Document the following analysis shows the number of submissions received and the support for council’s preferred option (where clearly stated):

- Hawke’s Bay Tourism (499): 46%
- Working with Tangata Whenua (383): 57.1%
- Incentives to Change (373): 64.5%
- Partnerships for Change (371): 67.3%
- Sustainable Homes (371): 62%
- Civil Defence (362): 69.5%
- Local Government Funding Agency (322): 39.4% (noting a total of 76% support joining in some form)

Social Media

In addition, 45 text messages, 116 Facebook shares, 187 public comments and five private messages were received.

Overall, the Facebook social media channel sent 44 posts concerning Facing our Future 2018-28. Using this channel, HBRC was able to reach approximately 21% of the regional community.

Individuals reached	Post Engagements	Link Clicks
33,091	18,369	610

Part 2 - Key Decisions | Wāhanga 2 - Ngā Whakatau Matua

Part 2 | page 19

Key consultation decisions

The following section summarises the feedback received and the decisions made by the Council on the seven key consultation topics consulted on through the *Facing our Future 2018-28* consultation document.

Land, Water and Biodiversity

In total this topic equated to a proposed rates increase of 9.5%. It included an increase in our regulatory function and specific consultation options on incentives to change and partnerships for change. The regulatory activity includes additional funding of \$564,000 through the general rate to meet statutory requirements for planning, consents and compliance and science. This was not specifically consulted on as the status quo is not a genuine option.

Our incentives to change proposals were to:

- Borrow \$5M over 10 years to speed up Farm Plan completion by removing the up-front costs to landowners in the form of an interest free loan.
- Borrow \$30M over 10 years to fund riparian fencing, planting and maintenance of planted areas and plant trees (reforestation) on highly erodible land unsuitable for commercial forestry.

Our partnerships for change proposals were:

- *Future Farming* - Start-up fund for the establishment and operation of an independent farmer and grower-led initiative to lead on-farm research and innovation with general rate funding of \$150,000 in Year 1, and \$250,000 in Years 2 and 3.
- *Biodiversity* - Additional funding of \$427,000 per year for four years plus \$100,000 capital in Year 1 to implement the *HB Biodiversity Action Plan*.
- *Biodiversity* – additional funding of \$117,000 from Year 1 onwards to implement the new *Regional Pest Management Plan* and \$200,000 per year for 10 years for the Predator Free HB project to add feral cats, stoats and ferrets to the Possum Control Area programme (assuming matched external funding).

Community feedback

A total of 373 submissions were received on the incentives to change consultation topic, with 64.5% in support of the proposal. A total of 371 submissions were received on the partnerships for change consultation topic, with 67.3% in support.

Key themes or unique points expressed by submitters included:

- The majority of those in support of the proposal noted that the scale and pace proposed was required to deal with the challenges. A smaller group of those opposed considered the pace of change was unwarranted and that the current pace was sufficient.
- A large portion of those opposed to the proposal were concerned about equity and who pays for this work. The theme of ‘polluter pays’ was common.
- Some of those opposed considered insufficient evidence had been presented to demonstrate a problem that required the proposed response.
- Some considered that we should be making great efforts to secure central Government funding.
- Some submitters questioned Council efficiency and were asking if all steps have been taken to fund the work from existing budgets.
- Some submitters asked that funding be reallocated to support tourism.
- Support for Council’s proposed science investment.
- Concerns were raised about the ability to manage deer and goats within the newly planted areas.
- Some submitters raised concerns with the Future Farming Trust (FFT) particularly potential duplication with levy bodies and how to ensure accountability to ratepayers.
- Support for greater attention to key role of protecting and enhancing the region, and increased regulatory support.
- Concern that too strong a “stick” may have unintended consequences
- Several submissions specifically opposed water bottling

Part 2 - Key Decisions | Wāhanga 2 - Ngā Whakatau Matua

Part 2 | page 20

- Several submissions requested activities with additional focus on:
 - Forestry slash
 - Irrigation from groundwater
 - Dumping of material in riverbeds
 - Ahuriri Estuary/ Pandora Pond.

Decision

Incentives to Change - Council resolved to borrow \$35M over 10 years to provide incentives to change in the form of interest free loans for Farm Plans and subsidies of up to 75% for riparian and reforestation as consulted on. In making this decision Council agreed to take all steps to ensure that productive farm land remains in production, maintaining the local economy, and that planting programmes are targeted to those lands which pose the greater risk of erosion; and that social and economic interests of the areas concerned are well measured and considered before final decisions are made on HBRC planting programmes.

The funding is not for commercial forestry and no return is accounted for. The borrowing will be drawn down based on actual demand. In the early years of the LTP, much of the additional spend is to fund new catchment management staff to work closely with landowners to tailor the incentives to solve unique local challenges. Work is underway to assess the socio-economic impacts from the tree planting programme and to develop a grants policy on how the incentives will be applied.

Partnerships for Change - Council agreed to the proposed funding for biodiversity and biosecurity. It also agreed to include capital expenditure of \$100,000 per annum from Year 2. The capital funding is an essential component of the programme for on-the-ground action on prioritised sites. It will fund long term assets such as planting, fencing and wetland construction in tandem with the \$100,000 of operating funding for contract labour.

The Council resolved to support the Future Farming initiative as a vehicle to champion change in Agri-business in Hawke's Bay. The focus of the farmer/grower-led body will be on Hawke's Bay specific research on good practice with the potential to crowd-in funding.

Sustainable Homes

Our proposal was to extend the HeatSmart programme to include region-wide sustainable homes initiatives such as solar water heating, domestic water storage and septic tank replacement.

Community feedback

A total of 371 submissions were received on this consultation topic, with 60-70% in support. A number of submitters misinterpreted the proposal, assuming that it would lead to an increase in the general rate. Some submitters did not want to subsidise costs for rental properties but did want grants to encourage higher standards on new build properties. Hastings District Council proposed a joint venture to increase insulation above current building code standards for new builds.

Submitters in support thought it was a forward thinking initiative that improves both sustainable energy use (e.g. solar water heating) and resilience in emergency event (e.g. domestic water storage).

Decision

The Council resolved to include borrowing of up to \$13 million over 10 years in the 2018-28 Long Term Plan, to provide approximately 1300 financial assistance packages for retrofitted sustainable home initiatives. The Council also resolved that HBRC staff work with the territorial authorities in the region to coordinate respective efforts with the objective of achieving the best outcomes to improve the quality of homes. External borrowing of \$13 million will be matched to actual demand and will be fully recovered via a targeted rate on the property with loan settlement at point of sale.

Part 2 - Key Decisions | Wāhanga 2 - Ngā Whakatau Matua

Part 2 | page 21

Civil Defence

Our proposal was to take responsibility for collecting a single regional rate for Civil Defence. Previously the Territorial Local Authorities (TLA) in Hawke’s Bay (Wairoa, Napier, Hastings and Central Hawke’s Bay councils) have rated their residents and are invoiced by HBRC for their share of civil defence work.

Community feedback

A total of 362 submissions were received on this consultation topic with 69.5% in support.

Key themes expressed by submitters opposed included:

- Concerns over the HBRC control of Hawke’s Bay Civil Defence Emergency Management (CDEM) and loss of local control.
- Concerns that there will be no corresponding reduction in TLA rates.
- Expression that CDEM is currently working well and there is no need for change.

Decision

The Regional Council agreed to take full responsibility for collecting a single regional rate for Civil Defence subject to:

- HBRC’s 2018-19 rates invoice clearly stating that there is a saving on territorial authority rates to off-set this increased regional Civil Defence Emergency Management rate, and
- Requesting that each territorial authority advises their ratepayers that, as a consequence of the HBRC rates decision on Civil Defence, their TLA rates have been reduced and how that has been accounted for.

Each TLA will continue to rate for its own response capability as a lifelines provider, e.g. drinking water provider. Napier City Council will still rate to fund maintenance of its network of sirens.

Local Government Funding Agency

Our proposal was to join the Local Government Funding Agency (LGFA) scheme as an unrated guaranteeing local authority to access favourable interest rates on borrowing.

Community feedback

A total of 322 submissions were received on this consultation topic, with 36.34% for joining as unrated; 39.44% for non-guaranteeing and 24.22% for the status quo (not joining). A total of 76% supported joining in some form.

Of those opposed, the key concerns were in relation to risk, particularly the potential for a call on rate payers should another LGFA borrower default should a call be made under the joint and several guarantee, and the impact on local democracy. Other concerns were the costs of joining, burden of borrowing on future generations, the possibility of interest rate increases and insufficient cost vs benefit analysis.

Key points in support included increased flexibility, and access to borrowing at reduced rates but under no commitment to do so.

Decision

The Council resolved to join the LGFA scheme as an unrated guaranteeing local authority as proposed. Council agreed that the modelled cost savings over the 10 years of the Long Term Plan outweigh risk of the joint and several agreement.

Item 7

Attachment 1

Part 2 - Key Decisions | Wāhanga 2 - Ngā Whakatau Matua

Part 2 | page 22

Working with Tāngata Whenua

Our proposal was to increase funding by an additional \$384,000 from Year 1 of the LTP to grow capacity and partnerships for co-governance and co-management with Tāngata Whenua to better meet Council’s obligations.

Community Feedback

A total of 383 submissions were received on this consultation topic with 43% in support. Of those against, concerns included race based funding and a lack of explanation on how and where the money will be spent.

Of those in support key themes included:

- Support for the alternative perspectives that tangata whenua can offer in regards to decisions on the environment
- The relationship between HBRC, tangata whenua and stakeholders is of great importance and needs to succeed
- More consideration for the external capacity building of Maori to assist them in engagement.

Decision

Council resolved to spend an additional \$384,000 from year 1 of the LTP to grow capacity and partnerships for co-governance and co-management with Tāngata Whenua to better meet the Regional Council’s obligations.

The total funding of \$641,000 (\$257,000 existing) will be allocated as follows.

	\$
RPC membership remuneration	126,000
RPC membership travel and accommodation	15,000
Maori Committee remuneration	88,000
Maori Committee travel and accommodation	15,000
Independent technical advisers	100,000
Contributions to iwi (project by project)	50,000
Staff to work in engagement/capacity building	247,000

Hawke’s Bay Tourism

Our proposal was to step back funding to Hawke’s Bay Tourism over three years from \$1.8M to an annual spend of \$900,000 by Year 4 and adjust the rating split to become more weighted to the commercial sector.

Community feedback

499 submissions were received on this consultation topic, with 46% support and 54% against Council’s proposal to step back funding. More submissions were received on this consultation topic than any other topic.

Some submissions had multiple signatories, notably a petition to “Protect the Hawke’s Bay Visitor Industry” (submission #564) and a joint submission from the Hawke’s Bay Hospitality Businesses in favour of holding the current funding with 93 signatories (submission #677).

Of those in support of reduced funding, reasons included:

- Support for Council’s signalled intention to get back to core business and prioritise activities focussed on improved environmental outcomes
- The tourism industry had benefitted from increased investment and that the industry should be in a position to self-fund the proposed reduction.
- Concern that there was a lack of empirical evidence linking Hawke’s Bay Tourism funding with the industry’s quoted improved regional performance.
- Alternative funding models should be considered, such as contestable funding.

Of those in support of holding funding, reasons included:

- Concern that reduced funding would jeopardise the industry’s gains and achievements over recent years
- The calibre of leadership and governance Hawke’s Bay Tourism had been able to secure and retain via a stable funding platform was noted
- Brand awareness and presence is critical and falling off the radar is potentially catastrophic
- Tourism investment is aligned with improved environmental outcomes because of consumer pressure for operators to have strong environmental credentials to remain in business

Part 2 - Key Decisions | Wāhanga 2 - Ngā Whakatau Matua

Part 2 | page 23

- The need for industry contributions will adversely affect smaller operators who cannot spare the resources (in-kind or financial), potentially favouring larger industry players, leading to consolidation and a reduction in choice for visitors
- Concern that the true quantum of current industry contribution was not appreciated given the significance of in-kind support not captured or recorded
- A call for the funding reduction to either be postponed so that the industry was given the opportunity to develop alternative funding models and/or stepped back by a smaller amount.

Hawke’s Bay Tourism submitted an alternative option which was to step back funding by \$300,000 in Year 1 from \$1.8M to \$1.5M and then hold it for three years whilst the industry and the regional council investigate the best way to transition to a sustainable funding model. This would include undertaking an assessment of “Peer to Peer” properties, such as AirBnB, and consideration of adjusting their residential rate contribution upwards so that these properties are treated on either a quasi-commercial or full commercial basis for the purpose of this targeted rate. It also promoted research into the introduction of a visitor tax at a regional level, subject to what is decided at a national level.

Decision

The Council confirmed its proposal, as consulted on, to support Hawke’s Bay Tourism at a rate of \$1.52m for the 2018-19 year. It also resolved to retain that rate of \$1.52m for the first three years of the LTP, with subsequent funding levels to be reviewed through the 2021-2031 Long Term Plan process.

It agreed to adjust the rating split to become more weighted to the commercial sector, as consulted on. These changes will be made to the Economic Development rate.

It also requested that:

- Hawke’s Bay Tourism examine levels of accommodation in private homes achieved through hosting websites to recommend to HBRC possible differentiated rating levels for accommodation providers based on occupancy rates
- HBRC staff work with Hawke’s Bay Tourism to investigate the possibility of introducing a bed tax via enabling legislation to support the activities of HB Tourism
- Invites HB Tourism to better support Māori tourism in Hawke’s Bay, and
- Encourages HB Tourism to actively promote the Living Wage initiative among its members.

Overall Rates Impact

The package of initiatives consulted on in the Draft Long Term Plan equated to a 19.4% rates increase in Year 1 (2018-19), 6.4% in Year 2 and 6.1% in Year 3. The rate increase in Year 1 consisted of a 13.8 % rate increase to focus on environmental priorities, plus 5.2% to transfer the responsibility to rate for Civil Defence to the Regional Council from city/ district councils.

OVERALL DECISION

The Council’s overall funding decisions resulted in a total average rate increase of 19.4% in Year 1 (2018-19), 7.9% in Year 2 and 7.3% in Year 3. The most significant change from what was consulted on is the decision to hold Hawke’s Bay Tourism funding at \$1.52M for LTP Years 2 and-3.

Item 7

Attachment 1

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 24

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Contents

1. Introduction25

 1.1 Purpose 25

 1.2 Context..... 25

2. Key goals and outcomes25

3. Key considerations.....26

 3.1 Changes in population 26

 3.2 Change in land use 26

 3.3 Change in community values and expectations..... 26

 3.4 Napier Port and the Capital Structure Review Panel 27

4. Funding27

5. Investment Strategy31

6. Infrastructure Assets36

7. Summary of Capital and Borrowing.....36

8. Financial Metrics.....38

Item 7

Attachment 1

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 25

Item 7

Attachment 1

1. Introduction

1.1 Purpose

As required under section 101A of the Local Government Act, the purpose of this financial strategy is to facilitate prudent financial management by providing a guide for the council to consider proposals for funding and expenditure against. Furthermore, this strategy will endeavour to make transparent the overall effects of these strategies on HBRC’s services, rates, debt and investments.

1.2 Context

The Financial Strategy informs and guides the assessment of funding and expenditure proposals outlined in the LTP. It brings together key aspects of other sections in the LTP to form a coherent strategy as illustrated below.



2. Key goals and outcomes

This Financial Strategy signals a step-change in Council activity, particularly in the areas of land and water to achieve real results on-the-ground at pace and at scale. This is in response to the challenge set by the Council’s 2017-2021 Strategic Plan, which sets ambitious time-frames to achieve strategic goals in the following focus areas:

- Water quality, safety and certainty
- Smart, sustainable land use
- Healthy and functioning Biodiversity
- Sustainable Services and Infrastructure.

The Financial Strategy sets out the levers available to council to accelerate and scale-up activity and influence behavioural changes to achieve these goals. It is premised on front loading the current incremental activity to have a greater impact sooner.

Key levers include the council’s funding mix (i.e. fees and charges, investment income, debt, external grant funding and rates), adjusting the balance of incentives and regulation, increasing internal capacity and its operating and capital expenditure.

This Financial Strategy includes an increase in debt funding for long term projects that provide intergenerational benefits. This includes new borrowing of \$71M over ten years with a total outstanding loan balance of \$38M by the end of the plan after repayments.

The investment strategy aims to maintain and grow investments for generating income to enable HBRC to help fund an aggressive programme of environmental enhancement projects. Keeping the dividend from Hawke’s Bay Regional Investment Company Limited (HBRIC Ltd) which owns Napier Port allows for a new rating limit which shows how these funds help keep rates at 50% or less of annual revenue.

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 26

3. Key considerations

3.1 Changes in population

Providing for population change in Hawke's Bay is not expected to have a significant impact on HBRC's operating and capital costs over the 10 year life of the plan.

The latest available statistics shows Hawke's Bay usually resident population at 164,000. It increased 1.5% on the year before, and 0.7% per annum on average over the past 10 years. This compares to the national increase of 2.1%, and 1.3% respectively (source: Infometrics, for year ending March 2016). To account for this growth, council has applied an increase of 0.25% in rateable properties each year of the plan.

The most significant growth is projected in the Heretaunga Plains of Hawke's Bay. According to the Heretaunga Plains Development Strategy (HPUDS), the number of residents around the Heretaunga Plains is projected to increase by over 10,000 in the next 30 years. HBRC is working collaboratively with Hastings and Napier councils to accommodate housing and business land needs of those urban communities, plus the associated infrastructural servicing.

3.2 Change in land use

Hawke's Bay's economy is largely a rural economy dominated by export orientated primary production including value added processing and is therefore exposed to significant environmental (e.g. climatic) and international market fluctuations.

In general, changes to higher value land use is limited in Hawke's Bay due to the availability of water to irrigate. One area of anticipated land use change is from hill country pasture to afforestation. In this plan, council is investing in a significant tree planting programme targeting the worst eroding land in the region. This complements a central government initiative to plant 1 billion trees per year. This initiative will have positive impacts on water quality, carbon sequestration and soil health.

Council will continue to monitor land use change to make sure it can respond in a timely manner to any adverse effects as a result of a change in land use. Some of the negative impacts of changing land uses could include:

- urban and residential expansion can result in the loss of land available for primary production;
- increased demand for water for productive purposes;
- water quality problems as a result of agricultural intensification;
- impacts on soil health and erosion from increased productivity;
- impacts on social and economic structures in rural areas

3.3 Change in community values and expectations

There is increasing pressure on government (local and central) to deliver better environmental outcomes, faster. As a result central government has created new legal and rule-based instruments (such as the National Policy Statement for Freshwater, amongst others) that require HBRC to do more in certain areas. This plan proposes a range of land and water related initiatives to effect change at scale and pace to address increased community expectations. This package of initiatives is focussed on getting things done on-farm through a mix of incentives and regulatory backstops as needed. The package is designed to provide landowners with the knowledge, tools and resources to meet the required changes, ideally before nationally driven deadlines come into effect.

A recent ratepayer survey on willingness to pay indicated some ratepayers are prepared to spend more, particularly in the areas of waterways and aquifers, marine and native species and plants. This demand for additional work needs to be balanced against the community's ability to pay. The mean annual earnings in Hawkes' Bay in 2016 was \$49,700, compared with \$57,780 nationally (source: Infometrics, 2016). This balance is achieved through the prioritisation of work requirements, and the application of a robust Revenue and Financing Policy which effectively targets the costs of work to those who cause or benefit from the work undertaken.

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

3.4 Napier Port and the Capital Structure Review Panel

Council owns Napier Port through the Hawke’s Bay Regional Investment Company Ltd. The Port is facing significant growth in cargo volumes and needs to develop its facilities to handle that growth on behalf of the region. Those developments, including a new container wharf and the replacement of the existing container wharf and supporting infrastructure, will likely cost around \$250 million over the next 15 years.

Due to steady growth and the need for investment in recent years, Napier Port’s debt for the 2017 financial year will be about \$86 million. Even with the forecasted growth, Napier Port cannot fund future development on its own without capital investment or dividend relief from the Council. The Kaikoura and Christchurch earthquakes also highlight the risks to Council of having all its capital investment in one physical asset.

Both the increasing financial demands on Council and the risks of having ‘all its eggs in one basket’ have necessitated a re-think on how Council attracts external capital investment to fund its core responsibilities to the environment, economy and community.

A Capital Structure Review Panel was formed in March 2017 by the Council to review the balance sheets of HBRC, HBRIC Ltd and Napier Port individually and as a group. This panel has had the mandate to look at asset needs and the use of those assets, additional funding options, risks, investment and the long-term requirements of Napier Port.

Napier Port, through HBRIC Ltd, currently returns Council an annual dividend of around \$10 million, which significantly subsidises rates for the region. This plan assumes this dividend will continue over the next ten years. We have assumed this because the options being considered by the Capital Structure Review panel, which meet all of Council’s objectives, do not have a negative impact on the forecast dividend.

The Capital Structure Review panel has delivered its final report and has made the recommendation that a number of options would meet the objectives of Council and Napier Port. Council are considering all options, supported by the CSR panel, and these considerations have been used as guidance for the development of the LTP.

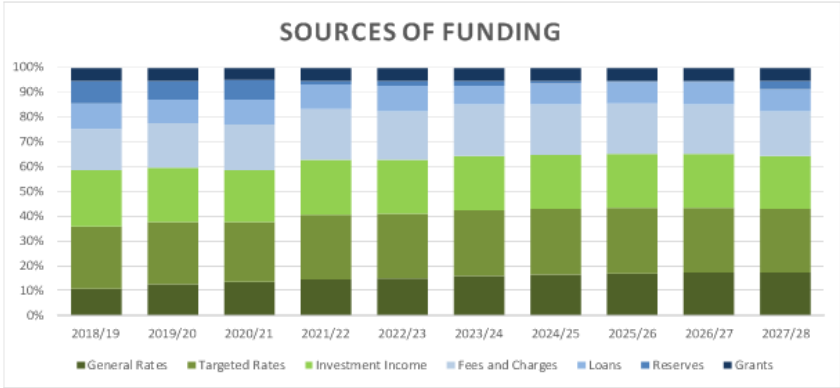
4. Funding

4.1 Funding Sources

HBRC activities are funded by a diverse mix of funding sources, including:

- General Rates
- Targeted Rates
- Investment Income
- Fees and Charges
- Loans
- Reserves
- Grants.

The funding mix over the period of the LTP is shown below.



The challenge for HBRC is to provide funding for its new strategic agenda, specifically in the areas of sustaining natural resources – e.g. water, land management and biodiversity whilst maintaining returns from HBRC’s investment portfolio at a level which sustains a balanced operating budget.

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 28

4.1 Fees and charges

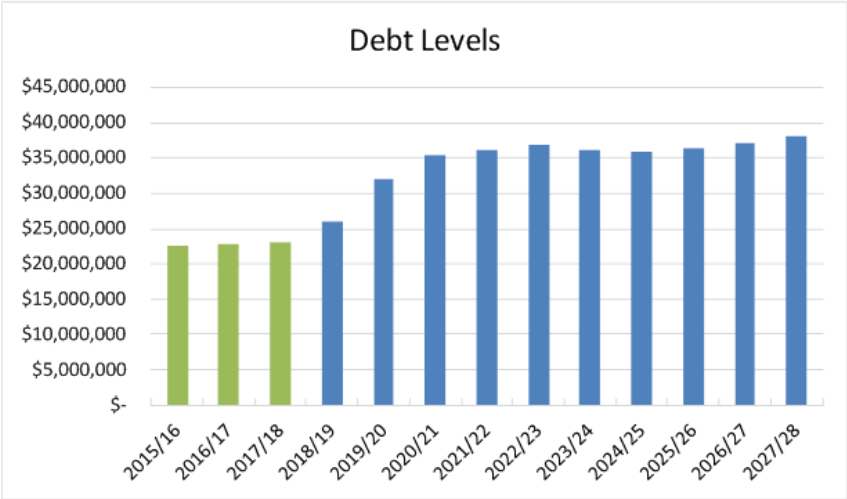
Fees and charges provide around 20% of the annual funding requirement of HBRC. The 2018-28 LTP includes a move towards charging more directly to those using our services. Both consents and compliance are now 80% chargeable to the consent holders up from the 60% and 70% respectively in previous years. Section 36 of the RMA allows regional councils to charge consent holders for their science activity. HBRC has continued with the 35% recoverable charges from consent holders in this area but has proposed to change the current zone based charging system to a more equitable split of 40% variable by consent type zone charging, 40% variable by consent type regional charges and 20% fixed charges.

4.2 Investments

HBRC has historically been able to keep general rates at a minimum as they are subsidised by investment income effectively providing these returns back to the regional community. This investment income is derived from HBRC’s investment in HBRIC Ltd, which owns Napier Port, leasehold income, forestry income, managed funds and cash on term deposit.

4.3 Debt

HBRC has historically had very low external debt. The 2018-28 LTP has focused on leveraging the balance sheet by borrowing more for larger long term projects that provide intergenerational benefits. These include new borrowing for integrated catchment management programmes for FEMPs, riparian planting and afforestation, sustainable homes, system integration software and capital expenditure. HBRC has considered the timing of the programmes and the associated borrowing required to ensure that this best meets the needs of current and future generations. The debt levels stated below are set as such to enable HBRC to maintain the present levels of service and to meet the increased levels of service proposed in this Plan.



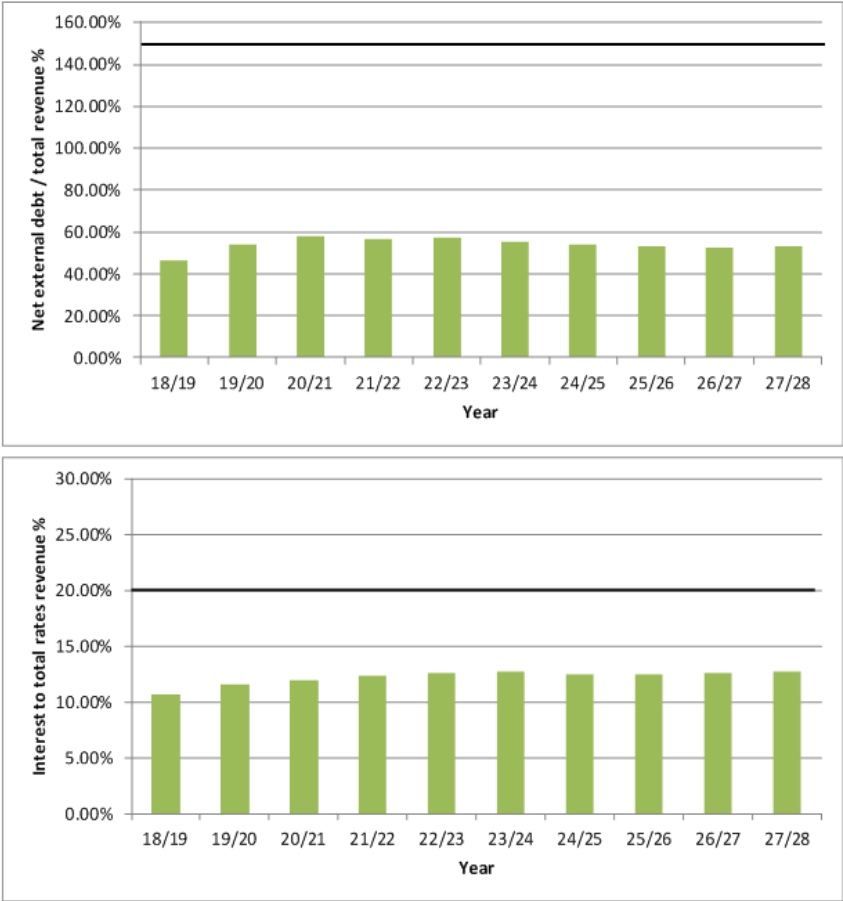
Limits on Debt

- HBRC has two debt affordability limits which must be complied with:
- Net external debt as a percentage of total revenue must be under 150%
 - Net Interest on external debt as a percentage of annual rates income must be less than 20%

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 29

The graphs below show the proposed limits on debt for the 2018-28 LTP



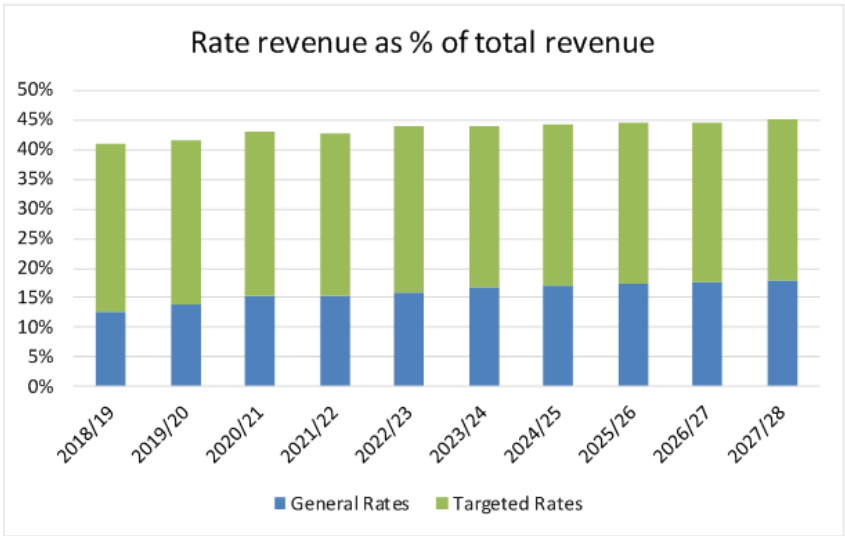
4.4 Rates

The balance of HBRCs funding requirements are provided by general rates. Rates are always the last alternative for funding operations due to the direct impact on the community.

Limits on Rates and Rate Increases

HBRC are has set the following limits in relation to its rate revenue:

- Total rates revenue will not exceed 50% of HBRCs annual revenue requirements
- Increases in the annual rate revenue requirement will not exceed 8% of HBRCs annual operating expenditure requirements



Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 30

4.5 Impact on Proposed HBRC Service Levels

HBRC is confident of its ability to provide and maintain existing levels of service and to meet additional demands for services included in the LTP within these limits.

4.6 Balanced Budget and Operating Surplus

HBRC have prepared an LTP balanced budget with no in built surplus. Any surplus shown in the statement of comprehensive revenue and expense is driven from non-cash transactions such as revaluations or income derived for capital transactions.

Rate Increases/(Decreases)										
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Rate increase excl. CDEM regional rate	14.2%	7.9%	7.3%	3.1%	3.3%	1.7%	2.8%	3.0%	3.3%	2.7%
CDEM regional rate	5.2%	-	-	-	-	-	-	-	-	-
Total rates increase from previous year	↑ 19.4%	↑ 7.9%	↑ 7.3%	↑ 3.1%	↑ 3.3%	↑ 1.7%	↑ 2.8%	↑ 3.0%	↑ 3.3%	↑ 2.7%

Financial Measures: Rate Forecasts											
Rates (\$'000's)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
General Rates	4,300	6,951	8,262	9,393	9,714	10,230	10,873	11,327	11,830	12,411	12,853
Total Targeted Rates	14,825	15,878	16,376	17,042	17,552	17,942	17,766	18,119	18,513	18,918	19,328
Total Rates	19,125	22,829	24,638	26,435	27,266	28,172	28,639	29,446	30,343	31,329	32,181

Projected Number of Rating Units										
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Rating Units	71,408	71,586	71,765	71,944	72,124	72,304	72,485	72,666	72,848	73,030

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

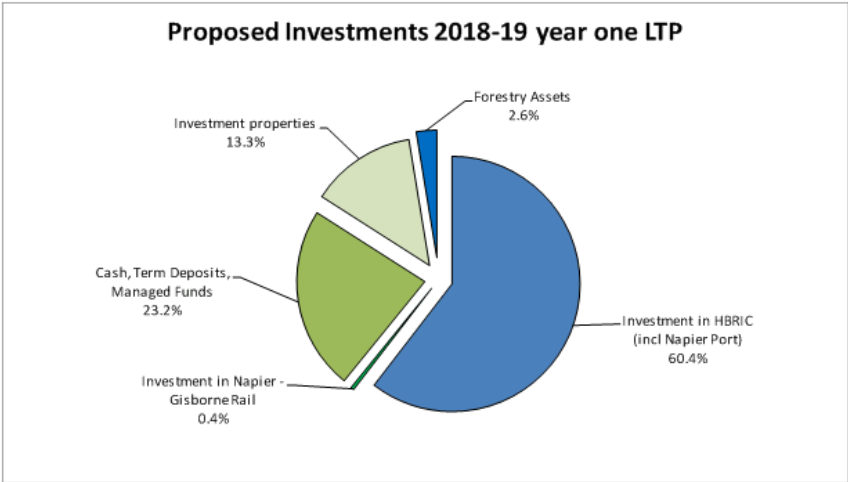
Part 3 | page 31

5. Investment Strategy

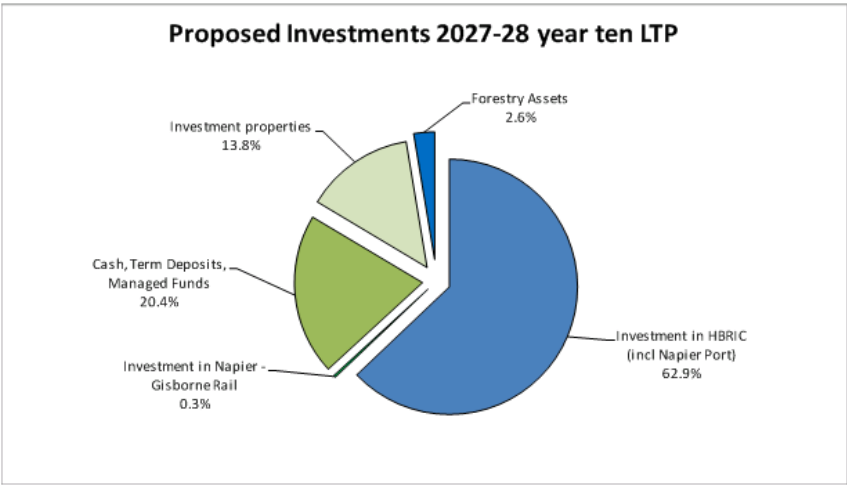
5.1 Financial Strategy for HBRC’s Investment Portfolio

HBRC’s strategic investment agenda for the 2018-28 LTP is to get the most out of the investments we do have and generate investment income to enable HBRC to help fund an aggressive programme of environmental enhancement projects.

The allocation of the current investment portfolio in year one of the LTP is shown below.



The allocation of the investment portfolio in year ten of the LTP is also shown to give a view that there is little movement proposed in the allocation of these investments over the term of the LTP



5.2 Investment Strategies/Economic Drivers/Value of Investment

HBRIC Ltd

HBRIC Ltd, the Council’s investment company, commenced activities in February 2012. Its principal investment is 100% ownership of Port of Napier Limited (PONL), which owns and operates Napier Port.

Dividends payable to HBRC will be 100% of HBRIC Ltd’s Net Profit after Tax (NPAT) as stated in its Statement of Intent (SOI) for the year ending 30 June 2018.

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 32

The following table summarises the significant forecasting assumptions in respect of HBRIC Ltd dividends.

Year	\$'000	Year	\$'000
2018-19	10,000	2023-24	11,088
2019-20	10,209	2024-25	11,318
2020-21	10,422	2025-26	11,554
2021-22	10,640	2026-27	11,794
2022-23	10,861	2027-28	12,039

Leasehold Properties

Napier

HBRC owns leasehold endowment property within and around Napier City. Ground rents paid by lessors have been predominantly set at 5% of current land value, or “fair annual ground rental” and reviewed every 21 years.

From 1 July 2013, HBRC sold the annual rentals due from this portfolio over the next 50 years (i.e. until July 2063) to ACC for a lump sum of \$37.8 million. As the annual rents have been sold this LTP assumes that the income received will be paid out as an expense with a small margin to be kept by HBRC as an administration fee.

The underlying properties continue to be owned by HBRC and sales to lessors have continued, and may continue in the future, in the same way as they have done in the past. HBRC has invested these funds in investments specified in HBRC investment policy, and will continue to do so in respect of net proceeds, (after disbursements to ACC), of sales of freehold interests to lessors.

Wellington

HBRC holds a portfolio of 12 leasehold properties in Wellington which were purchased from the historic proceeds of the sale of Napier leasehold properties. These leases provide a return of \$840,814 per annum with leases renewed every 14 years.

Forestry

HBRC has an existing forestry portfolio consisting of:

Site Name	Area (ha)	Assumptions
CHB	168	No material investment, maintenance only, no harvesting in LTP period
Mahia	36	No material investment, maintenance only, no harvesting in LTP period
Waihapua	213	No material investment, maintenance only, no harvesting in LTP period
Tutira	114	Harvesting proposed over the period from 2018-19 to 2022-23. Replanting after Harvest
Tutira Manuka Honey	130	Maintenance continues with yearly honey income of \$46,000 assumed
Tangoio	150	Harvesting proposed over the period from 2020-21 to 2021-22. Replanting after Harvest

Returns on the forestry investments are determined by the harvest revenue received.

Tangoio forestry is treated differently from all the other forestry investment as HBRC does not own the land but does have responsibility for the management and control of the forest. Any income received from harvest is kept on reserve to fund the continuing maintenance programme and is not available for the funding of general HBRC operations.

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 33

New Investment

The previous LTP had proposed investment of up to \$80 million into the RWSS project through HBRIC Limited. As at the end of June 2017 HBRC had advanced \$15 million into the project. In the wake of a Supreme Court decision to rule against the land exchange needed to continue with the project, HBRC resolved to invest no further capital in the RWSS and write off the full value of the advance between HBRC to HBRIC Ltd.

The remaining \$65 million was made up of \$50 million cash funds and \$15 million invested in Wellington Leasehold Property. It has been proposed to keep the Wellington Leasehold Property and the remaining \$50 million which had been set aside for the project is now to be preserved and grown to provide investment income to help fund the increase to Council’s operating activities.

Instead of keeping these funds on term deposit it is proposed to make these assets work harder and provide higher returns. This LTP assumes a return of 4.5% on the funds for the first year of the LTP when term deposits are being transferred and then a 5% return for the rest of the LTP. Any income over those projections are to be transferred to reserve to cover market fluctuation risks.

These investments may include any of the investment classes included in the investment policy.

Start Up Investments

Water Augmentation

The LTP proposes a \$5 million fund to be available for water augmentation, not fixed to any particular scheme but available as a grant fund for technical investigation and feasibility.

Although there may be potential for future investment returns from water augmentation investment, these have not been factored into the LTP budgeting process as there needs to be more clarity in this area.

Napier – Gisborne Rail

The LTP proposes a commitment of \$1.5 million in year one to support central Government’s policy to reinstate the Napier-Wairoa rail line. No financial returns have been assumed over the next ten years as the final business case is not yet known.

5.3 Risks to Assumptions

The following tables outline the risks to significant forecasting assumptions. If these assumptions prove to be incorrect, there could be a significant effect on the level of rates that HBRC plans to collect from the community. In this situation, it will re-examine its work programmes and determine if it’s appropriate to rate the community or change the scope of those programmes.

Item 7

Attachment 1

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 34

Council Investment Risks

Investments	Assumption	Risk to Assumption	Level of Uncertainty	Reasons and Financial Impact
HBRC Ltd	Dividends will be paid to HBRC as scheduled	Napier Port financial performance falls short of its forecast or natural disaster reduces Napier Port capacity.	Low	A substantial part of HBRC's regional income comes from HBRC as the majority of HBRC's investment assets are held by HBRC. Any diminution of dividends paid by HBRC to HBRC will have a direct negative effect on HBRC's operating position. HBRC's ability to pay dividends relies in the first instance on the profitability and dividend payments of Napier Port.
Napier Port	The capital needs of the Napier Port will be met through the recommendations of the Capital Structure Review Panel	Napier Port does not receive the capital injection needed and cannot build the new container wharf and the replacement of the existing container wharf and supporting infrastructure	Low	All entities involved with the Capital Structure Review Panel are confident that a solution to the Port Capital needs will be found and this will allow the Port to continue to grow. If a solution is not found then the Port would feel the need to try and develop the new infrastructure themselves which would require reduced dividends with large implications for the income of the Council.
Wellington leasehold properties	Lease payments will continue as scheduled	Lessees unable to pay or natural disaster leaves land unleaseable	Low	A good part of HBRC's regional income comes from Wellington Leasehold lease payments. Any diminution of payments will have a direct negative effect on HBRC's operating position
Forestry Harvesting	Log prices remain stable over the period of the LTP.	Price for logs at harvesting is lower than forecast.	Low	Like all commodity markets timber is cyclical, however this risk can be managed by bringing forward or deferring harvesting in the short term but if prices continue to be low in the long term there may be less income than forecast.
Forestry - Manuka	Honey prices remain stable over the period of the LTP	Price for honey is lower than forecast.	Low	A small part of HBRC's regional income comes from honey sales.
Managed Funds	Revenue assumptions can be met each year	Investments and markets can fluctuate affecting income and capital value.	Medium	A diverse portfolio will be required to mitigate the risk of investment fluctuations as well as trying to build up a reserve to cover fluctuations. Managed funds held for investment are to be in the order of \$50M at the start of this plan. Therefore a 0.5% movement either up or down from the assumed levels of returns in this plan would result in an annual exposure of plus or minus \$250,000.
Water Augmentation	No returns assumed in the LTP period	No risk	Low	No downside financial impact. There may well be an upside if the investment can be turned into a commercial feasible project.
NGR	No returns assumed in the LTP period	No risk	Low	No downside financial impact. There may well be an upside if the investment can be turned into a commercially feasible project.

Item 7

Attachment 1

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 35

Other Risks

Investments	Assumption	Risk to Assumption	Level of Uncertainty	Reasons and Financial Impact
Inflation	Inflation rates have been developed from BERL economic forecasts	Inflation is higher or lower than forecast	Medium	Inflation is affected by external economic factors, most of which are outside of HBRC's control and influence. The estimate of the potential effects of the uncertainty is best illustrated by stating that for 2019-20 a move in the cost adjustors provided by BERL and used in this plan by plus or minus 0.5% would result in either an under or over provision for external expenditure of \$107,000 and for employment costs of \$90,000 .
Interest Rates on Borrowings	Interest rates increase slightly over the term of the plan	Interest rates are higher or lower than forecast	Medium	The majority of the borrowing programme proposed in this plan is to provide funding to cover loans to homeowners for Sustainable Homes and for the Integrated Catchment Activities. The effect of any interest rate movements on the borrowing programme can best be illustrated by stating that a 0.5% movement either up or down from the assumed levels of interest rates in this plan would result in an annual exposure of plus or minus \$17,000 for 2018-19 \$224,000 for 2027-28 the last year of the plan.
Occurrence of Natural Disaster	No natural disasters	A natural disaster/flood event occurs which damages Council's property, plant and equipment	Medium	Call on commercial insurance, Local Authority Protection Programme and Government funding through the National Civil Defence Recovery Plan. The use of reserves is also available to HBRC as required.

Item 7

Attachment 1

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 36

Item 7

6. Infrastructure Assets

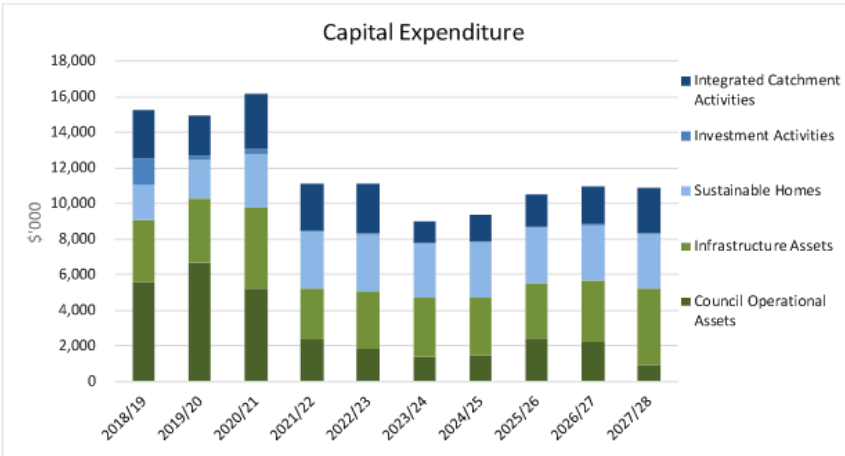
HBRC manages infrastructure assets through the 30 year Infrastructure Strategy (refer Part 4). The financial budgets incorporate the key issues and responses from this document.

Overall HBRC is satisfied that it can respond to the infrastructure needs within the budget and rating parameters set within this financial strategy.

7. Summary of Capital and Borrowing

Capital Expenditure

HBRC proposed to embark on a significant capital programme across the 10 years of this Plan, mainly as a result of the proposed activity in Sustainable Homes, Integrated Catchment Activities and the continued Infrastructure programmes. The graph below sets out the proposed capital expenditure activity across each year of the LTP.



The increase in Council Operational capital expenditure in years 1 to 3 are driven by building renewals, forecast accommodation requirements, science assets and computer system integration projects.

Infrastructure capital expenditure is relatively constant throughout the LTP and provides for the renewal of existing infrastructure as well as allowing for level of service increases for the Heretaunga Plains stop banks.

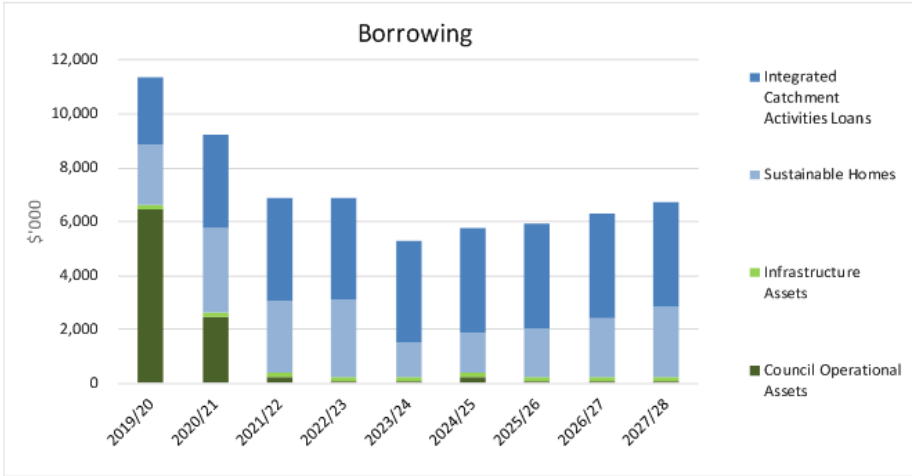
Community Loans include the Sustainable Homes programme and the Integrated Catchment Activities for Riparian planting and Afforestation

External Borrowings

This LTP has actively endorsed the use of increased borrowing in order to help achieve ambitious time bound strategic goals for water, land use, biodiversity and sustainable services and infrastructure.

HBRC proposes to borrow \$71m over the 10 years of the Plan. Proposed budgets allow for the repayment of debt, so debt will grow from its current level of \$23m to \$38m over the life of the Plan.

The graph below analyses the proposed new borrowings of \$71 million and the programmes to be funded.



Attachment 1

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 37

Debt Security

When HBRC undertakes external borrowing it does so under the Debenture Trust Deed which was established in October 2009.

Under the Debenture Trust Deed HBRC's borrowing is secured by a floating charge over all HBRC rates levied under the Rating Act, excluding any rates collected by HBRC on behalf of any other local authority. In such circumstances, the security offered by HBRC ranks 'Pari Passu' for all stock issues by HBRC including any security stock issued.

Under the Debenture Trust Deed HBRC offers deemed rates as security for general borrowing programmes. From time to time, with prior HBRC and Debenture Trustee approval, security may be offered by providing a charge over one or more of HBRC's assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset which it funds (such as an operating lease or project finance);
- HBRC considers a charge over physical assets to be appropriate;
- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

Part 3 - Financial Strategy | Wāhanga 3 - Rautaki Pūtea

Part 3 | page 38

8. Financial Metrics

The financial metrics that assist in the evaluation of HBRC’s financial performance over the years of the Plan are set out in the table below.

	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Year 4 2021/22	Year 5 2022/23	Year 6 2023/24	Year 7 2024/25	Year 8 2025/26	Year 9 2026/27	Year 10 2027/28
Net Surplus Margin	11.34%	14.02%	12.89%	15.31%	14.51%	14.91%	15.52%	15.71%	15.83%	15.54%
(This metric shows the percentage of income retained by HBRC to fund capital expenditure, to meet repayments on debt and/or set aside to meet future contingencies)										
Return on Investments	3.95%	4.14%	3.55%	3.72%	3.58%	3.28%	3.31%	3.34%	3.07%	3.08%
(This metric shows the percentage of income retained by HBRC to fund capital expenditure, to meet repayments on debt and/or set aside to meet future contingencies)										
Rates to Total Revenue	44.39%	44.75%	46.44%	46.18%	47.53%	47.48%	47.76%	48.06%	48.38%	48.99%
(This metric shows the percentage of HBRC’s total revenue that is collected through rates).										
General Rates to Total Rates	30.45%	33.53%	35.53%	35.63%	36.32%	37.97%	38.46%	38.99%	39.62%	39.94%
(This metric shows the percentage of HBRC’s total rates revenue that is collected through general rates).										
Capex to Total Cash Payments	11.27%	12.74%	12.36%	7.35%	7.10%	6.72%	6.68%	7.64%	7.59%	6.78%
(This metric shows the proportion of total cash payments that has been spent on fixed assets).										
Total Finance Expense to Operating Expenditure	4.92%	5.53%	5.85%	6.17%	6.41%	6.46%	6.47%	6.51%	6.58%	6.71%
(Interest on Borrowings and payments to ACC for leasehold cashflows)										
Interest Expense on Bank Loans to Operating Expenditure	2.67%	3.16%	3.48%	3.72%	3.90%	3.99%	4.06%	4.16%	4.23%	4.36%
(Interest in Borrowings only)										
Debt to Debt plus Equity	7.14%	7.69%	7.49%	7.34%	7.10%	6.40%	6.21%	5.97%	5.54%	5.51%

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 39

Part 4 Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Contents

Executive summary.....40

1. Introduction.....40

2. Our region, infrastructure and assets.....41

 2.1 Our Region 41

 2.2 Our Schemes 41

 2.3 Critical Assets 43

 2.4 Current Asset Condition and Reliability..... 44

 2.5 Other Assets..... 44

3. Strategic Issues, Trends and Related Impacts45

 3.1 Demographic Changes 46

 3.2 Tangata Whenua Representation..... 47

 3.3 Economic Trends and Affordability 47

 3.4 Natural Hazards..... 47

 3.5 Climate Change..... 48

 3.6 Legislation..... 48

 3.7 Changes in Community Values..... 49

4. Significant Infrastructure Issues50

5. Management Approach 56

 5.1 Maintenance Approach 56

 5.2 Scheme Funding..... 58

 5.3 Renewal approach 59

 5.4 Projected Capital Works covering enhancements and increased level of service..... 60

 5.5 Resilience 64

 5.6 Risk Management..... 64

6. Major Project Summaries – THE BIG FIVE..... 65

7. Significant Assumptions 66



Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 40

Executive summary

The Local Government Act (LGA or Act) 2002 Amendment 2014 now sets out requirements for Councils in regard to infrastructure strategies and asset management planning.

The Act requires identification of issues that may impact on infrastructure management over the coming 30 year period and strategies that are to be put in place to address those issues.

In regard to the management of the Hawke’s Bay Regional Council’s flood protection infrastructure assets, the following strategic drivers for change and significant issues have been identified.

Strategic drivers for change:

- Demographic changes
- Iwi representation
- Economic trends and affordability
- Natural hazards
- Climate change
- Legislation
- Changes in community values

Significant infrastructure issues:

- Climate change
- Levels of service
- Land use change
- Flood channel capacity management
- Environmental and Ecological management and enhancement
- Coastal asset management

Strategies and actions have been identified in relation to these issues, some involving the continuance of present asset management practice and policy, others requiring specific steps to be taken, or new initiatives.

This 30 Year Infrastructure Strategy needs also to be considered in the context of other Council documents and processes including the Financial Strategy, Long Term Plan and Council’s Asset Management Plans.

1. Introduction

This is Hawke’s Bay Regional Council’s first review of its Infrastructure Strategy, originally adopted by Council in 2015.

The requirements for an infrastructure strategy are prescribed within the Local Government Act 2002 Section 101B – Infrastructure Strategy, which states:

(1) *A local authority must prepare and adopt, as part of its long term plan, an infrastructure strategy for a period of at least 30 consecutive financial years*

And

(6) *In this section, **infrastructure assets** includes-*

- a. *existing or proposed assets to be used to provide services by or on behalf of the local authority in relation to the following groups of activities:*
- iv) *flood protection and control works:*
- b. *any other assets that the local authority, in its discretion, wishes to include in the strategy.”*

The purpose of the strategy is to determine significant infrastructure issues arising within the next 30 years in the Hawkes Bay region, describe options for managing them and identify the implications associated with applying those management options.

When formulating these management options HBRC has taken the following into consideration.

- How best to manage renewal or replacement of assets over their intended lifespan
- How to respond to growth or decline in demand
- Planned increases or decrease in levels of service
- Safeguarding the community and improving the environment

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 41

- Addressing risk associated with natural hazards in terms of providing resilience and ensuring sufficient financial provision

This Strategy covers the following infrastructure assets.

- Flood Protection and River Management
- Pathways
- Regional Parks
- Coastal

This strategy recognises the current level of knowledge, complexity and challenges within the infrastructure environment. Issues associated with water quality and quantity, climate change, environmental degradation and natural hazards are important in their impact on infrastructure management decisions. Infrastructure plays an important part in a much wider integrated approach to catchment and regional management of issues, with other regional initiatives relating to afforestation, environmental improvements, land use change and regulation also forming a critical component to management of issues within the region.

There are a suite of documents that support and have relevance to this 30 Year Infrastructure Strategy* document, including:

- Asset Management Policy*
- Scheme Asset Registers and databases
- Scheme Asset Management Plans*
- Scheme Maintenance Contracts
- Various Scheme Review reports, economic assessment reports and annual audits.

These asset management documents are publicly available on the HBRC website (www.hbrc.govt.nz).

*Subnational Population Estimates, at 30 June 2017P, published October 2017, Statistics NZ.

2. Our region, infrastructure and assets

2.1 Our Region

The Hawke's Bay region on the central east coast of the North Island has a total land area of 1.42 million hectares. It is bounded in the west by the Kaweka and Ruahine Ranges. The area comprises the local authority districts of Wairoa in the north, Hastings, Napier and Central Hawke's Bay, together with small areas of Rangitikei and Taupo districts.

The Hawkes Bay population at 30 June 2017 of 164,000⁸ is expected to increase to 170,800 by 2043⁹, an increase of 4% over the next 25 years. Population is predicted to increase in Napier City and Hastings District (5% and 8% respectively) and reduce in Wairoa (22%) and Central Hawke's Bay (8%). The recent increase in skilled immigration coupled with a number of initiatives within the region focussing on the freshwater, coastal management and marine ecology space, may increase these population growth forecasts.

Hawke's Bay contains 24 river catchments comprising 7 major rivers (the Wairoa, Mohaka, Esk, Tutaekuri, Ngaruroro, Tukituki and Waipawa) and numerous smaller rivers and streams. Between the mountain ranges and the coast lie flat river plains (Heretaunga, Ruataniwha and Wairoa) containing rich alluvial soils which provide the basis for Hawke's Bay's important rural economy and horticultural sector.

2.2 Our Schemes

Historically, where frequent flooding or poor drainage have created negative issues for local land owners, the Hawke's Bay Regional Council or its predecessor organisation, the Hawke's Bay Catchment Board, have worked with the land owners to establish a flood control and/or drainage scheme. This then enabled the land owners to use their land with reduced risk of flooding and associated improvements to drainage, provided they have been willing to meet a significant portion of both the capital and ongoing maintenance and operating cost for the scheme.

⁸Subnational Population Projections: 2013(base)-2043 Update, medium series, published February 2017, Statistics NZ.

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 42

These have been established under the Soil Conservation and Rivers Control Act 1941 to provide benefit to defined areas within the region.

All schemes have the primary purpose of reducing flood risk and/or the time taken to drain stormwater runoff from the land following a major rainstorm event. The schemes also allow increased productivity from the land by utilising existing small streams along with a network of man-made drains, together with low level pumps which enable the natural near surface water table to be lowered to a manageable level.

In recent years, HBRC has acknowledged the significant potential for the corridors associated with rivers and streams as habitat and refuge for regional biodiversity, as well as being an integral part of the social and cultural fabric of the region. Significant work has been done to quantify those values and a number of projects are now funded through scheme funds to enhance those biodiversity, environmental, cultural, recreational and social values. Approximately 95km of cycleways associated with HB Trails have been constructed on land and assets associated with HBRC infrastructure. These together with other recreational uses of river berm land provide significant opportunities for public health and wellbeing.

HBRC is also seeking to reduce, or where possible, eliminate any adverse environmental effects of activities associated with the operation or maintenance of the schemes. Recent studies completed relative to this are “The Environmental Code of Practice for River Control and Waterway Works” (2017) and “The Hawkes Bay Riverbed Gravel Management Plan” (2017), adopted and approved by HBRC in mid-2017 and “Ecological Management and Enhancement Plans” developed and operational for the main river systems.

HBRC now administers 25 flood control and drainage schemes throughout the region shown in Figure Error! No text of specified style in document.-1 below. It is the assets associated with these schemes that form the significant infrastructure managed by HBRC.

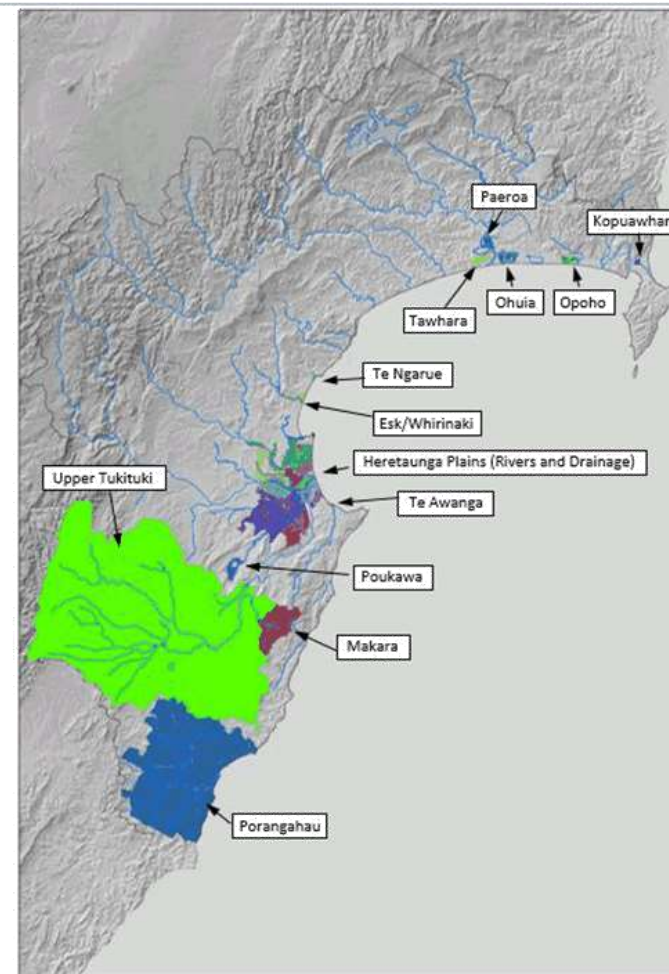


Figure Error! No text of specified style in document.-1: Our Region's Flood Protection schemes

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 43

2.2.1 How the schemes are funded

The implementation of the schemes has led to improved productivity from the land, with resulting downstream benefits to the economy and resilience of the region. To reflect this wider benefit, HBRC sources the majority of funds to meet the ongoing operation, maintenance and improvement cost of the scheme from targeted rates levied on properties benefiting from the schemes, and a minority portion from general funding sources on a calculated private/public good split basis. General funds are sourced from general rates levied on all properties across the region and from dividends and interest from HBRC investments.

HBRC considers that the current level of funding for each of the schemes is adequate to provide for the necessary maintenance of the scheme assets assuming that they continue to deliver the level of service they were designed to provide. However, ongoing scheme reviews consider both the current levels of service and increasing demand for potential higher levels of protection, resulting from land intensification and climate change predictions. These reviews could result in a proposal to increase the level of service and maintenance, and/or improvement expenditure.

2.3 Critical Assets

The most significant of these schemes services the Heretaunga Plains which protects the cities of Napier and Hastings and highly productive lands in their vicinity. The Heretaunga Plains Flood Control and Drainage Scheme includes significant stopbanking and river control works on the three major rivers (Tutaekuri, Ngaruroro, and Tukituki) crossing the Heretaunga Plains and a network of small streams, drains and pumping stations under 9 internal catchment drainage areas. The Heretaunga Plains Flood Control and Drainage Scheme is divided into 10 separate catchments for management and funding purposes. (Rivers and 9 separate drainage catchment areas).

The Upper Tukituki Flood Control Scheme is the second largest scheme. This scheme includes significant stopbanks and river control works on the Tukituki, Waipawa, and Tukipo Rivers and a number of their tributaries across the Ruataniwha and Takapau Plains.

The remaining schemes cover small catchments with minor infrastructure, and are considered small compared to the Heretaunga and Upper Tukituki Schemes.

The integrity of the Heretaunga Plains and Upper Tukituki flood Control Scheme assets are critical to the Hawke’s Bay economy as they protect a large percentage of the urban Hawke’s Bay population and significant areas of horticultural and agricultural infrastructure. Stopbanks and associated river control assets on the three major rivers crossing the Heretaunga Plains are considered critical assets.

Details of the infrastructure assets are tabled following.

	Asset description	Physical dimension/ number	Replacement value	Average Annual operations & maintenance budget (2018-28)	Level of service summary
Heretaunga Plains Flood Control and Drainage Scheme	Stopbanks	156km	\$138,758,848	\$4,799,018	Currently the design Level of Service (LOS) (1% AEP capacity) is provided on the major rivers, however HBRC has committed to increasing the LOS to convey flood water with a 0.2% chance of occurrence in any one year. Current assessment is that the River control assets provide 100% effectiveness for 1% AEP capacity and is at no more than a low risk of failure. A Level of Service (LOS) review for the drainage network is underway and scheduled for completion in the next three years.
	River channels and edge protection	96km			
	Drainage channels	473km			
	Pumping stations	18			
	Structures and culverts	2440			

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 44

	Asset description	Physical dimension/ number	Replacement value	Average Annual operations & maintenance budget (2018-28)	Level of service summary
Upper Tukituki Scheme	Stopbanks	76km	\$31,637,715	\$927,552	Currently the design LOS (1%AEP capacity) is provided over 95% of the stopbanked reaches. The remaining 5% of reaches remain with reduced free board (distance between design flood level and the top of the stopbank).
	River channels and edge protection	130km			
	Drainage channels	12km			
	Structures and culverts	1274			
Small Schemes	Stopbanks	15km	\$14,476,397	\$805,948	Current Levels of Service are being achieved across most the smaller schemes. Levels of Service vary across the schemes, depending on their purpose. Estimated to be operating at 95% or higher after allowing for periodic flood damage.
	River channels and edge protection	8km			
	Drainage channels	85km			
	Pumping stations	4			
	Structures and culverts	288			
Total replacement value			\$184,872,960		

2.4 Current Asset Condition and Reliability

The current approach to determining scheme asset condition and reliability is detailed in each of the respective Asset Management Plans (Section 8.4 & 8.5 of HPFCS AMP, Section 7.3 & 7.4 of UTTFCs AMP). Assets are separated into component categories within the asset registers relative to their function and significance.

A condition matrix is applied to relevant scheme assets that provides a condition score, taking account of criteria such as asset conformance to design specifications, physical condition of the asset, level of establishment for tree plantings and plant quality, as examples.

Annual audits and inspections of components of the scheme are undertaken by a Professional Engineer with the production of an annual report, which is used to record overall asset condition and performance and also to advise any remedial work required as a result of the inspection process.

Critical assets have a current average condition rating score of 4 and 5 for stopbanks, where a score of 1 is “very poor condition with defects” to 5 which is an asset in “excellent condition”.

2.5 Other Assets

Pathways

HBRC manages approximately 105 km of pathways which have been constructed on land it owns or administers. The majority of the pathways form a portion of the NZ Great rides known as HB Trails, and are constructed along stopbanks and berm areas which are assets of the flood protection schemes.

While HB cycle trails are not significant infrastructure assets, the cost of constructing these has been met in part by the regional ratepayers and in part by central government through their NZ Cycle Trails initiative. The replacement value of the pathways is \$2,512,514. HBRC therefore has an ongoing obligation for the management and maintenance of these pathways in accordance with the agreement HBRC entered into with the then Ministry of Economic Development (22 Nov 2011) which states that

“Under this agreement HBRC is required to brand the Hawke's Bay Trail as forming part of the Nga Haerenga, New Zealand Cycle Trail, and has agreed to comply with such reasonable conditions as required by the Ministry, including that the Hawke's Bay Trail be managed and maintained in a manner that is consistent with the objectives of Nga Haerenga, New Zealand Cycle Trail.”

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Regional Parks

HBRC also manages and administers a Regional Park network including:

- Pakowhai Regional Park
- Pekapeka Regional Park
- Waitangi Regional Park
- Tutira Regional Park
- Waipatiki Reserve, and contributes towards the management of Te Mata Park.

Prior to 2014, the narrower term Wetlands was used to describe what are now known as Regional Parks. Within these parks are various recreational facilities, pathways, observation points etc.

It is acknowledged that the pathways and these parks are important community assets. HBRC has made financial provision in its long term plan for ongoing management and maintenance of these assets, and for their development and improvement. The replacement value of the regional parks assets is \$2,186,663 (exclusive of land value).

Coastal Assets

HBRC currently has a small number of coastal assets it has constructed and maintains and at present funding for these assets is covered by financial provisions within the flood protection schemes.

HBRC began a Coastal Hazards Strategy in 2016 with community representatives

The current strategy work, identified as the Clifton to Tangoio Coastal Hazards Strategy 2120, includes HBRC, Napier City Council and Hastings District Council as partner contributing councils. This Strategy was adopted by the three councils in October 2017. It identifies preferred protection options, along with high-level cost estimates for short, medium and long term horizons, up to 100 years. The next phase will consider design and budget refinements, cost sharing and funding options and will be dependent on the outcome of any special consultative processes that may be required with the community.

While this area is the focus of the project at this time the project needs to ensure coastal issues are considered in a regional context and have flexibility to incorporate future potential coastal issues within the timeline of the 30 year strategy. This will enable areas within Wairoa District Council and Central Hawkes Bay District Council to be considered as and when issues arise.

Due to the potential significant size, complexity and scale of the Coastal Hazards Strategy, likely covering all Council areas within the Hawke’s Bay region, it will be structured into its own project structure for funding, delivery and management, with any assets separately identified.

As part of the 2018 Long Term Plan, council established a new targeted rate to align the cost of the investigations of implementing the identified pathways to those who benefit. This is a new rate to fund Council’s ongoing involvement in the Coastal Hazards Joint Committee. This rate is currently targeted to Napier and Hastings residents, as the current strategy and pathways proposed only cover the coast from Clifton to Tangoio, which involves only Napier and Hastings ratepayers.

3. Strategic Issues, Trends and Related Impacts

The task of building, operating and maintaining these infrastructure assets in an affordable manner is becoming increasingly challenging. This section highlights the projected changes in demographics, economy, policy, cultural trends and geography that have the potential to impact our management approach in future. Being aware of the potential for change will allow HBRC to adapt an approach accordingly.

The following key strategic drivers for change have been identified;

- Demographic Changes
- Tangata Whenua Representation
- Economic Trends and Affordability
- Natural Hazards
- Climate Change
- Legislation
- Changes in Community Values

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 46

3.1 Demographic Changes

The table and graph below show predicted population changes in the Hawke’s Bay region and each of the districts that make up the region. The analysis set out below is based on recent updates to the projections first compiled in 2013, following the national census. These latest figures take into account the recent influx of skilled migration to our region, a trait which is echoed on a national basis.

The Statistics NZ most optimistic or ‘High’ population growth figure for Hawke’s Bay in Year 2043 is 195,900 compared to the ‘Medium’ figure of 170,710. The Upper Tukituki Scheme is likely to remain unaffected by any changes in the local population in Central Hawkes Bay, so this position needs to be considered when the levels of service review of the current 1% design standard are carried out.

The potential for population growth on the Heretaunga Plains will be taken into account in the levels of service reviews for the individual drainage catchment areas programmed to be undertaken over the coming years.

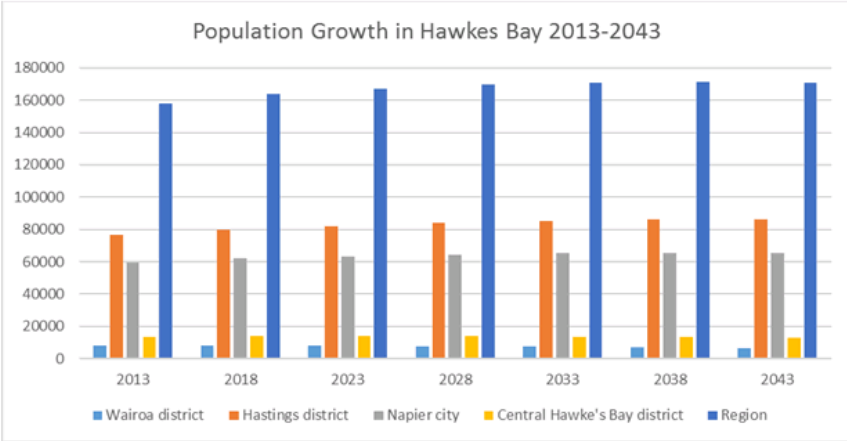
HBRC manages a number of schemes in the Wairoa area. It is essential that the schemes remain affordable to their benefiting community. As the majority of the schemes service rural areas, this means that farming operations must be able to remain profitable and the cost of maintaining schemes continues to be exceeded by the value of the benefit provided.

While little population growth is expected to occur within Hawke’s Bay, the average number of people occupying each house is reducing and is expected to continue to reduce. Drainage catchment areas servicing urban and peri-urban areas need to accommodate this trend. This will be considered in the programmed reviews of these areas.

Table: Population Projections for Hawke’s Bay (medium series¹⁰)

Year	Wairoa District	Napier City	Hastings District	CHB District	Hawke’s Bay
2013	8300	59600	76700	13250	157850
2018	8140	62100	80000	13850	164090
2023	7890	63400	82100	13900	167290
2028	7610	64400	83900	13800	169710
2033	7250	65100	85200	13550	171100
2038	6810	65300	86000	13150	171260
2043	6310	65400	86300	12700	170710

Note: Statistics NZ records for forecast population figures only extend to 2043 from the 2013 census. The 2018 census will further extend this range.



¹⁰ Subnational Population Projections: 2013(base)-2043 Update, medium series, published February 2017, Statistics NZ.

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 47

3.2 Tangata Whenua Representation

Tangata Whenua relationships form a significant component of Council’s responsibilities and obligations. Cultural significance and awareness are paramount to achieving Councils objectives and policies, with particular relevance to managing water, protecting the land, environmental enhancement and ensuring protection for future generations.

Treaty of Waitangi settlements are facilitating increased kaitiakitanga over the rivers and their environs by Maori and therefore increase HBRC’s involvement with Maori. Cultural values impacted by activities associated with the ongoing operation, maintenance and improvement of flood control and drainage schemes and their environment will be of greater importance. As financial settlements and redress occur in Hawkes Bay, Tangata Whenua will be more empowered and better positioned to provide shared input into scheme management.

HBRC has a Joint Planning Committee with both elected and Tangata Whenua representatives involved in environmental decision making.

3.3 Economic Trends and Affordability

The most recent figures indicate Hawkes Bay’s regional GDP had an annual growth of 1.6% in 2016 compared to the national average of 2.5¹¹%. Hawke’s Bay economic growth is driven by a combination of factors, though most relevant to this strategy are transport, manufacturing and agriculture.

Our assets are fundamental to the continuing economic prosperity of our region. In particular, the area covered by the Heretaunga Plains Flood Control Scheme (HPFCS) is the economic ‘engine room’ of the Hawke’s Bay region, accounting for approximately 85% of the regional economy across different indicators. The catchment comprises the majority part of the Hawke’s Bay primary production/processing and related servicing base. It is an important component of the national fruit and horticultural sector in particular and forms the main part of the Napier-Hastings urban area which is itself the fifth largest urban centre in New Zealand.

¹¹ Infometrics, Hawke’s Bay at a Glance, 2016.

The HPFCS currently protects a very significant level of residential and business assets, investment and community infrastructure. Further significant demographic, economic, rural production and other industry growth is forecast for the catchment area over the longer-term.

The economic impact losses of three major flooding stop bank breach scenarios were modelled as part of an economic study which will feed into the Level of Service Reviews. These were breaches at Roys Hill on the Ngaruroro River, Taradale and Moteo on the Tutaekuri River within the Heretaunga Plains. The associated direct industry production losses for these areas were \$468.3 million, \$356.2 million and \$24.4 million respectively. Regional economic impact modelling of these figures indicated resulting total Hawke’s Bay-wide GDP/Value Added economic impact losses, including direct and flow-on backward and forward linkage multiplier impacts, of \$526.0 million, \$317.2 million and \$31.7 million respectively. The Net Present Value/discounted annualised value of these impacts over a 100-year (return flood event) timeframe is the Roys Hill breach \$39.5 million, Taradale breach \$23.8 million and Moteo \$2.4 million. These figures highlight the critical part our flood protection assets play for our economy.

3.4 Natural Hazards

Hawkes Bay experiences a number of natural hazards which have the potential to impact our critical assets. These include:

- Flooding
- Earthquakes
- Tsunami
- Landslides
- Coastal erosion and inundation.

Severe weather events drive a large number of these hazards and therefore understanding these hazards, both now and in the future as a result of climate change is vital to managing risk.

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 48

The levels of service review currently underway will identify the risk posed to flood protection assets on our rivers within the HPFCS relative to climate change guidelines published by the Ministry for the Environment.

Floods and the potential impacts these can have under current conditions is well understood by HBRC. Flood forecasting and the potential for overtopping of stopbanks can be assessed quickly and our computer models of the river systems are linked to our monitoring networks which provide real time data to validate our forecasting models.

Regular risk and condition assessments of our assets also ensure any potential risk of stopbank failure is understood and maintenance works are performed in a timely manner.

Coastal communities around New Zealand, and the world, are becoming increasingly aware of coastal hazards, such as coastal inundation (flooding by the sea), coastal erosion and tsunami.

In Hawke's Bay we have faced these hazards in the past and understand some of the concerns. We can use this knowledge to look ahead to ensure we are prepared to deal with the challenges of coastal hazards in the future, creating more resilient communities. All work being considered in the coastal space will be aligned with the New Zealand Coastal Policy Statement and the need to consider 100 year time horizons.

Coastal erosion maps have been compiled and can be accessed online at the HB Coast website. These maps depict layers of probability (likely, possible, very unlikely and highly unlikely) that coastal erosion will affect land in the present day, at 2065 and at 2120.

Similarly, the extent of coastal inundation (flooding by sea water) possible in a 1% storm event (i.e. there is 1% chance of a storm of that magnitude happening every year) in the present day, at 2065 and at 2120 has been mapped and is available on the HB Coast website.

The impacts of Tsunami, including maps identifying evacuation zones are also available and HBRC have developed methods to forecast wave heights relative to different magnitude earthquakes occurring from both local and distant source. These forecasts, together with those provided by GNS are used by CDEM to manage disaster risk in our region.

3.5 Climate Change

The Hawkes Bay Regional Council Strategic Plan recognises that provision needs to be made for the effects of climate change in natural hazard risk assessment. It promotes strategic planning for future coastal erosion and sea level rise with our Territorial Local Authority partners. Work currently being undertaken in the Clifton to Tangoio Coastal Hazards Strategy 2120 is considering a range of soft and hard engineering solutions for the short to medium term up to 50 years and also includes options of managed retreat for the long term, 100 years. This adaptive approach is being used in an attempt to ensure any response options being considered provide the maximum amount of flexibility and adaptability to climate change impacts and the significant variability of current predictions. The community are playing a significant part in developments in this area.

3.6 Legislation

Most of what HBRC does is prescribed by statute. Changes to legislation will impact on HBRC's investment programme. Key legislation includes:

- Local Government Act (2002)
- Resource Management Act (1991)
- Soil Conservation and Rivers Control Act (1941)
- National Statement for Freshwater Policy (2014)
- New Zealand Coastal Policy Statement (2010)
- Hawke's Bay RRMP
- Health and Safety at Work Act (2015).

Catchment-based plan changes are needed to give effect to the National Policy Statement for Freshwater Management (NPS-FM). The NPS-FM requires all catchments to have freshwater quality and quantity limits by 2025.

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 49

The way land and water resources are managed in the Greater Heretaunga and Ahuriri area is currently under review. The area encompasses the Tutaekuri, Ahuriri, Ngaruroro and Karamu catchments ('TANK'), plus the Heretaunga Plains aquifer system. The focus is on water quality, quantity, flows and allocations in the four catchments, including wetlands and estuaries.

The whole community across the plains has a stake in the outcome of the TANK project and there are a number of opportunities for people to have a say in this process – both informally and formally.

This catchment-wide approach to managing water and land will lead to Regional Resource Management Plan (RRMP) changes that may impact scheme levels of service obligations. Subject to the impact of any changes, HBRC will need to consider how this is accommodated and managed within the schemes.

3.7 Changes in Community Values

The flood control and drainage schemes administered by Council were designed at various times over the past 50+ years and reflect the knowledge and understanding of that time. These schemes have modified the natural environment to varying degrees relevant to practices of the time, e.g. drainage, tree clearing and watercourse modifications. The community values and climate impacts with respect to the natural environment have changed and continue to change at a significant rate. Legislation such as the Resource Management Act 1991 that requires that any adverse effects of future modifications to the natural environment are avoided or mitigated are pivotal elements of law driving parts of this change. More recent impacts, such as climate change and the prediction of more extreme weather events is influencing community thinking and direction as these experiences are felt in Hawkes Bay.

The public increasingly seek multiple values in addition to the original single purpose of flood protection or drainage at the time many of the schemes were established. There are significant opportunities within scheme areas, particularly where they include river and stream corridors, for these to be enhanced for aquatic and terrestrial biodiversity, and for public recreation.

The flood control schemes have substantially reduced the incidence of major flooding in Hawke's Bay. As a result many of the Hawke's Bay public and businesses have little or no knowledge of the potential impact of a major flood on them and are not well prepared for the consequences should a significant flood occur.

The National Policy Statement for Freshwater Management increases the focus on water quality in the region's rivers. HBRC leases for grazing the major flood channels of the Heretaunga Plains Flood Control and Drainage Scheme and has established fencing where necessary to prevent cattle entering water. Grazing is a cost effective way of maintaining a short dense grass sward over the berm areas and stopbanks to reduce the risk of localised scour in a flood event and to minimise fire risk. However there is now an increasing expectation that stock will be excluded from the vicinity of waterways. The presence of fences (especially electric) on the river berms is resented by a portion of the community.

In the long term there is likely to be an expectation that significant areas of scheme land currently grazed are managed through other approaches. This will result in increased costs as alternative means of maintaining appropriate vegetative cover on these areas will need to be found.

These issues form part of a current programme of work for HBRC to consider the whole river berm use for the schemes as part of this LTP round.

Hawke's Bay rivers, particularly the Ngaruroro, Tukituki and Waipawa are noted as important braided rivers that provide essential habitat for many endangered bird species and fish including gamefish. As such, braided rivers are popular with anglers. It is important that the braided nature of the rivers is allowed to form and not be choked up with unwanted trees such as willow and lupin. Future river management will most likely require extending the flood protection scheme upstream boundary together with additional funding to allow for the ongoing removal of unwanted tree species from the braided river bed. It is essential that the gravel be transported through the river system to the lower reaches and coast to maintain both channel capacity and the braided channels.

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 50

Community consultation and awareness is dealt with in a number of ways, dependent on the size of the scheme and scale and significance of the issue at hand. Scheme ratepayers are able to engage in the wider consultation process as part of the development of Long Term Plans and Annual Plans processes, which typically deal with any new initiatives, review of scheme maintenance costs, inflation considerations and any minor adjustments proposed for the schemes.

Issues of a more substantial nature, such as major level of service reviews, or significant capital works are dealt with through targeted meetings such as Liaison Committees where they are established for the scheme or in focussed ratepayer meetings in the area where the issue has relevance, such as specific drainage areas in the Heretaunga Plains drainage catchments. Consenting processes, where they are required for substantial assets, provide another forum for public and ratepayer input and influence. All members of the public have direct access to Council and scheme managers via websites or direct contact.

4. Significant Infrastructure Issues

There are a number of significant infrastructure issues that are expected to be addressed over the life of this Strategy.

These have been identified in the scheme asset management plans and will be managed and where possible mitigated as part of scheme levels of service reviews.

The requirement for informing and educating scheme ratepayers to possible impacts and threats to schemes and scheme assets is a challenging area. Recent experiences within New Zealand, such as the Canterbury and Kaikoura earthquakes and Edgumbe floods reinforce the changing climate and provide a level of tangible evidence and proof that levels of services and past approaches to management need to adapt and be flexible to a changing environment. This is particularly relevant to Hawkes Bay.

There is a clearer and greater level of certainty around future impacts on schemes meaning there are a greater number of challenging issues for Schemes, Scheme Managers, Councils and ratepayers to confront, with doing nothing becoming less of an acceptable option. With early intervention and commitment of Councils and Scheme Managers to addressing and educating scheme ratepayers on predictions and possible alternative solutions, a number of the challenging issues confronting schemes can be planned, programmed and implemented in an affordable manner.

A brief explanation of the most significant of these and options for addressing these are set out following.

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 51

Significant Infrastructure Issue	Description	Principal Management Options	Implications of Management Options
Climate change	<p>Prediction is for Hawke’s Bay to be drier but with the potential for increased storminess. Severe storms are predicted to bring more intense rainfall which will result in increased flood flows.</p> <p>Sea level rise will also affect assets in the vicinity of the coast.</p>	<p>Provision for the impacts of climate change on flood flows and sea level rise will be considered when the levels of service provided by schemes are reviewed.</p> <p>The impacts of increased drought risk on environmental and river control plantings will be considered as an operational matter.</p> <p>The implications on maintaining the status quo will be increasing exposure of the schemes to more extreme rainfall and flood events and more challenging growing conditions due to extended drier summer conditions.</p>	<p>The potential impacts of climate change are being considered as part of proposed levels of service reviews.</p> <p>Public consultation will be part of these reviews. If preferred option(s) are for retention of existing levels of service, or increased level of service, a capital works programme to increase current capacity of Schemes is expected to be required.</p> <p>Issues such as greater freeboard allowances for stopbanks, greater capacity within stopbanks and more resilient plant species will be considered as part of scheme reviews.</p> <p>Doing nothing will see a steady decline in levels of service or a more intensive response required for flood events and damage caused by more extreme events, as climate change predictions take effect.</p>

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 52

Significant Infrastructure Issue	Description	Principal Management Options	Implications of Management Options
Levels of Service reviews	<p>Land use change and climate change are predicted to result in increased runoff from the land into the waterways.</p> <p>The service currently provided by the Schemes to the Hawke's Bay public includes</p> <p>The conveyance of flood water in the major rivers safely to the sea up to a flow with a 1% chance of occurrence in any one year.</p> <p>The drainage of flood water from the Heretaunga Plains without significant ponding for rain storm events that have a 20% chance of occurrence in any one year.</p> <p>A reduction in the frequency of flooding in areas serviced by smaller schemes managed by HBRC to levels defined in their asset management plans.</p> <p>Over the next 15 – 20 years HBRC has committed (through its 2012-22 LTP) to increasing the level of protection provided by the Heretaunga Plains Scheme – Rivers infrastructure to convey flood water with a 0.2% chance of occurrence in any one year.</p>	<p>There are a number of options for improvement to current levels of service particularly where climate change predictions provide adequate lead time, in some cases decades. This allows time to undertake a rigorous level of service review and consider longer timeframes for rating implications, intergenerational funding opportunities and loan funding. For shorter timeframes issues such as reprioritising and greater innovation around methods and techniques will be required. These are being explored through the level of service review process which will include consultation with benefiting communities and/or land owners.</p> <p>Improvements over time in environmental, cultural, aesthetic values of the environs of waterways under schemes on public land as measured by the Stream Environmental Valuation (SEV) methodology.</p> <p>A level of service review will include a wide range of actions, such as consideration of:</p> <ul style="list-style-type: none"> • National and international advice on climate change predictions • Experience and learnings from other schemes nationally • Community expectations for appropriate levels of flood protection • Community expectations of environmental and ecological standards • Appropriate social and cultural involvement and commitment within scheme reviews - Affordability and willingness to pay. 	<p>If the current levels of service are to be maintained or improved, improvements are required to the Scheme infrastructure. If no work is undertaken then the level of service will decline over time.</p> <p>Generally enhanced riverine environment, biodiversity and recreational opportunities are expected to be required in addition to an increased level of protection against flood risk.</p>

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 53

Significant Infrastructure Issue	Description	Principal Management Options	Implications of Management Options
Land Use Change	<p>There are a number of potential changes to land use that can impact on the amount of water running off the land and into waterways during heavy rainfall events. Climate change is predicted to result in increased storminess and increased severity of rainfall events. A 16% increase in peak rainfall falling in an event with a 1% chance of occurrence in any one year, may result in an increase peak flow of up to 25%.</p> <p>Improvements to urban stormwater systems, increased building and/or urban expansion, changes in crops grown on the land – particularly forestry, can all result in changes to the speed and quantity of runoff from the land.</p>	<p>Reviews of all of the Schemes will be undertaken over time. This process will take at least 10 years, however reviews of some of the larger schemes are programmed to be undertaken within the next 5 years.</p>	<p>The potential for increased runoff through land use change associated with urban areas may be managed to some extent through regulation in Regional and District Plans. The impacts on runoff through land use change in rural areas will be considered as part of the Scheme reviews and appropriate provision made in improvement options that flow from the reviews.</p>
Flood channel capacity management	<p>Significant quantities of sediment are carried by the major rivers. While soil conservation initiatives may reduce the amount of sediment finding its way into rivers over time, New Zealand's geology is young in geological terms. Erosion will continue to occur in heavy rain events for many centuries even with the best soil conservation efforts in place. The flood carrying capacity of waterways will be compromised by aggradation of sediment unless appropriate measures are put in place to manage that risk.</p>	<p>A range of river management practices are in place to manage this risk. These include river bed beach raking and commercial silt and gravel extraction.</p> <p>Tree (e.g. unwanted willows and lupin) removal from the braided riverbed within and outside the current scheme areas.</p> <p>A significant gravel management review programme over the past 7 years was completed in 2017 and provides the basis for managing gravel riverbeds.</p>	<p>The gravel management review process has enabled the establishment of a management regime that will ensure a sustainable and resilient gravel (& sediment) management process.</p> <p>River management will need to extend outside the current scheme areas to protect the braided rivers, and encourage transport of sediment through the system.</p> <p>The implications of this can largely be managed within existing budgets and programmes as the physical efforts will be redirected from the areas within the schemes, where flood capacity is at manageable levels, to peripheral areas that would benefit the schemes from more intensive management.</p>

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 54

Significant Infrastructure Issue	Description	Principal Management Options	Implications of Management Options
Environmental and Ecological Management & Enhancement	The majority of the schemes were developed and constructed in an era when economic growth and development were the primary focus of the time. Drainage, flood protection and land clearance enabled farm land and agricultural initiatives to develop and prosper and generate the wealth needed to support the schemes. Some of this development has occurred at the expense of the natural environment with significant impacts on wetlands and rivers and the surrounding habitat. Initiatives are now included in appropriate areas of the schemes to reinstate, enhance or offset environmental and ecological opportunities.	There are a wide range of management options available for environmental enhancement. These include riparian retirement and planting, removing stock from waterways and berm areas and fencing, modifying water courses to more natural forms, improving water quality by shading, community and lwi engagement in improvement initiatives. A number of these initiatives are included in sections of a number of the schemes.	<p>Inclusion of a wide range of environmental enhancement initiatives within scheme budgets will ensure long term improvements to water quality, development of more natural channel forms and native planting resulting in habitat enhancements.</p> <p>The financial commitment involved in achieving better ecological outcomes is modest alongside scheme maintenance budgets and typically involves refocusing existing budgets to alternative species planting and lessening intensive maintenance activities such as weedboating once shading efforts take effect.</p> <p>Ratepayer and community involvement can offset the cost of these initiatives.</p> <p>Doing nothing is not considered an acceptable option due to the high expectation of scheme ratepayers for the schemes to deal with water quality and ecological issues, particularly in proximity to urban areas.</p> <p>This initiative is also consistent with Councils refocussed commitment to improving environmental and ecological outcomes.</p>

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 55

Significant Infrastructure Issue	Description	Principal Management Options	Implications of Management Options
Coastal Asset Management	Many parts of the coast are eroding and in particular the coastal communities from Clifton to Tangoio are at significant risk. With sea level rise, the northern and southern coastal settlements will face increasing risk of erosion and inundation.	<p>The Clifton to Tangoio 2120 Strategy is being developed to understand coastal hazards risks and the management options for this key part of the Hawke's Bay coastline. It has begun with the priority areas between Clifton and Tangoio, but will move to focus on other coastal areas in the future.</p> <p>To date the Strategy has identified the areas that will be affected by various coastal hazards over the next 100 years to 2120 and the risks to public and private property, cultural sites and areas, recreational use and infrastructure services. A multi-criteria analysis has been carried out with a pathways approach determined by the community representatives to best deal with the future hazards.</p>	<p>If the results of the multi-criteria analysis being undertaken as part of the strategy indicate intervention is needed in terms of hard engineering solutions for safeguarding our coastline, then major construction works would commence in the lifetime of this strategy.</p> <p>The next phase of the project will determine the cost of the various options, timing and funding options between the partner Councils. This is likely to be determined through a special consultative process, with total costs in the order of \$150m – \$200m for the 100 year life of the strategy.</p> <p>The cost of doing nothing is estimated to run into 100's of millions of dollars.</p>

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 56

Item 7

Attachment 1

5. Management Approach

The management approach takes into consideration the entirety of an assets lifecycle, from build, through to operation and maintenance and finally renewals. The method of asset management used by HBRC has been tailored to fit the needs of the community and local businesses, providing infrastructure to an agreed level of service with the associated risks being well understood and more importantly well communicated.

These four key areas are the focus for decision making around key infrastructure investment;

- 1. Maintenance of existing assets (operation and maintenance)
- 2. Improvements to existing assets (levels of service)
- 3. Replacement of existing assets (renewals)
- 4. Providing new assets to allow for community growth (capital works)

This section covers HBRC’s:

- Maintenance approach
- Scheme funding
- Projected capital works covering enhancements and increased levels of service
- Resilience; and
- Risk management

5.1 Maintenance Approach

An annual maintenance programme for all infrastructure assets is prepared prior to the commencement of each financial year. Maintenance work is largely undertaken by HBRC’s own internal contractor (HBRC Works Group) under an annual negotiated maintenance contract.

The annual programme of maintenance is designed to ensure that the infrastructure assets continue to be maintained in accordance with the scheme asset management plans such that the scheme continues to deliver its designed level of service.

Inspections of sections of representative assets are undertaken as part of the annual programme of works, with all assets inspected over a 5 yearly interval. The annual audit of the Schemes is undertaken by a Registered Engineer with experience in river and drainage control works, with the outcomes reported to Council.

Cost effective delivery of services

In terms of section 10 (Purpose of local government) there is a clear requirement to meet the current and future needs of communities for good-quality local infrastructure, local public services, in a way that is most cost-effective for households and businesses.

(2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—

- (a) efficient; and*
- (b) effective; and*
- (c) appropriate to present and anticipated future circumstances*

The HBRC Works Group operates a fleet of specialist plant and equipment that is specifically designed to deliver the maintenance contracts efficiently and effectively. In addition the Works Group undertakes other less-specialist work utilising local contractors. The Works Group also tenders for work within their area of expertise from other organisations allowing them to test their competitiveness in the open market.

Any surpluses made by the Works Group on these maintenance contracts are returned to the respective Scheme at the end of each financial year.

The maintenance activities are defined for each of the respective schemes, with the majority of the activities defined and established over a considerable period of time. Issues such as seasonal influences, effectiveness of the maintenance regime and consideration of new techniques and technologies are considered by Scheme

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 57

Managers on a regular basis, with programmes modified as necessary. A typical example of the scheme maintenance regime is tabled following.

Table: Heretaunga Plains and Upper Tukituki Scheme Maintenance Plan

Asset Group	Maintenance Regime	
	Activity	Frequency
Stopbanks	Mowing	2-6 times/year
	Spraying	20km/year (as required)
	Fertiliser	20km/year
	Misc. repairs	As required
	Inspections	Rotating monthly
Berms and Buffers	Spraying	Annually
	Lopping	As required
	Mowing	2-6 times/year
	Grazing	On-going
	Misc. repairs	As required
Active Channel	Beach raking	Annually
	Spraying	Annually where required
	Survey	3-yearly (gravel extraction reaches)
		6-yearly (non-gravel extraction reaches)
	Gravel extraction	As required, where directed
Drainage Structures	Inspections	Annually (minimum)
	Misc. repairs	As required
	Replacement	As scheduled (approx. every 50 years)
Groynes	Inspections	After significant flood events

Annual contractual maintenance expenditure is in the order of:

HPFCS – Rivers	\$875,000
HPFCS – Drainage	\$1.33m
UTTFCS – Rivers	\$625,000
Small Schemes (Total)	\$670,000

Figure Error! No text of specified style in document.-2 below sets out the predicted ongoing maintenance costs. Section 0 of this Strategy sets out the assumptions under which these estimates have been developed.

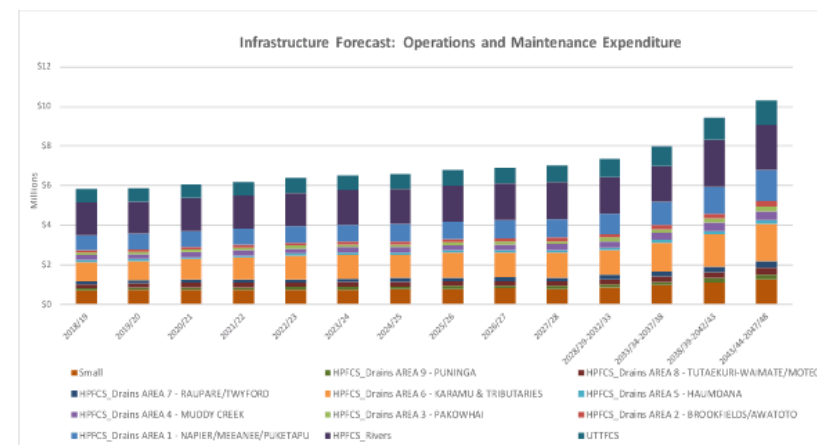


Figure Error! No text of specified style in document.-2: Projected Operational Expenditure – Infrastructure Assets

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 58

5.2 Scheme Funding

A separate operating account is held for each specific scheme. All scheme funds (targeted rates, general funding allocated to the scheme, other scheme income and interest on accumulated funds) are credited to the operating account. Scheme costs (operating, maintenance, and improvement costs, rate collection costs, depreciation, and interest on scheme deficits) are debited from the account. Any balance remaining in the account (credit or debit) is carried forward from one financial year to the next as a reserve balance.

The major beneficiaries of the schemes are the owners of land within the scheme areas that are able to use their land more productively. These beneficiaries pay the majority of the cost of operating and improving each scheme through a rating classification approach using targeted rates. However HBRC recognises that there are wider benefits to the region from land being used more productively, continued access to major urban areas and critical infrastructure and accordingly a portion of the scheme costs is funded from HBRC’s general funding sources, i.e. general rates and interest and dividends from HBRC investments.

The table below sets out the funding sources for each scheme.

Economic assessments of the wider benefit to the Hawke’s Bay Region have assisted HBRC in establishing the proportion of direct benefit vs region wide benefit for the major schemes.

This work showed that the Heretaunga Plains Flood Control and Drainage Scheme – Rivers provided an environment within which significantly increased economic activity was able to occur across the whole region resulting in increased population and facilities to support that population. Accordingly 30% of the cost of the scheme is met by HBRC general funding.

The schemes covering the individual catchment areas on the Heretaunga Plains have resulted in improved productivity from the land which is assessed as justifying 10% of the cost of those Schemes being met from general funding sources.

Similarly the Upper Tukituki Scheme provides approximately half the benefit attributable to the Heretaunga Plains Flood Control and Drainage Scheme – Rivers to the whole region, but the cost of maintaining this scheme is exacerbated by gravel flowing from the Ruahine Ranges. This is deemed to warrant an additional 2.5% of general funding input.

The principles used for the small schemes are as follows.

- Schemes that provide protection to a State Highway receive 12.5% general funding contribution
- Schemes that provide protection to local roading networks receive 10% general funding contribution
- Other Schemes receive 5% general funding contribution.

Scheme	Targeted rate portion (Private)	General funding portion (Public)
Heretaunga Plains Flood Control and Drainage Scheme Rivers	70%	30%
Drainage catchment Schemes		
Napier/ Meeanee	90%	10%
Awatoto/ Brookfields	90%	10%
Pakowhai	90%	10%
Muddy Creek	90%	10%
Haumoana	90%	10%
Karamu and tributaries	90%	10%
Raupare/ Twyford	90%	10%
Tutaekuri -Waimate	90%	10%
Puninga	90%	10%
Upper Tukituki Scheme	82.5%	17.5%

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 59

Scheme	Targeted rate portion (Private)	General funding portion (Public)
Small Schemes		
Upper Makara	90%	10%
Paeroa	87.5%	12.5%
Porangahau	90%	10%
Poukawa	95%	5%
Ohuia – Whakaki	95%	5%
Esk	87.5%	12.5%
Whirinaki	87.5%	12.5%
Te Awanga	90%	10%
Te Ngarue	90%	10%
Kopuawhara	90%	10%
Kairakau	90%	10%
Opoho	90%	10%
Wairoa Rivers and Streams	87.5%	12.5%
Central and Southern Area Rivers & Streams	87.5%	12.5%

Hawke’s Bay Regional Council established public/private good benefit allocations for the various schemes many years ago. A variety of rationale was used to initially establish the splits such as economic performance, population areas and access to urban areas and State Highways and roading networks. These have generally been reviewed as part of LTP deliberations or as part of significant scheme reviews, such as Level of Service reviews. The most recent review was completed by Sean Bevin of Economic Solutions Ltd in October 2010.

Information from that review indicated that private benefit proportions for other New Zealand schemes similar to those in Hawke’s Bay ranged from 50 – 100%, with an average benefit proportion of around 80%. While every scheme has their own peculiarities and nuances the report concluded that the approach of using capital valuation for the rating basis, along with specific rationale applied to each respective scheme to develop the above public/private good rating splits was a reasonable balance of all these parameters within the Hawke’s Bay schemes.

5.3 Renewal approach

The effective life of each asset (and in some cases components of an asset) have been identified, assessed and recorded as part of the HBRC Infrastructure Asset Database. Some examples are set out in the table following.

Asset type	Expected effective life
Stopbanks, live trees for river control and drainage channels	Maintained in perpetuity. Do not deteriorate over time if they are adequately maintained and therefore have infinite expected life.
Pump station buildings, Concrete structures and culverts	Depreciated up to 70 years
Pump station electrics	Depreciated from 25 to 30 years
Exposed steelwork e.g. weed screens on pump stations	Depreciated from 5 to 30 years depending on environmental conditions.

Depreciation is charged to each scheme based on the assets deterioration on a straight line basis over the estimated asset life. No depreciation is charged on assets that are determined to be maintained in perpetuity, for example stopbanks. An asset replacement reserve is held for each scheme to which the annual depreciation charge and any interest accruing to the reserve is credited, and the cost of asset replacements is debited. A ceiling is set for funds in each asset replacement reserve at a level sufficient to fund future anticipated replacements. Any depreciation charges and interest in excess of the ceiling are credited to the scheme’s operating account.

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 60

The condition of any asset is assessed prior to a decision being made to replace the asset. Where the assessment determines the asset has a further residual life the replacement date of the asset is extended and documented in the database. Prior to replacing any asset a review is undertaken to determine whether or not there is justification to change the level of service provided by that asset, and particularly for significant assets to consider a range of alternatives to determine the most cost effective approach to its replacement. This is particularly relevant where the depreciated asset forms part of a wider asset component configuration, such as pump station electrics.

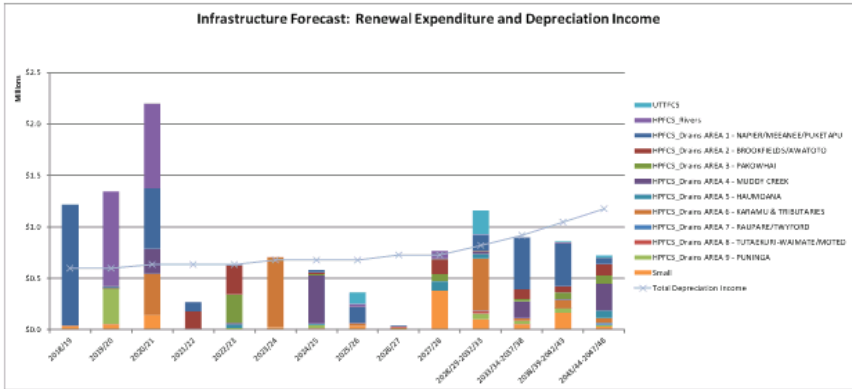


Figure Error! No text of specified style in document.-3: Projected Renewal Expenditure - Infrastructure Assets

The spike in renewal expenditure scheduled at 2020/2021 is the result of a large number of items such as culverts which have been given a nominal life of 50 years, and are programmed for replacement. This spike results from the fact that a large portion of the scheme was constructed during the 1960/70s and are therefore a coincident number of assets are nearing the end of their useful lives. The condition of these assets will be reassessed over the next 3 to 6 years, and where appropriate, programmed replacement dates will be revised. Any amendment or revision of renewals dates based on condition assessment reviews will also be reflected in subsequent funding and budget reviews.

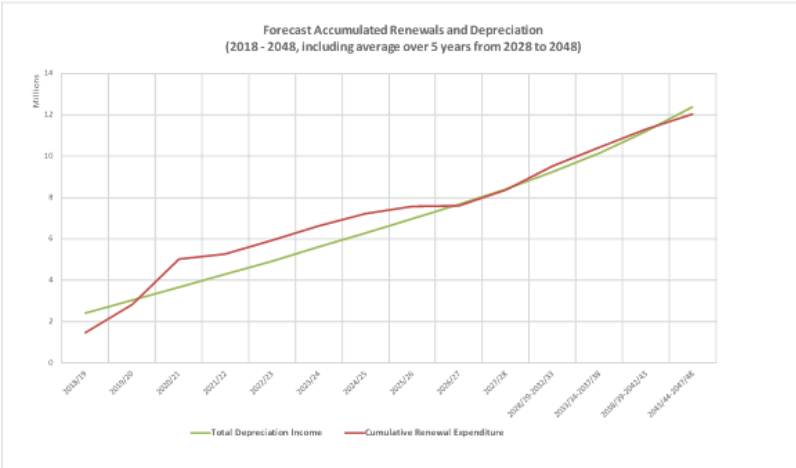


Figure Error! No text of specified style in document.-4: Projected Cumulative Renewal and Depreciation Income/Expenditure- Infrastructure Assets

5.4 Projected Capital Works covering enhancements and increased level of service

Capital or improvement works are undertaken on some schemes in accordance with direction determined within the asset management plans. However the majority of capital works will be undertaken to improve the level of service provided. In its 2012-22 Long Term Plan, HBRC consulted on a proposal to increase the level of service provided by the river control and flood mitigation works on the Heretaunga Plains Scheme – Rivers, from a 1%AEP to a 0.2% AEP (or alternatively from a 1 in 100 year to 1 in 500 year standard). Significant work has been carried out to determine what this means in terms of design discharges for the major rivers. Using these values, the next phase is to look at the effects of confining the flow, dealing with high shear stresses and gravel movement and final design requirements.

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 61

A concurrent review of individual drainage catchment areas within the Heretaunga Plains Drainage scheme is also under way, to measure current scheme performance and consider opportunities for scheme enhancements or improvements. This includes waterway capacity, environmental enhancement and recreational opportunities.

Capital works will be funded through loans or funded directly from scheme funds as necessary. The identification of an appropriate funding source is determined by the size and scale of any proposed works and through a long term plan or annual plan process, or through a special consultative process if one is considered necessary.

Key capital projects expected to be undertaken within the life of this Strategy are set out in the table below. HBRC has consulted and received support from the community for increasing the level of service provided by the stopbanks protecting the Heretaunga Plains from floods with a likelihood of occurrence of 1% in any one year (100 year return period) to 0.2% (500 year return period).

HBRC has yet to determine changes in levels of service provided by the Upper Tukituki Flood Protection Scheme and the other smaller schemes as the effort to date has been committed to the Heretaunga Scheme. Level of service change options will be determined after the level of service reviews for each respective scheme are completed progressively over the next 6 years. The principal options Council expects to consult on are whether to increase the level of service, and by how much, or whether to retain the current service levels. This will probably be decided on a willingness to pay.

A “Status quo” scenario is manageable for the scheme based on the current level of development and land use within the protected areas of the scheme. Maintenance costs would progressively increase to respond to ongoing issues of gravel accumulation and the increased levels of risks posed by climate change. This, along with potential further urban and rural development likely on the Ruataniwha Plains will provide background to the levels of service review.

These decisions will be significant decisions for HBRC prior to commencement of any capital works. Expected timing and costs (for the maximum expected level of service changes) are set out in the table following.

Scheme	Capital works description	Indicative project value	Timing
Heretaunga Plains Flood Control and Drainage Scheme - Rivers	Increase level of service from current nominal 100 year protection to 500 year protection. Complete work associated with Karamu stream realignment and floodgate bypass.	**\$20M	Funding provision included in LTP for a twenty year project commencing 2018.
Heretaunga Plains Flood Control and Drainage Scheme - Drains	Increase the level of service through; a) enhancement of urban open waterways in Napier and Hastings districts. b) enhancement of Karamu Stream and tributaries flood channel Capital works identified as a result of level of service reviews	*Unknown, depends on outcome of levels of service reviews. Estimate \$20M	Funding provision included in previous LTP for development and capital works. 2017 est. start time (Work on Napier urban waterways begun). Karamu Stream enhancement begun in 2007 and continuing.
Upper Tukituki Scheme	Complete the LOS review, consult with the community and begin capital works identified as a result of level of service reviews.	*Unknown, depends on outcome of levels of service reviews. Estimate \$10M	2019 complete LOS reviews ready for consultation. 2028 estimated construction start time. No funding included in the LTP for capital works at this stage.

*Uncertainty: - costs and timing are only very rough order at this stage as the levels of service reviews have only just commenced. Costs/timings will depend on the outcomes of the reviews as well as further community consultation and demand.

**Funding: - A more reliable estimate of cost will only be available once design philosophy and detailed design have been completed. At this stage it is not proposed to loan fund the project. The project will be undertaken over many years. The length of time for completion will vary depending on the total cost and amount of annual funding allocated through the relevant Scheme.

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 62

Item 7

Attachment 1

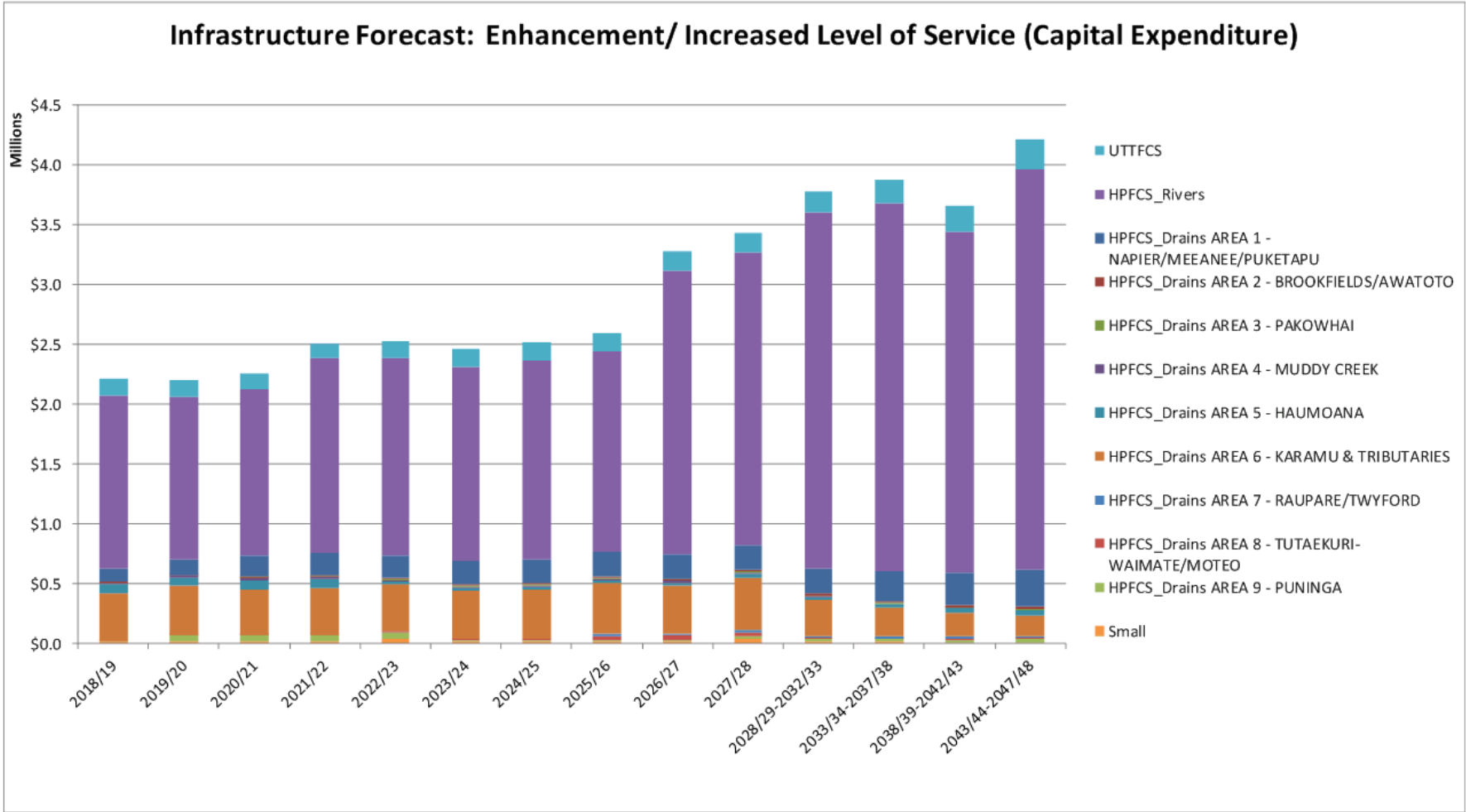


Figure Error! No text of specified style in document.-5: Projected Capital Works Expenditure covering enhancements and increased level of service

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

The following graph shows the totals for the combined capital works, (which provides enhancements and increase level of service), and the renewals.

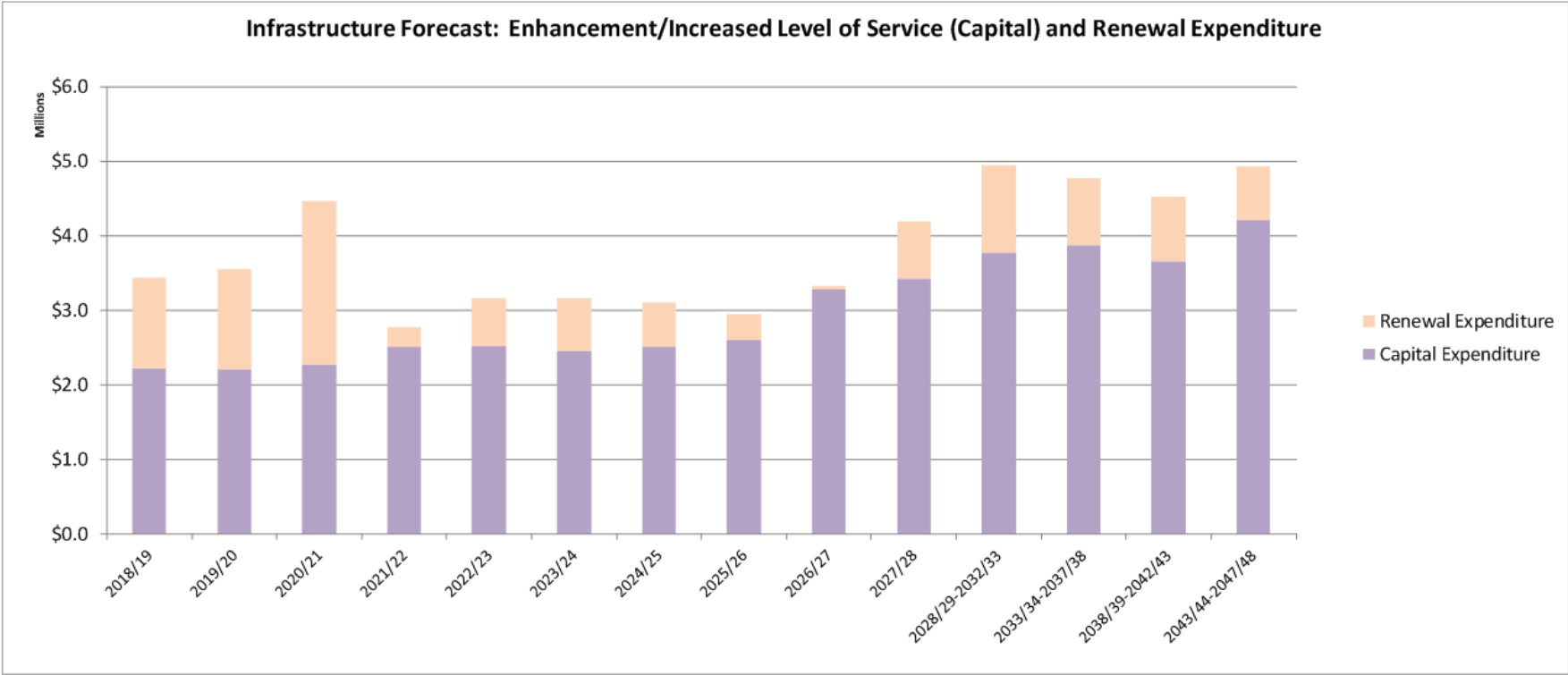


Figure Error! No text of specified style in document.-6: Projected Capital Works (covering enhancements and increased level of service) and Renewal Expenditure

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 64

5.5 Resilience

Scheme beneficiaries have a high expectation of continuing functionality and ongoing protection against flooding. Reviews of the level of service provided by each of the schemes are progressing as programmed. These reviews will include risk assessments of schemes, including climate change, and where appropriate may recommend changes or improvements that reduce the risk of premature failure, or enable the level of service to be reinstated more rapidly following a natural hazard event that impacts on the scheme. The reviews will also consider alternative techniques to scheme reinstatement where the risk exposure is considered too great, e.g. structural works in lieu of live edge protection.

5.6 Risk Management

Risk management is the culture, process and structures that are directed towards realising potential opportunities, whilst reducing either or both the probability or consequence of adverse effects.

Risks and risk management is covered in detail in Section 5 of the specific scheme Asset Management Plans, with HBRC using “Quantate Risk” software to establish risk registers, likelihood of occurrence and consequence scoring to develop the levels of risk matrix.

There is an ongoing review process in place in HBRC considering all significant risk issues for Council. These are reviewed on a 6 monthly basis and reported to Council every 3 months. While the component parts of the scheme risk registers are reviewed as part of scheme reviews, the overall risks of scheme performance, impacts of climate change, ratepayers confidence and ability to pay, consideration of recent events (e.g.; Edgecumbe floodwall failure event) are considered within the wider HBRC regular review process.

Risks to Asset Performance

The main risks that would affect the performance of the infrastructural assets are listed below.

Risk	Description
Significant natural hazard event	A significant natural hazard event (e.g. flood, earthquake, tsunami) will impact on the Scheme assets and may affect their integrity or their ability to provide the level of service they were designed for.
Significant biological incursion	<p>An essential part of river control work (and ecological enhancement) is live trees a variety of willows, some exotics and natives. Willows have in the past been damaged by a significant biological incursion e.g. willow sawfly which caused significant damage to willows in the mid 1990’s. The response to this incursion involved a \$10m alternative species and structural works programme.</p> <p>Currently the schemes are experiencing an impact from the giant willow aphid that affects willow tree growth rates. This is presently being monitored and involves a review of resistant alternative plant species.</p>
Inadequate funding	<p>Ongoing maintenance is essential if the scheme assets are to provide the design level of service.</p> <p>Maintenance is currently funded through rates levied on land benefiting from the Schemes. The cost of ongoing maintenance must however be affordable to the land owners and be outweighed by the benefits received by them. Where costs outweigh benefits an alternative level of service may need to be considered subject to agreement with ratepayers.</p>

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 65

HBRC holds disaster reserves and insurance to fund reinstatement of scheme levels of service should infrastructure assets be damaged in a significant natural hazard event. The highest risk event to infrastructure assets is a significant flood event, followed by a major earthquake (or earthquake followed by a flood). HBRC disaster reserves are designed to meet the cost of reinstatement following damage by events with a 4 to 5% chance of occurrence in any one year (i.e. on average events that occur more regularly than once every 20 to 25 years). Insurance secured through an external organisation is held and may be called upon should significant damage occur in a major, but infrequent, event.

6. Major Project Summaries – THE BIG FIVE

There will be a number of potential major projects within the 30 year life of this Strategy, some of which either are, or will be, the subject of ongoing consultation process as to how they will proceed. The table below indicates significant projects that will begin in the early stages of the Strategy. Note – for more detail refer to Appendix 1 in the online version of the Infrastructure Strategy.

Years	Project	Budget
2018 to 2021	Heretaunga Plains Flood Protection Scheme LOS flood capacity improvement to 0.5% AEP with climate change. Ngaruroro River stopbank upgrade, right bank, Chesterhope to Fernhill (4 km/year). Note that upgrading will continue past 2021 in other reaches and rivers (Tukituki and Tutaekuri). Hard edge protection using concrete Akmons in critical high stress locations.	\$1.1M per year Construction \$0.10M per year Environmental enhancement
2018 to 2028	Upper Tukituki Flood Protection Scheme. This includes river berm enhancement, habitat protection and improvement, maintaining braided channel network.	\$1.3M over next 10 years
2018 to 2022	Napier and Hastings urban open waterway network LOS upgrade. Ecological, cultural and recreational enhancement to the larger open waterways.	\$0.114M per year Capital works, and \$0.277M per year Environmental Enhancement
2018 to 2022	Clive River dredging. Disposal of silt from the lower Clive riverbed to land or out to sea.	\$0.92M
2018 to 2028	Open Spaces: Working together with hāpu develop Hawea Historical Park. Further Regional Park development. River berm management alternatives (stock removal, recreational opportunities).	\$1.6M over next 10 years

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 66

7. Significant Assumptions

Significant Assumption	Risk & Impact
Budgets have been prepared on the basis that there will be no flood events in the next 10 years that cause major damage to HBRC's flood protection and drainage assets.	There is always a risk of a flood event occurring that causes damage to flood control or drainage assets. Flood control assets have a high degree of exposure to failure during times of significant or prolonged flood flows in the rivers. HBRC holds reserve funds to meet the cost of minor flood damage repairs, and insurance for repairs following a major event. Maintenance programmes and associated budgets will need to be reviewed following a significant event.
Current arrangements for gravel extraction will continue.	The maintenance of the design flood capacity in river flood control schemes is reliant on the ongoing extraction of gravel within river channels by commercial gravel extractors. Over the past several years there has been a significant reduction in gravel extraction particularly from the Upper Tukituki Scheme rivers. This has resulted in accretion of the river beds within some areas of the scheme and a resultant reduction of flood carrying capacity. With the recent completion of the Gravel Management Plan a number of initiatives have been identified that attempt to address the gravel accumulation issue being experienced and these will be introduced and monitored during the life of this Strategy.

Significant Assumption	Risk & Impact
HBRC maintains its current policy with regard to responsibility for funding of existing and new flood protection and drainage works.	HBRC currently funds flood control and drainage schemes through a mixture of targeted rates and general funding. The current level of funding provides for the maintenance of designed levels of service (on the assumption that commercial gravel extraction is adequate to maintain scheme flood capacity). If funding is reduced the ability to maintain the current level of service provided by schemes will be compromised.
There will be no changes to legislation that impact on the role of the Regional Council in land drainage and river control.	Flood Control and Drainage Schemes have been established in accordance with the Soil Conservation and Rivers Control Act 1941. This Act provides specific powers to HBRC that enable it to protect assets on private land and to undertake works necessary to continue to deliver the scheme levels of service. This legislation and the powers it provides are essential for HBRC to carry out its functions. Any changes to this legislation or the powers it provides may result in significant work and or expense for scheme beneficiaries and the region.

Item 7

Attachment 1

Part 4 - Infrastructure Strategy | Wāhanga 4 - Rautaki Hanganga

Part 4 | page 67

Significant Assumption	Risk & Impact	Significant Assumption	Risk & Impact
<p>The current multi-value approach to the management of waterways managed under the major schemes will continue to be accepted by the community. Co-governance or co-management arrangements under new Treaty of Waitangi Settlement legislation will inform and enhance the multi-value approach.</p>	<p>The construction of flood protection and drainage systems has resulted in significant changes to the natural hydrology of their associated catchments. These changes have included a reduction in areas frequently flooded, diversion and straightening of waterway reaches, removal of streamside vegetation, and the use of structures to control flows and erosion.</p> <p>These changes and the ongoing methods used to maintain the schemes have resulted in some adverse effects on river and stream ecology and habitats, as well as affecting the social and cultural values of the waterways. HBRC has initiated an enhancement programme, including alternative management of riparian areas, which will promote improvements in water quality and aquatic and terrestrial habitats. Work practices have been changed in order to comply with the Ecological Management and Enhancement Plans for the major rivers. Complimenting these plans is our Environmental Code of Practice, which ensures best practice measures are implemented to safeguard our waterways unique environment during performance of river control and drainage works.</p> <p>HBRC is currently working with iwi and hapū to enhance waterways, although only in limited areas to date. This work is programmed to continue, however there is the potential for a significant increase in demand for this type of work. HBRC has a Joint Planning Committee with both elected and Tangata Whenua representatives involved in environmental decision making. This enables a proactive and shared response to environmental matters.</p>	<p>Budgets have been prepared on the basis that there will be no new flood control and drainage schemes established within Hawke's Bay.</p>	<p>HBRC are approached by property owners from time to time requesting that HBRC, using their powers under the Soil Conservation and Rivers Control Act 1941, provide protection to their property. HBRC are willing to consider the establishment of new schemes where there is a community willingness to meet a significant portion of the cost of any new works and its ongoing maintenance.</p>
		<p>Budgets have been prepared on the basis that any changes to levels of service as a result of population growth will be considered as part of levels of service reviews.</p>	<p>The majority of Schemes are to be reviewed over the next 6 years. It is possible that these reviews will result in changes to the predicted level of capital expenditure included in this Strategy.</p> <p>While water quality and quantity issues continue to have a high profile in the region opportunities such as water storage or augmentation will be evaluated. The potential for water storage at scale has the potential to impact on population and economic growth in Hawke's Bay. Decisions on whether or not projects of this scale may proceed is expected to be made prior to levels of service reviews being completed.</p>
		<p>The outcome of the TANK planning process will have no significant cost implications to scheme management.</p>	<p>Changes to the status quo for example riparian shading will have a significant effect on how the waterways are maintained. For instance this could be reverting from machine maintenance methods to hand maintenance.</p>

Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 68

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Contents

How to read this section.....	69
Governance and Partnerships	70
<i>What we do</i>	70
<i>Why we do it</i>	70
<i>What we are going to do</i>	71
<i>Assumptions</i>	71
<i>Significant Negative effects</i>	71
<i>Levels of service</i>	72
<i>Financial summary – Governance and Partnerships</i>	73
<i>Net Funding Requirement – Governance and Partnerships</i>	74
Strategic Planning.....	79
<i>What we do</i>	79
<i>Why we do it</i>	79
<i>What we are going to do</i>	80
<i>Assumptions</i>	81
<i>Significant Negative effects</i>	81
<i>Levels of service</i>	82
<i>Financial summary – Strategic Planning</i>	83
<i>Net Funding Requirement – Strategic Planning</i>	84
Integrated Catchment Management.....	85
<i>What we do</i>	85
<i>Why we do it</i>	85
<i>What we are going to do</i>	87
<i>Assumptions</i>	88
<i>Significant Negative effects</i>	88
<i>Financial Summary – Integrated Catchment Management</i>	94
<i>Net Funding Requirement –Integrated Catchment Management</i>	95

Asset Management	96
<i>What we do</i>	96
<i>Why we do it</i>	98
<i>What we are going to do</i>	98
<i>Assumptions</i>	99
<i>Significant Negative Effects</i>	100
<i>Levels of service</i>	101
<i>Financial Summary – Asset Management</i>	104
<i>Net Funding Requirement – Asset Management</i>	105
Consents and Compliance	106
<i>What we do</i>	106
<i>Why we do it</i>	106
<i>What we are going to do</i>	107
<i>Assumptions</i>	107
<i>Significant Negative Effects</i>	107
<i>Levels of service</i>	108
<i>Financial Summary – Consents and Compliance</i>	110
<i>Net Funding Requirement – Consents and Compliance</i>	111
Emergency Management	112
<i>What we do</i>	112
<i>Why we do it</i>	112
<i>What we are going to do</i>	113
<i>Assumptions</i>	114
<i>Significant Negative Effects</i>	114
<i>Funding Summary – Emergency Management</i>	117
<i>Net Funding Requirement – Emergency Management</i>	118

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 69

How to read this section

Under the Local Government Act 2002 (LGA), the Council is required to aggregate and report its financial and performance information in groups of activities for ease of understanding. Hawke’s Bay Regional Council has aggregated the range of activities it does into seven groups of activities.

These are:

- 1. Governance and partnerships
- 2. Strategic Planning
- 3. Integrated Catchment Management
- 4. Asset Management
- 5. Consents and Compliance
- 6. Emergency Management
- 7. Transport.

Each group of activities describes:

What we do

A brief description of the activities that make up the group of activities.

Why we do it

Describes the legislative, strategic and/or other rationale for delivery of the group of activities. This section also includes the community outcomes to which the group of activities primarily contributes. Community outcomes *are* the outcomes that a local authority aims to achieve in meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions. HBRC’s community outcomes are derived from the vision statement in its *Strategic Plan 2017-2021*. The community outcomes are represented by the following icons.



What we are going to do

This section describes the areas of focus and key projects for council over the 10 year life of the plan with particular attention on proposed changes to business as usual overs years 1-3.

Assumptions

These are predications about the future that are particularly relevant to the group of activities. These are in addition to the *Significant Forecasting Assumptions* for this LTP.

Significant negative effects

Outlines any significant negative effects that any activity within the group of activities may have on the local community.

Levels of service

Describes the intended levels of service for major aspects of the group of activities and measures, targets and previous performance to enable assessment of performance.

Financial summary

Includes a table showing the estimated expenses for each activity and how it will be funded and a graph summarising this information.

Noting that funding sources and the reason it was selected, is covered in detail in the Revenue and Financing Policy.

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 70

Governance and Partnerships

What we do

There are two activities within the Governance and Partnerships group of activities:

- Community Representation and Leadership
- Tangata Whenua Partnerships and Community Engagement

Community Representation and Leadership

This activity aims to support elected members in their governance roles to make robust and transparent decisions. It also maintains the integrity of council processes such as triennial elections, representation reviews and council meetings by ensuring they are run correctly and providing timely and appropriate responses to official information requests and Ombudsmen's office enquiries.

Tangata Whenua Engagement and Community Engagement

This activity covers our engagement with Tāngata Whenua as required by the Local Government Act, co-governance arrangements with treaty settlement groups through the Regional Planning Committee and other strategic alliances. It also includes our engagement and communication with the general community through a variety of media and the EnviroSchools programme.

Protecting and enhancing our environment is a high priority for the region and engaging with Tāngata Whenua is critical to our success. Greater capability, influence and economic strength are emerging for Māori in the region as Treaty settlement processes conclude. This accompanies increasing expectations and legal requirements on Council to co-govern and co-manage the region's natural resources through its Regional Planning and Māori Committees.

Why we do it

- This group of activities primarily contributes to a Vibrant Community by giving tangata whenua and the people of Hawke's Bay opportunities to have a meaningful say on the direction of their region.
- Most of what council does in this group of activities is prescribed by the following legislation: Local Government Act 2002 Local Electoral Act 2001
- Local Government Official Information and Meetings Act 1987 Local Authorities (Members' Interests) Act 1968
- Hawke's Bay Regional Planning Committee Act 2015 Participation in decision-making, as well as awareness and education gives people an increased stake in the problem and the solution. With greater understanding, people are more likely to change their behaviour leading to the successful implementation of council's strategies, policies and plans and enduring solutions. The focus on partnerships acknowledges that fostering mutually beneficial working relationships that endure over the long term is essential to achieve our desired outcomes. Benefits from strategic alliances with central government, other councils, universities and others include access to skills and expertise, exchanges of best practice leading to improved performance, reduced duplication, procurement costs and other cost savings.



Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 71

Item 7

Attachment 1

What we are going to do

Each year we will:

- Support the nine elected members to represent the Hawke’s Bay community
- Ensure the effective operation of the Regional Planning Committee as the co-governance model for cultural redress in Hawke’s Bay
- Reflect community views on policies, strategies and plans considered by the Council
- Actively engage with the community and provide information and knowledge in regular publications as well as other communication tools, recognising the growing value of social media, the internet, video and digital portal as additional ways for people to stay informed.
- Produce statutory plans and reports to improve transparency and accountability to our residents and ratepayers. These include long term plans, annual plans and annual reports as well as quarterly reporting to council on financial and service performance.
- Deliver EnviroSchools to over 50 schools and Kindergartens in Hawke’s Bay.
- Foster and where appropriate formalise strategic alliances that are sector and institutionally based.

Key projects for Years 1-3 of the plan include:

- Growing internal capacity and partnerships for co-governance and co-management with Tāngata Whenua to better meet our statutory obligations.
- Extending the reach of our environmental education resources by growing the number of EnviroSchools across our region and focusing on our region’s hotspots.

- Hotspots include:
 - Lake Tūtira
 - Ahuriri Estuary
 - Whakaki Lake & Wairoa River
 - Whatuma and the Tukituki Catchment
 - Karamu Stream
 - Marine Environment

Assumptions

The assumptions for the Governance and Partnerships group of activities are:

- Council will continue to have a membership of nine elected members.
- The Regional Planning Committee will be a permanent Committee under the Hawke’s Bay Regional Planning Committee Act.
- Establishing alliances with other organisations will be necessary to achieve regional success.
- Continued expectation of, and increased requirement for, stakeholder and public engagement in HBRC activities.

Significant Negative effects

There are no anticipated significant negative effects from the delivery of these activities.

Contributing projects include:

Community Representation and Leadership: 840 Community Representation & Regional Leadership, 880 HBRIC Valuations, 881 Investment Company Support

Tangata Whenua Partnerships and Community Engagement: 874Tangata Whenua Engagement, 876 Contingency Funding Support, 893 Regional Infrastructure, 895 Community Engagement & Communications, 896 EnviroSchools.

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 72

Levels of service

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
1.1. Community Representation and Leadership	HBRC will make transparent decisions, deliver cost-effective infrastructure and services and engage the community in activities and decision-making processes, with clear expectations for participation.	Council meetings are conducted in compliance with statutory requirements and Standing Orders.	2016-17: Achieved	Achieved	Achieved	Achieved	Achieved
		LTPs and annual reports receive "unmodified" audit opinions.	2016-17: Achieved	Achieved	Achieved	Achieved	Achieved
		Percentage of surveyed residents who perceive "acceptable to very good" value of services from HBRC rates (source: 2-yearly SIL perception survey).	New measure in LTP 2017 survey result: 72.2%	No survey	75%	No survey	75%
	HBRC will make sound investment decisions to grow its assets and generate investment incomes to fund council projects, programmes and activities.	Rate of returns on investment as set out in council's Investment Policy are met.	New measure in LTP	Achieved	Achieved	Achieved	Achieved
1.2 Tangata Whenua Partnerships and Community Engagement	HBRC engages in strategic relationships to better achieve its vision and purposes	Annual reporting to council on performance of strategic relationships	2016-17: Achieved	Achieved	Achieved	Achieved	Achieved
	HBRC has the internal capability and capacity to engage effectively with Tangata Whenua.	An annual programme to improve cultural competency for staff and councillors is resourced, developed and implemented.	New measure	Achieved	Achieved	Achieved	Achieved

Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 73

Financial summary – Governance and Partnerships

Cost of Services Statement: Governance and Partnerships													
	Activity (#)	Annual Report* 2016-17 (\$'000)	Annual Plan* 2017-18 (\$'000)	Year 1 LTP 2018-19 (\$'000)	Year 2 LTP 2019-20 (\$'000)	Year 3 LTP 2020-21 (\$'000)	Year 4 LTP 2021-22 (\$'000)	Year 5 LTP 2022-23 (\$'000)	Year 6 LTP 2023-24 (\$'000)	Year 7 LTP 2024-25 (\$'000)	Year 8 LTP 2025-26 (\$'000)	Year 9 LTP 2026-27 (\$'000)	Year 10 LTP 2027-28 (\$'000)
EXPENDITURE													
Operating Expenditure													
Community Representation & Regional Leadership	1.	1,633	1,530	1,449	1,478	1,589	1,586	1,656	1,697	1,752	1,775	1,883	1,912
Tanagata Whenua Partnerships & Community Engagement	2.	1,570	1,484	2,116	1,906	1,912	1,935	1,938	1,959	2,003	2,018	2,053	2,110
Depreciation/Amortisation Expense		4	6	8	8	8	8	8	8	8	8	8	8
Total Operating Expenditure		3,207	3,020	3,573	3,392	3,509	3,529	3,602	3,664	3,763	3,801	3,944	4,030
Capital Expenditure													
Solar Heat Advances		-	630	-	-	-	-	-	-	-	-	-	-
Asset Construction		900	-	-	-	-	-	-	-	-	-	-	-
Loan Repayment		356	427	405	410	360	315	240	185	105	80	50	15
Total Capital Expenditure		1,256	1,057	405	410	360	315	240	185	105	80	50	15
TOTAL EXPENDITURE		4,463	4,077	3,978	3,802	3,869	3,844	3,842	3,849	3,868	3,881	3,994	4,045
REVENUE													
Activity Revenue													
Direct Charges		159	133	122	124	126	128	131	133	135	138	141	143
Total Activity Revenue		159	133	122	124	126	128	131	133	135	138	141	143
Other Revenue													
Targeted Rates		-	-	-	-	-	-	-	-	-	-	-	-
Grants		635	15	15	15	15	15	15	15	15	15	15	15
Loan Funding		600	730	100	-	-	-	-	-	-	-	-	-
Solar Heat Advance Repayment		-	32	-	-	-	-	-	-	-	-	-	-
Total Other Revenue		1,235	777	115	15	15	15	15	15	15	15	15	15
TOTAL REVENUE		1,394	910	237	139	141	143	146	148	150	153	156	158
TOTAL GENERAL FUNDING REQUIREMENT		(3,069)	(3,167)	(3,741)	(3,663)	(3,728)	(3,701)	(3,696)	(3,701)	(3,718)	(3,728)	(3,838)	(3,887)
Specific Regional Project Reserve		-	-	-	-	-	-	-	-	-	-	-	-
Sale of Land (Other Initiatives) Reserve		495	529	520	502	428	360	272	204	116	86	53	16
NET GENERAL FUNDING REQUIREMENT		(2,574)	(2,638)	(3,221)	(3,161)	(3,300)	(3,341)	(3,424)	(3,497)	(3,602)	(3,642)	(3,785)	(3,871)

* The Cost of Service Statements for the 2016-17 Annual Report and the 2017-18 Annual Plan have been amended to reflect the change in Groups of Activity structure for the 2018-28 LTP. Overall figures remain unchanged.

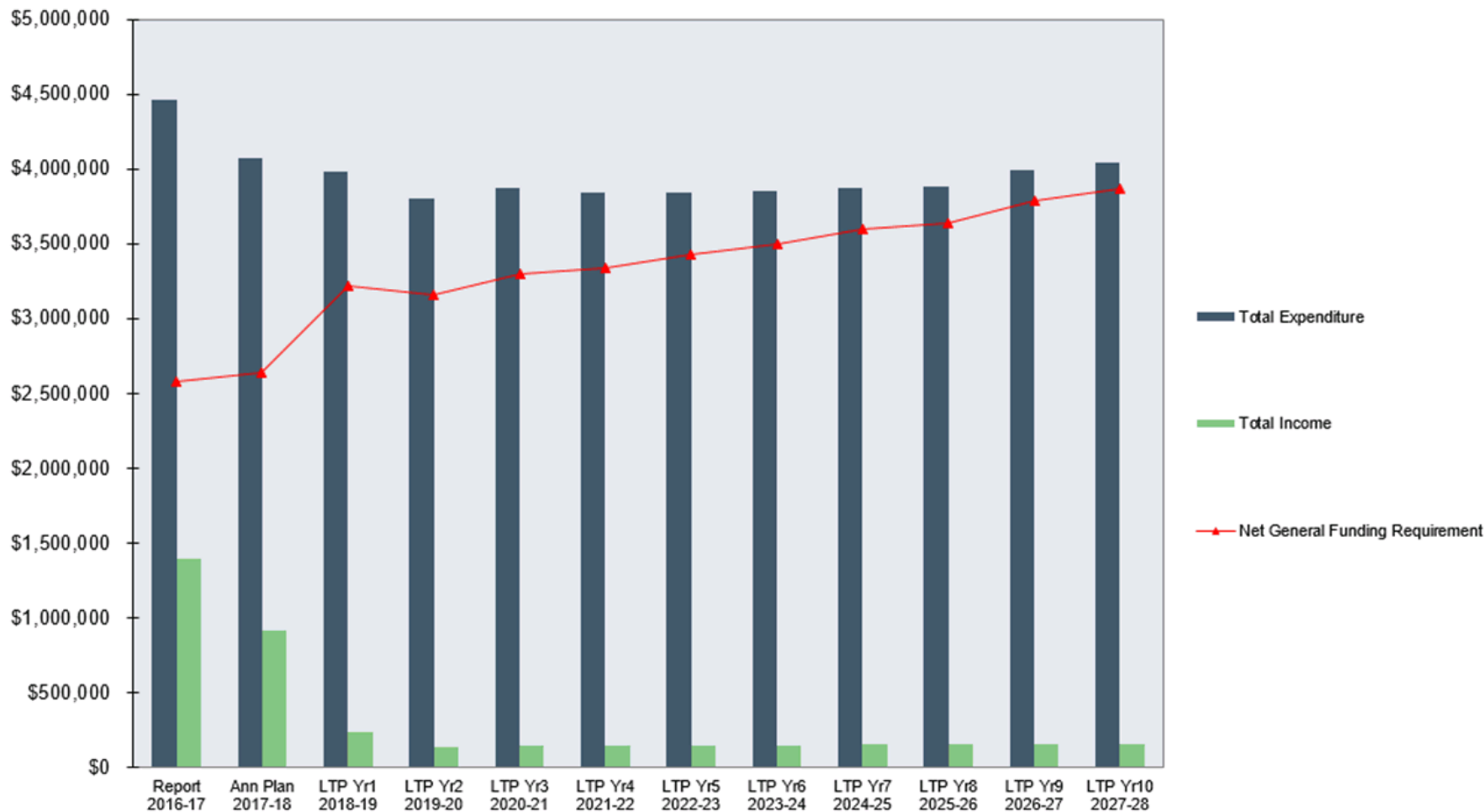
Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 74

Net Funding Requirement – Governance and Partnerships



Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 79

Strategic Planning

What we do

There are three activities within the Strategic Development group of activities:

- Strategy
- Planning
- Sustainable Regional Development

Strategy

This activity ensures that organisational strategy is more effectively translated into action to achieve the desired outcomes as set by council in its Strategic Plan. It includes research, programme management, and development of statutory and non-statutory regional strategies and plans including input into the Long Term Plan and Annual Plan.

Planning

This activity develops, reviews and evaluates Resource Management Act 1991 (RMA) planning documents including the Regional Policy Statement, Coastal Plan and Regional Resource Management Plan. This activity also provides statutory advocacy of council's resource management policies and interests through submissions and various exchanges with other resource management agencies (for example submissions on land use consent and plan change applications lodged with TLAs, district plan review documents, central government policy initiatives/national direction, asset management planning work).

Sustainable Regional Development

HBRC as a whole plays a broad role in regional economic development by ensuring the natural resource platform upon which both the economy and community relies on is managed to meet the reasonably foreseeable needs of future generations. In addition, council contributes to the Matariki Regional Economic Development Strategy (REDS) and HBRC-led projects within the strategy.

This activity includes regional funding via a targeted economic development rate to support Business Hawke's Bay and HB Tourism.

HBRC is the sole local government funder of Hawke's Bay Tourism by agreement with the region's territorial authorities (Napier, Hastings, Central Hawke's Bay and Wairoa councils). The central government funded Regional Business Partners Programme also sits under HBRC control. The Regional Business Partners connects local businesses with the right resources and experts to build capability and grow.

Why we do it

This group of activities contributes to the following community outcomes:



Strategy

Council is operating in an increasingly dynamic and complex environment. Council's chance of successfully achieving its desired outcomes in this environment are improved by having an integrated and aligned organisation. This requires setting goals, identifying appropriate and meaningful performance measures, monitoring performance and responding to change. Council implements its Strategic Plan through its long term plan and annual plans. These documents are required under the Local Government Act and ensure transparency and accountability to our residents and ratepayers.

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 80

Planning

Appropriate resource management allows the region to maximise the economic and social benefits of its resources while minimising detrimental environmental impacts. Under the Resource Management Act 1999 (RMA), HBRC is required to provide an overview of significant resource management issues in the region and to provide guidance on the management of these issues through the Regional Policy Statement (RPS). Such issues may include land, water and air management, climate change and energy. HBRC carries out this role because it is able to provide an integrated overview of the entire region. Territorial authorities are then required to implement the RPS through district plans. The Regional Resource Management Plan (which includes the RPS) became operative in August 2006. The RMA also requires HBRC to have a Regional Coastal Plan. HBRC has integrated management of the land adjacent to the sea and the coastal marine area in a Regional Coastal Environment Plan (RCEP). This Plan became operative in November 2014. Both plans must be reviewed every 10 years and as and when national direction changes and monitor their effectiveness.

Sustainable Regional Development

This LTP signals a change to the way we approach our economic development role. Under the previous LTP, council operated a non-statutory economic development role outside of HBRC’s core business. This approach was geared to identify and be a catalyst for commercial growth opportunities. Council has resolved to differentiate its approach to economic development from that of the region’s territorial authorities and redefine economic developments as an outcome of Council’s broader activities and mission “Enhancing our environment together”. In line with council’s stated desire in its Strategic Plan “to focus on achieving real results in areas of core business”, this plan redeploys some general rate funding previously allocated to economic development to strategy and planning activities and narrows the focus of this activity to contract management. However, council remains committed to partnering on the multi-stakeholder Matariki Regional Economic Development Strategy and leadership on designated actions within the Strategy.

What we are going to do

The Freshwater challenge

A key area of focus over the life of the plan is to deliver a progressive, catchment-based programme to implement the National Policy Statement on Freshwater Management (NPSFM). The plan change for Greater Heretaunga and Ahuriri (known as the TANK catchment - Tutaekuri, Ahuriri, Ngaruroro and Karamu) has been a significant project for council for over five years using a collaborative stakeholder approach. It is intended to notify the TANK plan change in Year 1 of the LTP. The next catchment for review is the Mohaka, followed by Wairoa, and the rest of region. The Tukituki plan change (PC6) became operative in 2015. As a result of the Ruataniwha Water Storage Scheme (RWSS) not going ahead there will be some implementation challenges that need to be addressed primarily by the Catchment Management activity.

Other existing or emerging policy planning projects include:

- Coastal Plan and RRMP Review
- Giving effect to national direction (NPS Biodiversity, NPS Natural Hazards, NES Air Quality (review), Stock exclusion regulations, Plantation Forestry, Drinking Water (review).
- Implementation of national planning standards
- E-plans and e-functionality
- HPUDS (including implementing new NPS on Urban Development Capacity
- Coastal Marine
- Outstanding Water Bodies
- Better integration of tāngata whenua values and interests into planning documents and enhancing the involvement of iwi/hapu into management and governance arrangements.

Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 81

The LTP has increased capacity and capability in year 1 in the strategy and planning activities and redeployed funding from economic developments to enable the council to deliver these projects and give effect to new and complex national policy settings within its own policies, plans and rules.

Assumptions

The assumptions for the Strategic Planning group of activities are:

- Implementation of the National Policy Statement for Freshwater Management is a priority.
- Changes to resource management legislation and regulation from the new Government are expected to increase HBRC's workload in all aspects of freshwater management.

Significant Negative effects

Creating plans to implement the National Policy Statement for Freshwater Management will be lengthy and will involve significant costs. Implementing those plans will also involve significant costs, both for rural land owners whose land use and land management activities are being managed through the integrated land and freshwater planning processes and increasingly for urban communities where there is an increasing focus on the impacts of urban infrastructure on freshwater, estuarine and coastal resources.

Advocating for the implementation of Regional Policy Statement provisions may impact on consent applicants by restricting some activities.

Contributing projects include:

Strategy: 190 Strategy and Projects

Planning: 191 Regional Coastal Plan; 192 Strategy & Planning; 194 Response to Climate Change 196 Statutory Advocacy;

Sustainable Regional Development: 179 Economic Development

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 82

Levels of service

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
2.1 Strategy	HBRC will keep informed about organisational, local, regional, national and international issues and trends, periodically develop a high quality and relevant Strategic Plan and align the organisation to deliver on strategic outcomes.	Annual reporting to council on the development and/or implementation of the Strategic Plan to maintain its currency and relevance.	New measure for LTP August 2017: Strategic Plan 2017-2021 adopted	Achieved	Achieved	Achieved	Achieved
2.2 Planning	HBRC develops and maintains clear and appropriate policies that promote the sustainable management of the region's natural and physical resources and protects the community from resource management related risks.	Compliance with statutory timeframes for RMA planning documents	Achieved	Achieved	Achieved	Achieved	Achieved
	HBRC will proactively work with territorial authorities to achieve alignment on policies, plans and strategies.	Planning managers from HBRC and territorial authorities meet at least twice each year to discuss and identify integration issues; and improvements to content and/or processes for regional and district plans.	Achieved	Achieved	Achieved	Achieved	Achieved
	HBRC will regularly submit on national direction, plan and consenting matters	Number of submissions made to local and central government per annum.	New measure for LTP	Maintain	Maintain	Maintain	Maintain
2.3 Sustainable Regional Development	HBRC will coinvest in regional economic development organisations for the benefit of the Hawke's Bay economy.	Funding contracts with approved performance targets and reporting requirements are in place for HB Tourism, Matariki REDs and the Regional Business Partners Programme.	Achieved	Achieved	Achieved	Achieved	Achieved

Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 83

Financial summary – Strategic Planning

Cost of Services Statement Strategic Planning													
	Activity (#)	Annual Report* 2016-17 (\$'000)	Annual Plan* 2017-18 (\$'000)	Year 1 LTP 2018-19 (\$'000)	Year 2 LTP 2019-20 (\$'000)	Year 3 LTP 2020-21 (\$'000)	Year 4 LTP 2021-22 (\$'000)	Year 5 LTP 2022-23 (\$'000)	Year 6 LTP 2023-24 (\$'000)	Year 7 LTP 2024-25 (\$'000)	Year 8 LTP 2025-26 (\$'000)	Year 9 LTP 2026-27 (\$'000)	Year 10 LTP 2027-28 (\$'000)
EXPENDITURE													
Operating Expenditure													
Strategy	1.	-	-	204	207	213	217	221	226	229	235	241	245
Planning	2.	2,006	2,442	2,618	2,519	2,618	2,669	2,712	2,771	2,815	2,880	2,859	2,912
Sustainable Regional Development	3.	2,308	2,586	2,124	2,168	2,217	2,264	2,313	2,367	2,419	2,477	2,539	2,601
Depreciation/Amortisation Expense		-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenditure		4,314	5,028	4,946	4,894	5,048	5,150	5,246	5,364	5,463	5,592	5,639	5,758
Capital Expenditure													
Energy Futures Loan Repayments		20	20										
Total Capital Expenditure		20	20	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURE		4,334	5,048	4,946	4,894	5,048	5,150	5,246	5,364	5,463	5,592	5,639	5,758
REVENUE													
Activity Revenue													
Direct Charges		56	-	-	-	-	-	-	-	-	-	-	-
Total Activity Revenue		56	0	0	0	0	0	0	0	0	0	0	0
Other Revenue													
Targeted Rates		2,012	2,310	1,850	1,894	1,942	1,990	2,038	2,092	2,145	2,204	2,265	2,327
Grants		420	274	274	274	274	274	274	274	274	274	274	274
Loans Drawn Down		-	-	-	-	-	-	-	-	-	-	-	-
On-Site Waste Water Disposal Loan Repayments		-	-	-	-	-	-	-	-	-	-	-	-
Total Other Revenue		2,432	2,584	2,124	2,168	2,216	2,264	2,312	2,366	2,419	2,478	2,539	2,601
TOTAL REVENUE		2,488	2,584	2,124	2,168	2,216	2,264	2,312	2,366	2,419	2,478	2,539	2,601
TOTAL GENERAL FUNDING REQUIREMENT		(1,846)	(2,464)	(2,822)	(2,726)	(2,832)	(2,886)	(2,934)	(2,998)	(3,044)	(3,114)	(3,100)	(3,157)
Asset Replacement Reserve		-	-	-	-	-	-	-	-	-	-	-	-
Sale of Land (Environmental Initiatives) Reserve		-	492	89	-	-	-	-	-	-	-	-	-
NET GENERAL FUNDING REQUIREMENT		(1,846)	(1,972)	(2,733)	(2,726)	(2,832)	(2,886)	(2,934)	(2,998)	(3,044)	(3,114)	(3,100)	(3,157)

* The Cost of Service Statements for the 2016-17 Annual Report and the 2017-18 Annual Plan have been amended to reflect the change in Groups of Activity structure for the 2018-28 LTP. Overall figures remain unchanged.

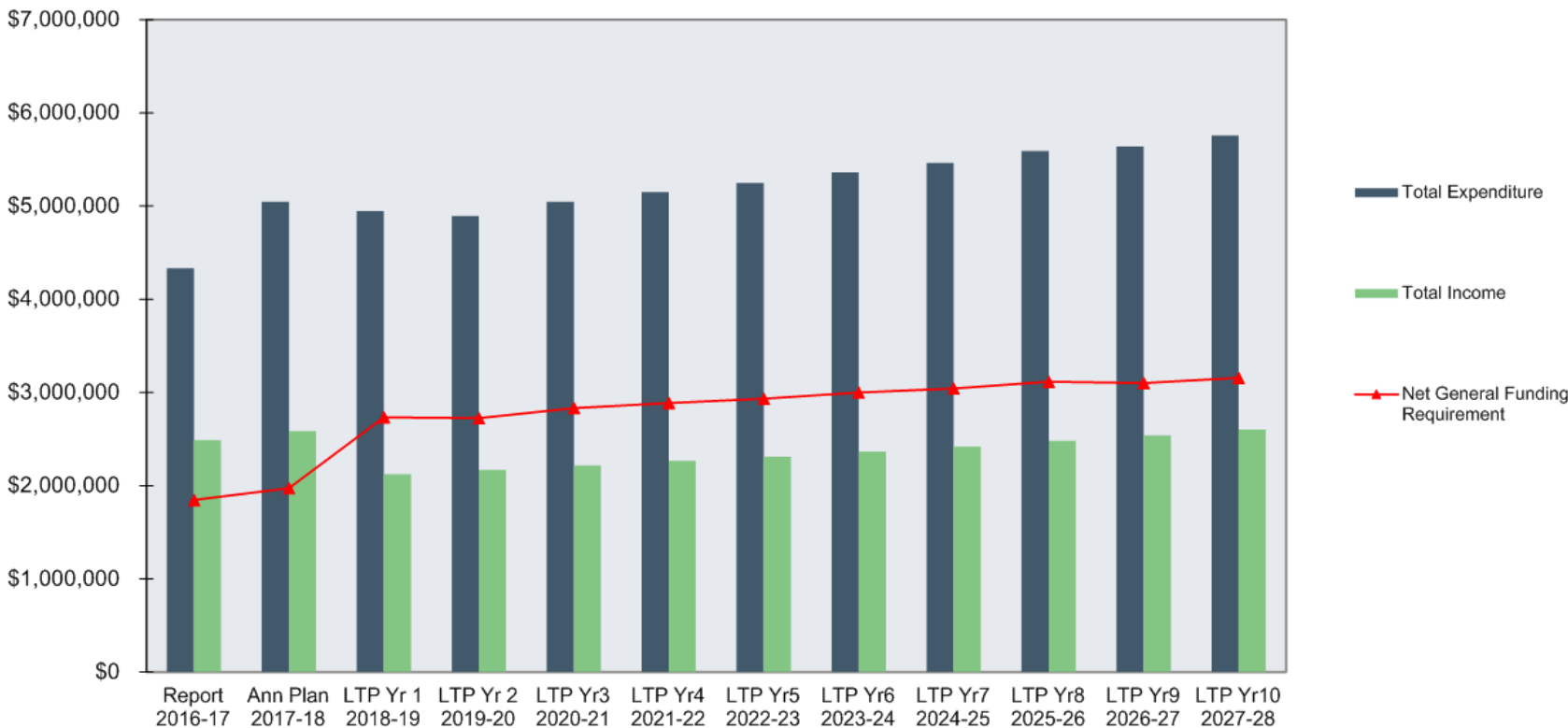
Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 84

Net Funding Requirement – Strategic Planning



Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 85

Integrated Catchment Management

What we do

There are three activities within the Integrated Catchment Management group of activities:

- Science and Information
- Catchment Management
- Biodiversity and Biosecurity

Science and Information

This activity involves monitoring the state, condition and use of land, air, water, coast, and marine resources within the region and reporting against relevant standards and guidelines. Science investigations into causes and effects are undertaken as well as new and existing initiatives to improve environmental outcomes such as water demand management.

This activity also includes the Sustainable Homes programme and Water Information Services. The Sustainable Homes programme provides financial assistance to ratepayers to replace non-compliant fires, install insulation and other measures including promotion of solar electricity technology and domestic water storage that reduces energy consumption and makes homes more sustainable and resilient.

Water Information Services provide a programme of 'in the field advice' to improve irrigation efficiency, water use monitoring, reporting and conservation, working with individual water take consent holders, water user groups, industry and other local authorities.

Catchment Management

This activity involves working within the region's catchments to understand the catchment's sustainable management challenges and the views and aspirations of landowners. Council's role is to facilitate collaborative approaches to adaptive governance and management that develop catchment objectives within an Integrated Catchment Management Plan and consider and facilitate alignment of Council wide activities towards these objectives.

Biodiversity and Biosecurity

Biodiversity involves working collaboratively within catchments across organisations and with landowners to identify and actively manage high priority biodiversity sites, to protect and restore native species and ecosystems.

Biosecurity delivers animal, plant, horticultural and marine pest management through the provision of information and advice, research, surveillance, monitoring and inspections, direct control, pathway management, working within catchments with landowners, and community groups. The council sets objectives, methods and rules through the Regional Pest Management Plan (RPMP).

Why we do it

This group of activities primarily contributes to a Healthy Environment:



Integrated catchment management activities are a mix of statutory requirements and non-regulatory methods. A combination of both is required to achieve the land and water outcomes set in council's Strategic Plan 2017-2021, the National Policy Statement for Freshwater Management and the Regional Resource Management Plan. This approach enables council to direct funding and resources in a strategic and prioritised manner based on the specific needs of each catchment, based on the best available science.

The statutory requirements relate to roles and responsibilities under the Resource Management Act 1991, the Biosecurity Act 1993 and the Soil Conservation and Rivers Control Act 1941.

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 86

Science and Information

HBRC has responsibilities under the Resource Management Act to manage the region’s land, air and water resources including rivers, streams, lakes, wetlands and groundwater in a way that promotes sustainable management. HBRC also has responsibilities under the Local Government Act to promote the region’s social, cultural, environmental and economic wellbeing.

Nationally the amended 2014 *National Policy Statement (NPS) for Freshwater Management* requires limits to be set for quantity and quality, and for both in-stream and associated ecosystem values. Regional plans will be amended to implement the NPS by 2026

HBRC has a statutory responsibility for monitoring the State of the Environment locally. This is reported on every 5 years, with annual updates providing important information on any risks of resource use and to inform policy setting. It also enables council to respond in a timely manner to any adverse effects from resource use from an operational perspective.

The Heatsmart component of the Sustainable Homes programme is expected to meet legislated targets for air quality by 2020 and the Water Information Services programme has met targets for the phased introduction of water meters for all consented takes over 5 l/per second. Financial support for the Heatsmart programme will end in 2023.

Catchment Management

There has been a trend toward more intensive land use that relies on increasing inputs of water, energy and fertilisers. Where the use of good farming practices is not occurring, this intensification has led to the degradation of soil quality, water quality, and terrestrial and aquatic ecosystems. Recent modelling has projected in excess of 3 million tonnes of soil and sediment being transported by erosion into the marine environment from the regions catchments every year.

High quality soils are a limited resource in Hawke’s Bay and represent one of our vital natural assets. Keeping these soils on the land into the future is critical to our primary sector based provincial economy.

HBRC’s has a role to inform landowners and encourage the optimal use of land for social and economic benefit while maintaining and or enhancing environmental sustainability. It does this by incentivising and influencing land owners to move towards good farming practice and sustainable land use as evidenced and monitored through Farm Environmental Management Plans.

Biodiversity and Biosecurity

Biodiversity plays a critical role in the provision of ecosystems services and is critical to resilience. Like New Zealand as a whole, Hawke’s Bay’s biodiversity is in decline. 75% of the regions indigenous vegetation has been cleared and only 2% of our original wetlands remain. The rare and threatened native ecosystems that remain are taonga and require urgent support and management.

HBRC has taken a lead role in the development of the multi-stakeholder Biodiversity Strategy and Action Plan, owned by a wide range of organisations. HBRC is one of a few organisations that has an overview of the Hawke’s Bay region and together with the Department of Conservation hold much of the information about the state of the region’s biodiversity.

Invasive organisms can have a significant adverse effect on the region’s economic prosperity, biodiversity, lifestyles and quality of living. Without proper management these adverse effects would be a lot worse than they are now. Pest management programmes often require a collaborative effort across multiple properties to be fully successful, so relying solely on the voluntary efforts of land occupiers will not achieve the best pest management. Council’s role is set out in the Biosecurity Act 1993.

Item 7

Attachment 1

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 87

What we are going to do

Science and Information

Key projects in Years 1- 3 include:

- Science investigations such as groundwater/surface water modelling, soil mapping and quantifying sediment and other contaminant hot spots are required to support the rolling catchment-based review of the *Regional Resource Management Plan* to give effect to the National Policy Statement for Freshwater Management (NPS-FM) and to help water users to develop sustainable solutions for land and water management.
- Transitioning the Heatsmart programme to become the Sustainable Homes programme, which will include funding to support ratepayers promoting energy and water use efficiency.
- The identification and rapid response to prioritised environmental ‘hot spots’ programme. HBRC identified six environmental hotspots in its 2017-18 Annual Plan and allocated \$1 million towards undertaking freshwater improvement work in each of the areas. The current six hot spot projects are:
 - Lake Tūtira
 - Ahuriri Estuary
 - Whakaki Lake and Wairoa River
 - Whatuma and the Tukituki Catchment
 - Karamu Stream
 - Marine Environment.
- Water information services will include wider stakeholder engagement through the facilitation of water user groups as a way to encourage water use efficiencies, as well as improving certainty of supply to users.

Catchment Management

Each year we will:

- HBRC will work with farmers, growers and industry to transfer knowledge on environmental risks and impacts, and support the adoption of good management practice on-farm to achieve smart, sustainable land use.
- HBRC will encourage through research, education and advocacy and subsidy riparian planting and fencing, wetland protection and afforestation to improve soil conservation and water quality.
- Work with the forest industry and align activities promoting good management practices with the HB Forestry Group
- Host targeted capacity building events held to improve understanding and uptake of good practices
- Foster strategic stakeholder alliances through groups such as the Primary sector Pan-Sector group, Nature Central and Dairy Liaison Group
- Continue to support research to improve the potential for High UMF Manuka plantings as a viable alternative for hill country pastoral farming via the Primary Growth Partnership for High performance Manuka.

Key projects in Years 1-3 include:

- The establishment of the following initiatives to facilitate the rapid delivery of solutions into catchments:
 - Significant trees on farms programme on highly erodible hill country
 - Establish a riparian business unit to fund riparian fencing, planning and maintenance of planted areas
 - Establish a Farm Environment Management Plan (FEMP) business unit to speed up the delivery of these plans

Part 5 - Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 88

Biodiversity and Biosecurity

Each year we will:

- Work with partners and stakeholders to implement the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning.
- Implement the Regional Pest Management Plan

Key projects in Years 1- 3 include:

- Raising the profile and funding for the HB Biodiversity Foundation to support its long term goal of growing a \$50M+ endowment to fund regional biodiversity projects.
- Identifying, prioritising and actively managing targeted biodiversity sites.
- Delivering the Predator Free HB project which involves the integration of feral cats and mustelids into the Possum Control Area programme over 200,000 hectares of farmland. This assumes external funding to match our contribution of \$200,000 for each year of this plan.

Assumptions

The activity specific assumptions for these activities include:

- The funding policies applied to most of these activities will remain constant over the life of the plan. However new funding sources will be evaluated and utilised, as appropriate, for resource investigations and monitoring relating to land, air and the coast.
- HBRC will also continue to manage the Tangoio Soil Conservation Reserve and operate the Soil Conservation Nursery.
- Climate change is predicted to result in more intensive rain events and increased temperatures, leading to increased risk of erosion and droughts. This will lead to higher water demand, increased soil erosion and compromised water quality.
- Climate change and associated sea level rise are altering the risks and the occurrence of coastal hazards (flooding, coastal erosion) and having an uncertain effect on coastal ecology.
- Increasing community awareness of water quality issues and a desire of the community for better water quality in Hawke’s Bay rivers and waterways.

Significant Negative effects

There are no significant negative impacts relating to the collection of information about regional resources, unless the information raises more questions than answers and results in delays in decision-making.

There are no significant negative regional impacts relating to Catchment Management programs, however it is acknowledged that land use change may result in localised positive and or negative effects on specific aspects of the environment and or productive farming systems.

Animal pest control is undertaken using a range of methods including poisons and traps. Plant pest control can involve the use of agrichemicals. There is the potential for a number of non-target animal and plant species to be killed. However, offsetting these potential negative impacts, HBRC ensures staff and contractors follow best industry practice for biosecurity activities.

Contributing projects include:

Science and Information:

SOE Reporting: 153, 182
Science: 310-315, 320, 325, 330, 331, 332, 339, 340,
Sustainable Homes: 342, 844
Water Information Services: 395

Catchment Management

350 Environmental Enhancements (hotspots), 380 Catchment Management, 381 Soil Conservation Nursery.

Biodiversity and Biosecurity: 662 Biodiversity Strategy Implementation; 650 Plan Pest Control, 660 Regional Animal Pest Control, and 689 Pest Management Strategies

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 89

Levels of service

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
3.1 Science and Information	HBRC will monitor and provide accurate and timely information to decision makers and the community on the State of the Environment (SOE) for Hawke's Bay.	Council maintains its International Organisation for Standardisation (ISO) 9001-2018 accreditation for data collection, analysis and storage.	Achieved	Achieved	Achieved	Achieved	Achieved
		SOE monitoring programmes are in place and results are published on HBRC and LAWA websites for: <ul style="list-style-type: none"> • Climate and Air Quality • Surface water • Groundwater • Land Science • The Coast 	Achieved	Achieved	Achieved	Achieved	Achieved
		A 5-yearly State of the Environment Monitoring Report is produced along with annual scorecards and monthly updates. Results are made available primarily through digital media.	Achieved	Achieved	Achieved	Achieved	Achieved
	HBRC will undertake targeted science research and investigations on matters relevant to policy development to inform the Council and stakeholders.	The Science team develops and implements an annual work programme in line with plan change requirements	New measure	Achieved	Achieved	Achieved	Achieved

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 90

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
3.1 Science and Information cont'd	HBRC will reduce harmful air pollution and comply with the National Environmental Standard (NES) for Air Quality.	Number of exceedances of PM10* in the Napier and Hastings Airsheds	2016-17: Achieved Napier 0; Hastings 3 Awatoto 1	Napier 1; Hastings 3	Napier 1; Hastings 3	1	1
		Number of clean heat systems installed annually under financial assistance programme	2016-17: 1456	1000	1000	1000	1000
	HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated and comply with regulations under the RMA for measuring and reporting water takes.	Percentage of consent holders with water meters operating using telemetry or web/text systems	As at 1 July 2017: 81.75%. Adding in the sites that are tamper tagged = 90.59%	90%	90%	90%	90%

*PM10 are tiny airborne particles smaller than 10 micro-metres in size. High concentrations of PM10 are in the smoke from fires and increase the risk of respiratory and cardiovascular illnesses, including cancer. The Government has set a National Environmental Standard (NES) for PM10 at an average concentration of no more than 50 µg/m³ measured in open air over 24 hours.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 91

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
3.1 Science and Information cont'd		<p>Total water consented as a percentage of the allocation limit for each significant water resource.*</p> <ol style="list-style-type: none"> 1. Esk 2. Karamu 3. Ngaruroro 4. Maraekakaho 5. Nuhaka 6. Raupare 7. Tutaekuri 8. Tutaekuri-Waimate 9. Tukituki <p><u>Note:</u> Additional rivers will be added as allocation regimes are set through catchment based plan changes to give effect to NPS FM.</p>	New measure in LTP	<p>For catchments at or below allocation when limit set the target is: Less than or equal to 100%.</p> <p>For fully allocated catchments when limit set the target is: Decreasing trend towards less than or equal to 100%</p>	<p>For catchments at or below allocation when limit set the target is: Less than or equal to 100%.</p> <p>For fully allocated catchments when limit set the target is: Decreasing trend towards less than or equal to 100%</p>	<p>For catchments at or below allocation when limit set the target is: Less than or equal to 100%.</p> <p>For fully allocated catchments when limit set the target is: Decreasing trend towards less than or equal to 100%</p>	<p>For catchments at or below allocation when limit set the target is: Less than or equal to 100%.</p> <p>For fully allocated catchments when limit set the target is: Decreasing trend towards less than or equal to 100%</p>

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 92

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
3.2 Catchment Management	HBRC will partner with tangata whenua and community groups in identified priority areas to achieve land and water outcomes.	Annual reporting to council on engagement, actions and impacts within priority areas.	2016-17: Achieved.*	Achieved	Achieved	Achieved	Achieved
	HBRC will work with farmers, growers and industry to transfer knowledge on environmental risks and impacts, and support the adoption of good management practice on-farm to achieve smart, sustainable land use.	Percentage of land area (by catchment) that operates under a Farm Environment Management Plan or an independently audited industry good management practice framework as required under the RRMP. <u>Note:</u> Other catchments will be added as new management regimes are set through catchment based plan changes to give effect to NPS FM.	2016-17: Tukituki-39%	Tukituki-100%	Tukituki-100% TANK - TBC	Tukituki-100% TANK - TBC Mohaka - TBC	All region: Annual increase to goal of 100%
	HBRC will encourage through subsidy, education, working with industry and recording and reporting riparian planting and fencing, wetland protection and afforestation to improve soil conservation and water quality.	Additional area of highly erodible land planted in trees (ha).	New measure	2000Ha of land under cover	2000Ha of land under cover	2000Ha of land under cover	2000Ha of land under cover (per year)
		Additional kilometres of riparian margin protected annually to reduce sediment, nutrient and/or bacterial contamination of water**	New measure	100km	100km	100km	100km (per year)

*Priority areas in 2016/17 included Papouni, Porangahau, Maharakere, Tukipo, Taharua, Tutira, Ahuriri, Whakaki, Whangawehi

**includes streams, drains, wetlands, lakes, estuaries and the coast.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 93

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
3.3 Biodiversity and Biosecurity	HBRC will work with partners and stakeholders to implement the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning.	Additional number of targeted priority sites where biodiversity is actively managed.	New measure	1-2	1-2	1-2	1-2 (per year)
	HBRC will undertake research, and implement and review regional pest management plans that improve biodiversity, human health and economic prosperity.	Maintain and implement current Regional Pest Management Plan.	Achieved	Achieved	Achieved	Achieved	Achieved
	HBRC will provide effective pest management programmes that improve regional biodiversity, human health and economic prosperity.	Percentage of monitored Possum Control Areas (PCAs) with a 5% or less trap catch.	2016-17: Achieved. Average RTCI of 2.3%.	90%	90%	90%	90%
		Decreasing trend (based on previous 5-year average) in the number of active rook nests.	2016-17 Achieved	Achieved	Achieved	Achieved	Achieved
		Percentage of animal pest enquiries responded to within target timeframe. (5 days for rabbits).	2016-17: Achieved 49 enquiries responded to within 5 working days of receiving initial call.	100%	100%	100%	100%
		Percentage of plant pest inspections and actions completed within target timeframes (see schedule for specific plant pests).	2016-17: Achieved	100%	100%	100%	100%

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 94

Financial Summary – Integrated Catchment Management

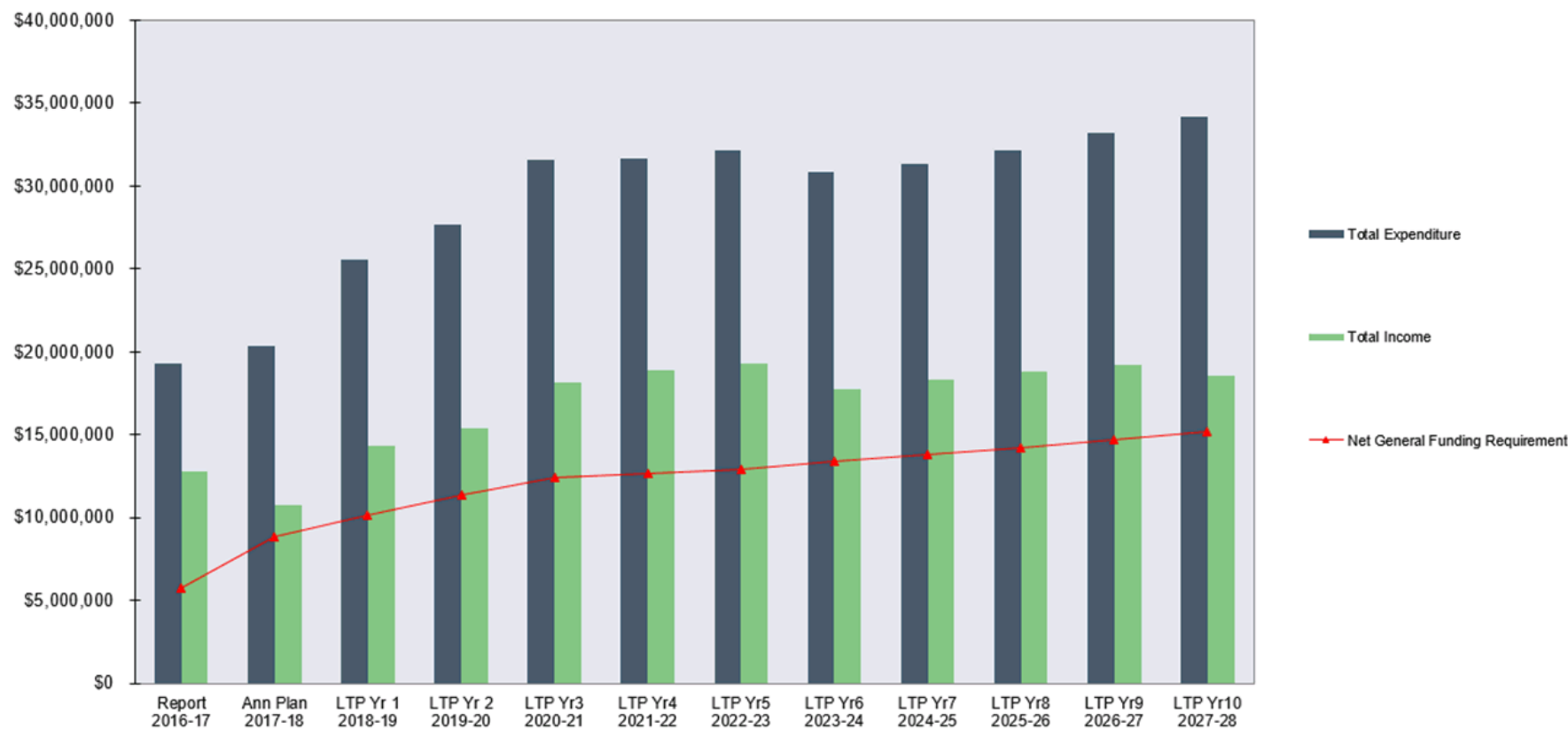
Cost of Services Statement: Integrated Catchment Management													
	Activity (#)	Annual Report* 2016-17 (\$'000)	Annual Plan* 2017-18 (\$'000)	Year 1 LTP 2018-19 (\$'000)	Year 2 LTP 2019-20 (\$'000)	Year 3 LTP 2020-21 (\$'000)	Year 4 LTP 2021-22 (\$'000)	Year 5 LTP 2022-23 (\$'000)	Year 6 LTP 2023-24 (\$'000)	Year 7 LTP 2024-25 (\$'000)	Year 8 LTP 2025-26 (\$'000)	Year 9 LTP 2026-27 (\$'000)	Year 10 LTP 2027-28 (\$'000)
EXPENDITURE													
Operating Expenditure													
Science and Information	1.	8,340	8,490	8,825	9,514	10,178	10,080	10,226	9,953	10,036	10,224	10,443	10,621
Catchment Management	2.	2,854	4,034	4,464	4,929	5,518	5,561	5,848	6,147	6,421	6,731	7,047	7,322
Biodiversity and Biosecurity	3.	3,102	2,849	4,047	4,123	4,241	4,329	4,190	4,286	4,361	4,464	4,578	4,668
Depreciation/Amortisation Expense		381	400	444	560	684	723	711	708	616	520	426	349
Total Operating Expenditure		14,677	15,773	17,780	19,126	20,621	20,693	20,975	21,094	21,434	21,939	22,494	22,960
Capital Expenditure													
Clean Heat Advances		1,923	4,271	2,700	2,232	3,110	2,636	2,809	1,244	1,493	1,792	2,150	2,580
Regional Parks Network		-	348	160	160	160	160	160	160	160	160	160	160
Tangoio Soil Conservation Reserve Forestry		-	-	-	200	200	-	-	-	-	-	-	0
Biodiversity		-	-	100	100	100	100	100	100	100	100	100	100
Integrated Catchment Activities		-	-	2,000	2,500	3,500	3,800	3,800	3,800	3,900	3,900	3,900	3,900
Public Good Capital Purchases		544	-	-	-	-	-	-	-	-	-	-	0
Loan Repayments - Regional Park Reserves		2,175	-	2,860	3,388	3,889	4,234	4,273	4,414	4,284	4,275	4,365	4,519
Total Capital Expenditure		4,642	4,619	7,820	8,580	10,959	10,930	11,142	9,718	9,937	10,227	10,675	11,259
TOTAL EXPENDITURE		19,319	20,392	25,600	27,706	31,580	31,623	32,117	30,812	31,371	32,166	33,169	34,219
REVENUE													
Activity Revenue													
Direct Charges		3,765	3,347	4,181	4,521	4,810	5,052	5,156	5,352	5,431	5,503	5,557	5,156
Total Activity Revenue		3,765	3,347	4,181	4,521	4,810	5,052	5,156	5,352	5,431	5,503	5,557	5,156
Other Revenue													
Targeted Rates		2,927	3,032	3,197	3,447	3,749	3,949	3,993	3,450	3,482	3,526	3,576	3,617
Grants and Other Income for Capital		1,911	1,506	1,882	2,345	2,626	3,134	3,206	3,595	3,652	3,651	3,601	2,880
Interest on Scheme Reserves		149	51	27	6	(16)	(30)	(24)	(11)	16	55	95	103
Grants		1,215	25	82	83	85	86	87	89	90	92	94	95
Loans Drawn Down		2,797	2,766	4,960	5,010	6,870	6,724	6,897	5,304	5,653	5,952	6,310	6,740
Total Other Revenue		8,999	7,380	10,148	10,891	13,314	13,863	14,159	12,427	12,893	13,276	13,676	13,435
TOTAL REVENUE		12,764	10,727	14,329	15,412	18,124	18,915	19,315	17,779	18,324	18,779	19,233	18,591
TOTAL GENERAL FUNDING REQUIREMENT		(6,555)	(9,665)	(11,271)	(12,294)	(13,456)	(12,708)	(12,802)	(13,033)	(13,047)	(13,387)	(13,936)	(15,628)
Specific Scheme Reserves		337	471	862	626	823	(122)	(145)	(383)	(724)	(853)	(791)	474
Sale of Land (Other Initiatives) Reserve		454	348	270	270	240	200	70	35	-	-	-	-
NET GENERAL FUNDING REQUIREMENT		(5,764)	(8,846)	(10,139)	(11,398)	(12,393)	(12,630)	(12,877)	(13,381)	(13,771)	(14,240)	(14,727)	(15,154)

* The Cost of Service Statements for the 2016-17 Annual Report and the 2017-18 Annual Plan have been amended to reflect the change in Groups of Activity structure for the 2018-28 LTP. Overall figures remain unchanged.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 95

Net Funding Requirement –Integrated Catchment Management



Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 96

Asset Management

What we do

There are five activities within the Asset Management group of activities

- Flood Protection and Control Works¹²;
- Flood Risk Assessment and Warning
- Coastal Hazards
- Open Spaces
- Works Group

Flood Protection and Control Works

Historically, where frequent flooding or poor drainage have been an issue for local land owners, the Hawke’s Bay Regional Council (HBRC) or its predecessor organisation, the Hawke’s Bay Catchment Board, have worked with them to establish a flood control and/or drainage scheme to enable them to use their land with reduced risk of flooding and associated improvements to drainage, provided they have been willing to meet a significant portion of both the capital and ongoing maintenance and operating cost.

More recently, the HBRC has taken a holistic approach to enhancing waterways for flood protection as well as other values. This involves riparian planting and waterway enhancement to improve the ecological functioning and water quality of waterways and provide open space opportunities.

HBRC now administers 25 flood control and drainage schemes throughout the region with a replacement value (RV) of close to \$185M. These are grouped into the following three major schemes:

Major scheme	Asset	At October 2017
1. Heretaunga Plains Flood Control & Drainage Scheme RV of \$138,755,848	Stopbanks	157 km
	River channels and edge protection	129 km
	Drainage channels	447 km
	Pumping stations	18
	Structures and culverts	217
2. Upper Tukituki Scheme RV of \$31,637,715	Stopbanks	76 km
	Channel edge protection	205 km
	Drainage channels	12 km
	Structures and culverts	44
3. Small Schemes RV of \$14,476,397	Stopbanks	15 km
	River channels and edge protection	31 km
	Drainage channels	85 km
	Pumping stations	4
	Structures and culverts	37

HBRC responds to many enquiries about coastal erosion, flood risk and drainage related issues. Depending on the issue, HBRC is able to help through:

- Provision of flooding and drainage advice
- Provision of advice relating to riverbed land and other HBRC owned or administered land
- Provision of advice on coastal erosion and flood risk
- Technical and financial assistance for approved ‘public good’ projects. \$40,000 plus inflation of subsidy money is provided each year at a subsidy rate of 30%
- A consultancy service that is fully cost recoverable.

¹² This activity is the mandatory “Flood Protection and Control Works” Group of Activities as required under Schedule 10(2) of the Local Government Act 2002.A Funding Impact Statement for the Flood Protection and Control works Group is in the Financial Section.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 97

In addition, HBRC provides consultancy services to other councils. It currently has an agreement to provide one full time equivalent of engineering input to Gisborne District Council.

This activity also includes gravel management to maintain flood capacity and management of river mouths to reduce unnecessary flooding. There is an ongoing demand from industry for gravel and aggregate resources for many activities. Allocation of resources from riverbeds is undertaken by HBRC in response to this demand, balancing the need to maintain the capacity of specific flood protection schemes while taking into account the potential environmental effects of gravel extraction.

Flood Risk Assessment and Warning

Flooding is a significant and frequent hazard; there is emphasis on continually improving HBRC’s knowledge and understanding of flood risks, runoff patterns, changes in land use, and climatic conditions. HBRC works with other local authorities through liaison, provision of floodplain mapping, catchment management planning, and investigation of specific flooding issues. It operates a comprehensive network of rainfall and river level recorders across the region and, together with sophisticated computer models, provide a modern flood warning and forecasting system for the benefit of the region. This activity provides advice on rainfall and water flows during flood conditions and hazard information for land use planning purposes to encourage community resilience and preparedness.

Coastal Hazards

This activity seeks to better understand causes and effects of coastal hazards and works with our territorial authorities, landowners and communities to find solutions to reduce their impact. Coastal erosion and inundation threats from climate change and associated sea level rise is a significant issue facing our region.

This activity currently includes gravel renourishment of Westshore Beach so that erosion is managed seaward of the 1986 erosion line. The 1986 line was the extent of erosion before beach renourishment began, and is identified on a series of posts along the foreshore.

Open spaces

HBRC owns and manages Tutira Country Park, Pakowhai Country Park, Waipatiki Campground, Waitangi Regional Park and Pekapeka Wetland plus river berm areas, which have multi-purpose functions including flood control, biodiversity, soil conservation and water quality enhancement, as well as having cultural significance and providing recreational opportunities.

These properties are managed as a regional resource and have been approved by the Council (in compliance with its Open Space Policy and Evaluation criteria). They are financed through loan funding. The servicing of any drawdown against this loan is funded from the Council’s Sale of Land (non-investment) Reserve. HBRC leverages government funding to support these initiatives and partners with landowners with the aim to improve public access to these areas where practicable.

Over the past 9 years HBRC, in conjunction with district and city councils, local groups and central government, has invested in the network of about 180km of pathway/cycleway within Hawke’s Bay, mainly focussed on the Heretaunga Plains. HBRC also manages the Tangoio Soil Conservation Reserve and Waihapua forestry block.

Works Group

This activity is the external work tendered and undertaken by the Works Group. The Works Group is an autonomous business unit of the Hawke’s Bay Regional Council. It has been established to operate at arm’s length to ensure the cost-effective delivery of services in a transparent contractual manner. HBRC is the client for the majority of the Works Group’s work programme and this is accounted for within the costs of other council activities. External work is undertaken within specific parameters and principles including (but not limited to) full cost recovery with a risk-based margin and work must relate to councils river control and drainage expertise, skills and plant base.

The Works Group’s core competencies are:

- Civil and structural contracting work associated with river and drainage maintenance
- Emergency response to natural disaster and environmental spills
- Minor capital works associated with ratepayer schemes
- Maintenance and management of major plant and resources associated with business activities and maintenance of the council vehicle fleet.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 98

Why we do it

This group of activity primarily contributes to the following community outcomes.



Prosperous Economy

- By reducing the likelihood of damage from flooding on people, property, productive land and businesses for long-term benefits to our economy.
- Gravel from Hawke's Bay rivers is some of the best quality aggregate in New Zealand and essential for the economic development of the Region's construction industry, used for roads, cement production or landscaping.

Vibrant Community

- By providing for public access to HBRC managed waterway environments, the coast and open spaces for recreation and enjoyment, and where appropriate enhancing amenity values, protecting sites of cultural significance, and identifying and valuing them for public education and interest.

The empowering legislation for this group of activities is the:

- Soil Conservation and Rivers Control Act 1941,
- Land Drainage Act 1908,
- Local Government Act 2002
- Civil Defence Emergency Act 2002
- Resource Management Act 1991.

In addition to the legislative mandate and responsibility, these activities are undertaken by HBRC because it has the necessary river engineering skills, historical understanding and regional overview required to integrate and manage large-scale schemes. The flood protection schemes, in particular, impact on a wide area, so a consistent approach across the region to their management is important. A consistent regional approach is also relevant to coastal hazards and open spaces.

What we are going to do

Each year we will:

- Prepare an annual programme of works including a maintenance schedule prior to the commencement of each financial year.
- Maintenance and gravel extraction to maintain the channel capacity and integrity of the flood protection assets. Undertake river surveys every 3-6 years
- Monitoring of flood events in accordance with the Flood Manual
- Annual asset audit by a chartered professional engineer, and full assessment of each of the major rivers every 12 years
- Plant pest damage monitoring and alternative species planting
- Continue environmental enhancement of schemes through native planting on riparian margins and waterway enhancement
- Conduct research to better understand the impacts of river sediment management on sediment supplies; and make changes to the way rivers are managed resulting from this research where appropriate.
- River mouths and lagoon outlets are inspected regularly and opened when required, and when river, sea and weather conditions allow so private land above a specified contour is not flooded as a result of a river mouth being closed.
- Maintain log of duty calls along with record of warning and watches of severe weather or other hazardous events managed
- Regular checking and maintenance of all rainfall and level recorder stations and repair of all key sites damaged during storms within 4 weeks.
- Continue to develop and upgrade flood forecast models of flood plain areas.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 99

- Continue to survey rivers to update models every 6 years.
- Calibrate models to significant storm events.
- Programme of collection and distribution of flood hazard information for identified high and low risk areas.
- Complete and report against annual coastal monitoring and investigation programme including: beach profiling; storm monitoring; sediment transport and processes investigation and modelling; hazard prediction including tsunami, inundation, erosion, storm surge.
- Work towards realisation of the Regional Park Network Plan.
- Implementation of Individual Park Plans (IPPs) for Waitangi, Pakowhai, Waipatiki and Pekapeka regional parks.
- Maintain regional parks to levels of service established in IPPs.
- Develop regional park assets in accordance with adopted IPPs as funding allows.

Key projects for years 1-3 of the LTP

- Complete detailed design and progressive implementation to improve level of service for the Heretaunga Plains flood control scheme from a '1 in 100 year' event level (1% AEP) to a '1 in 500 year' event level (0.2% AEP), to accommodate climate change impacts.
- Consultation on reviewed levels of service for the Upper Tukituki Scheme.
- Napier urban open waterway network level of service upgrade.
- Lower Clive River dredging.
- Implement recently adopted Hawke's Bay Riverbed Gravel Management Plan and equitably allocate gravel to extractors in compliance with the RRMP.
- Complete Coastal Hazards Strategy for the coast between Clifton and Tangoio to guide decision making on the mitigation and management of hazards and support territorial authorities in their decision making regarding future management of specific parts of the coast, and determine long term plans for coastal hazard protection assets administered by HBRC.

- Review the current approach to erosion mitigation at Westshore as part of the Coastal Hazard Management Strategy and seek an alternative source of gravel or sand for renourishment.
- Working together with hāpu to develop Hawea Historical Park.
- Further Regional park development including river berm management alternatives - stock removal, recreational opportunities.

Assumptions

The assumptions for Asset Management activities are:

- Budgets have been prepared on the basis that no flood events in the next 10 years could cause major damage to HBRC's flood protection and drainage assets. Should such an event occur, maintenance and improvement programmes may be reviewed and budgets revised.
- Current arrangements for gravel extraction will continue, with sufficient gravel extraction by commercial extractors to maintain river bed levels at design grades. This is not currently the case for some Upper Tukituki rivers and investigations are underway to determine options for addressing this.
- There will be no changes to legislation that impact on the role of the Regional Council in land drainage and river control.
- HBRC maintains its current policy with regard to responsibility for funding of existing and new flood protection and drainage works.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 100

Significant Negative Effects

- The construction of flood protection and drainage systems has resulted in significant changes to the natural hydrology of their associated catchments. These changes have included a reduction in areas frequently flooded, diversion and straightening of waterway reaches, removal of streamside vegetation, and the use of structures to control flows and erosion.
- The changes used to maintain the schemes have resulted in some adverse effects on river and stream ecology and habitats, as well as affecting the social and cultural values of the waterways. HBRC has initiated an enhancement and ecological improvement programme, including alternative management of riparian areas, which will promote improvements in water quality and aquatic and terrestrial habitats.
- The management of sediment through gravel management in rivers has both positive and negative impacts. All impacts need to be understood and considered when determining how the resource should be managed.
- There are no significant negative impacts on the environment as a result of the flood risk warning and assessment activity. As a result of research to date, there are now restrictions on development in some areas to avoid hazards, such as coastal erosion, flooding and earthquakes, which have impacts on the cultural and social aspects of the community.
- There are no negative effects from the Coastal Hazards activity, however the implementation of policies that are developed to effectively manage the impact of a changing coast may have a negative impact on property owned by individual members of the public.

Contributing projects include:

Flood Protection and Control Works – 369 Gravel Management, 370 River Cross Sections, 250 Investigations & Enquiries, 251 Subsidised Investigations & Minor Projects, 255 Consultancy Services, 261 River & Lagoon Opening,

Heretaunga Plains: 286 Rivers Maintenance, 287 Rivers - Capital Projects, 288 Rivers - Special Projects, 290 Maintenance of Drainage & Pumping Assets, 291 Napier/Meeanee/ Puketapu Drainage area, 292 Brookfields/Awatoto Drainage area, 293 Pakowhai Drainage area, 294 Muddy Creek Drainage area, 295 Haumoana Drainage area, 296 Karamu Drainage area, 297 Raupare/Twyford Drainage area, 298 Tutaekuri/Moteo Drainage area, 299 Puninga Drainage area.

Upper Tukituki Scheme: 265 Upper Tukituki Scheme

Other Schemes: 240 Makara Flood Control Scheme, 241 Paeroa Drainage Scheme, 242 Porangahau Flood Control Scheme, 243 Poukawa Drainage Scheme, 244 Ohuia – Whakaki Drainage Scheme, 245 Esk River Control Scheme, 246 Whirinaki Drainage Scheme, 247 Maraetotara River Control Scheme, 248 Te Ngarue River Control Scheme, 249 Kopuawhara River Control Scheme, 276 Kairakau Community Scheme, 277 Wairoa Rivers & Streams Scheme, 278 Central & Southern Area Rivers & Streams Scheme

Flood Risk Assessment and Warning - 715 Flood Risk Assessment, 718 Flood Warning System, 719 Flood Forecasting & Hydrological Flow Management

Coastal Hazards - 322 Coastal Processes Investigations, 264 Westshore Coastal Works

Open Spaces - 362 Regional Park Network, 364 HBRC Pathways, 363 Public Access to Rivers, 385 Regional Park Reserves

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 101

Levels of service

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
5.1(a) Flood Protection and Control Works (Rivers)	HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within designated flood protection schemes in the Heretaunga Plains and Ruataniwha Plains.	The major flood protection and control works that are maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works program.	Mandatory measure	Achieved	Achieved	Achieved	Achieved
		Changes to flood levels of protection* are consulted on with the affected communities and delivered within agreed timeframe. *Current levels of protection are 1%AEP (1:100 year return period) for both Heretaunga Plains and Upper Tukituki Schemes.	2012 LTP: Heretaunga Plains: Change from 1% AEP to 0.2% AEP agreed via community consultation.	Heretaunga Plains: Phased design and construction Upper Tukituki: Consultation on change to 0.2% AEP	Heretaunga Plains: Phased design and construction Upper Tukituki: Subject to consultation outcome	Heretaunga Plains: Phased design and construction Upper Tukituki: Subject to consultation outcome	Heretaunga Plains: Phased design and construction Upper Tukituki: Subject to consultation outcome
	HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity.	The ecological function of urban streams is maintained or enhanced (source: 6-yearly rolling review and Ecological Valuations of River Ecological Management and Enhancement Plans (EMEP).	New measure in LTP	Achieved	Achieved	Achieved	Achieved

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 102

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
5.1 (b) Flood Protection and Control Works (Drainage)	HBRC will maintain an effective drainage network that provides drainage outlet for rainfall runoff for communities and productive land within the drainage scheme.	Number of reported incidences of out- of- channel flooding lasting more than 24 hours for the design rainfall runoff and lesser events.	New measure in LTP	Zero	Zero	Zero	Zero
5.1(c) Flood Protection and Control Works (Small Schemes)	HBRC will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated Scheme areas, including: - Makara Flood Control - Paeroa Drainage - Porangahau Flood Control - Ohuia – Whakaki Drainage - Esk River - Whirinaki Drainage - Maraetotara - Te Ngarue - Kopuawhara Flood Control - Poukawa Drainage - Kairakau	Flood protection and drainage networks are maintained, repaired and renewed to the key standards defined in the Scheme Asset management plan and annual works program.	New measure in LTP	Achieved	Achieved	Achieved	Achieved
5.2 Flood Risk Assessment and Warning	HBRC provides reliable warning of flooding from the region's major rivers to at risk communities in the Wairoa, Tutaekuri, and Ngaruroro and Tukituki areas.	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year.	98% at 19 priority sites. 92% overall.	98%	98%	98%	98%
	Council provides accurate and timely flood forecasting information online to advise the community on likely rainfall and flooding.	Percentage of the region at risk of flooding from large rivers, covered by a flood forecasting model.	70%	70%	70%	70%	70%

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 103

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
5.3 Open Spaces	HBRC will maintain, develop, and provide public access to existing Council owned regional parks and investigate affordable new opportunities for public enjoyment of open space for multi-purpose benefits.	Regional parks are managed to the key standards defined in Individual Park Plans (IPPs) where present and / or the HBRC Regional Park Network Plan.	2015 LTP: Maintenance schedules and maintenance contracts in place for: Tutira Regional Park Waitangi Regional Park Pakowhai Regional Park Pekapeka Regional Park Draft individual Park Plans (IPPs) completed for: Waitangi Regional Park Pakowhai Regional Park Pekapeka Regional Park	Achieved	Achieved	Achieved	Achieved

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 104

Financial Summary – Asset Management

Cost of Services Statement Asset Management													
	Activity (#)	Annual Report* 2016-17 (\$'000)	Annual Plan* 2017-18 (\$'000)	Year 1 LTP 2018-19 (\$'000)	Year 2 LTP 2019-20 (\$'000)	Year 3 LTP 2020-21 (\$'000)	Year 4 LTP 2021-22 (\$'000)	Year 5 LTP 2022-23 (\$'000)	Year 6 LTP 2023-24 (\$'000)	Year 7 LTP 2024-25 (\$'000)	Year 8 LTP 2025-26 (\$'000)	Year 9 LTP 2026-27 (\$'000)	Year 10 LTP 2027-28 (\$'000)
EXPENDITURE													
Operating Expenditure													
Flood Protection & Control Works	1a,b & c	6,556	6,442	6,580	6,649	6,902	7,093	7,262	7,375	7,465	7,705	7,908	8,047
Flood Assessment & Warning	2.	571	592	642	611	614	618	615	612	623	637	653	664
Coastal Hazards	3.	893	714	757	767	724	741	758	805	822	843	859	883
Open Spaces	4	1,390	1,485	1,458	1,489	1,511	1,421	1,444	1,477	1,507	1,544	1,583	1,620
Works Group External Contracts	5	964	437	446	455	464	473	483	492	502	512	523	533
Depreciation/Amortisation Expense		600	710	648	648	686	683	672	716	715	715	767	767
Total Operating Expenditure		10,974	10,380	10,531	10,619	10,901	11,029	11,234	11,477	11,634	11,956	12,293	12,514
Capital Expenditure													
Infrastructure Asset Construction		857	1,880	3,307	3,424	4,396	2,744	3,149	3,156	3,087	2,941	3,308	4,185
Disaster Damage Excess Deposits		-	-	-	-	-	-	-	-	-	-	-	-
Loan Repayments		542	262	124	124	64	34	10	10	11	11	12	12
Total Capital Expenditure		1,399	2,142	3,431	3,548	4,460	2,778	3,159	3,166	3,098	2,952	3,320	4,197
TOTAL EXPENDITURE		12,373	12,522	13,962	14,167	15,361	13,807	14,393	14,643	14,732	14,908	15,613	16,711
REVENUE													
Activity Revenue													
Direct Charges		362	1,275	1,474	1,467	2,001	1,928	1,438	1,427	1,444	1,468	1,494	1,516
Operations Group External Charges		1,053	548	559	570	581	593	605	617	629	642	654	668
Total Activity Revenue		1,415	1,823	2,033	2,037	2,582	2,521	2,043	2,044	2,073	2,110	2,148	2,184
Other Revenue													
Targeted Rates		6,718	6,814	7,081	7,250	7,475	7,665	7,890	8,114	8,306	8,507	8,697	8,920
Grants and Other Income for Capital		56	-	-	-	-	-	-	-	-	-	-	-
Interest on Scheme Reserves		232	286	267	290	299	332	326	327	326	347	336	276
Loans Drawn Down		-	-	-	-	-	-	-	-	-	-	-	-
Total Other Revenue		7,006	7,100	7,348	7,540	7,774	7,997	8,216	8,441	8,632	8,854	9,033	9,196
TOTAL REVENUE		8,421	8,923	9,381	9,577	10,356	10,518	10,259	10,485	10,705	10,964	11,181	11,380
TOTAL GENERAL FUNDING REQUIREMENT		(3,952)	(3,599)	(4,581)	(4,590)	(5,005)	(3,289)	(4,134)	(4,158)	(4,027)	(3,944)	(4,432)	(5,331)
Specific Scheme Reserves		(779)	414	301	178	(304)	(204)	236	98	28	55	572	623
Scheme Depreciation Reserves		23	117	1,280	1,390	2,230	282	638	710	582	360	40	768
Regional Disaster Reserve Funding		-	-	-	-	-	-	-	-	-	-	-	-
NET GENERAL FUNDING REQUIREMENT		(4,708)	(3,068)	(3,000)	(3,022)	(3,079)	(3,211)	(3,260)	(3,350)	(3,417)	(3,529)	(3,820)	(3,940)

* The Cost of Service Statements for the 2016-17 Annual Report and the 2017-18 Annual Plan have been amended to reflect the change in Groups of Activity structure for the 2018-28 LTP. Overall figures remain unchanged.

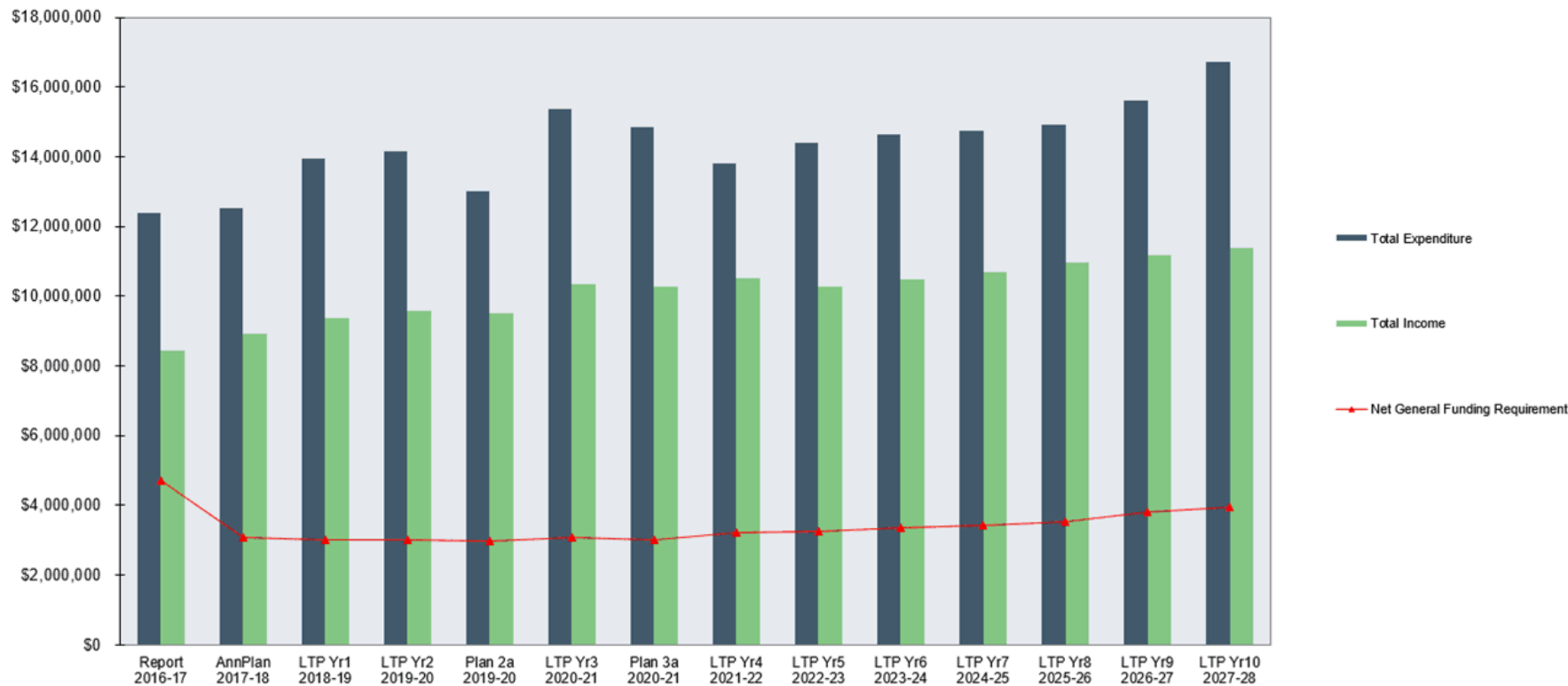
Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 105

Net Funding Requirement – Asset Management



Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 106

Consents and Compliance

What we do

There are three activities within the Consents and Compliance group of activities:

- Consents
- Compliance and Pollution Response
- Maritime safety

These activities cover the Hawke’s Bay Regional Council’s (HBRC) regulatory functions for resource use management and safe navigation of the region’s navigable waters.

Consents

This activity includes the processing of resource consents required under HBRC’s Regional Resource Management Plan, Regional Coastal Environment Plan or through National Environment Standards, and advice and education on resource management matters. HBRC has a contract with Waikato Regional Council to process dam consents under the Building Act.

Compliance and Pollution Response

This activity involves consent monitoring and enforcement of any non-compliance. Council also ensures compliance by acting on environmental complaints, incidents and breaches. This includes investigation of contaminated land, management of hazardous substances and response and management of marine oil spills within the Hawke’s Bay Coastal Marine boundary. HBRC maintains a Tier 2 oil spill response plan which identifies priority areas in Hawke Bay for protection.

Maritime safety

The Marine Safety activity monitors and enforces the Navigation and Safety Bylaw and provides navigation aids to ensure the region’s navigable waters are safe for people to use. HBRC through the Harbourmaster provides advice and education to commercial and recreational users and the community at large on water safety and safe boating.

Why we do it

The empowering legislation for these regulatory functions include the

- Resource Management Act 1991,
- Local Government Act 2002,
- Soil Conservation and Rivers Control Act 1941,
- Building Act 2004,
- Marine and Coastal Area (Takutai Moana) Act 2011,
- Hazardous Substances and New Organisms Act 1996,
- Maritime Transport Act 1994.

This group of activities seeks to balance the requirement to safeguard the environment for future generations while providing for the social, economic and cultural needs of the wider community therefore it contributes to all three community outcomes:



Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 107

What we are going to do

Each year we will

- Maintain up-to-date application forms and information packs (electronic and hard copy) to ensure that accurate information about resource consent requirements and processes is readily available
- Maintain clear communication with resource consent holders and applicants over timelines, information requirements and consent processing to ensure consents are processed with statutory timeframes.
- Recognise and consider all statutory acknowledgements arising from Treaty Settlements at the time of consent processing.
- Maintain an accurate Dam Register and help dam owners prepare Dam Safety Assurance programmes in accordance with Building Act timeframes.
- Maintain an up-to-date risk-based Compliance Monitoring Strategy which programmes inspections to ensure consent holders comply with the resource consent conditions imposed to protect the environment.
- Appoint appropriate staff to maintain 24-hour duty management/pollution management response system.
- Investigate and act upon all marine accidents and incidents using education and enforcement as appropriate
- Monitor and enforce Navigation Safety Bylaws and review the bylaw every 10 years.

Key projects for Years 1- 3 of the LTP

- Under the Tukituki plan change, 1100 Central Hawke’s Bay farm plans must be completed by 31 May 2018. All non-complying properties will require a resource consent. This will require significant compliance and consenting effort.
- There are a significant number of water take renewals in the TANK catchments due in year 1-3 of the plan. These will likely be rolled over until the relevant provisions of the TANK plan change come into effect.

Assumptions

The assumptions for the Consents and Compliance group of activities are:

- Changes to resource management processes and direction within legislation are anticipated as a result of Central Government review.
- As catchment-based plan changes and new National Policy Statements such as the NPS Forestry come into effect, new rules will be imposed on resource users. These rules along with water quality and quantity limits and new performance standards will result in a greater number of more complex consents for staff to process and monitor.
- Increased conflict, complexity and legal action surrounding some consent processes, such as water allocation and coastal hazards.
- Ground and surface water consenting likely to become more contentious as demand reaches or exceeds defined sustainable allocation limits.
- The building consent function for dams will continue to be carried out by Waikato Regional Council through Transfer of Powers procedures.

Significant Negative Effects

In some instances, decisions made on individual resource consents can enable significant economic growth and social wellbeing, while on other occasions it can limit such benefits.

The costs to HBRC and individuals of implementing the RMA and the Building Act can be significant, if not kept to actual and reasonable levels.

There are no significant negative effects from the Maritime Safety activity, however a fair balance needs to be found between the safety of all water users and the ability for all to enjoy our maritime environment.

Contributing projects include: 402 Resource Consents, 470 Building Act Implementation, 445 Environmental Incident Response, 450 Compliance Programmes, 360 Navigation Aids & Regulations, 151 Hazardous Waste/Substances Management

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 108

Levels of service

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
4.1 Consents	HBRC will process resource consent applications in a timely manner.	Percentage of resource consents processed within statutory timeframe in Resource Management Act.	2016-17: 100%	100%	100%	100%	100%
4.2 Compliance and Pollution Response	HBRC will monitor consent holders to ensure compliance with the resource consent conditions imposed to protect the environment and human health.	Percentage of programmed inspections/reports completed each year as per the adopted risk-based Compliance Monitoring Strategy.	2016-17: 81.5%.	100%	100%	100%	100%
		Percentage of monitored consents which receive and overall grade of full compliance.	2016-17: 99%	95%	95%	95%	95%
	HBRC will provide a pollution response service for public complaints, reports of environmental incidents and unauthorised activities.	Maintain a 24- hour/7 day a week duty management/pollution management response system.	2016-16: Achieved	Achieved	Achieved	Achieved	Achieved
	HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection.	A Hazardous Activities & Industries List (HAIL) database of potentially and confirmed contaminated sites is maintained.	2016-17: Achieved	Achieved	Achieved	Achieved	Achieved
	HBRC will respond to oil spills within the Hawke's Bay Coastal Marine boundary and maintain a Tier 2 Oil Spill Response Plan, which identifies priority areas in HB for protection in the event of a major spill.	An operative Tier 2 Oil Spill Plan and a trained and qualified oil spill response team is in place at all times.	2016-17: Achieved	Achieved	Achieved	Achieved	Achieved

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 109

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
4.3 Maritime Safety	HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region’s navigable waters are safe for people to use.	Maintain a Maritime New Zealand accredited <i>Hazard Identification/Risk Assessment</i> and Safety Management System for the Napier Pilotage Area.	2016-17: Achieved	Achieved	Achieved	Achieved	Achieved
		Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations.	New measure in LTP	Decreasing trend	Decreasing trend	Decreasing trend	Decreasing trend

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 110

Financial Summary – Consents and Compliance

Cost of Services Statement: Consents and Compliance													
	Activity (#)	Annual Report* (\$'000)	Annual Plan* (\$'000)	Year 1 LTP 2018-19 (\$'000)	Year 2 LTP 2019-20 (\$'000)	Year 3 LTP 2020-21 (\$'000)	Year 4 LTP 2021-22 (\$'000)	Year 5 LTP 2022-23 (\$'000)	Year 6 LTP 2023-24 (\$'000)	Year 7 LTP 2024-25 (\$'000)	Year 8 LTP 2025-26 (\$'000)	Year 9 LTP 2026-27 (\$'000)	Year 10 LTP 2027-28 (\$'000)
EXPENDITURE													
Operating Expenditure													
Consents	1.	1,408	1,591	1,824	1,994	2,057	2,096	2,125	2,166	2,193	2,242	2,300	2,336
Compliance & Pollution Response	2.	3,557	1,946	2,444	2,765	2,850	2,902	2,938	2,990	3,024	3,090	3,169	3,216
Maritime Safety	3.	40	67	67	69	71	72	73	75	76	78	80	82
Depreciation/Amortisation Expense		3	4	1	1	1	1	1	1	-	-	-	-
Total Operating Expenditure		5,008	3,608	4,336	4,829	4,979	5,071	5,138	5,232	5,293	5,411	5,549	5,634
TOTAL EXPENDITURE		5,008	3,608	4,336	4,829	4,979	5,071	5,138	5,232	5,293	5,411	5,549	5,634
REVENUE													
Activity Revenue													
Direct Charges		1,011	1,547	2,589	2,969	3,063	3,119	3,157	3,213	3,248	3,318	3,402	3,451
Total Activity Revenue		1,011	1,547	2,589	2,969	3,063	3,119	3,157	3,213	3,248	3,318	3,402	3,451
Other Revenue													
Grants			67	67	69	71	72	73	75	76	78	80	82
TOTAL REVENUE		1,011	1,614	2,656	3,038	3,134	3,191	3,230	3,288	3,324	3,396	3,482	3,533
TOTAL GENERAL FUNDING REQUIREMENT		(3,997)	(1,994)	(1,680)	(1,791)	(1,845)	(1,880)	(1,908)	(1,944)	(1,969)	(2,015)	(2,067)	(2,101)
Other Reserve Funding		989	-	-	-	-	-	-	-	-	-	-	-
Investment Income		-	-	-	-	-	-	-	-	-	-	-	-
General Funding Rates		-	-	-	-	-	-	-	-	-	-	-	-
NET GENERAL FUNDING REQUIREMENT		(3,008)	(1,994)	(1,680)	(1,791)	(1,845)	(1,880)	(1,908)	(1,944)	(1,969)	(2,015)	(2,067)	(2,101)

* The Cost of Service Statements for the 2016-17 Annual Report and the 2017-18 Annual Plan have been amended to reflect the change in Groups of Activity structure for the 2018-28 LTP. Overall figures remain unchanged.

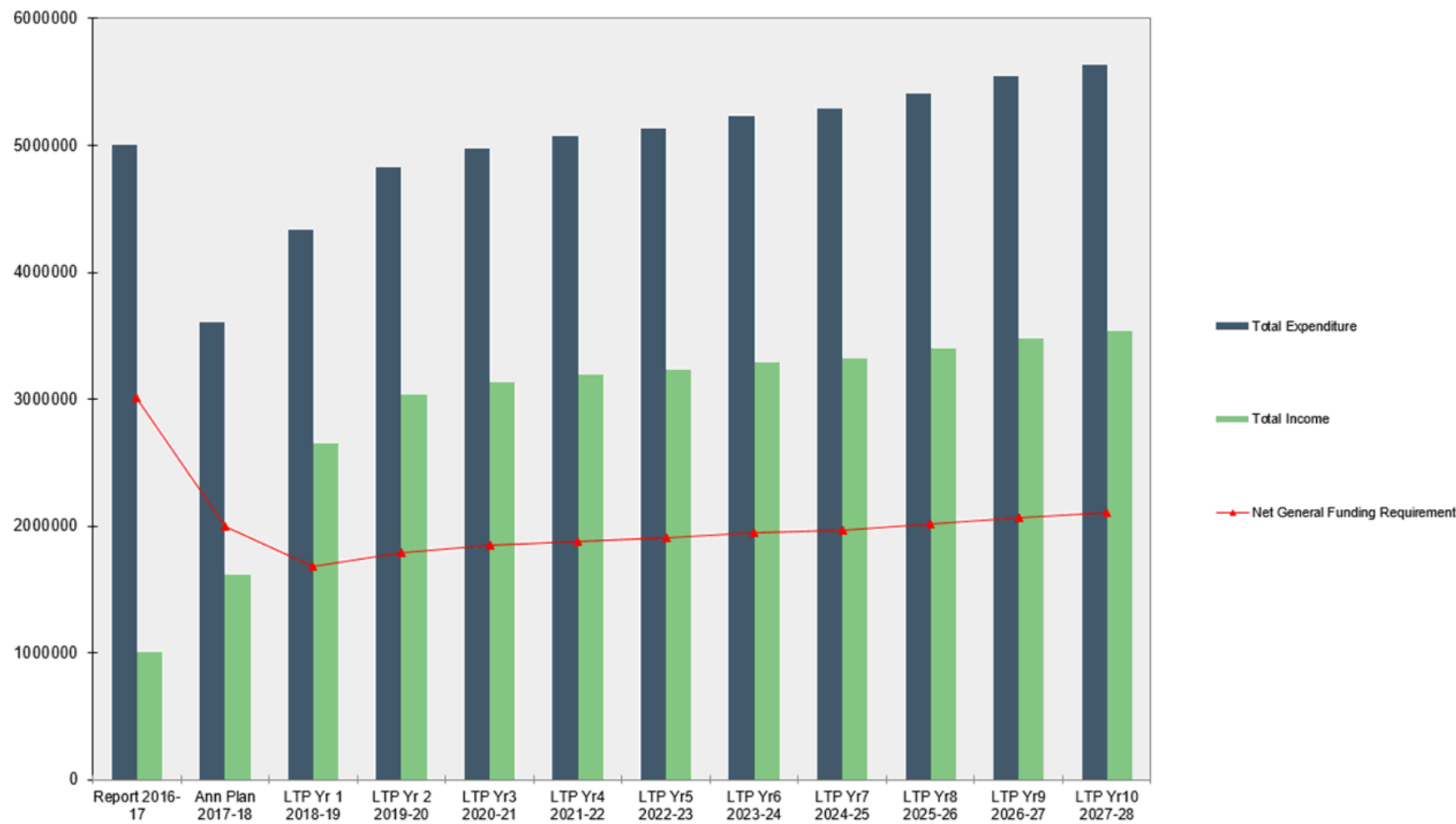
Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 111

Net Funding Requirement – Consents and Compliance



Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 112

Emergency Management

What we do

There are two activities within the Emergency Management group of activities:

- Hawke's Bay CDEM Group
- HBRC Emergency Management

These activities aim to identify potential hazards to the community and the means of reducing their impact; prepare the community for potential civil defence emergencies; and assist with the response to and recovery from any emergencies that occur.

Hawke's Bay CDEM Group

The Hawke's Bay Civil Defence Emergency Management Group (the Group) is responsible for the implementation of the Hawke's Bay Civil Defence Emergency Management Group Plan.

The Group operates as a shared service across councils. All civil defence staff now work in the same organisation, administered by Hawke's Bay Regional Council. This improves the capability in our region to respond to and bounce back from a disaster.

From Year 1 of this plan, this activity will be funded by a single regional civil defence rate. This will be itemised as a Targeted Uniform Annual Charge on all rateable properties within the region.

HBRC Emergency Management

HBRC maintains an emergency response capability to support the Hawke's Bay Civil Defence Emergency Management (HBCDEM) Group. It does these by ensuring that staff are trained to help coordinate a response, including management of HBRC assets and ensuring essential business continues despite any disaster.

Why we do it

This group of activities primarily contributes to a vibrant community by enhancing community resilience. It also contributes to a prosperous economy by reducing the impact of emergency events on people, property, businesses and the economy.



VIBRANT
COMMUNITY



PROSPEROUS
ECONOMY

Under the Civil Defence Emergency Management (CDEM) Act 2002, the region's local authorities must form a CDEM Group which is governed by a combined Joint Committee (the region's Mayors) and a Coordinating Executives Group (Council/District Health Board Chief Executive Officers, Police District Commander and Fire Area Manager). Under the Act, the Hawke's Bay CDEM Group is required to maintain an operative CDEM Group Plan that outlines a strategy to coordinate CDEM activities within the region. Hawke's Bay Regional Council is the Adminstrating Authority of the CDEM Group.

The Hawke's Bay community is often reminded of the impact of disasters including earthquakes, tsunamis and floods. People have an expectation that there will be an effective CDEM response and recovery during an emergency.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 113

Hawke's Bay CDEM Group

Council helps the community to build its resilience to all hazards and emergency events through a comprehensive management approach using the four "Rs" of ✓ Reduction, ✓ Readiness, ✓ Response, ✓ Recovery.

This approach starts with recognising the hazards the region faces and the vulnerability of our communities and infrastructure to those hazards. By identifying the potential impacts of these hazards, the focus can move to measures to reduce the risks, manage the impacts, and when they do occur, implementing appropriate response and recovery action.

Comprehensive emergency management in Hawke's Bay requires an all hazard, all risks, multiagency, integrated and community focused approach to reduce the impact on life and property and the disruption that will occur within the community following such an event.

For Hawke's Bay this comprehensive approach includes roles and responsibilities for a number of organisations: local authorities (Central Hawke's Bay, Hastings, Wairoa District Councils, Napier City Council and Hawke's Bay Regional Council); emergency services (Police, Fire, Ambulance and Hospital); key utility companies (transportation, energy, civil services and communication organisations); and welfare and social agencies (Work & Income, Red Cross, Housing, Salvation Army etc).

What we are going to do

Each year we will:

HB CDEM Group

- Maintain and Implement the Hawke's Bay Civil Defence Emergency Management Group Plan
- Sponsor ongoing science and research leading to a greater understanding of the hazards that have the potential to affect the region.
- Actively encourage best practice on hazard avoidance/risk mitigation in the region along with distribution of hazard information and public hazard awareness.
- Maintain and implement a communications strategy to promote hazard/risk awareness including websites, social media, national campaigns, and public displays and produce hazard education material
- Maintain an Interagency Communication Group who develop and implement a programme of public CDEM education and coordinate public advice in an event
- Survey community readiness every three years
- Maintain training and exercise programmes including training Group ECC staff and complete exercise reports with Corrective Action Plans
- Complete Community Resilience Plans for specific communities
- Maintain and support the HBCDEM Joint Committee and Chief Executives Group
- Maintain and support the HB Welfare Coordination Group
- Support the Hawke's Bay Lifelines Group
- Maintain 2 Group Emergency Coordination Centres (Hastings & Napier) which are ready for operation, with supporting Group Standard Operating Procedures that confirm agency roles and responsibilities for good coordination
- Effectively and efficiently manage any emergency event from initial warning until a safe situation returns.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 114

HBRC Emergency Management

- Operate an effective 24-hour CDEM and HBRC Duty Management Service and respond to urgent public enquiries and complaints in a timely professional manner
- Maintain established Teams, training programmes, Emergency Operations Centre, Manuals and Business Continuity Plan
- HBRC staff have been assigned emergency management roles and are having training annually
- Advocate coordination between the HBRC works programme and the readiness priorities in the HBCDEM Plan

Key projects for Years 1-3 of the plan include:

- With savings from shared service consolidation, we propose to strengthen our civil defence capability with more focus on public education before and public information during an event.
- We will implement a more centralised method of operating during the response to an event where all Councils will support each other
- We will continue to train and exercise staff across all councils to improve capability and interoperability
- We will continue to develop Group wide welfare capability and finalise a Group Welfare Plan
- We will continue to sponsor science and research and implement risk reduction programs for our significant hazards
- We will continue to work with individual Hawke's Bay communities to improve their resilience to hazards that impact on them

Assumptions

The assumptions for the Emergency Management group of activities are:

- Should a major emergency event occur, resources from across the region will be reallocated from other activities as necessary.
- Priorities will be reviewed following each event and financial resources may also be reallocated.
- There is no significant budget provision to respond or recover from a major civil defence emergency.
- The frequency and nature of events influenced by climate change. It is likely that extreme weather events will increase and become more localised in nature.

Significant Negative Effects

There are no significant negative impacts on the environment as a result of the activity. As a result of research to date, there are now restrictions on development in some areas to avoid hazards, such as coastal erosion, flooding and earthquakes, which have impacts on the cultural and social aspects of the community. However the positive impacts on long term health, safety and economic sustainability are considered to outweigh the potential negative social and economic impacts.

Contributing projects include:

HB CDEM Group – 711 Reduction - Hazard Identification & Mitigation, 712 Readiness & Response, 713 Recovery & Coordination and 714 Local Emergency Management

HBRC Emergency Management – 710 Response Management

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 115

Levels of service

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
6.1 Hawke's Bay CDEM Group	The HBCDEM Group will educate people about hazards, increase natural hazards knowledge through research and provide this information for risk reduction measures including land use planning, asset management, and infrastructure.	A 5-yearly Hazard Research Plan is approved by and reported on annually to the CDEM Group Coordinating Executives Group.	New measure	Achieved	Achieved	Achieved	Achieved
		Percentage of surveyed residents that identify earthquake, flooding, and tsunami as major hazards in Hawke's Bay (source: 2-yearly SIL perception survey).	July 2017: 86% of residents identified earthquakes, 58% flooding/heavy rain and 45% identified tsunami.	No survey	Same or better result than last survey (86%; 58%; 45%)	No survey	Same or better result than last survey
	The HB CDEM Group will increase readiness, and ensure a coordinated and appropriate response and recovery from a civil defence emergency to reduce the impact on people and property.	An operative Group Plan under the CDEM Act 2002 is in place, reported on annually and reviewed within statutory timeframes by the Joint Committee.	Achieved	Achieved	Achieved	Achieved	Achieved
		A Group Work Programme implementing the Group Plan objectives is approved and reviewed 6 monthly by the Coordinating Executives Group.	Achieved	Achieved	Achieved	Achieved	Achieved
		Overall percentage score from the Ministry of CDEM assessment of the Hawke's Bay CDEM Group's capability (source: 5-yearly assessment).	2014-15: 60.8% 2009-10: 51.4%	No assessment	80%	No assessment	No assessment

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 116

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
		Percentage of surveyed residents prepared to cope for at least three days or more on their own (source: 2-yearly perception survey).	July 2017: 90% residents have enough food for three days and some way of cooking 75% have enough water stored.	No survey	Increasing trend	No survey	Increasing trend
6.2 HBRC Emergency Management	As the HB CDEM Group's Administering Authority, HBRC will provide an agreed budget and support to enable the Group to achieve the CDEM outcomes agreed to in the Group Plan.	HBRC provides support to the HB CDEM Group in accordance with a service level agreement.	New measure	Achieved	Achieved	Achieved	Achieved
	HBRC will ensure it has capability and capacity to respond and manage its assets during a civil defence emergency.	Maintain established team, training, procedures including Emergency Operations Centre Manual and Business Continuity Plan.	Achieved	Achieved	Achieved	Achieved	Achieved
		24-hour duty management system in place.	Achieved	Achieved	Achieved	Achieved	Achieved

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 117

Funding Summary – Emergency Management

Cost of Services Statement: Emergency Management													
	Activity (#)	Annual Report* 2016-17 (\$'000)	Annual Plan* 2017-18 (\$'000)	Year 1 LTP 2018-19 (\$'000)	Year 2 LTP 2019-20 (\$'000)	Year 3 LTP 2020-21 (\$'000)	Year 4 LTP 2021-22 (\$'000)	Year 5 LTP 2022-23 (\$'000)	Year 6 LTP 2023-24 (\$'000)	Year 7 LTP 2024-25 (\$'000)	Year 8 LTP 2025-26 (\$'000)	Year 9 LTP 2026-27 (\$'000)	Year 10 LTP 2027-28 (\$'000)
EXPENDITURE													
Operating Expenditure													
HB Civil Defence Emergency Management Group	1.	1,478	1,791	2,240	2,243	2,300	2,338	2,376	2,430	2,471	2,524	2,591	2,637
HBRC Emergency Management	2.	93	129	132	133	138	139	143	146	147	150	154	158
Depreciation/Amortisation Expense		24	1	17	17	17	15	11	11	10	8	7	2
Total Operating Expenditure		1,595	1,921	2,389	2,393	2,455	2,492	2,530	2,587	2,628	2,682	2,752	2,797
Capital Expenditure													
Loan Repayments		-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure		-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE		1,595	1,921	2,389	2,393	2,455	2,492	2,530	2,587	2,628	2,682	2,752	2,797
REVENUE													
Activity Revenue													
Direct Charges		126	112	119	119	119	119	119	119	119	119	119	119
Total Activity Revenue		126	112	119	119	119	119	119	119	119	119	119	119
Other Revenue													
Targeted Rates (Uniform Annual Charge)		1,039	1,063	2,130	2,133	2,191	2,229	2,266	2,321	2,361	2,415	2,481	2,528
Interest		(4)	(1)	(1)	(1)	-	-	-	1	1	2	2	3
Grants		427	583	-	-	-	-	-	-	-	-	-	-
Total Other Revenue		1,462	1,645	2,129	2,132	2,191	2,229	2,266	2,322	2,362	2,417	2,483	2,531
TOTAL REVENUE		1,588	1,757	2,248	2,251	2,310	2,348	2,385	2,441	2,481	2,536	2,602	2,650
TOTAL GENERAL FUNDING REQUIREMENT		(7)	(164)	(141)	(142)	(145)	(144)	(145)	(146)	(147)	(146)	(150)	(147)
Specific Scheme Reserves		2	34	(8)	(8)	(9)	(9)	(9)	(10)	(10)	(11)	(11)	(12)
NET GENERAL FUNDING REQUIREMENT		(5)	(130)	(149)	(150)	(154)	(153)	(154)	(156)	(157)	(157)	(161)	(159)

* The Cost of Service Statements for the 2016-17 Annual Report and the 2017-18 Annual Plan have been amended to reflect the change in Groups of Activity structure for the 2018-28 LTP. Overall figures remain unchanged.

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 118

Net Funding Requirement – Emergency Management



Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 119

Transport

What we do

There are three activities within the Transport group of activities:

- Transport planning and road safety
- Passenger transport
- Regional cycling

Transport Planning and Road Safety

Hawke’s Bay Regional Council is responsible for regional transport planning and co-ordination of road safety education across Hawke’s Bay. Key deliverables are the Regional Land Transport Plan and the Regional Public Transport Plan. Both plans are reviewed every three years.

The Regional Transport Committee is a permanent committee required by statute and is involved in the development of the above plans. It comprises one representative from each of the four territorial authorities (Napier, Hastings, Central Hawke’s Bay and Wairoa councils), one representative from the New Zealand Transport Agency and two representatives from the Regional Council. It is supported by advisory members from the community with transport interests.

RoadSafe Hawke’s Bay is a business unit of HBRC, set up in 2009 as a regional resource providing road safety education, raising driver awareness of key road safety issues, and working with other key stakeholders to reduce the incidence and severity of road traffic crashes. The key focus is to change road user behaviour, making roads safer for people to use.

Passenger Transport

A major part of the Council’s transport role is to contract bus and Total Mobility taxi services that provide the community with access to work, education, social and recreational activities. Public bus services are provided in the Napier and Hastings urban areas. Total Mobility services are provided in urban areas within the region.

Regional Cycling

Hawke’s Bay Regional Council has an important role in the coordination of cycling activities through the Regional Cycling Governance Group and the Regional Cycling Plan 2015. The Plan aims to maximise the financial and social returns from cycling for health, tourism and liveability. It brings together the iWay programmes in Napier and Hastings, Hawke’s Bay Trails, Wairoa and Central Hawke’s Bay cycling and associated promotional activities into one cohesive programme. This regional approach enables Hawke’s Bay to leverage significant national funding for cycling.

Why we do it

This group of activities contributes to the following community outcomes:



Vibrant community

- Access for the transport disadvantaged
- Opportunities for social interaction
- Access to essential services and amenities, and
- Integration with walking and cycling opportunities.

Prosperous Economy

- Affordable transport solutions that facilitate economic development
- Reduced traffic congestion through fewer private vehicle movements
- Increased resilience of transport infrastructure
- Advocacy to secure central government funding.

Healthy environment

- Environmentally sustainable transport options.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 120

Hawke's Bay Regional Council (HBRC) is responsible for the region's transport planning under the Land Transport Management Act 2003. Through RoadSafe Hawke's Bay, HBRC has taken a leadership role in education and awareness building to help achieve the objectives of the Regional Land Transport Plan. All road safety activities are targeted at high risk behaviour and contribute to the reduction of road fatalities, crashes and hospital admissions.

The region's public transport system forms a key component of the region's strategic land transport network. It links the cities of Napier and Hastings and services cross district boundaries. Given this, the Regional Council is the most appropriate authority to deliver passenger transport services.

What we are going to do

Each year we will:

- Coordinate the implementation, monitoring, reporting and review of the Regional Land Transport Plan, Regional Public Transport Plan and Regional Cycle Plan through to the relevant governance group. All three plans were adopted in 2015. Revised plans are due for adoption in 2018.
- Review Road Safety Action Plans quarterly for Wairoa, Napier, Hastings and Central Hawke's Bay to keep them up to date and addressing key causes of road crashes. Loss of control on rural roads, speed, intersections and motorcycle crashes are an issue in the region.
- Undertake a programme of road safety education activities in partnership with Police and other road safety stakeholders to address the key causes of road crashes in our region
- Continue to regularly market current services, increase awareness and investigate and implement cost-effective means of increasing patronage on all bus services.
- Review bus services regularly to cater for demand and reduce any operational inefficiencies
- Work with Napier City and Hastings District councils to install bus stops and shelters and revise routes where necessary, in order to meet public demand.

Key projects for Years 1- 3 of the LTP:

- The Regional Public Transport Plan focuses on funding to maintain the current level of service. No significant bus service improvements are planned during the next three years. However, efficiency improvements or increased fare revenue may allow for some improvements.
- A major focus of Year 1 will be the introduction of a new ticketing system for the bus service. The new system will provide accurate data on passenger trips and allow passengers to top up travel cards online.
- Demand for passenger transport services in Central Hawke's Bay and Wairoa will be monitored and services may be trialled where appropriate.
- Marketing of services and improvements to bus stops and bus shelters will continue, to ensure we meet the service standards and goals set in our plans.
- We will continue to manage growing demand for the Total Mobility service

Assumptions

The assumptions for Transport are:

- The New Zealand Transport Agency Funding Assistance Rates are at levels set by a review completed in October 2014.
- There is demand for ongoing public transport services.
- There will be no changes to legislation or national policy that will impact on HBRC's transport role and that would require changes to the programmes outlined in this plan.

Significant Negative effects

There are no anticipated significant negative effects from the delivery of these activities which seek to provide an effective, efficient and safe land transport system.

Contributing projects include:

Transport Planning and Road Safety: 797 Regional Land Transport Plan, 786 Regional Road Safety

Passenger Transport: 790 Subsidised Passenger Transport

Regional Cycling: 798 Regional Cycling Activity

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 121

Levels of service

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
7.1 Transport Planning and Road Safety	HBRC will develop and implement the region's transport planning documents to promote improved integration of all transport modes, land use and efficient movement of freight.	Adopted Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycling Plan in place.	2016-17: Achieved	Achieved	Achieved	Achieved	Achieved
	HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke's Bay roads and pathways are safe and accessible, and the emotional and financial costs of road traffic crashes are reduced.	Incidence of fatal and injury crashes in our region (5 year rolling average).	2016-17: Five year rolling average to 2016 = 335	Decreasing trend*	Decreasing trend*	Decreasing trend*	Decreasing trend*
7.2 Passenger Transport	HBRC will provide an accessible, integrated bus service and work with the relevant territorial authority to ensure appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas to meet the transport needs of the people of Hawke's Bay.	Annual patronage on the Hawke's Bay bus services.	2016-17: 688,572 trips taken 2013-14: 799,000 trips taken	Maintain or Increasing trend*	Maintain or Increasing trend*	Maintain or Increasing trend*	Maintain or Increasing trend*
		Annual passenger kilometres travelled on the Hawke's Bay bus services.	2016-17: 7,359,612 2013-14: 8,145,800	Maintain or increasing trend*	Maintain or increasing trend*	Maintain or increasing trend*	Maintain or increasing trend*
		Proportion of total service costs that is covered by fares.	2016-17: 38.5%	Maintain or increasing trend*	Maintain or increasing trend*	Maintain or increasing trend*	Maintain or increasing trend*

Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 122

Activity	Level of Service Statement	Level of Service Measure	Previous Performance	Performance Targets			
				Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4-10 (2021-28)
		Percentage of residences and businesses within 500m (under normal conditions) and 600m (in low density/outer areas) walking distance of a bus stop within existing bus routes.	2016-17: Partially achieved	90% Hastings and 75% Napier	90% Hastings and 75% Napier	90% Hastings and 75% Napier	90% Hastings and 75% Napier

*Trends are based on a 5 yearly rolling average to smooth out anomalies and/or fluctuations to get a long term picture of performance. To do this we take the last five year’s data, average it then the next year we drop the earliest year off and add the latest one and average again.

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 123

Financial summary – Transport

Cost of Services Statement: Transport													
	Activity (#)	Annual Report* 2016-17 (\$'000)	Annual Plan* 2017-18 (\$'000)	Year 1 LTP 2018-19 (\$'000)	Year 2 LTP 2019-20 (\$'000)	Year 3 LTP 2020-21 (\$'000)	Year 4 LTP 2021-22 (\$'000)	Year 5 LTP 2022-23 (\$'000)	Year 6 LTP 2023-24 (\$'000)	Year 7 LTP 2024-25 (\$'000)	Year 8 LTP 2025-26 (\$'000)	Year 9 LTP 2026-27 (\$'000)	Year 10 LTP 2027-28 (\$'000)
EXPENDITURE													
Operating Expenditure													
Transport Planning and Road Safety	1.	582	619	782	797	666	680	692	708	720	738	757	772
Passenger Transport	2.	3,641	3,657	3,914	4,001	4,088	4,176	4,267	4,368	4,467	4,576	4,689	4,806
Regional Cycling	3.	51	109	143	146	151	155	158	163	166	170	176	180
Depreciation/Amortisation Expense		14	40	25	42	46	50	53	52	52	50	50	62
Total Operating Expenditure		4,288	4,425	4,864	4,986	4,951	5,061	5,170	5,291	5,405	5,534	5,672	5,820
TOTAL EXPENDITURE		4,288	4,425	4,864	4,986	4,951	5,061	5,170	5,291	5,405	5,534	5,672	5,820
REVENUE													
Activity Revenue													
Direct Charges		-	40	153	153	40	40	40	40	40	40	40	40
Total Activity Revenue		0	40	153	153	40	40	40	40	40	40	40	40
Other Revenue													
Targeted Rates		1,607	1,604	1,620	1,653	1,686	1,719	1,754	1,789	1,825	1,861	1,898	1,936
Interest on Scheme Reserves		(3)	(4)	(2)	(3)	(4)	(5)	(7)	(9)	(11)	(13)	(16)	(19)
Grants		2,706	2,666	2,929	2,988	3,035	3,098	3,162	3,234	3,303	3,382	3,464	3,545
Total Other Revenue		4,310	4,266	4,547	4,638	4,717	4,812	4,909	5,014	5,117	5,230	5,346	5,462
TOTAL REVENUE		4,310	4,306	4,700	4,791	4,757	4,852	4,949	5,054	5,157	5,270	5,386	5,502
TOTAL GENERAL FUNDING REQUIREMENT		22	(119)	(164)	(195)	(194)	(209)	(221)	(237)	(248)	(264)	(286)	(318)
Specific Scheme Reserve		(101)	1	(9)	13	21	28	34	40	44	53	63	87
NET GENERAL FUNDING REQUIREMENT		(79)	(118)	(173)	(182)	(173)	(181)	(187)	(197)	(204)	(211)	(223)	(231)

* The Cost of Service Statements for the 2016-17 Annual Report and the 2017-18 Annual Plan have been amended to reflect the change in Groups of Activity structure for the 2018-28 LTP. Overall figures remain unchanged.

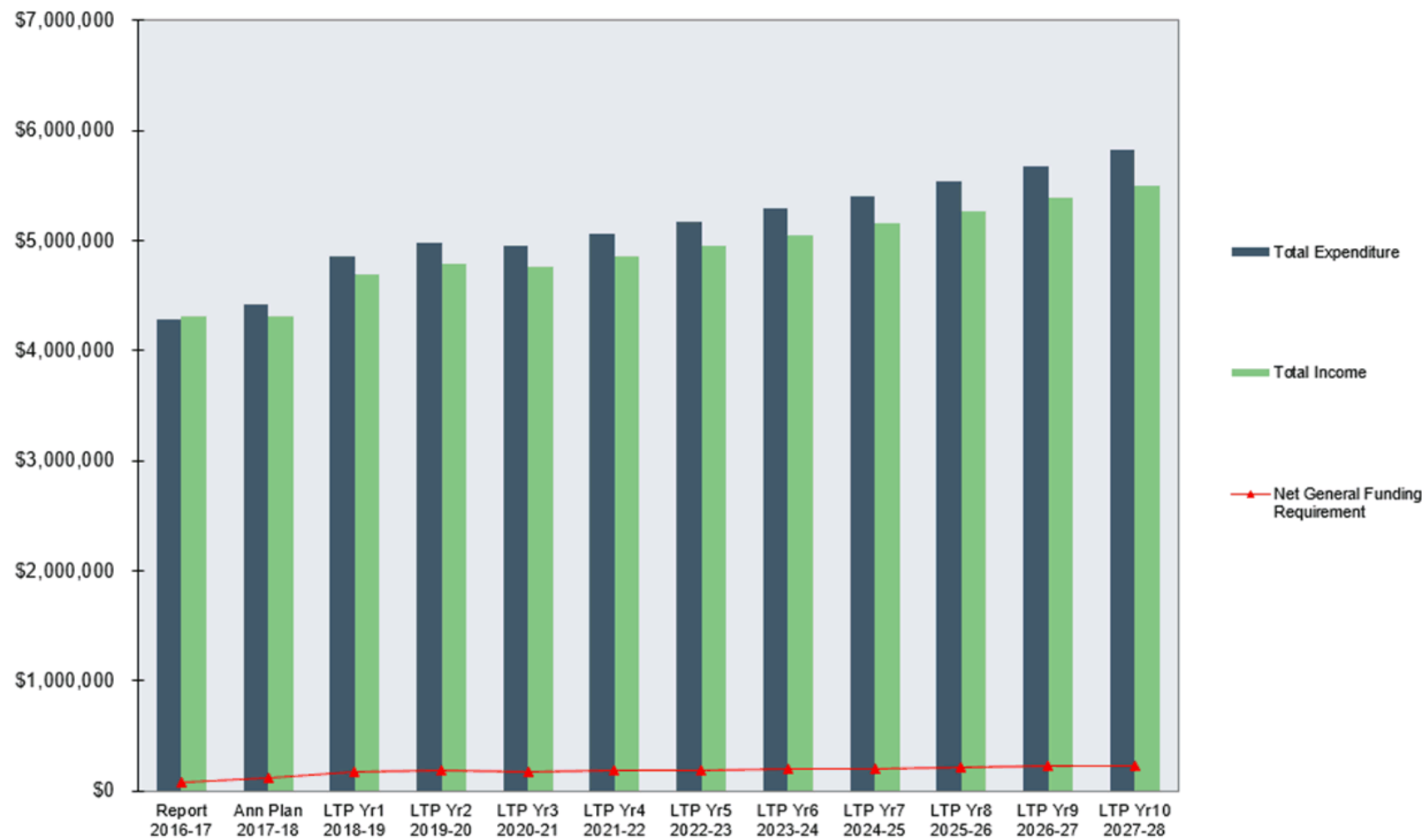
Item 7

Attachment 1

Part 5 Groups of Activities | Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

Part 5 | page 124

Net Funding Requirement – Transport



Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 125

Part 6 Financials | Wāhanga 6 - Pūrongo Pūtea

Contents

Forecast Financial Statements.....	126
<i>Introduction</i>	<i>126</i>
<i>The Nature of Prospective Information Presented</i>	<i>126</i>
<i>Authorisation and Responsibility</i>	<i>126</i>
<i>Other Disclosures</i>	<i>126</i>
<i>Comparative Information Linkages</i>	<i>126</i>
<i>Prospective Statement of Comprehensive Revenue and Expense</i>	<i>127</i>
<i>Prospective Statement of Changes in Net Assets / Equity</i>	<i>128</i>
<i>Prospective Statement of Financial Position.....</i>	<i>129</i>
<i>Prospective Cash Flow Statement.....</i>	<i>130</i>
<i>Note 1 – Activity Revenue and Expenditure.....</i>	<i>131</i>
<i>Notes 2 and 3 – Rates and Other Revenue</i>	<i>132</i>
<i>Note 4(a) – External Debt and Interest Expense</i>	<i>133</i>
<i>Note 4(b) – Internal Debt and Interest Expense</i>	<i>135</i>
<i>Note 5 – Depreciation and Amortisation</i>	<i>136</i>
<i>Notes 6 & 7 – Reserve Movements and Fair Value Gains</i>	<i>137</i>
<i>Note 8 – Reconciliation to Underlying Surplus / (Deficit)</i>	<i>138</i>
<i>Note 9 – Council Reserve Funds.....</i>	<i>139</i>
Financial Reporting Benchmarks	141
<i>LTP Disclosure Statement for period commencing 1 July 2018</i>	<i>141</i>
<i>Rates Income Affordability</i>	<i>141</i>
<i>Rates Increases Affordability</i>	<i>142</i>
<i>Debt Affordability</i>	<i>142</i>
<i>Balanced Budget.....</i>	<i>143</i>
<i>Essential Services</i>	<i>144</i>
<i>Debt Servicing.....</i>	<i>144</i>
Rates Comparisons	145
HBRC's Funding Impact Statement.....	149
<i>Introduction</i>	<i>149</i>
<i>Due dates for payment of rates.....</i>	<i>149</i>
<i>Inspection and objection to HBRC's Rating Information Database ..</i>	<i>150</i>

Explanation of Rating Method	151
<i>Details of Rates Calculated within each District and City.....</i>	<i>154</i>
<i>River Control and Drainage -Explanation of Rates.....</i>	<i>165</i>
Local Government (Financial Reporting) Regulations.....	175
HBRC Funding Impact Statement.....	176
Resource Management Charges	185
1. <i>Charges Relating to Resource Consent Applications</i>	<i>185</i>
2. <i>Charges to Holders of Resource Consents for Compliance</i>	
<i>and Impact Monitoring.....</i>	<i>188</i>
3. <i>Charges to holders of Resource Consents for Freshwater Management</i>	
<i>Research/Investigations and Monitoring (Zone Based Water</i>	
<i>Science Charges)</i>	<i>190</i>
4. <i>Charges for Gravel Extraction Land Use Consents</i>	<i>192</i>
5. <i>Charges Relating to Contaminated Site Management.....</i>	<i>193</i>
Building Act Charges	193
<i>PIM costs</i>	<i>193</i>
<i>Building Consent Costs</i>	<i>193</i>
<i>Certificate of Acceptance Costs.....</i>	<i>193</i>
<i>Department of Building and Housing and Building Research Authority of New</i>	
<i>Zealand Levies</i>	<i>193</i>
<i>Additional Building Act Charges.....</i>	<i>194</i>
Maritime Transport & Navigation Charges	194
<i>Standard Charges under the Maritime Transport Act 1994 – Marine</i>	
<i>Tier 1 Oil Transfer Sites</i>	<i>194</i>
<i>Navigation and Safety By-laws Charges.....</i>	<i>195</i>
Charges for the Preparation of, or Change to a Regional Plan	195
Charges for the Provision of Information	195
Other Charges Related Information.....	196
<i>Charges by the Crown</i>	<i>196</i>
<i>Due Dates for Payment.....</i>	<i>196</i>
<i>Cost of Debt Recovery.....</i>	<i>196</i>

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 126

Forecast Financial Statements

Introduction

The following pages cover the forecast financial statements, notes and other financial information required by clauses 18-22 of Schedule 10 to the Local Government Act 2002 (LGA). The significant forecasting assumptions required for the LTP by clause of 17 of Schedule 10 to the LGA are also included.

These financial statements, notes and other financial information comply with PBE FRS 42, "Prospective Financial Statements".

As required by section 100(1) of the LGA, HBRC has ensured that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses.

The Nature of Prospective Information Presented

The prospective financial information has been presented to comply with the requirements of sections 95 of the LGA in relation to the LTP covering the ten consecutive periods beginning on 1 July 2018. The statements and information may not be appropriate for purposes other than those disclosed above.

The prospective information presented is based on the best information that could reasonably be expected to be available at the time of preparation. While every care has been taken in the preparation of the prospective financial information presented, the actual results are likely to vary from the information presented and the variations may be material.

Authorisation and Responsibility

The prospective financial information presented was authorised for issue by HBRC on 27 June 2018.

HBRC Councillors and management accept responsibility for the prospective financial information presented including the appropriateness of the assumptions underlying the information and all other disclosures.

Other Disclosures

There is no intention to update the prospective financial information presented after the approval of the LTP on 27 June 2018.

Actual financial results have been used for the 2016-17 Annual Report comparatives and as a basis for the assumption process.

Comparative Information Linkages

The Prospective Statement of Changes in Equity and Prospective Cash Flow Statement closing positions for 2016-17 do not link to opening positions for 2017-18. This is because the 2017-18 Annual Plan prospective financial statements were finalised before the 2016-17 Annual Report.

The 2017-18 forecast opening positions are based on the 2015-16 Annual Report closing positions after adjusting for the 2016-17 Annual Plan forecast results and cash flows.

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 127

Prospective Statement of Comprehensive Revenue and Expense

Prospective Statement of Comprehensive Revenue and Expense													
	Note	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
REVENUE													
Revenue from activities	1	6,532	7,000	9,198	9,925	10,739	10,978	10,645	10,899	11,046	11,226	11,407	11,092
Revenue from rates	2	17,661	19,124	22,829	24,639	26,435	27,267	28,169	28,639	29,448	30,342	31,328	32,180
Revenue from grants		5,459	3,630	3,368	3,430	3,480	3,545	3,612	3,687	3,759	3,841	3,926	4,011
Other revenue	3	15,601	15,424	16,029	17,067	16,264	17,253	16,836	17,099	17,400	17,728	18,089	18,408
Fair value gains on investments	7(a)	7,835	1,737	3,195	3,315	3,502	3,642	3,834	4,032	4,243	4,462	4,699	4,942
Reduction in ACC Leasehold Liability		-	1,035	917	936	917	896	873	814	756	706	678	647
Total Operating Revenue		53,088	47,950	55,536	59,312	61,337	63,581	63,969	65,170	66,652	68,305	70,127	71,280
EXPENDITURE													
Expenditure on activities	1	40,360	40,371	44,332	45,478	47,238	47,454	48,251	49,013	49,966	51,275	52,685	53,837
Finance costs	1	2,979	2,648	2,447	2,854	3,161	3,363	3,552	3,630	3,693	3,800	3,942	4,099
Depreciation & amortisation expense	5	2,659	2,739	2,925	3,259	3,599	3,726	3,569	3,536	3,425	3,308	3,247	3,137
Fair value losses		-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		2,043	-	-	-	-	-	-	-	-	-	-	-
Impairment		14,787	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenditure		62,828	45,758	49,704	51,591	53,998	54,543	55,372	56,179	57,084	58,383	59,874	61,073
OPERATING SURPLUS													
Operating Surplus Before Income Tax		(9,740)	2,192	5,832	7,721	7,339	9,038	8,597	8,991	9,568	9,922	10,253	10,207
Income tax expense		-	-	-	-	-	-	-	-	-	-	-	-
Operating Surplus After Income Tax		(9,740)	2,192	5,832	7,721	7,339	9,038	8,597	8,991	9,568	9,922	10,253	10,207
OTHER COMPREHENSIVE REVENUE AND EXPENSE													
Gain / (loss) in infrastructure assets		8	-	-	10,884	-	-	13,540	-	-	15,505	-	-
Gain / (loss) in revalued intangible asset		529	37,077	-	-	39,719	-	-	45,980	-	-	53,227	-
Gain / (loss) in revalued property, plant and equipment assets		19,104	-	1,436	-	-	2,051	-	-	1,967	-	-	1,915
Total Other Comprehensive Revenue and Expense		19,641	37,077	1,436	10,884	39,719	2,051	13,540	45,980	1,967	15,505	53,227	1,915
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		9,901	39,269	7,268	18,605	47,058	11,089	22,137	54,971	11,535	25,427	63,480	12,122
STATEMENT FOR GENERAL FUNDING POSITION													
CAPITAL EXPENDITURE													
Property, plant, equipment & intangible assets	5	2,647	3,710	5,594	6,696	5,213	2,354	1,807	1,361	1,422	2,469	2,206	901
Infrastructure assets - flood & drainage		777	1,880	3,307	3,424	4,396	2,744	3,150	3,156	3,087	2,941	3,308	4,185
Infrastructure assets - open spaces & regional assets		544	-	160	160	160	160	160	160	160	160	160	160
Forestry assets		17	22	-	211	265	54	43	6	42	-	81	-
Community net lending from reserves		-	-	2,007	2,219	3,021	3,198	3,157	3,116	3,174	3,131	3,089	3,046
Sustainable homes net lending		1,922	1,258	911	168	963	104	246	(1,667)	(1,432)	(1,091)	(640)	553
Investments in regional investment company		(16,002)	67,666	-	-	-	-	-	-	-	-	-	-
Advances to Napier / Gisborne rail		38	91	1,500	-	-	-	-	-	-	-	-	-
Public debt repayments	4(a)	3,720	3,873	4,252	5,165	5,904	6,235	6,087	6,130	5,818	5,634	5,576	5,601
Total Capital Expenditure		(6,337)	78,500	17,731	18,043	19,922	14,849	14,650	12,262	12,271	13,244	13,780	14,446
RESERVE AND PUBLIC DEBT FUNDING													
Reserves funding	6	5,523	67,370	8,867	3,213	7,751	3,491	3,879	2,829	1,928	2,553	2,610	3,103
Public debt funding	4(a)	4,000	11,241	7,010	11,362	9,250	6,859	6,882	5,289	5,773	5,937	6,295	6,725
Leasehold annuity funding		-	-	-	-	-	-	-	-	-	-	-	-
Fair value gains on investments	7(a)	(7,835)	(1,737)	(3,195)	(3,315)	(3,502)	(3,642)	(3,834)	(4,032)	(4,243)	(4,462)	(4,699)	(4,942)
Fair value gains on other comprehensive income		(19,641)	(37,077)	(1,436)	(10,884)	(39,719)	(2,051)	(13,540)	(45,980)	(1,967)	(15,505)	(53,227)	(1,915)
Reduction in ACC Leasehold Liability		1,270	(1,035)	(917)	(936)	(917)	(896)	(873)	(814)	(756)	(706)	(678)	(647)
Total Reserve & Loan Funding		(16,683)	38,762	10,329	(561)	(27,137)	3,761	(7,487)	(42,708)	736	(12,182)	(49,699)	2,324
UNDERLYING SURPLUS / (DEFICIT)	8	(445)	(469)	(135)	1	(0)	0	1	1	(1)	0	1	0

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 128

Prospective Statement of Changes in Net Assets / Equity

Prospective Statement of Changes In Net Assets / Equity													
	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)	
Net Assets / Equity at the Start of the Year	534,576	558,522	562,909	570,177	588,783	635,840	646,929	669,066	724,038	735,572	760,999	824,479	
Total Comprehensive Revenue and Expense	9,900	39,269	7,268	18,605	47,058	11,089	22,137	54,971	11,535	25,427	63,480	12,122	
	9,900	39,269	7,268	18,605	47,058	11,089	22,137	54,971	11,535	25,427	63,480	12,122	
Net Assets / Equity at the End of the Year	544,476	597,791	570,177	588,783	635,840	646,929	669,066	724,038	735,572	760,999	824,479	836,601	

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 129

Prospective Statement of Financial Position

Prospective Statement of Financial Position													
		Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
ASSETS													
Non Current Assets													
Property, plant & equipment		21,270	21,873	24,120	27,329	29,539	30,846	29,959	28,625	29,479	28,751	28,346	29,078
Intangible assets		4,470	4,336	6,895	7,460	7,051	6,379	5,799	5,279	4,911	4,427	3,953	3,510
Infrastructure assets		172,234	176,499	176,268	190,110	194,002	196,242	212,428	215,033	217,569	235,464	238,169	241,751
Investment property		49,047	53,122	54,520	57,246	60,108	63,113	66,269	69,582	73,061	76,714	80,550	84,578
Forestry assets		9,769	8,357	10,589	10,404	11,303	11,259	11,975	12,695	13,496	14,299	15,238	16,147
Finance assets		10,331	16,703	70,331	70,330	70,329	70,328	80,327	80,326	80,326	80,326	80,325	80,323
Investment in council-controlled organisations		235,224	352,301	246,985	246,985	286,704	286,704	286,704	332,684	332,684	332,684	385,911	385,911
Advances to council-controlled organisations		-	1,666	-	-	-	-	-	-	-	-	-	-
Napier / Gisborne rail lease		201	254	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701	1,701
Total Non Current Assets		502,546	635,111	591,409	611,565	660,738	666,572	695,162	745,925	753,227	774,367	834,193	842,999
Current Assets													
Inventories		35	93	35	35	35	35	35	35	35	35	35	35
Trade & other receivables		8,813	9,309	8,989	9,169	9,352	9,549	9,759	9,974	10,203	10,438	10,688	10,945
Finance assets		75,375	7,694	20,732	24,465	27,858	30,259	23,607	23,989	24,106	24,387	25,690	29,217
Advances to council-controlled organisations		-	-	-	-	-	-	-	-	-	-	-	-
Cash & cash equivalents		10,261	11,322	3,900	3,918	922	3,592	3,762	5,985	9,355	13,014	15,464	15,792
Total Current Assets		94,484	28,418	33,656	37,587	38,167	43,435	37,164	39,983	43,699	47,874	51,877	55,989
TOTAL ASSETS		597,030	663,529	625,065	649,152	698,905	710,008	732,326	785,908	796,926	822,240	886,071	898,988
NET ASSETS / EQUITY													
Accumulated comprehensive revenue and expense	9	302,662	380,612	325,116	334,142	346,806	354,852	363,340	371,213	379,100	387,208	396,253	406,326
Fair value reserves	9	160,766	199,077	173,963	184,847	224,566	226,617	240,161	286,141	288,108	303,612	356,840	358,755
Other reserves	9	81,048	18,102	71,098	69,794	64,469	65,460	65,565	66,685	68,364	70,179	71,385	71,520
Total Net Assets / Equity		544,476	597,791	570,177	588,783	635,840	646,929	669,066	724,038	735,572	760,999	824,479	836,601
LIABILITIES													
Non Current Liabilities													
Borrowings		19,225	26,062	20,753	26,210	29,224	29,996	30,747	30,217	30,355	30,716	31,409	37,719
ACC Leasehold Liability		18,045	21,694	16,967	16,050	15,154	14,281	13,466	12,711	12,005	11,327	10,681	10,055
Provisions for other liabilities & charges		644	652	657	670	724	784	801	819	838	857	878	899
Total Non Current Liabilities		37,914	48,408	38,376	42,930	45,103	45,061	45,014	43,746	43,198	42,900	42,967	48,673
Current Liabilities													
Trade & other payables		9,248	10,319	9,433	9,622	9,814	10,020	10,241	10,466	10,707	10,953	11,216	11,485
Borrowings		3,640	4,171	5,165	5,904	6,235	6,087	6,130	5,818	5,634	5,576	5,601	414
ACC Leasehold Liability		775	1,169	936	917	896	873	814	756	706	678	647	625
Provisions for other liabilities & charges		977	1,672	977	997	1,016	1,038	1,061	1,084	1,109	1,134	1,162	1,190
Total Current Liabilities		14,640	17,330	16,512	17,438	17,962	18,018	18,246	18,123	18,155	18,341	18,625	13,713
Total Liabilities		52,554	65,738	54,888	60,369	63,064	63,079	63,260	61,870	61,353	61,241	61,592	62,387
TOTAL NET ASSETS / EQUITY AND LIABILITIES		597,030	663,529	625,065	649,152	698,905	710,008	732,326	785,908	796,926	822,240	886,071	898,988

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 130

Prospective Cash Flow Statement

Prospective Cash Flow Statement													
	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)	
CASH FLOW FROM OPERATING ACTIVITIES													
<i>Cash to be provided from:</i>													
Receipts from customers	10,212	9,537	11,376	12,209	13,082	13,381	13,107	13,360	13,499	13,679	13,901	13,617	
Rates	17,743	19,125	22,829	24,639	26,435	27,267	28,169	28,639	29,448	30,342	31,328	32,180	
Dividends received	9,542	10,000	10,000	10,209	10,422	10,640	10,861	11,088	11,318	11,554	11,794	12,039	
Interest received	2,967	2,620	3,297	3,514	3,447	3,428	3,461	3,498	3,577	3,669	3,749	3,792	
Grants	5,412	3,630	3,368	3,430	3,480	3,545	3,612	3,687	3,759	3,841	3,926	4,011	
Other income	360	266	554	1,060	52	782	52	52	52	52	52	52	
GST	149												
	46,385	45,178	51,424	55,061	56,918	59,043	59,262	60,324	61,653	63,137	64,750	65,691	
<i>Cash to be applied to:</i>													
Payments to suppliers	25,560	22,464	23,530	23,505	24,640	24,386	24,685	25,045	25,529	26,348	27,194	27,781	
Payments to and behalf of employees	17,354	16,643	19,683	20,751	21,320	21,733	22,175	22,581	23,062	23,555	24,081	24,619	
Finance expense	2,979	2,648	2,447	2,854	3,161	3,363	3,552	3,630	3,693	3,800	3,942	4,099	
	45,893	41,755	45,660	47,110	49,120	49,482	50,412	51,256	52,284	53,702	55,218	56,499	
Net Cash Flows from Operating Activities	492	3,423	5,764	7,951	7,798	9,561	8,850	9,068	9,369	9,435	9,532	9,192	
CASH FLOWS FROM INVESTING ACTIVITIES													
<i>Cash to be provided from:</i>													
Disposal of property, plant & equipment	320	168	946	289	477	708	369	390	189	1,084	601	153	
Disposal of investment properties	6,871	-	-	-	-	-	-	-	-	-	-	-	
Disposal of financial assets	7,911	67,666	8,294	13,008	9,407	6,839	5,753	5,803	5,649	6,388	5,605	5,121	
Disposal of forestry assets	-	-	485	985	5	735	5	5	5	5	5	5	
	15,102	67,834	9,725	14,282	9,889	8,282	6,127	6,198	5,843	7,477	6,211	5,279	
<i>Cash to be applied to:</i>													
Purchase of property, plant & equipment	2,827	2,465	3,539	5,466	4,883	2,269	1,722	1,276	1,202	2,384	2,121	816	
Purchase of intangible assets	1,243	1,245	2,055	1,230	330	85	85	85	220	85	85	85	
Construction of infrastructure assets	855	1,880	3,467	3,584	4,556	2,904	3,310	3,316	3,247	3,101	3,468	4,345	
Community lending	-	-	2,918	2,387	3,984	3,302	3,403	1,449	1,742	2,040	2,449	3,599	
Purchase of financial assets	21,134	-	15,479	14,312	8,732	5,848	5,648	4,683	3,970	4,573	4,399	4,986	
Forestry asset development	17	113	-	211	265	54	43	6	42	-	81	-	
Purchase of investment properties	-	0	425	0	0	-	-	-	-	-	-	-	
Advances to Investment Company	-	67,666	-	-	-	-	-	-	-	-	-	-	
Napier / Gisborne rail	38	91	1,500	-	-	-	-	-	-	-	-	-	
	26,114	73,460	29,383	27,190	22,750	14,462	14,211	10,815	10,423	12,183	12,603	13,831	
Net Cash Flows from Investing Activities	(11,012)	(5,626)	(19,658)	(12,908)	(12,862)	(6,179)	(8,084)	(4,617)	(4,580)	(4,706)	(6,391)	(8,552)	
CASH FLOWS FROM FINANCING ACTIVITIES													
<i>Cash to be provided from:</i>													
Loans drawn	4,000	11,241	7,010	11,362	9,250	6,859	6,882	5,289	5,773	5,937	6,295	6,725	
Leasehold annuity	-	-	-	-	-	-	-	-	-	-	-	-	
	4,000	11,241	7,010	11,362	9,250	6,859	6,882	5,289	5,773	5,937	6,295	6,725	
<i>Cash to be applied to:</i>													
Loans repaid	3,720	3,873	4,252	5,165	5,904	6,235	6,087	6,130	5,818	5,634	5,576	5,601	
Leasehold freeholding proceeds paid to ACC	7,289	1,264	1,119	1,222	1,279	1,335	1,391	1,387	1,375	1,373	1,409	1,437	
	11,009	5,137	5,372	6,387	7,182	7,570	7,478	7,517	7,193	7,007	6,985	7,038	
Net Cash Flows from Financing Activities	(7,009)	6,104	1,638	4,975	2,068	(711)	(596)	(2,228)	(1,420)	(1,070)	(690)	(313)	
Net Increase / (Decrease) in Cash & cash equivalents	(17,529)	3,901	(12,255)	18	(2,996)	2,670	170	2,223	3,370	3,659	2,451	327	
Opening cash & cash equivalents	27,790	7,422	16,155	3,900	3,918	922	3,592	3,762	5,985	9,355	13,014	15,464	
Closing Cash & cash equivalents	10,261	11,323	3,900	3,918	922	3,592	3,762	5,985	9,355	13,014	15,464	15,792	

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 131

Note 1 – Activity Revenue and Expenditure

NOTE 1 - Activity Revenue & Expenditure													
	Note	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
REVENUE													
Groups of Activities													
Strategic Planning		56	-	-	-	-	-	-	-	-	-	-	-
Land Drainage and River Control		1,415	1,823	2,033	2,038	2,582	2,520	2,043	2,043	2,073	2,109	2,149	2,183
Regional Resources		3,765	3,345	4,182	4,522	4,809	5,052	5,154	5,351	5,431	5,502	5,556	5,156
Regulation		1,011	1,547	2,589	2,969	3,063	3,119	3,158	3,213	3,248	3,318	3,402	3,451
Biosecurity		-	-	-	-	-	-	-	-	-	-	-	-
Emergency Management		126	112	119	119	119	119	119	119	119	119	119	119
Transport		-	40	153	153	40	40	40	40	40	40	40	40
Governance & Community Engagement		159	133	122	124	126	128	131	133	135	138	141	143
		6,532	7,000	9,198	9,925	10,739	10,978	10,645	10,899	11,046	11,226	11,407	11,092
Less Internal Revenue		-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE FROM ACTIVITIES		6,532	7,000	9,198	9,925	10,739	10,978	10,645	10,899	11,046	11,226	11,407	11,092
EXPENDITURE													
Groups of Activities													
Strategic Planning		4,314	5,028	4,946	4,894	5,048	5,150	5,246	5,364	5,463	5,593	5,639	5,758
Asset Management		10,974	10,380	10,531	10,619	10,900	11,027	11,234	11,476	11,635	11,956	12,293	12,513
Regional Resources		14,677	15,774	17,781	19,124	20,621	20,693	20,974	21,094	21,434	21,938	22,493	22,960
Regulation		5,008	3,607	4,336	4,829	4,979	5,071	5,138	5,232	5,293	5,411	5,549	5,634
Biosecurity		-	-	-	-	-	-	-	-	-	-	-	-
Emergency Management		1,595	1,921	2,389	2,393	2,455	2,492	2,529	2,585	2,627	2,683	2,752	2,796
Transport		4,288	4,424	4,863	4,984	4,952	5,061	5,170	5,290	5,404	5,534	5,672	5,820
Governance, Community Engagement and Services		3,207	3,019	3,574	3,392	3,509	3,528	3,601	3,663	3,762	3,800	3,944	4,028
		44,063	44,153	48,420	50,235	52,464	53,022	53,892	54,704	55,618	56,915	58,342	59,509
Less Internal Expenditure		(186)	(182)	(177)	(181)	(185)	(188)	(192)	(196)	(200)	(204)	(208)	(212)
Total Group Activities		43,877	43,971	48,243	50,054	52,279	52,834	53,700	54,508	55,418	56,711	58,134	59,297
Other Activities													
Regional Income Collection Expenditure		2,121	1,765	1,461	1,537	1,719	1,709	1,672	1,671	1,666	1,672	1,740	1,776
Interest Paid on Regional Income Loans		-	22	-	-	-	-	-	-	-	-	-	-
Total Other Activities		2,121	1,787	1,461	1,537	1,719	1,709	1,672	1,671	1,666	1,672	1,740	1,776
Less finance costs		-	-	-	-	-	-	-	-	-	-	-	-
- interest on borrowings		(1,422)	(1,384)	(1,328)	(1,632)	(1,882)	(2,028)	(2,161)	(2,243)	(2,318)	(2,427)	(2,533)	(2,662)
- payments associated with the transfer of Napier leasehold cashflows to ACC		(1,557)	(1,264)	(1,119)	(1,222)	(1,279)	(1,335)	(1,391)	(1,387)	(1,375)	(1,373)	(1,409)	(1,437)
Total finance costs		(2,979)	(2,648)	(2,447)	(2,854)	(3,161)	(3,363)	(3,552)	(3,630)	(3,693)	(3,800)	(3,942)	(4,099)
Less depreciation and amortisation expense		(2,659)	(2,739)	(2,925)	(3,259)	(3,599)	(3,726)	(3,569)	(3,536)	(3,425)	(3,308)	(3,247)	(3,137)
TOTAL EXPENDITURE ON ACTIVITIES		40,360	40,371	44,332	45,478	47,238	47,454	48,251	49,013	49,966	51,275	52,685	53,837

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 132

Notes 2 and 3 – Rates and Other Revenue

NOTES 2 & 3 - Rates & Other Revenue													
	Note	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
Note 2: Rates													
General Funding Rates													
Uniform Annual General Charge (UAGC)		2,017	2,567	2,648	2,685	2,819	2,841	2,929	2,996	3,076	3,125	3,267	3,324
General Rate on Land Value		1,341	1,733	4,304	5,577	6,574	6,873	7,301	7,877	8,251	8,705	9,144	9,529
Total General Funding Rates		3,358	4,300	6,952	8,262	9,393	9,714	10,230	10,873	11,327	11,830	12,411	12,853
Targeted Rates													
Upper Tukituki Catchment Control Scheme		744	733	708	728	748	766	785	805	825	845	866	888
Separate Flood Control & Drainage Schemes		304	550	553	564	575	587	599	611	624	637	651	665
Wairoa Rivers & Streams Scheme		159	161	166	171	176	180	184	189	193	198	203	208
Central & Southern Areas Rivers & Streams Scheme		232	233	238	243	248	253	259	265	272	278	285	293
Heretaunga Plains Flood Control & Drainage Schemes		5,280	5,137	5,247	5,375	5,559	5,710	5,893	6,075	6,225	6,379	6,523	6,696
Biosecurity Schemes		1,681	1,707	1,830	1,986	2,182	2,365	2,394	2,416	2,438	2,461	2,485	2,510
Subsidised Public Transport		1,607	1,604	1,620	1,653	1,686	1,719	1,754	1,789	1,825	1,861	1,898	1,936
Clean Heat Administration Rate		585	583	583	583	583	583	583	-	-	-	-	-
Sustainable Land Management		660	742	783	878	983	1,002	1,015	1,034	1,044	1,065	1,091	1,107
Economic Development Rate		2,012	2,310	1,850	1,894	1,942	1,990	2,038	2,092	2,145	2,204	2,265	2,327
Coastal Erosion Rate				169	169	169	169	169	169	169	169	169	169
Emergency Management Uniform Annual Charge		1,039	1,063	2,130	2,133	2,191	2,229	2,266	2,321	2,361	2,415	2,481	2,528
Total Targeted Rates		14,303	14,823	15,877	16,377	17,042	17,553	17,939	17,766	18,121	18,512	18,917	19,327
Total Rates		17,661	19,123	22,829	24,639	26,435	27,267	28,169	28,639	29,448	30,342	31,328	32,180
Note 3: Other Revenue													
Dividends		9,542	10,000	10,000	10,209	10,422	10,640	10,861	11,088	11,318	11,554	11,794	12,039
Interest		2,806	2,620	3,297	3,514	3,447	3,428	3,461	3,498	3,577	3,669	3,749	3,792
Leasehold rents		2,751	2,538	2,178	2,284	2,343	2,403	2,462	2,461	2,453	2,453	2,494	2,525
Forestry income		17	126	526	1,032	52	782	52	52	52	52	52	52
Subvention payments		5	140	28	28	-	-	-	-	-	-	-	-
Napier - Gisborne Rail Returns		-	-	-	-	-	-	-	-	-	-	-	-
Other income		338	-	-	-	-	-	-	-	-	-	-	-
Net gain / (loss) on disposal of assets		142	-	-	-	-	-	-	-	-	-	-	-
Total Other Income		15,601	15,424	16,029	17,067	16,264	17,253	16,836	17,099	17,400	17,728	18,089	18,408

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 133

Note 4(a) – External Debt and Interest Expense

NOTE 4(a) - External Debt & Interest Expense													
	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)	
LOAN REQUIREMENTS													
New Borrowings													
Sustainable Homes Advances to Householders	2,477	2,766	2,700	2,250	3,110	2,664	2,837	1,244	1,493	1,792	2,150	2,580	
Solar Water Advances to Householders	-	630	-	-	-	-	-	-	-	-	-	-	
Systems Integration Loans	300	1,245	1,555	1,230	330	85	85	85	220	85	85	85	
Public Good Capital Assets Loans	920	100	260	160	160	160	160	160	160	160	160	160	
Investment Projects	-	6,500											
Additional Building Loan	-	-	-	1,000	2,000	-	-	-	-	-	-	-	
Science Loans	303	-	495	2,222	150	150	-	-	-	-	-	-	
Integrated Catchment Activities Loans	-	-	2,000	2,500	3,500	3,800	3,800	3,800	3,900	3,900	3,900	3,900	
Building Mechancial Services Upgrade	-	-	-	2,000	-	-	-	-	-	-	-	-	
Total New Borrowings	4,000	11,241	7,010	11,362	9,250	6,859	6,882	5,289	5,773	5,937	6,295	6,725	
Principal Repayments													
Sustainable Homes Advances to Householders	1,843	2,104	2,408	2,655	2,868	2,987	2,964	2,949	2,661	2,464	2,382	2,356	
Solar Water Advances to Householders	-	32	-	-	-	-	-	-	-	-	-	-	
Systems Integration Loans	301	355	495	634	657	623	539	539	530	517	498	429	
Operations Group and Wairoa Office Extensions	60	60	60	60	60	60	60	60	30	-	-	-	
Technical Equipment Loan (Monitoring Bores)	10	10	10	10	10	-	-	-	-	-	-	-	
LIDAR Loan	-	-	-	-	-	-	-	-	-	-	-	-	
HPFCS Flood & River Scheme Loan	45	45	45	45	45	25	-	-	-	-	-	-	
Karamu & Tributaries Scheme Loan	40	40	40	40	-	-	-	-	-	-	-	-	
Public Good Capital Assets Purchases	712	743	731	752	688	619	430	356	257	240	202	167	
Sawfly Remediation Loans	420	140	-	-	-	-	-	-	-	-	-	-	
Upper Tukituki Scheme Loans	30	30	30	30	10	-	-	-	-	-	-	-	
Additional Building Loan	61	22	31	81	231	331	331	315	300	300	300	300	
Science Loans	199	272	262	364	448	463	471	453	425	338	249	234	
Public Consultation on Oil & Gas Energy Engagement	-	20	20	20	20	20	20	20	10	-	-	-	
Integrated Catchment Activities Loans			121	375	667	908	1,073	1,238	1,405	1,575	1,745	1,915	
Building Mechancial Services Upgrade	-	-	-	100	200	200	200	200	200	200	200	200	
Total Principal Repayments	3,720	3,873	4,252	5,165	5,904	6,235	6,087	6,130	5,818	5,634	5,576	5,601	
TOTAL LOAN MOVEMENT	280	7,368	2,758	6,197	3,346	624	795	(841)	(45)	303	719	1,124	

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 134

Note 4(a) – External Debt and Interest Expense (continued)

NOTE 4(a) - External Debt & Interest Expense													
	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)	
Loan Balances													
Sustainable Homes Advances to Householders	13,759	14,423	14,681	14,274	14,515	14,191	14,063	12,357	11,188	10,516	10,283	10,506	
Solar Water Advances to Householders	-	599	-	-	-	-	-	-	-	-	-	-	
Systems Integration Loans	1,764	2,482	3,541	4,137	3,810	3,273	2,819	2,365	2,055	1,623	1,211	867	
Operations Group and Wairoa Office Extensions	450	390	330	270	210	150	90	30	-	-	-	-	
Technical Equipment Loan (Monitoring Bores)	40	30	20	10	-	-	-	-	-	-	-	-	
HPFCS Flood & River Scheme Loan	205	160	115	70	25	-	-	-	-	-	-	-	
Karamu & Tributaries Scheme Loan	120	80	40	-	-	-	-	-	-	-	-	-	
Public Good Capital Assets Purchases	4,309	3,514	3,075	2,484	1,956	1,497	1,227	1,031	934	854	812	805	
Sawfly Remediation Loans	140	-	-	-	-	-	-	-	-	-	-	-	
Upper Tukituki Scheme Loans	100	70	40	10	-	-	-	-	-	-	-	-	
Investment Projects	-	6,500	-	-	-	-	-	-	-	-	-	-	
Additional Building Loan	199	175	138	1,057	2,827	2,496	2,165	1,850	1,550	1,250	950	650	
Science Loans	1,779	1,680	1,949	3,807	3,509	3,196	2,725	2,272	1,847	1,509	1,260	1,026	
Public Consultation on Oil & Gas Energy Engagement	-	130	110	90	70	50	30	10	-	-	-	-	
Integrated Catchment Activities Loans	-	-	1,879	4,004	6,837	9,730	12,457	15,020	17,515	19,840	21,995	23,980	
Building Mechancial Services Upgrade	-	-	-	1,900	1,700	1,500	1,300	1,100	900	700	500	300	
Total Outstanding Loan Balances	22,865	30,233	25,918	32,114	35,459	36,083	36,877	36,034	35,989	36,291	37,010	38,133	
Loan Interest Expense													
Sustainable Homes Advances to Householders	776	817	777	769	779	807	833	813	781	777	775	796	
Solar Water Advances to Householders	-	13	-	-	-	-	-	-	-	-	-	-	
Systems Integration Loans	123	128	153	198	209	191	169	148	127	106	84	64	
Operations Group Office Extensions	31	24	20	17	14	10	7	3	1	-	-	-	
Technical Equipment Loan (Monitoring Bores)	5	2	2	1	-	-	-	-	-	-	-	-	
HPFCS Flood & River Scheme Loan	14	11	8	5	3	1	-	-	-	-	-	-	
Karamu & Tributaries Scheme Loan	10	7	4	1	-	-	-	-	-	-	-	-	
Public Good Capital Assets Purchases	262	235	195	165	131	97	81	69	62	60	58	58	
Sawfly Remediation Loans	21	6	-	-	-	-	-	-	-	-	-	-	
Upper Tukituki Scheme Loans	8	6	4	2	-	-	-	-	-	-	-	-	
Investment Projects	-	22	-	-	-	-	-	-	-	-	-	-	
Additional Building Loan	30	11	10	48	134	146	127	109	92	76	59	43	
Science Loans	135	94	100	181	197	181	158	134	111	91	74	62	
Public Consultation on Oil & Gas Energy Engagement	-	8	5	6	5	4	2	1	0	-	-	-	
Integrated Catchment Activities Loans	-	-	49	159	312	505	707	900	1,089	1,273	1,450	1,618	
Building Mechancial Services Upgrade	-	-	-	79	98	87	76	65	54	43	32	21	
Total Loan Interest Expense	1,415	1,384	1,328	1,632	1,882	2,028	2,161	2,243	2,318	2,427	2,533	2,662	

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 135

Note 4(b) – Internal Debt and Interest Expense

NOTE 4(b) - Internal Debt & Interest Expense													
	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)	
LOAN REQUIREMENTS													
New Borrowings													
Computer Equipment	200	-	-	-	-	-	-	-	-	-	-	-	
Hydrology Equipment	500	315	100	250	250	250	250	250	250	250	250	250	
Transport Electronic Ticketing	-	250	250	-	-	-	-	-	-	-	-	-	
Makara Scheme Loan	-	-	-	-	-	-	-	-	-	-	-	-	
Biodiversity Loan	-	-	100	100	100	100	100	100	100	100	100	100	
Tutira Easements	-	100	-	-	-	-	-	-	-	-	-	-	
Total New Borrowings	700	665	450	350	350	350	350	350	350	350	350	350	
Principal Repayments													
Clean Heat	1,000	-	-	-	-	-	-	-	-	-	-	-	
Building Weather Tightness	86	-	-	-	-	-	-	-	-	-	-	-	
Computer Equipment	60	80	80	80	80	80	80	20	-	-	-	-	
Hydrology Equipment	60	165	165	183	208	233	258	223	198	193	208	223	
Makara Scheme Loan	-	7	9	9	9	9	10	10	11	11	12	12	
Transport Electronic Ticketing	-	25	25	25	25	25	25	25	25	25	25	-	
Biodiversity Loan	-	-	5	15	25	35	45	55	65	75	85	95	
Tutira Easements	-	-	10	10	10	10	10	10	10	10	10	10	
Total Principal Repayments	1,206	277	294	321	357	392	427	343	308	314	339	340	
TOTAL LOAN MOVEMENT	(506)	388	156	29	(7)	(42)	(77)	7	42	36	11	10	
Loan Balances													
Building Weather Tightness	769	-	-	-	-	-	-	-	-	-	-	-	
Computer Equipment	740	420	340	260	180	100	20	-	-	-	-	-	
Hydrology Equipment	1,040	1,290	915	983	1,025	1,043	1,035	1,063	1,115	1,173	1,215	1,243	
Makara Scheme Loan	-	201	214	208	201	194	186	178	169	160	151	141	
Transport Electronic Ticketing	-	225	225	200	175	150	125	100	75	50	25	25	
Biodiversity Loan	-	-	95	180	255	320	375	420	455	480	495	500	
Tutira Easements	-	100	90	80	70	60	50	40	30	20	10	-	
Total Outstanding Loan Balances	2,549	2,236	1,879	1,910	1,906	1,866	1,791	1,800	1,844	1,883	1,896	1,908	
Loan Interest Expense													
Clean Heat	13	-	-	-	-	-	-	-	-	-	-	-	
Building Weather Tightness	33	-	-	-	-	-	-	-	-	-	-	-	
Computer Equipment	23	17	13	11	8	5	2	0	-	-	-	-	
Hydrology Equipment	23	44	33	34	38	42	46	50	55	59	64	66	
Makara Scheme Loan	-	7	7	8	8	9	8	8	7	7	6	6	
Transport Electronic Ticketing	-	6	5	9	8	7	6	5	4	3	2	1	
Biodiversity Loan	-	-	3	6	10	12	15	17	18	20	20	21	
Tutira Easements	-	2	4	3	3	3	2	2	1	1	1	0	
Total Loan Interest Expense	92	76	65	71	74	78	79	81	85	89	92	94	

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 136

Note 5 – Depreciation and Amortisation

NOTE 5 - Depreciation and Amortisation													
	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)	
Capital Expenditure on Property, Plant & Equipment													
Land and Buildings	1,275	220	275	2,000	3,000	-	-	-	-	-	-	-	
Motor Vehicles and Plant	516	806	1,144	781	928	1,226	736	782	562	1,977	1,150	420	
Science Equipment	441	814	772	2,377	597	650	208	166	247	129	143	3	
Technical Equipment	57	273	268	23	23	23	23	23	23	23	23	23	
Computer Equipment	86	237	945	260	310	345	730	280	345	230	780	345	
Office Furniture and Equipment	26	115	135	25	25	25	25	25	25	25	25	25	
Intangible Assets - Other	246	1,245	2,055	1,230	330	85	85	85	220	85	85	85	
Total Capital Expenditure on Property, Plant & Equipment	2,647	3,710	5,594	6,696	5,213	2,354	1,807	1,361	1,422	2,469	2,206	901	
Proceeds of Property, Plant & Equipment Disposals													
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	
Motor Vehicles and Plant	46	168	521	289	477	708	369	390	189	1,084	601	153	
Hydrological Equipment	-	-	-	-	-	-	-	-	-	-	-	-	
Technical Equipment	-	-	-	-	-	-	-	-	-	-	-	-	
Computer Equipment	12	-	-	-	-	-	-	-	-	-	-	-	
Office Furniture and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	
Total Proceeds from Disposal of Property, Plant & Equipment	58	168	521	289	477	708	369	390	189	1,084	601	153	
Depreciation on Property, Plant & Equipment													
Buildings	297	441	475	494	601	682	677	668	663	663	657	646	
Motor Vehicles and Plant	485	498	484	484	484	484	484	484	484	484	484	484	
Hydrological Equipment	218	384	409	510	633	672	661	657	565	470	376	298	
Technical Equipment	72	65	60	76	80	80	75	71	67	63	61	68	
Computer Equipment	204	222	304	318	317	325	301	303	309	311	310	321	
Office Furniture and Equipment	54	60	74	86	81	62	42	37	38	37	37	29	
Intangible Assets (Amortisation)	378	382	493	665	739	757	665	605	588	569	559	528	
Property, Plant & Equipment Asset Depreciation	1,708	2,052	2,299	2,633	2,935	3,062	2,905	2,825	2,714	2,597	2,484	2,374	
Depreciation on Infrastructure Assets													
Infrastructure Assets	517	687	626	626	664	664	664	711	711	711	763	763	
Infrastructure Asset Depreciation	517	687	626	626	664	664	664	711	711	711	763	763	
Total Depreciation & Amortisation	2,225	2,739	2,925	3,259	3,599	3,726	3,569	3,536	3,425	3,308	3,247	3,137	

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 137

Notes 6 & 7 – Reserve Movements and Fair Value Gains

NOTE 6 & 7 - Reserve Movements & Fair Value Gains													
	Note	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
Note 6: Funding from Reserves													
Project Scheme Reserves		(584)	640	847	296	506	(5)	(87)	(473)	(897)	(1,012)	(442)	875
Dividend Equalisation Reserve		353	29	-	(175)	(1)	(42)	(57)	(191)	(206)	(221)	123	86
Specific Regional Projects Reserve		-	-	-	-	-	-	-	-	-	-	-	-
Tangoio Soil Conservation Forestry Reserve		308	280	299	513	27	(302)	201	218	236	255	276	297
Asset Replacement Reserve		2,664	3,193	4,510	1,504	4,340	3,817	3,343	2,853	2,674	3,714	3,343	1,940
Infrastructure Asset Depreciation Reserve - Other Movement		606	(42)	1,133	1,254	2,109	187	535	618	490	277	(66)	612
Sale of Land Investment Reserve		40	61,637	1,465	(600)	500	(250)	100	100	100	85	-	-
Sale of Land Non-Investment Reserve		289	1,442	939	800	664	546	341	248	121	86	56	20
Council Disaster Damage Reserves		986	(123)	(114)	(114)	(114)	(113)	(113)	(113)	(113)	(112)	(112)	(112)
Scheme Disaster Damage Reserves		(510)	(165)	(153)	(187)	(224)	(267)	(286)	(307)	(329)	(352)	(376)	(401)
Other Reserves		1,371	479	(59)	(80)	(56)	(81)	(98)	(124)	(148)	(167)	(192)	(215)
Total Net Funding from Reserves		5,523	67,370	8,867	3,213	7,751	3,491	3,879	2,829	1,928	2,553	2,610	3,103
Note 7a: Fair Value Gains from Investments													
Investment Property at beginning of year		50,566	51,858	51,499	54,520	57,246	60,108	63,113	66,269	69,582	73,061	76,714	80,550
Additions		-	-	425	0	0	-	-	-	-	-	-	-
Disposals		(6,871)	-	-	-	-	-	-	-	-	-	-	-
Movement during the year		(6,871)	0	425	0	0	0	0	0	0	0	0	0
Fair value gains (included in statement of comprehensive revenue and expense)		5,352	1,264	2,596	2,726	2,862	3,005	3,156	3,313	3,479	3,653	3,836	4,028
Investment Property at end of year		49,047	53,122	54,520	57,246	60,108	63,113	66,269	69,582	73,061	76,714	80,550	84,578
Note 7a: Fair Value Gains from Forestry Assets													
Forestry Assets at beginning of year		7,309	7,771	10,475	10,589	10,404	11,303	11,259	11,975	12,695	13,496	14,299	15,238
Additions		16	113	-	211	265	54	43	6	42	-	81	-
Disposals		-	-	(485)	(985)	(5)	(735)	(5)	(5)	(5)	(5)	(5)	(5)
Movement during the year		16	113	(485)	(774)	260	(681)	38	1	37	(5)	76	(5)
Fair value gains (included in statement of comprehensive revenue and expense)		2,444	473	599	589	640	637	678	719	764	809	863	914
Forestry Assets at end of year		9,769	8,357	10,589	10,404	11,303	11,259	11,975	12,695	13,496	14,299	15,238	16,147
Other fair value gains (included in the statement of comprehensive revenue and expense)		39	-	-	-	-	-	-	-	-	-	-	-
Total Fair value gains & losses (included in statement of comprehensive revenue and expense)		7,835	1,737	3,195	3,315	3,502	3,642	3,834	4,032	4,243	4,462	4,699	4,942

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 138

Note 8 – Reconciliation to Underlying Surplus / (Deficit)

NOTE 8 - Reconciliation to Underlying Surplus / (Deficit)													
		Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
	Note												
Note 8: Underlying Surplus / (Deficit) Reconciliation													
Groups of Activities Underlying Surplus / (Deficits)													
[From Cost of Service Statements]													
Strategic Planning		(1,846)	(1,972)	(2,733)	(2,726)	(2,832)	(2,886)	(2,934)	(2,998)	(3,044)	(3,114)	(3,100)	(3,157)
Land Drainage and River Control		(4,708)	(3,068)	(3,000)	(3,022)	(3,079)	(3,211)	(3,260)	(3,350)	(3,417)	(3,529)	(3,820)	(3,940)
Regional Resources		(5,764)	(8,846)	(10,139)	(11,398)	(12,393)	(12,630)	(12,877)	(13,381)	(13,771)	(14,240)	(14,727)	(15,154)
Regulation		(3,008)	(1,994)	(1,680)	(1,791)	(1,845)	(1,880)	(1,908)	(1,944)	(1,969)	(2,015)	(2,067)	(2,101)
Biosecurity		-	-	-	-	-	-	-	-	-	-	-	-
Emergency Management		(5)	(130)	(149)	(150)	(154)	(153)	(154)	(156)	(157)	(157)	(161)	(159)
Transport		(79)	(118)	(173)	(182)	(173)	(181)	(187)	(197)	(204)	(211)	(223)	(231)
Governance & Community Engagement		(2,574)	(2,638)	(3,221)	(3,161)	(3,300)	(3,341)	(3,424)	(3,497)	(3,602)	(3,642)	(3,785)	(3,871)
Less Internal Expenditure & Income	1	186	182	177	181	185	188	192	196	200	204	208	212
Regional Income Collection	1	(2,121)	(1,765)	(1,461)	(1,537)	(1,719)	(1,709)	(1,672)	(1,671)	(1,666)	(1,672)	(1,740)	(1,776)
Fair Value Losses						0							
Total Groups of Activities Surplus / (Deficit)		(19,919)	(20,349)	(22,379)	(23,786)	(25,310)	(25,803)	(26,224)	(26,998)	(27,630)	(28,376)	(29,415)	(30,177)
Less Capital Expenditure													
[From Statement of Comprehensive Revenue and Expense]													
Capital Expenditure		(9,223)	(78,500)	(17,731)	(18,043)	(19,922)	(14,849)	(14,650)	(12,262)	(12,271)	(13,244)	(13,780)	(14,446)
Add Back:													
Capital Expenditure in Groups of Activities		7,317	7,838	11,656	12,538	15,779	14,023	14,541	13,069	13,140	13,259	14,045	15,471
Total Non-Groups of Activities Capital Expenditure		(1,906)	(70,662)	(6,075)	(5,505)	(4,143)	(826)	(109)	807	869	15	265	1,025
Plus General Funding													
Revenue from Rates	2	17,661	19,123	22,829	24,639	26,435	27,267	28,169	28,639	29,448	30,342	31,328	32,180
Other Revenue	3	15,601	15,424	16,029	17,067	16,264	17,253	16,836	17,099	17,400	17,728	18,089	18,408
Grants [From Statement of Comprehensive Revenue and Expense]		5,459	3,630	3,368	3,430	3,480	3,545	3,612	3,687	3,759	3,841	3,926	4,011
Loan Funding	4	4,000	11,241	7,010	11,362	9,250	6,859	6,882	5,289	5,773	5,937	6,295	6,725
Leasehold Annuity Funding		-	-	-	-	-	-	-	-	-	-	-	-
Less:													
Other Revenue in Groups of Activities		(25,444)	(23,819)	(26,478)	(27,453)	(30,298)	(31,252)	(31,950)	(30,660)	(31,514)	(32,348)	(33,172)	(33,322)
Other expenditure		-	(22)	-	-	-	-	-	-	-	-	-	-
Total Non-Groups of Activities General Funding		17,277	25,577	22,758	29,045	25,131	23,672	23,549	24,054	24,866	25,500	26,466	28,002
Plus / (Less) Reserves Funding													
[From Statement of Comprehensive Revenue and Expense]													
Reserves Funding	6	5,523	67,370	8,867	3,213	7,751	3,491	3,879	2,829	1,928	2,553	2,610	3,103
Less:													
Reserves Funding in Groups of Activities		(1,420)	(2,406)	(3,305)	(2,965)	(3,429)	(532)	(1,093)	(690)	(34)	308	75	(1,953)
Total Non-Groups of Activities Reserves & Loan Funding		4,103	64,964	5,562	248	4,322	2,959	2,786	2,139	1,894	2,861	2,685	1,150
Underlying Surplus / (Deficit)		(444)	(470)	(135)	1	0	1	2	2	(1)	0	1	0

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 139

Note 9 – Council Reserve Funds

NOTE 9 - Council Reserve Funds																		Fair Value Reserves
	Accumulated Funds	Infra-structure Asset Renewal	Wairoa Rivers & Streams	Special Scheme	Dividend Equalisation	Coastal Marine Area	Asset Replacement	Regional Disaster Damage	Scheme Disaster Damage	Clive River Dredging	Tangoio Soil Conservation	Maunga-haruru Tangitu	Sale of Land Invmt	Sale of Land Non-Invmt	Rabbit	Ngati-Pahawera	Total Other Reserves	
	(1) (\$'000)	(2) (\$'000)	(3) (\$'000)	(4) (\$'000)	(5) (\$'000)	(6) (\$'000)	(7) (\$'000)	(8) (\$'000)	(9) (\$'000)	(10) (\$'000)	(11) (\$'000)	(12) (\$'000)	(13) (\$'000)	(14) (\$'000)	(15) (\$'000)	(16) (\$'000)	(17) (\$'000)	
ANNUAL PLAN 2017/18																		
At 1 July 2017	377,414	701	878	4,406	158	-	1,535	2,197	3,562	450	3,157	313	63,037	926	65	-	81,385	162,000
Deposits in year	3,198	937	56	23,186	(29)	1,734	4,130	123	243	81	108	187	6,500	1,149	2	-	38,407	37,077
Withdrawals in year	-	(848)	-	(23,773)	-	(1,734)	(4,153)	-	-	-	(388)	(73)	(69,252)	(1,469)	-	-	(101,690)	0
At 30 June 2018	380,612	790	934	3,819	129	-	1,512	2,320	3,805	531	2,877	427	285	606	67	-	18,102	199,077
LONG TERM PLAN 2018-28																		
At 1 July 2018	312,100	1,900	907	4,271	-	-	495	2,384	3,409	898	2,990	351	59,944	666	68	-	78,283	172,527
Deposits	94,226	10,583	877	2,543	684	14,855	45,959	1,130	3,297	876	1,918	671	-	3,290	39	-	86,721	186,224
Withdrawals	-	(11,591)	-	(2,033)	-	(14,855)	(46,560)	-	-	(920)	(3,937)	-	(9,546)	(4,041)	-	-	(93,483)	0
At 30 June 2028	406,326	892	1,784	4,781	684	-	(106)	3,514	6,706	854	971	1,022	50,398	(86)	107	-	71,522	358,751
Related Activities to Reserve Funds																		
Activities	Accumulated Funds	Infra-structure Asset Renewal	Wairoa Rivers & Streams	Special Scheme	Dividend Equalisation	Coastal Marine Area	Asset Replacement	Regional Disaster Damage	Scheme Disaster Damage	Clive River Dredging	Tangoio Soil Conservation	Maunga-haruru Tangitu	Sale of Land Invmt	Sale of Land Non-Invmt	Rabbit	Ngati-Pahawera	Total other Reserves	Fair Value Reserves
"V" denotes related activity	(1) (\$'000)	(2) (\$'000)	(3) (\$'000)	(4) (\$'000)	(5) (\$'000)	(6) (\$'000)	(7) (\$'000)	(8) (\$'000)	(9) (\$'000)	(10) (\$'000)	(11) (\$'000)	(12) (\$'000)	(13) (\$'000)	(14) (\$'000)	(15) (\$'000)	(16) (\$'000)	(17) (\$'000)	
Strategic Planning	✓						✓											
Land Drainage and River Control	✓	✓	✓	✓			✓	✓	✓	✓								✓
Regional Resources	✓			✓			✓				✓	✓	✓	✓				✓
Regulation	✓			✓			✓											
Biosecurity	✓			✓			✓								✓			
Emergency Management	✓			✓			✓											✓
Transport	✓			✓			✓											
Governance & Community Engagement	✓												✓	✓				
Regional Income Collection	✓				✓	✓							✓			✓		✓

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 140

Purpose of Reserve Funds	
Reserve Type	Definition
1. Accumulated Funds	Funds required for the operating and capital requirements of Council.
2. Infrastructure asset depreciation reserve	A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.
3. Wairoa rivers & streams reserve	A reserve established to fund flood mitigation and recovery work within the Wairoa District.
4. Special scheme reserves	Reserves established for each scheme to account for rating balances that arise each year as a consequence of the actual income and expenditure incurred in any one year. Includes flood and drainage, biosecurity, transport, emergency management and healthy homes.
5. Port dividend equalisation reserve	A reserve established to smooth out the dividend receipts from the Port so that fluctuations in Council's general funding rates are minimised.
6. Coastal marine area reserve	A reserve established to meet the statutory requirements on the use of rental income earned on Council's endowment leasehold land.
7. Asset replacement reserve	A reserve established to fund the replacement of operating property, plant and equipment, which are not scheme based.
8. Regional disaster damage reserve	A reserve established to meet the commercial insurance excess of \$600,000 on each event, the uninsured 60% of edge protection damage and the costs of managing the response and recovery for a disaster event.
9. Scheme disaster damage reserve	Reserves established to meet each scheme's share of Local Authority Protection Programme (LAPP) insurance excess and other costs to restore scheme assets that are not recoverable from other sources.
10. Clive river dredging reserve	A reserve established to meet the expenditure of dredging requirements on the Clive River.
11. Tangoio soil conservation reserve	A reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve as this reserve is managed and overseen by Council on behalf of the Crown.
12. Catchment Fund	A reserve established for the Maungaharuru - Tangitu catchment fund. This is funded from a yearly contribution from the Tangoio soil conservation reserve.
13. Sale of land investment reserve	A reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with Council's policy on "Evaluation of Investment Opportunities" approved on 30 April 2008.
15. Rabbit reserve	A reserve established to fund costs expected to be incurred with growing rabbit populations. The reserve is limited to a maximum balance of \$100,000.
16. Ngati Pahauwera reserve	A reserve established to ring-fence funding for Ngati Pahauwera Rivers Initiatives. For the clean up of the Mohaka, Waikari and Waihua Rivers and their catchments.
17. Fair value reserves	A reserve required by generally accepted accounting practice to account for movements in the value of assets subject to regular fair value assessments.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 141

Financial Reporting Benchmarks

LTP Disclosure Statement for period commencing 1 July 2018

What is the purpose of this statement?

The purpose of this statement is to disclose the council’s planned financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The council is required to include this statement in its long-term plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

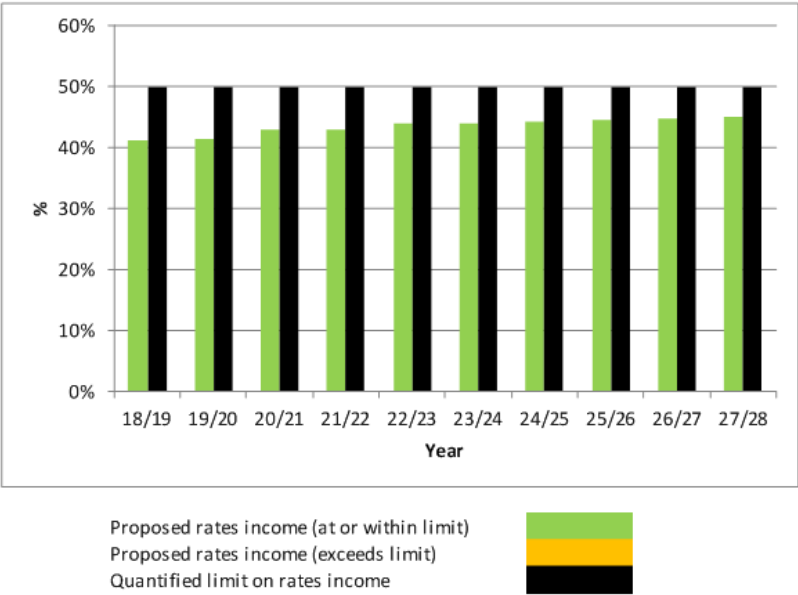
Rates Affordability Benchmark

The council meets the rates affordability benchmark if –

- its planned rates income equals or is less than each quantified limit on rates; and
- its planned rates increases equal or are less than each quantified limit on rates increases.

Rates Income Affordability

The following graph compares the council’s planned rates with a quantified limit on rates contained in the financial strategy included in the long-term plan. The quantified limit is that total rates revenue will not exceed 50% of HBRCs annual revenue requirements. The graph uses percentage as unit of measurement.

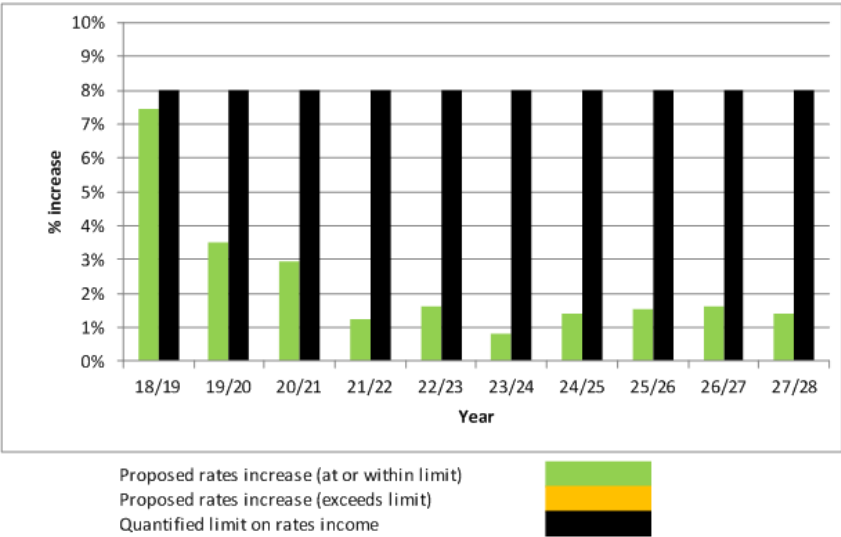


Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 142

Rates Increases Affordability

The following graph compares the council’s planned rates increases with a quantified limit on rates increases contained in the financial strategy included in the long-term plan. The quantified limit is that increase in the annual rate revenue requirement will not exceed 8% of HBRCs annual operating expenditure requirements. The graph uses percentage as unit of measurement.



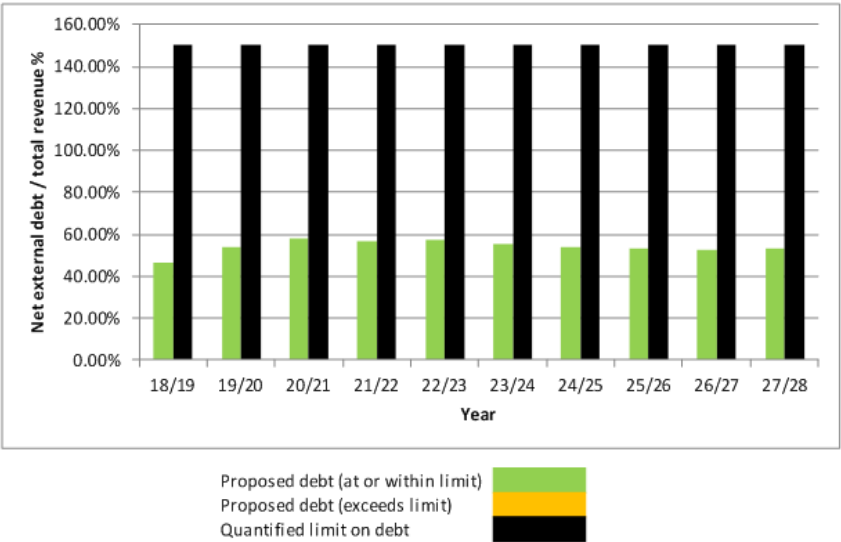
Debt Affordability

The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit of borrowing.

The financial strategy included in Council’s long term plan sets out two quantified limits on borrowing as below:

- Net external debt as a percentage of total revenue must be less than 150%.
- Net interest on external debt as a percentage of annual rates income must be less than 20%.

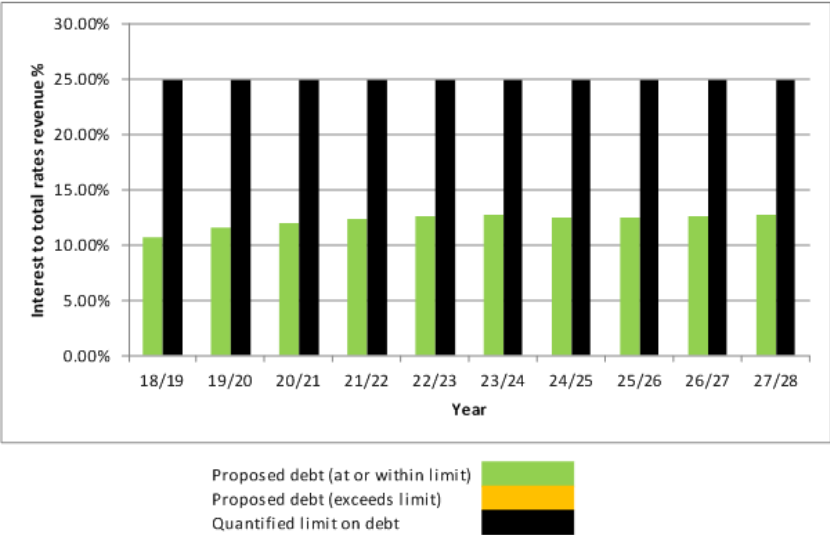
Borrowing Limit debt to total revenue ratio



Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 143

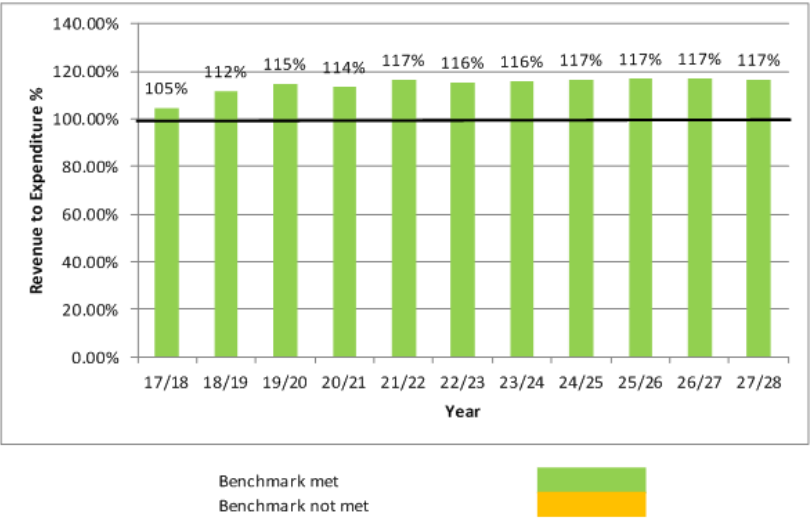
Borrowing Limit interest to annual rates income ratio



Balanced Budget

The following graph displays the council’s planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



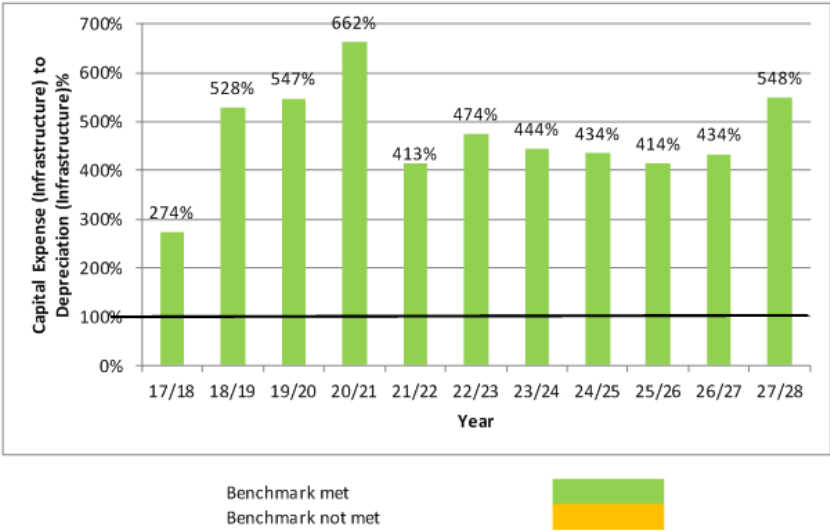
Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 144

Essential Services

The following graph displays the council’s planned capital expenditure on network services as a proportion of expected depreciation on network services.

The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services - (NB: Council has only one network service and that covers the flood and drainage schemes).

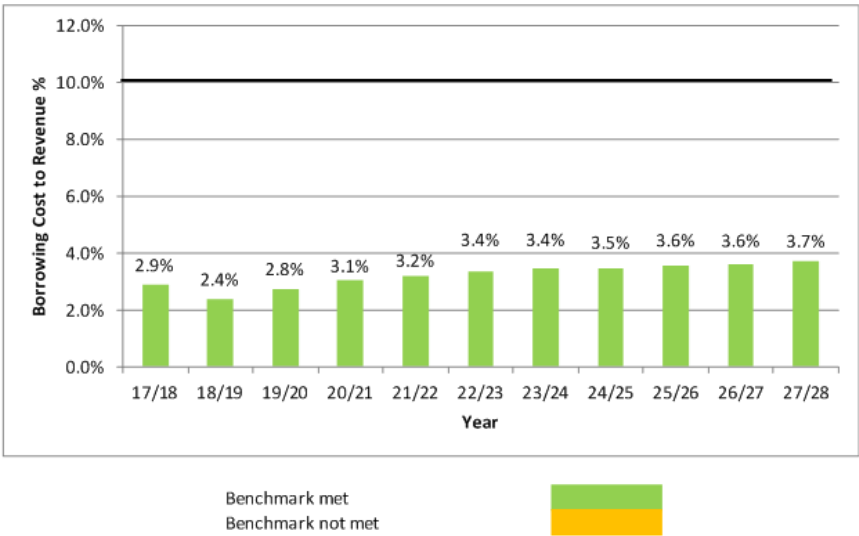


Capital expenditure on flood protection and control works are funded by a combination of depreciation, reserve funding and borrowing for new assets. Not all infrastructure assets are depreciated as items such as stop banks do not drop in value.

Debt Servicing

The following graph displays the council’s planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment).

Because Statistics New Zealand projects the council’s population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs are equal or less than 10% of its planned revenue.



Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 145

Rates Comparisons

Comparison of Rates on Specific Commercial Properties													
Description of rates	Rating Basis	Napier Hotel		Napier Retail		Hastings Office		Hastings Retail		Waipukurau Office		Wairoa Retail	
		2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Details for Comparison													
Capital Value (\$)	CV	3,100,000	3,300,000	1,710,000	2,060,000	5,650,000	5,650,000	350,000	350,000	195,000	195,000	235,000	235,000
Land Value (\$)	LV	860,000	1,200,000	530,000	530,000	1,390,000	1,390,000	73,000	73,000	40,000	40,000	45,000	45,000
Area (Hectares)	Area	0.4011	0.4011	0.0401	0.0401	0.322	0.322	0.0398	0.0398	0.0717	0.0717	0.2022	0.2022
General Rate	LV	102	276	62.86	121.9	151.51	354.45	7.96	18.62	4.46	11.65	5.45	13.06
Uniform Annual General Charge	Fixed	41.74	42.64	83.48	85.28	41.74	42.64	41.74	42.64	41.74	42.64	41.74	42.64
General Funded Rates		143.74	318.64	146.34	207.18	193.25	397.09	49.7	61.26	46.2	54.29	47.19	55.7
HPFCS Hastings Direct	CV	382.54	293.04			574.04	576.87	35.56	35.74				
HPFCS Hastings Indirect	CV	92.69	71.61	51.13	44.7	138.99	140.69	8.61	8.72				
Karamu & Tributaries Dge D2	LV					498.59	505.82	26.19	26.56				
Subsidised Transport	LV	214.91	234	132.45	103.35	319.14	300.52	16.76	15.78				
Central Rivers & Streams	CV	29.14	22.11	16.07	13.8	43.51	43.51	2.7	2.7	1.6	1.68		
Sustainable Homes	LV	69.66	75.72	42.93	33.44	103.56	97.16	5.44	5.1				
Economic Development	CV	704.01	731.28	388.34	456.5	1055.42	1440.19	29.06	16.41	38.55	55.26	75.55	116.56
Meeanee Napier Puketapu Dge D1	LV	261.35	256.92										
UTTFCS Class U4	LV									2.55	2.46		
Wairoa River & Streams Scheme	CV											25.43	26.09
Coastal Hazards	Fixed		3.24		6.48		3.24		3.24				
CDEM Emergency Mgmt	Fixed	17.29	34.33	34.58	68.66	17.29	34.33	17.29	34.33	17.29	34.33	17.29	34.33
Targeted Rates (\$)		1771.59	1722.25	665.5	726.93	2750.54	3142.33	141.61	148.58	59.99	93.73	118.27	176.98
Total Rates (\$)		1915.33	2040.89	811.84	934.11	2943.79	3539.42	191.31	209.84	106.19	148.02	165.46	232.68
Dollar Increase			125.56		122.27		595.63		18.53		41.83		67.22
Percentage Increase ²			6.56%		15.06%		20.23%		9.69%		39.39%		40.63%

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 146

Comparison of Rates on Specific Urban Properties									
Description of rates	Rating Basis	Napier Hill		Napier South		Flaxmere		Havelock North	
		2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Details for comparison									
Capital Value (\$)	CV	760,000	1,010,000	245,000	375,000	190,000	190,000	750,000	750,000
Land Value (\$)	LV	340,000	375,000	155,000	225,000	58,000	58,000	320,000	320,000
Area (Hectares)	Area	0.076	0.076	0.065	0.065	0.0607	0.0607	0.0777	0.0777
General Rate	LV	40.32	86.25	18.38	51.75	6.32	14.79	34.88	81.6
Uniform Annual General Charge	Fixed	41.74	42.64	41.74	42.64	41.74	42.64	41.74	42.64
General Funded Rates (\$)		82.06	128.89	60.12	94.39	48.06	57.43	76.62	124.24
HPFCS	CV			30.23	33.3	19.3	19.4		
HPFCS	CV	22.72	21.92	7.33	8.14	4.67	4.73	18.45	18.68
HPFCS Drainage	LV			47.1	48.17	20.8	21.11		
Subsidised Transport	LV	84.97	73.13	38.73	43.88	13.32	12.54	73.47	69.18
Central/Sthn Rivers/Streams	CV	7.14	6.77	2.3	2.51	1.46	1.46	5.78	5.78
Karamu Dge Havelock D2H	Fixed							11.68	12.08
Karamu Enhance Havelock D2H	Fixed							10.92	11.29
Coastal Hazards	Fixed		3.24		3.24		3.24		3.24
Sustainable Homes	LV	27.54	23.66	12.56	14.2	4.32	4.05	23.84	22.37
Economic Development	Fixed	29.06	16.41	29.06	16.41	29.06	16.41	29.06	16.41
CDEM Emergency Management	Fixed	17.29	34.33	17.29	34.33	17.29	34.33	17.29	34.33
Targeted Rates (\$)		188.72	179.46	184.6	204.18	110.22	117.27	190.49	193.36
Total Rates (\$)		270.78	308.35	244.72	298.57	158.28	174.7	267.11	317.6
Dollar Increase			37.57		53.85		16.42		50.49
Percentage Increase ¹			13.87%		22.00%		10.37%		18.90%

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 147

Comparison of Rates on Specific Urban Properties									
Description of rates	Rating Basis	Taradale		Hastings		Wairoa		Central HB	
		2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Details for comparison									
Capital Value (\$)	CV	430,000	580,000	430,000	430,000	230,000	230,000	293,000	293,000
Land Value (\$)	LV	230,000	330,000	200,000	200,000	54,000	54,000	113,000	113,000
Area (Hectares)	Area	0.1105	0.1105	0.1012	0.1012	0.1213	0.1213	0.1407	0.1407
General Rate	LV	27.28	75.9	21.8	51	6.54	15.67	12.6	32.92
Uniform Annual General Charge	Fixed	41.74	42.64	41.74	42.64	41.74	42.64	41.74	42.64
General Funded Rates (\$)		69.02	118.54	63.54	93.64	48.28	58.31	54.34	75.56
HPFCS Direct	CV	53.06	51.5	43.69	43.9				
HPFCS Indirect	CV	12.86	12.59	10.58	10.71				
HPFCS Drainage	LV	69.9	70.65						
Subsidised Transport	LV	57.48	64.35	45.92	43.24				
Central/Sthn Rivers/Streams	CV	4.04	3.89	3.31	3.31			2.4	2.52
Wairoa River & Streams Scheme	CV					24.89	25.53		
U.T.T.F.C.S.	LV			71.74	72.78			7.2	6.94
Sustainable Homes	LV	18.63	20.82	14.9	13.98				
Coastal Hazards	Fixed		3.24		3.24				
Economic Development	Fixed	29.06	16.41	29.06	16.41	23.84	16.41	29.06	16.41
CDEM Emergency Management	Fixed	17.29	34.33	17.29	34.33	17.29	34.33	17.29	34.33
Targeted Rates (\$)		262.32	277.78	236.49	241.9	66.02	76.27	55.95	60.2
Total Rates (\$)		331.34	396.32	300.03	335.54	114.3	134.58	110.29	135.76
Dollar Increase			64.98		35.51		20.28		25.47
Percentage Increase ¹			19.61%		11.84%		17.74%		23.09%

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 148

Comparison of Rural Rates in three Districts													
Description of rates	Rating Basis	Hastings		Hastings		Central HB		Central HB		Wairoa		Wairoa	
		2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Details for Comparison													
Capital Value (\$)	CV	2,970,000	2,970,000	4,070,000	4,070,000	2,020,000	2,020,000	7,800,000	7,800,000	4,170,000	4,170,000	1,001,000	1,001,000
Land Value (\$)	LV	2,310,000	2,310,000	3,350.00	3,350,000	1,510,000	1,510,000	6,700,000	6,700,000	3,650,000	3,650,000	910,000	910,000
Area (Hectares)	Area	346.0189	346.0189	610.8591	610.8591	282.9764	282.9764	437.9615	437.9615	1293.4496	1293.4496	598	598
General Rate	LV	251.79	589.05	365.15	854.25	168.37	439.86	747.05	1951.71	442.02	1059.23	110.2	264.08
Uniform Annual General Rate	Fixed	41.74	42.64	41.74	42.64	41.74	42.64	41.74	42.64	41.74	42.64	41.74	42.64
General Funded Rates		293.53	631.69	406.89	896.89	210.11	482.5	788.79	1994.35	483.76	1101.87	151.94	306.72
HPFCS Hastings Indirect	CV	73.06	73.95	100.12	101.34								
Central/Sthn Rivers/ Streams	CV	22.87	22.87	31.34	31.34	16.56	17.37	63.96	67.08				
Plant Pest Strategy	Area	169.24	192.07	298.78	339.08	138.41	157.08	214.21	243.11	632.64	717.98	292.49	331.94
Animal Pest Strategy	Area	581.7	607.7	1026.93	1072.83	475.72	496.98	736.27	769.18	2174.46	2271.64	336.4	353.39
Sustainable Land Management	Area	287.33	299.39	507.25	528.54	234.98	244.84	363.68	378.94	1074.07	1119.15	496.57	517.42
Porangahau Flood Control	LV					191.02	190.71						
Wairoa River & Streams Scheme	CV									451.19	479.52	108.31	111.11
Coastal Hazards	Fixed		3.24		3.24								
U.T.T.F.C.S	LV							426.79	424.11				
Economic Development	Fixed	29.06	16.41	29.06	16.41	29.06	16.41	29.06	16.41	23.84	16.41	23.84	16.41
CDEM Emergency Management	Fixed	17.29	34.33	17.29	34.33	17.29	34.33	17.29	34.33	17.29	34.33	17.29	34.33
Targeted Rates (\$)		1180.55	1249.96	2010.77	2127.11	1103.04	1157.72	1851.26	1933.16	4373.49	4639.03	1274.9	1364.6
Total Rates (\$)		1474.08	1881.65	2417.66	3024	1313.15	1640.22	2640.05	3927.51	4857.25	5740.9	1426.84	1671.32
Dollar Increase			407.57		606.34		327.07		1287.46		883.65		244.48
Percentage Increase			27.65%		25.08%		24.91%		48.77%		18.19%		17.13%

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 149

HBRC’s Funding Impact Statement

Introduction

This Funding Impact Statement sets out the impact that the Hawke’s Bay Regional Council’s (HBRC) Revenue and Financing Policy has on ratepayers.

The Revenue and Financing Policy clearly identifies beneficiaries of HBRC activities paying for the cost of those activities by targeted rates or direct charges, whichever is the most efficient administratively.

Public benefit is funded through a combination of investment income and general rates. Private benefit is funded through targeted rates and/or direct charges.

At various points of the Funding Impact Statement, a level of rates or charges is specified.

All the rates and levels of rates included in this Funding Impact Statement are GST inclusive.

Due dates for payment of rates

The rates for the 2018/19 financial year are due and payable on 1 October 2018. Pursuant to Section 57 of the Local Government (Rating) Act 2002, a penalty charge of 10% will be imposed on any outstanding current rates as at 1 February 2019. A further 10% will be charged on total rates, including penalties outstanding on 1 July 2019.

Sources of funding for the 10 year period

Funding is to remain the same over the 10 years of the LTP with the exception of the new targeted differential rates for financial assistance for Farm Plans and Afforestation and Riparian planting which are effective from 1 July 2019.

Definition of ‘Separately used or inhabited part of a rating unit’ (SUIP)

When a fixed amount is set for each property, whether it be a Uniform Annual General Charge (UAGC) for general funding rates or a Uniform Targeted Rate (UTR) for Targeted Rates, then a fixed amount is charged for each separately used or inhabited

part of a rating unit, this includes any portion inhabited or used by [the owner/a person other than the owner], and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.

This definition includes separately used parts, whether or not actually occupied at any particular time, which are used by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner. For the purpose of this definition, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as ‘used’.

For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part. Therefore, units in a rest home, retail shops in a shopping complex, and additional farm houses are charged with separate UAGCs or UTRs.

Where two or more rating units are contiguously joined, owned by the same ratepayer and used for the same purpose, or a farm property with separately titled paddocks, then only one UAGC or UTR will be payable. The only exception is for the UTR covering the economic development rate which is set on each rateable property. HBRC’s intention is that this mix of rating bases better reflects the benefits delivered to the general community while addressing some of the rate level volatility experienced by those ratepayers in the community whose land values have increased by more than the average.

HBRC directly collects rates for all rating units contained within its boundaries and where specific rates are set across District/City boundaries on a value basis, then the rates are set on Estimate of Projected Valuation (equalisation) which recognises annual movement of values across the region for each territorial authority.

Section 21 of the Local Government (Rating) Act 2002 (LGRA) requires that Uniform Annual General Charges and targeted rates set on a uniform basis are not to exceed 30% of the total revenue from all rates sought by Hawke’s Bay Regional Council for the budgeted year. The rates making up this category amount to 27.91% of Council’s total rates in 2018-19 and are therefore within the limits prescribed by the Act. All years of the 10 Year Plan are within the prescribed limit set down by the Act.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 150

Inspection and objection to HBRC's Rating Information Database

The Rating Information Database (RID) is available for inspection at HBRC offices at 159 Dalton Street Napier and on Council’s website www.hbrc.govt.nz. Ratepayers have the right to inspect the RID records and can object to their rating liability on the grounds set out in the Local Government (Rating) Act 2002.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 151

Explanation of Rating Method

Types of Rates	Activities Funded		
General Rates	-Consents and Compliance -Integrated Catchment Management -Governance and Partnerships	All Rateable Rating Units within the Region	Land Value using Section 131 of the LGRA
Uniform Annual General Charges	-Consents and Compliance -Integrated Catchment Management -Governance and Partnerships	All Rateable Rating Units within the Region	Fixed Amount (Refer Note 1) Section 15 (1)
Targeted Rates		Types of Land to be Rated (Local Government (Rating) Act, Schedule 2)	Basis of Rating (Local Govt (Rating) Act, Schedule 3)
Subsidised Public Transport	Passenger Transport	Those Rating Units within the urban areas of Napier, Hastings & Havelock North including Clive Township but excluding Bay View. Clive Township is capped at \$200,000 LV	Land Value
Heretaunga Plains Control Scheme - Rivers	Catchment Works -Direct Benefit F1 -Indirect Benefit F2	-Rating Units receiving direct benefit within Napier City and Hastings District from flood control measures. -All Rating Units within Napier City and Hastings District	Equalised Capital Value
Heretaunga Plains Flood Control Scheme – Drains	Catchment Works -Direct Benefit	-Rating units receiving direct benefit within one of 9 individual drainage catchment areas. -For all rating units within the 9 drainage catchment areas a differential of 4 times for properties with an industrial land use. -Raupare enhancement agreement and Karamu enhancement	Land Value/Area/
Upper Tukituki Catchment Control	Catchment Works	All rating units within the Central Hawke's Bay District and all rating units on the southern boundary of Hastings District Council on a differential basis based on the provision of service provided.	Differential Land Value
Central & Southern Rivers & Streams	Catchment Works	All Rating Units in the region excluding Wairoa District.	Equalised Capital Value
Wairoa River & Stream	Catchment Works	All Rating Units in the Wairoa District.	Capital Value
Various Stream & Drainage Schemes	Catchment Works	Location and use of properties with a services of stream and drainage works are provided	Differential Land Value Area of land within a rating unit. Fixed amount per rating unit

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 152

Types of Rates	Activities Funded	Types of Land to be Rated (Local Government (Rating) Act, Schedule 2)	Basis of Rating (Local Govt (Rating) Act, Schedule 3)
Targeted Rates			
Animal and Plant Pest Control	Biosecurity Regional Animal Pest Management Strategy	All rateable rural land containing 4.0469 hectares in the region excluding Rating Units greater than 200 hectares where the land is used for productive purposes. (Council has defined land that is covered in more than 90% in indigenous vegetation as not productive). Rating factors are divided into Northern (N) and Southern (S) areas with the Ngaruroro River being the divide. Taupo, Napier and Wairoa are Northern, Central Hawkes Bay and Rangitikei are Southern. Hastings area is included in both Northern and Southern. Land that is used for forestry and have a land area between 40 and 4000 hectares will be levied a differential rate. Council has defined land that is covered in more than 75% in production forestry as being used for forestry purposes.	Area/Use
Sustainable Land Management	Land Management and Monitoring	All productive rateable rural land containing 4.0469 hectares in the region. Council has defined properties titles subject to QE11 Open Space Covenants are not productive.	Area/Use
Plant Pest Strategy	Regional Plant Pest Management Strategy	All rateable rural land containing 4.0469 hectares in the region excluding Rating Units greater than 200 hectares and where the land is used for productive purposes. Council has defined land covered in more than 90% indigenous vegetation is not productive.	Area/Use
Sustainable Homes	Management of the scheme to encourage the replacement of open fire or wood burners with more efficient form of heating and where necessary the installation of insulation.	All Rating Units in Napier and Hastings within the affected airshed and insulation for the region.	Land Value
Sustainable Homes-Financial Assurances	Repayment of financial assistance to ratepayers to insulate homes, replace open fires or non-compliant wood-burners, solar heating, PhotoVoltaic cells, domestic water storage, double glazing and septic tank replacement.	Those ratepayers who have opted for financial assistance to be repaid over 10 years with interest as a fixed amount through a Targeted Differential rate.	Extent of provision of any service to the rating unit

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 153

Types of Rates	Activities Funded	Types of Land to be Rated (Local Government (Rating) Act, Schedule 2)	Basis of Rating (Local Govt (Rating) Act, Schedule 3)
Targeted Rates			
Farm Plans – Financial Assistance	Repayment of financial assistance to ratepayers to fund the completion of Farm Plans. Note: This rate will be effective from 1 July 2019.	Those ratepayers who have opted for financial assistance to be repaid over 3 years interest free as a fixed amount through a Targeted Differential rate.	Extent of provision of any service to the rating unit
Afforestation and Riparian – Financial Assistance	Repayment of financial assistance to ratepayers to fund riparian fencing, planting and maintenance of planted areas for highly –erodible land unsuitable for commercial forestry. Note: This rate will be effective from 1 July 2019.	Those ratepayers who have opted for financial assistance to be repaid over 10 years with interest as a fixed amount through a Targeted Differential rate.	Extent of provision of any service to the rating unit
Coastal Hazard	To fund development of Stage 4 of the Clifton to Tangoio Coastal Hazards Strategy	All rateable units within Napier and Hastings	UTR (Refer Note 2)
Economic Development Rate	To fund economic and tourism development in the Hawke's Bay Region	Commercial/Industrial Rating Units based on the Capital Value. Residential and rural Rating Units based on a Differential. Wairoa is capped at 5% of total yeild	Differential Capital Value Differential Fixed Rate by location (Refer to Note 2)
Emergency Management	Funding of the Hawke's Bay Civil Defence Emergency Management (CDEM) Group Office to manage the provision of effective CDEM consistent with the CDEM Act 2002	All Rating Units in the region with the exception of Rangitikei and Taupo districts	UAGC (Refer to Note 1)

Note 1: A Uniform Annual General Charge (UAGC) or Uniform Targeted Rate (UTR) is set on each separately used or inhabited part of a rating unit, this includes any portion inhabited or used by [the owner/a person other than the owner], and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence or other agreement. This definition includes separately used parts, whether or not actually occupied at any particular time, which are used by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner.

Note 2: A Uniform Targeted Rate (UTR) on each rateable property.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 154

Details of Rates Calculated within each District and City

General and Uniform Annual General Rates							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated Amount of \$100,000 applicable LV or CV, fixed amount or specified area basis per property	2017-18 Rate
General Rate							
	Napier City	Land Value		0.02300	\$1,452,396	\$23.00	\$546,605
	Hastings District	Land Value		0.02550	\$2,395,170	\$25.50	\$1,013,863
	Wairoa District	Land Value		0.02902	\$306,011	\$29.02	\$127,436
	Central H B District	Land Value		0.02913	\$770,264	\$29.13	\$292,752
	Taupo District	Land Value		0.02435	\$14,461	\$24.35	\$6,528
	Rangitikei District	Land Value		00.0383	\$10,804	\$38.30	\$4,931
	Estimate of Projected Valuation			0.02283	\$4,949,106		\$1,992,115
Uniform Annual General Charge							
			No. of SUIPs				
	Napier City	UAGC	26,970	42.64	\$1,150,001	\$42.64	\$1,118,674
	Hastings District	UAGC	32,840	42.64	\$1,400,298	\$42.64	\$1,355,047
	Wairoa District	UAGC	6,408	42.64	\$273,237	\$42.64	\$213,458
	Central H B District	UAGC	5,147	42.64	\$219,468	\$42.64	\$264,172
	Taupo District	UAGC	36	42.64	\$1,535	\$42.64	\$1,294
	Rangitikei District	UAGC	6	42.64	\$256	\$42.64	\$250
	TOTAL		71,407		\$3,044,794		\$2,952,895

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 155

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated Amount of \$100,000 applicable LV or CV, fixed amount or specified area basis per property	2017-18 Rate
SUBSIDISED PUBLIC TRANSPORT							
	Napier City	Land Value		0.01950	\$1,074,400	\$19.50	\$1,012,282
	Hastings District	Land Value		0.02162	\$768,915	\$21.62	\$811,214
	Clive	Land Value		0.02162	\$20,022	\$21.62	\$21,392
	Estimate of Projected Valuation			0.01936	\$1,863,337		\$1,844,888
RIVER CONTROL							
Heretaunga Plains Flood Control Scheme – Appendix 1							
	Napier City	Capital Value	Direct	0.00888	\$837,021	\$8.88	\$827,779
	Napier City	Capital Value	Indirect	0.00217	\$301,426	\$2.17	\$301,318
	Hastings District	Capital Value	Direct	0.01021	\$949,323	\$10.21	\$923,540
	Hastings District	Capital Value	Indirect	0.00249	\$464,150	\$2.49	\$449,247
	TOTAL				\$2,551,920		\$2,501,884
Upper Tukituki Catchment Control Scheme – Appendix 1							
	Central H B District	Land Value	A 100	0.61380	\$144,087	\$613.80	\$149,456
	Central H B District	Land Value	B 75	0.46035	\$206,659	\$460.35	\$214,178
	Central H B District	Land Value	C 50	0.30690	\$97,964	\$306.90	\$101,615
	Central H B District	Land Value	D 25	0.15345	\$129,891	\$153.45	\$134,659
	Central H B District	Land Value	E 10	0.06244	\$77,256	\$62.44	\$79,234
	Central H B District	Land Value	F 1	0.00633	\$94,329	\$6.33	\$97,298
	Central H B District	Land Value	U1 25	0.15345	\$34,774	\$153.45	\$36,056
	Central H B District	Land Value	U2 15	0.09207	\$5,126	\$92.07	\$5,316
	Central H B District	Land Value	U3 10	0.06138	\$12,894	\$61.38	\$13,374
	Central H B District	Land Value	U4 1	0.00614	\$7,128	\$6.14	\$7,375
	Hastings District	Land Value	E 10	0.04811	\$1,192	\$48.11	\$1,528
	Hastings District	Land Value	F 1	0.00481	\$2,585	\$4.81	\$3,299
	TOTAL				\$813,885		\$843,388

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 156

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated Amount of \$100,000 applicable LV or CV, fixed amount or specified area basis per property	2017-18 Rate
RIVER CONTROL							
Wairoa River & Streams							
	Wairoa District	Capital Value		0.01110	\$191,250	\$11.10	\$185,679
	TOTAL				\$191,250		\$185,679
Central & Southern Area Rivers & Streams							
	Napier City	Capital Value		0.00067	\$93,836	\$0.67	\$94,021
	Hastings District	Capital Value		0.00077	\$143,300	\$0.77	\$139,948
	Central H B District	Capital Value		0.00086	\$35,800	\$0.86	\$33,525
	Taupo District	Capital Value		0.00071	\$589	\$0.71	\$629
	Rangitikei District	Capital Value		0.00100	\$357	\$1.00	\$389
	TOTAL				\$273,882		\$268,512
STREAMS AND DRAINS – Appendix 1							
Napier, Meeanee & Puketapu							
	Napier City	Land Value	Urban (D1)	0.02141	\$838,043	\$21.41	\$829,069
	Napier City	Land Value	Industrial (DI1)	0.08564	\$191,075	\$85.64	\$196,802
	Hastings District	Land Value	Rural (D1)	0.02373	\$24,199	\$23.73	\$15,913
	TOTAL				\$1,053,317		\$1,041,784
Karamu & Tributaries							
	Hastings District	Land Value	Urban (D2)	0.03639	\$994,462	\$36.39	\$978,993
	Hastings District	Land Value	Industrial (DI2)	0.14555	\$325,751	\$145.55	\$319,204
	TOTAL				\$1,320,213		\$1,298,197

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 157

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated Amount of \$100,000 applicable LV or CV, fixed amount or specified area basis per property	2017-18 Rate
STREAMS AND DRAINS – Appendix 1							
- Raupare Enhancement	Hastings District	Area	1101 hectares (DA3)	12.65	\$13,877	\$12.65	\$13,877
- Raupare Twyford	Hastings District	Land Value	Rural (D3)	0.04992	\$162,344	\$49.92	\$159,161
- Haumoana/Te Awanga	Hastings District	Land Value	Rural (D4)	0.10894	\$154,063	\$108.94	\$151,042
- Tutaekuri, Waimate & Moteo	Hastings District	Land Value	Rural (D5)	0.15341	\$250,743	\$153.41	\$245,826
- Pakowhai Brookfields	Hastings District	Land Value	Rural (D6)	0.16029	\$147,550	\$160.29	\$144,656
- Puninga	Hastings District	Land Value	Rural (D9)	0.19165	\$80,923	\$191.65	\$79,336
- Brookfields Awatoto	Napier City	Land Value	Urban (D7)	0.15492	\$113,979	\$154.92	\$100,973
	Napier City	Land Value	Industrial (DI7)	0.61967	\$56,328	\$619.67	\$55,848
	TOTAL				\$979,807		\$950,719
- Clive Muddy Creek	Hastings District	Land Value	Urban (D8)	0.09359	\$225,774	\$93.59	\$219,168
	Hastings District	Land Value	Industrial (DI8)	0.37437	\$42,472	\$374.37	\$36,175
	TOTAL				\$268,246		\$255,343
No. of SUIPs							
- Karamu Drainage Maintenance	Hastings District	UTR	5,912	12.08	\$71,427	\$12.08	\$68,026
- Karamu Enhancement	Hastings District	UTR	5,912	11.29	\$66,774	\$11.29	\$63,594
- Poukawa Drainage Special Rating Scheme	Hastings District	Land Value	A	0.44947	\$35,673	\$449.46	\$35,673
	Hastings District	Land Value	B	0.07490	\$1,702	\$74.91	\$1,702
	Hastings District	Land Value	C	0.01499	\$725	\$14.98	\$725
	TOTAL				\$38,100		\$38,100
- Porangahau Flood Control	Central HB District	Land Value		0.01263	\$41,602	\$12.63	\$41,602
- Maraetotara Flood Maintenance	Hastings District	Capital Value		0.00936	\$12,774	\$9.36	\$12,524
- Kairakau Community Scheme	Central HB District	UTR	83	123.84	\$10,279	\$123.84	\$10,279

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 158

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated amount per hectare	2017-18 Rate
DRAINAGE SCHEMES – Appendix 1							
Paeroa Drainage Scheme Special Rating Area			Cents per hectare				
	Wairoa District	Area Basis	A	7079.3147	\$13,483	\$70.79	\$13,519
	Wairoa District	Area Basis	B	4601.5546	\$5,718	\$46.01	\$5,667
	Wairoa District	Area Basis	C	3185.6916	\$1,760	\$31.85	\$1,744
	Wairoa District	Area Basis	D	2477.7601	\$1,238	\$24.77	\$1,227
	Wairoa District	Area Basis	E	353.9657	\$703	\$3.53	\$746
	TOTAL				\$22,902		\$22,903
Ohuia Whakaki Drainage Rating Scheme			Cents per hectare				
	Wairoa District	Area Basis	A	14443.21	\$42,788	\$144.43	\$41,949
	Wairoa District	Area Basis	B	11554.57	\$9,984	\$115.54	\$9,788
	Wairoa District	Area Basis	C	8665.93	\$6,097	\$86.65	\$5,977
	Wairoa District	Area Basis	D	4332.96	\$15,317	\$43.32	\$15,017
	Wairoa District	Area Basis	E	1444.32	\$3,349	\$14.44	\$3,284
	TOTAL				\$77,535		\$76,015
Upper Makara Stream Catchment Special Rating Scheme			Cents per hectare				
	Central HB District	Area Basis	A	14633.14073	\$7,932	\$146.33	\$8,315
	Central HB District	Area Basis	B	11706.51259	\$22,223	\$117.06	\$23,295
	Central HB District	Area Basis	C	9511.54148	\$33,689	\$95.11	\$35,315
	Central HB District	Area Basis	D	5121.59926	\$6,755	\$51.21	\$7,083
	Central HB District	Area Basis	E	73165704	\$16,884	\$7.31	\$17,698
	Central HB District	Area Basis	F	292.66281	\$13,303	\$2.92	\$13,949
	TOTAL				\$100,786		\$105,655

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 159

Item 7

Attachment 1

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated amount per hectare	2017-18 Rate
DRAINAGE SCHEMES – Appendix 1							
Esk River & Whirinaki Stream Maintenance Scheme				Cents per hectare			
	Hastings District	Area Basis	E1	1865.54775	\$4,310	\$18.65	\$4,226
	Hastings District	Area Basis	E2	1223.20816	\$1,784	\$12.23	\$1,749
	Hastings District	Area Basis	R11	1925.1943	\$594	\$19.25	\$583
	Hastings District	Area Basis	R12	7982.25831	\$372	\$79.82	\$364
	Hastings District	Area Basis	R13	25807.6389	\$372	\$258.07	\$364
	TOTAL				\$7,432		\$7,286
	Hastings District	Area Basis	W1	20124.5142	\$6,215	\$201.24	\$6,093
	Hastings District	Area Basis	W2	11066.0051	\$515	\$110.66	\$515
	Hastings District	Area Basis	W3	35777.7777	\$515	\$357.77	\$515
	Hastings District	Area Basis	W4	23769.9039	\$3,613	\$237.69	\$3,513
	Hastings District	Area Basis	W5	369.2249	\$147	\$3.69	\$147
	Hastings District	Area Basis	W6	4460.606	\$147	\$44.60	\$147
	Hastings District	Area Basis	W7	1582.7957	\$147	\$15.82	\$147
	TOTAL				\$11,299		\$11,077
Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated amount per SUIP	2017-18 Rate
DRAINAGE SCHEMES – Appendix 1							
Opoho Drainage/Stream				No. of SUIPs			
	Wairoa District	UTR	A	15047.27	\$15,047	\$15,047.27	\$14,752
	Wairoa District	UTR	B	5611.24	\$5,611	\$5,611.24	\$5,501
	Wairoa District	UTR	C	2244.48	\$2,245	\$2,244.48	\$2,200
	TOTAL				\$22,903		\$22,453

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 160

Item 7

Attachment 1

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated amount per hectare	2017-18 Rate
DRAINAGE SCHEMES – Appendix 1							
Te Ngarue Stream Flood Protection Scheme				Cents per hectare			
	Hastings District	Area Basis	TN	3172.7773	\$3,016	\$31.72	\$2,958
	Hastings District	Area Basis	TN1	19634.6382	\$166	\$196.34	\$162
	TOTAL				\$3,182		\$3,120
Kopuawhara Stream Flood Control Maintenance Scheme				Cents per hectare			
	Wairoa District	Area Basis	K1	16844.7977	\$2,058	\$168.44	\$1,998
	Wairoa District	Area Basis	K2	6737.9191	\$4,174	\$67.37	\$4,053
	Wairoa District	Area Basis	K3	3368.9595	\$2,441	\$33.68	\$2,370
	Wairoa District	Area Basis	K4	842.2398	\$847	\$8.42	\$822
	TOTAL				\$9,520		\$9,243
Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated amount per SUIP	2017-18 Rate
Coastal Hazards				No. of SUIPs			
	Napier City	UTR	26970	3.24033	87,392	3.24	0
	Hastings District	UTR	32840	3.24033	106,412	3.24	0
	TOTAL				\$193,804		

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 161

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated Amount 4.0468 hectare (10acre) property	2017-18 Rate
BIOSECURITY							
Plant Pest Strategy		Cents per hectare					
	Napier City (N)	Area/Use	4,240	55.5087	\$2,354	\$2.25	\$2,118
	Hastings District (N&S)	Area/Use	363,657	55.5087	\$201,861	\$2.25	\$177,048
	Wairoa District (N)	Area/Use	264,976	55.5087	\$147,085	\$2.25	\$129,059
	Central HB District (S)	Area/Use	301,949	55.5087	\$167,608	\$2.25	\$147,068
	Taupo District (N)	Area/Use	22,347	55.5087	\$12,405	\$2.25	\$10,856
	Rangitikei District (S)	Area/Use	24,573	55.5087	\$13,640	\$2.25	\$11,745
	TOTAL		981,742		\$544,953		\$477,894
Regional Animal Pest Management Strategy		Cents per hectare					
	Napier City (N)	Area/Use	4,240	175.6262	\$7,447	\$7.11	\$7,279
	Hastings District (N&S)	Area/Use	299,731	175.6262	\$526,406	\$7.11	\$501,037
	Wairoa District (N)	Area/Use	209,233	175.6262	\$367,468	\$7.11	\$349,882
	Central HB District (S)	Area/Use	294,644	175.6262	\$517,472	\$7.11	\$493,277
	Taupo District (N)	Area/Use	8,444	175.6262	\$14,830	\$7.11	\$13,942
	Rangitikei District (S)	Area/Use	24,573	175.6262	\$43,157	\$7.11	\$40,369
	TOTAL		840,865		\$1,476,780		\$1,405,786
Sustainable Land Management		Cents per hectare					
	Napier City	Area/Use	4,168	86.5244	\$3,606	\$3.50	\$3,552
	Hastings District	Area/Use	401,150	86.5244	\$347,093	\$3.50	\$323,005
	Wairoa District	Area/Use	278,025	86.5244	\$240,560	\$3.50	\$229,848
	Central HB District	Area/Use	299,716	86.5244	\$259,33	\$3.50	\$250,153
	Taupo District	Area/Use	35,413	86.5244	\$30,641	\$3.50	\$28,390
	Rangitikei District	Area/Use	22,256	86.5244	\$19,26	\$3.50	\$18,479
			1,040,728		\$900,484		\$853,427

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 162

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated Amount 4.0468 hectare (10acre) property	2017-18 Rate
BIOSECURITY							
Pest Control - Forestry		Cents per hectare					
	Hastings District	Area/Use	63,926	59.09451	\$37,777	\$2.39	\$35,959
	Wairoa District	Area/Use	55,743	59.09451	\$32,941	\$2.39	\$31,356
	Central HB District	Area/Use	7,306	59.09451	\$4,317	\$2.39	\$4,114
	Taupo District	Area/Use	13,904	59.09451	\$8,216	\$2.39	\$7,821
	TOTAL		140,879		\$83,251		\$79,250

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 163

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated Amount of \$100,000 applicable LV or CV, fixed amount or specified area basis per property	2017-18 Rate
SUSTAINABLE HOMES SCHEME							
– Sustainable Homes	Napier City	Land Value		0.00631	\$364,756	\$6.31	\$344,228
(Sustainable Homes Financial Assistance)	Hastings District	Land Value		0.00699	\$305,883	\$6.99	\$326,410
	TOTAL				\$670,639		\$670,638
– Rates to repay financial assistance for insulate homes, replace open fires or non-compliant wood-burners, solar heating, PhotoVoltaic cells, domestic water storage and septic tank replacement		\$10 per \$100 loan		\$10		\$10.00 per \$100 loan	
FARM PLANS							
– Rates to repay financial assistance for farm plans.		\$33.33 per \$100 loan		\$33.33		\$33.33 per \$100 loan	
RIPARIAN AND AFFORESTATION							
– Rates to repay financial assistance for fund riparian fencing, planting and maintenance of planted areas for highly –erodible land unsuitable for commercial forestry		\$10 per \$100 loan		\$10		\$10.00 per \$100 loan	

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 164

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2018-19	Estimated Amount of \$100,000 applicable LV or CV, fixed amount or specified area basis per property	2017-18 Rate
ECONOMIC DEVELOPMENT							
Residential	Napier City	UTR	24041	16.4079	\$394,464	\$16.41	\$699,037
	Hastings District	UTR	29881	16.4079	\$490,287	\$16.41	\$868,928
	Wairoa District	UTR	4876	16.4106	\$80,018	\$16.41	\$115,979
	Central HB District	UTR	6000	16.4079	\$98,448	\$16.41	\$174,483
	Taupo District	UTR	30	16.4079	\$492	\$16.41	\$697
	Rangitikei District	UTR	5	16.4079	\$82	\$16.41	\$145
	TOTAL		64833		\$1,063,792		\$1,859,269
Commercial	Napier City	Capital Value	Commercial/	0.02216	\$457,238	\$22.16	\$369,346
	Hastings District	Capital Value	Industrial	0.02549	\$544,107	\$25.49	\$385,566
	Wairoa District	Capital Value		0.0496	\$26,361	\$49.60	\$16,826
	Central HB District	Capital Value		0.02834	\$36,086	\$28.34	\$25,092
	TOTAL				\$1,063,792		\$796,830
CDEM EMERGENCY MANAGEMENT							
	Napier City	UAGC	26970	34.3292	\$925,858	\$34.32	\$463,432
	Hastings District	UAGC	32838	34.3292	\$1,127,370	\$34.32	\$561,354
	Wairoa District	UAGC	6408	34.3292	\$219,981	\$34.32	\$88,429
	Central HB District	UAGC	5147	34.3292	\$176,692	\$34.32	\$109,404
	TOTAL		71365		\$2,449,901		\$1,222,619

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 165

River Control and Drainage - Explanation of Rates (Appendix 1)

River Control and Drainage			Explanation of Rates	
Heretaunga Plains Flood Control Scheme - Rivers				
	Napier City	Capital Value	Direct	Properties receive direct benefit from reduced risk of flooding and rivers changing their course.
	Napier City	Capital Value	Indirect	Properties receive indirect benefit as a result of their proximity to area of increased economic activity, increased social/recreational/cultural infrastructure, and increased opportunity for employment, service industry and investment.
	Hastings District	Capital Value	Direct	Properties receive direct benefit from reduced risk of flooding and rivers changing their course.
	Hastings District	Capital Value	Indirect	Properties receive indirect benefit as a result of their proximity to area of increased economic activity, increased social/recreational/cultural infrastructure, and increased opportunity for employment, service industry and investment.
Heretaunga Plains Flood Control Scheme – Streams & Drains				
	Meeanee, Napier Puketapu, Oamaru, Dartmoor Drainage Areas	Land Value	D1	Rateable land situated in the Hastings District and Napier City on the left bank of the Tutaekuri River which Council considers received direct benefit of drain maintenance works within the drain catchment areas of Meeanee, Napier, Puketapu and Dartmoor but excluding the George’s Drive drainage area and the Brookfields Awatoto drainage area within Napier City, and on the right bank of the Tutaekuri River within the drain catchment area of Oamaru.
	Meeanee, Napier, Puketapu, Oamaru, Dartmoor Drainage Areas Industrial	Land Value	DI1	Rateable land within the D1 differential and being zoned for industrial purposes. The Council considers the benefit to these properties is added economic activity made possible by the drainage network and its continued maintenance.
	Karamu Stream and Tributaries	Land Value	D2	Rateable land situated in the Hastings District within the Karamu Stream catchment area which Council considers receives direct benefit of drain and stream maintenance works.
	Karamu Stream and Tributaries Industrial	Land Value	DI2	Rateable land within the D 2 differential and being zoned for industrial purposes. The Council considers the benefit to these properties is added economic activity made possible by the drainage network and its continued maintenance.
	Twyford Raupare	Land Value	D3	Rateable land situated in the Hastings District within the Twyford Raupare drainage area which Council considers receives direct benefit of drain and stream maintenance works.
	Twyford Raupare Enhancement	Area	DA3	Selected properties in the Raupare Catchment (1101 Hectares) which have agreed to contribute to the enhancement of specific streams and drains in the Raupare Catchment.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 166

River Control and Drainage			Explanation of Rates
Twyford Raupare Industrial	Land Value	DI3	Rateable land within D 3 differential and being zoned for industrial purposes. The Council considers the benefit to these properties is added economic activity made possible by the drainage network and its continued maintenance. No rates charged.
Haumoana/Te Awanga	Land Value	D4	Rateable land situated in the Hastings District within the Haumoana drainage area which Council considers receives direct benefit of drain and stream maintenance works.
Haumoana/Te Awanga Industrial	Land Value	DI4	Rateable land within the D 4 differential and being zoned for industrial purposes. The Council considers the benefit of these properties is added economic activity made possible by the drainage network and its continued maintenance. No rates charged.
Tutaekuri-Waimate & Moteo	Land Value	D5	Rateable land situated in the Hastings District within the Tutaekuri-Waimate, Moteo drainage area which Council considers receives direct benefit of drain and stream maintenance works.
Tutaekuri-Waimate Moteo Industrial	Land Value	DI5	Rateable land within the D 5 differential and being zoned for industrial purposes. The Council considers the benefit to these properties is added economic activity made possible by the drainage network and its continued maintenance. No rates charged
Pakowhai	Land Value	D6	Rateable land situated in the Hastings District within the Pakowhai, Punga drainage area which Council considers receives direct benefit of drain and stream maintenance works.
Pakowhai	Land Value	DI6	Rateable land within the D 6 differential and being zoned for industrial purposes. The Council considers the benefit to these properties is added economic activity made possible by the drainage network and its continued maintenance. No rates charged.
Brookfield Awatoto	Land Value	D7	Rateable land situated in Napier within the Brookfield Awatoto drainage area which Council considers receives direct benefit of drain and stream maintenance works.
Brookfield Awatoto Industrial	Land Value	DI7	Rateable land within the D 7 differential and being zoned for industrial purposes. The Council considers the benefit to these properties is added economic activity made possible by the drainage network and its continued maintenance.
Clive Muddy Creek	Land Value	D8	Rateable land situated in the Hastings District within the Clive Muddy Creek drainage area which Council considers receives benefit of drain and stream maintenance works.
Clive Muddy Creek	Land Value	DI8	Rateable land within the D8 differential and zoned used for industrial purposes. The Council considers the benefit to these properties is added economic activity made possible by the drainage network and its continued maintenance.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 167

River Control and Drainage			Explanation of Rates
Puninga	Land Value	D9	Rateable land situated in the Hastings District within the Puninga drainage area which Council considers receives direct benefit of drain and stream maintenance works.
Puninga	Land value	DI9	Rateable land within the D9 differential and being zoned for industrial purposes. The Council considers the benefit to these properties is added economic activity made possible by the drainage network and its continued maintenance. No rates charged.
Upper Tukituki Flood Control Scheme			
Central H B District	Land Value	A - direct	Land adjacent to stopbanked reaches of Tukituki and Waipawa rivers and receiving full and direct benefit from reduced risk of flooding and rivers changing their course as a result of stopbanks and river control works.
Central H B District	Land Value	B - direct	Land adjacent to stopbanks and receiving an intermediate level of direct benefit from reduced risk of flooding and rivers changing their course as a result of stopbanks and river control works; and land between the Waipawa, Tukituki and Tukipo Rivers which could experience floodwaters flowing in channels in the event of stopbank failure on the south banks of the Waipawa and Tukituki Rivers.
Central H B District	Land Value	C - direct	Lower land adjacent to non stopbanked reaches of the Tukituki and Waipawa Rivers and adjacent to the lower reach of the Makaretu River; and land on the Ruataniwha Plains and downstream river terraces which is considered to be high enough to be at or just above inundation levels; and an area of land protected by the upstream end of the stopbank on the north bank of the Tukipo River where only minor channel improvements are required to protect the stopbank; and land immediately adjacent to the channel in the upstream reach of the Papanui Stream recognising the benefits to be received from improvements to the Waipawa River channel.
Central H B District	Land Value	D - direct	Unprotected land adjacent to rivers and streams which require only a minor level of channel improvements; higher land which is adjacent to more highly classified land or is adjacent to the lower reaches of the main rivers. It is land which would generally not be expected to experience flooding in a major event; an area between the Makaretu and Tukipo Rivers through which overflow from the Makaretu River would be expected to flow in channels; and land adjacent to the channel in the middle reach of the Papanui Stream where the channel is not as entrenched as it is further upstream.
Central H B District	Land Value	E - direct	Land adjacent to watercourses on which a level of channel maintenance is to be pursued (e.g. lower Papanui Stream, Tukituki River downstream of Tamumu, Ongaonga Stream); and a broad strip of land adjacent to watercourses and more highly classified land which includes both flat and hill country on or adjacent to the Ruataniwha Plains.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 168

River Control and Drainage			Explanation of Rates
Central H B District	Land Value	F - Indirect	Land of the catchment which receives only indirect benefit, including eastern and southern hill country, central hills, mountain foothills and the highest parts of the Ruataniwha Plains.
Central H B District	Land Value	U1 - direct	Rateable property situated in the Upper Tukituki Catchment Control Scheme area being generally land on the Ruataniwha Plains adjacent to the presently stopbanked reaches of the Waipawa and Tukituki Rivers which Council considers receives direct benefit from a full range of flood protection measures provided by the scheme works, and generally being urban land within the townships of Waipawa and Waipukurau
Central H B District	Land Value	U2 - direct	Rateable property situated in the Upper Tukituki Catchment Control Scheme area being generally land on the Ruataniwha Plains adjacent to the presently stopbanked reaches of the Waipawa and Tukituki Rivers which Council considers receives direct benefit from a full range of flood protection measures provided by the scheme works, and generally being urban land within the townships of Waipawa and Waipukurau which is considered to be high enough to be at or just above possible inundation levels.
Central H B District	Land Value	U3 - direct	Rateable property situated in the Upper Tukituki Catchment Control Scheme area being generally land on the Ruataniwha Plains adjacent to the presently stopbanked reaches of the Waipawa and Tukituki Rivers which Council considers receives direct benefit from a full range of flood protection measures provided by the scheme works, and generally being urban land within the townships of Waipawa and Waipukurau which would generally not be expected to experience flooding in a major event.
Central H B District	Land Value	U4 - direct	Rateable property situated in the Upper Tukituki Catchment Control Scheme area being generally land on the Ruataniwha Plains adjacent to the presently stopbanked reaches of the Waipawa and Tukituki Rivers which Council considers receives direct benefit from a full range of flood protection measures provided by the scheme works, and generally being urban land within the townships of Waipawa and Waipukurau. A broad strip adjacent to watercourses and land receiving a greater degree of benefit including both flat and hill country on or adjacent to the Ruataniwha Plains where river control works reduce the risk of erosion to adjoining hills and river terraces.
Hastings District	Land Value	E - direct	Land adjacent to watercourses on which a level of channel maintenance is to be pursued (e.g. lower Papanui Stream, Tukituki River downstream of Tamumu, Ongaonga Stream); and a broad strip of land adjacent to watercourses and more highly classified land which includes both flat and hill country on or adjacent to the Ruataniwha Plains.
Hastings District	Land Value	F - indirect	Land of the catchment which receives only indirect benefit, including eastern and southern hill country, central hills, mountain foothills and the highest parts of the Ruataniwha Plains.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 169

River Control and Drainage			Explanation of Rates
Upper Makara Streams Catchment Special Rating Scheme			
Central HB District	Area Basis	A	This rural class of direct benefit extends on the valley floor in the upstream flood plains of the Makara Stream and part elsewhere downstream. This area is susceptible to very severe and frequent flooding and siltation and receives flood protection.
Central HB District	Area Basis	B	A direct benefit area of the Makara flats where the flooding is less frequent than the land in Class A and which provides near optimum cropping potential. This area extends downstream to include the flood plains of the Wharemate and Silver Range Streams at their confluence with the Makara Stream.
Central HB District	Area Basis	C – Makara	A direct benefit area of the Makara flats downstream of Kokatewai Road where only medium frequency flooding and siltation occurs, but where utilisation is more limited than in Class B due to accessibility and the width of the flats.
Central HB District	Area Basis	C – Wharemate	A direct benefit area adjacent to the Wharemate Stream that is susceptible to very severe and frequent flooding and ponding due to poor drainage. This area will have greater protection due to the detention dams. The area is difficult to utilise due to the irregularities of the valley floor.
Central HB District	Area Basis	D – Makara	This rural class of direct benefit covers the flood plain of the Makara Stream from the Elsthorpe township to the outlet of the catchment. It is an area of low frequency flooding and siltation in the lower Makara where protection in the upstream dams will provide 20 year plus protection here with the large channel that exists making the land suitable for high risk cropping.
Central HB District	Area Basis	D – Silver Range	This rural class of direct benefit covers the floodplain of the Silver Range Stream from the Makara Stream to the bridge on Kahuranaki Road. This area has a narrow stream bed and limited stopbanks that result in high frequency flooding and siltation. Given the risks, this area will be suitable only for grazing.
Central HB District	Area Basis	E	This class of direct benefit extends from the Makara floodplain northward and follows a soil and topography boundary on the eastern side of Kahuranaki Road. An area of moderate to very severe soil erosion in the northern section of moderate to very steep hill country requiring intensive conservation measures to prevent loss and damage to land and improvements and stabilise stream beds.
Central HB District	Area Basis	F	An area not in the classes above but receiving indirect benefit from all the works carried out on the Scheme through the protection of communications assets including roads, and telecommunications networks, the support of amenities, services and facilities in the area and the general economic stability of the community. Contains the balance of the catchment.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 170

River Control and Drainage			Explanation of Rates
Central HB District	Area Basis	G	For those properties that straddle the catchment boundary, this area is the balance of properties that lie outside the catchment boundary and therefore, receive no benefit from the scheme. No rates charged.
Poukawa Drainage Special Rating Scheme			
Hastings District	Land value	A	Rateable property situated in the Hastings District on the lower lying land surrounding Lake Poukawa and subject to seasonal inundation which HBRC considers receives both direct and indirect benefit of the maintenance of the drainage scheme.
Hastings District	Land value	B	Rateable property situated in the Hastings District on the periphery of the land surrounding Lake Poukawa receiving the benefits as described in Class A which HBRC considers receives both direct and indirect benefit of the maintenance of the drainage scheme.
Hastings District	Land value	C	Rateable property situated in the Hastings District surrounding Lake Poukawa which HBRC considers receives indirect benefit of the maintenance of the drainage scheme.
Paeroa Drainage Scheme Special Rating Area			
Wairoa District	Area Basis	A	Rateable property situated in the Wairoa District on the lower lying land in the valley of the Waikoko Stream and the majority of the flat area surrounding and including the aerodrome, racecourse which HBRC considers receives both direct and indirect benefit of the drain and stream maintenance works.
Wairoa District	Area Basis	B	Rateable property situated in the Wairoa District including the sloping land in the Clydebank Road area on the delta at the lower end of the Awatere Stream valley which HBRC considers receives both direct and indirect benefit of the drain and stream maintenance works.
Wairoa District	Area Basis	C	Rateable property situated in the Wairoa District on the valley floors in the middle reaches of the Awatere and Waikoko Streams, and the slightly higher land adjacent to the Awatere Stream in the vicinity of SH2. It also includes the land to the west of the aerodrome which relies on culverts under the runway for a drainage outlet which HBRC considers receives both direct and indirect benefit of the drain and stream maintenance works.
Wairoa District	Area Basis	D	Rateable property situated in the Wairoa District on land near the boundaries of the classified area more remote from the watercourse maintained under the Scheme. It also includes land to the south of the railway (mainly urban property) which relies directly on the Awatere Stream for a drainage outlet which HBRC considers receives both direct and indirect benefit of the drain and stream maintenance works.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 171

River Control and Drainage			Explanation of Rates
Wairoa District	Area Basis	E	Rateable property situated in the Wairoa District which HBRC considers receives indirect benefit only and includes the top ends of the valley floors, hill country adjacent to that land receiving direct benefit and an area of North Clyde.
Ohuia-Whakaki Drainage Scheme			
Wairoa District	Area Basis	A	This scheme drains approximately 200ha of low lying, productive land to the east of the Opoho Stream near Nuhaka. The scheme uses a combination of detention and gravity drains plus controlled pump discharges to enable landowners to improve production. Land that without drainage could be inundated up to 12 months of the year.
Wairoa District	Area Basis	B	This scheme drains approximately 200ha of low lying, productive land to the east of the Opoho Stream near Nuhaka. The scheme uses a combination of detention and gravity drains plus controlled pump discharges to enable landowners to improve production. Land that without drainage could be inundated up to 12 months of the year.
Wairoa District	Area Basis	C	This scheme drains approximately 200ha of low lying, productive land to the east of the Opoho Stream near Nuhaka. The scheme uses a combination of detention and gravity drains plus controlled pump discharges to enable landowners to improve production. Land affected by high water table because of poor outfall, overflow or backing up from lower lands.
Wairoa District	Area Basis	D	This scheme drains approximately 200ha of low lying, productive land to the east of the Opoho Stream near Nuhaka. The scheme uses a combination of detention and gravity drains plus controlled pump discharges to enable landowners to improve production. Land subject to ponding from time to time because of lack of outfall or from backing up to a lesser degree.
Wairoa District	Area Basis	E	This scheme drains approximately 200ha of low lying, productive land to the east of the Opoho Stream near Nuhaka. The scheme uses a combination of detention and gravity drains plus controlled pump discharges to enable landowners to improve production. Hill land and other land benefiting by improved access not available under original conditions.
Opoho Drainage Stream Scheme			
Wairoa District	Fixed Amount	A B C	The Opoho Flood and Drainage Scheme involves three neighbouring farms situated approximately half way between Wairoa and Nuhaka. The relativities between the three properties in the Scheme were determined by way of an analysis of the benefits received by each property and respective apportionment of costs. The rating allocation should be reviewed every 6 years.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 172

River Control and Drainage			Explanation of Rates
Kopuawhara Stream Flood Control/Maintenance Scheme			
Wairoa District	Area Basis	K1	Rateable property situated in the Scheme area within 20m of the banks of the Kopuawhara Stream which HBRC considers receives direct benefit from flood protection works. The benefits of these flood protection measures are reduction in bank erosion, bank and channel stability and loss of land by flooding and siltation. The K1 rating covers approximately 7.5km of channel versus only 4.7km of maintained channel as the lower reaches of the K1 rating areas are deemed to receive benefit from the upstream maintenance.
Wairoa District	Area Basis	K2	Rateable property situated in the Scheme area being the balance of flat land within the scheme area between Mahanga Road and the Railway Bridge over the Kopuawhara Stream but excluding land in differential K1. HBRC considers this land receives benefit from flood protection works. The benefits of these protection measures are reduction in bank erosion, bank and channel stability and loss of land by flooding and siltation to a lesser extent than the benefits received by land in differential area K1.
Wairoa District	Area Basis	K3	Rateable property situated in the Scheme area being two bands of flat land, each 300m wide, on both sides of the Kopuawhara Stream extending south from the Mahanga Road Bridge downstream to the boundary of the Scheme area. Land within differential K1 and K2 are excluded. HBRC considers this land receives benefit from flood protection works. The benefits of these flood protection measures are a reduction in the frequency of flooding from overflows from the Kopuawhara Stream.
Wairoa District	Area Basis	K4	Rateable property situated in the Scheme area being the flat land outside of the two 300m bands of K3 below Mahanga Road. Land within differential K1, K2 and K3 are excluded. HBRC considers this land received benefit from flood protection works. The benefits of these flood protection measures are a reduction in the frequency of flooding from overflows from the Kopuawhara Stream.
Te Ngarue Stream Flood Protection Scheme			
Hastings District	Area Basis	TN	The rating system has 2 rating class covering an area of 135ha. Rates are levied for the Scheme's maintenance activities only. Rateable property situated in the Hastings District within Te Ngarue Stream catchment (excluding property in Pat Section 7 Block/ Tangoio Survey District) receiving direct and indirect benefit from Te Ngarue Scheme flood protection. The benefit of these protection measures, clearing of all trees and obstructions from the stream channel between the lagoon and Tangoio Road bridge, the removal of trees growing along the stream bank at risk of falling into the channel, and widening of parts of the channel and bank protection works adjacent to Beach Road, are a reduction in the risk of flooding to land situated within the benefit area.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 173

River Control and Drainage			Explanation of Rates
Hastings District	Area Basis	TN1	The rating system has 2 rating class covering an area of 135ha. Rates are levied for the Scheme's maintenance activities only. Rateable property situated in Part Section 7 Block I Tangoio Survey District within Te Ngarue Stream catchment receiving direct and indirect benefit from Te Ngarue Scheme flood protection. To reduce the effect of flooding and erosion and provide security for investment and economic activity.
Esk River & Whirinaki Stream Maintenance Scheme			
Hastings District	Area Basis	E1	The rating system has 3 categories, namely Esk (E), Whirinaki(W) and Rural Industry(R). Some of the properties are rated for 2 categories, resulting in 10 benefit areas. The rating catchment area is 558ha. Rateable land situated in the Esk River Maintenance Scheme area from the confluence with the Mangakopikopiko Stream to the sea. The benefit of the river works has reduced the incidence of flooding on these properties during floods.
Hastings District	Area Basis	E2	The rating system has 3 categories, namely Esk (E) Whirinaki (W) and Rural Industry (R). Some of the properties are rated for 2 categories, resulting in 10 benefit areas. The rating catchment area is 558ha. Rateable land situated in the Esk River Maintenance Scheme area from the confluence with the Mangakopikopiko Stream to the sea. The benefit to these properties is without the continued maintenance of river works the risks of flooding will increase.
Hastings District	Area Basis	R11	The rating system has 3 categories, namely Esk (E) Whirinaki (W) and Rural Industry (R). Some of the properties are rated for 2 categories, resulting in 10 benefit areas. The rating catchment area is 558ha. Rateable land at Whirinaki being Rural Industry. The benefit to these properties is that without the continued maintenance of river works the risk of flooding will increase.
Hastings District	Area Basis	R12	The rating system has 3 categories, namely Esk (E) Whirinaki (W) and Rural Industry (R). Some of the properties are rated for 2 categories, resulting in 10 benefit areas. The rating catchment area is 558ha. Rateable land at Whirinaki being Rural Industry. The benefit to these properties is that without the continued maintenance of river works the risk of flooding will increase.
Hastings District	Area Basis	R13	The rating system has 3 categories, namely Esk (E) Whirinaki (W) and Rural Industry (R). Some of the properties are rated for 2 categories, resulting in 10 benefit areas. The rating catchment area is 558ha. Rateable land at Whirinaki being Rural Industry. This land is at risk to greater than two percent Annual Exceedence Probability floods and receives benefit from the Councils continued river control works.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 174

River Control and Drainage			Explanation of Rates
Hastings District	Area Basis	W1,W2,W3,W4, W5,W6,W7	The rating system has 3 categories, namely Esk (E) Whirinaki (W) and Rural Industry (R). Some of the properties are rated for 2 categories, resulting in 10 benefit areas. The rating catchment area is 558ha. Properties included within the Esk River Maintenance Scheme and the Whirinaki Stream Maintenance Scheme are those in the Esk River Catchment downstream of the confluence of the Mangakopikopiko Stream to the sea. This is rateable land within the Whirinaki Stream Maintenance Scheme receiving direct benefit from the maintenance work associated with the Whirinaki Stream and its designated tributaries. Each category has an applied percentage.
Karamu Drainage Maintenance			
Hastings District	UTR		This scheme covers properties in Havelock North, being properties in the Karamu Catchment, which do not contribute to the Heretaunga Plains Flood Control Scheme-Streams & Drains (Karamu D2). The scheme involves maintenance of the completed enhancement works in the Karamu Stream.
Karamu Enhancement			
Hastings District	UTR		This scheme covers properties in Havelock North, being properties in the Karamu Catchment, which do not contribute to the Heretaunga Plains Flood Control Scheme-Streams & Drains (Karamu D2). The scheme involves funding for one third the cost of new enhancement works in the Karamu Stream.
Porangahau Flood Control			
Central HB District	Land Value		This scheme covers 90km of waterways consisting of the Porangahau River and some of its tributaries in Central Hawkes bay. It was established to reduce flooding and bank erosion and ensure the main access to the community via Porangahau Road is not closed so often due to flooding. The Porangahau Scheme uses only natural assets (streams and rivers) and no hard engineering structures. The main strategy is routine maintenance involving vegetation control, predominantly willow with minor bank stabilisation and debris build-up removal.
Maraetotara Flood Maintenance			
Hastings District	Capital Value		This scheme reduces the risks of the Maraetotara River flooding Te Awanga township, roading and communication links. The rating scheme has only one rating class covering an area of 54ha. Rates are levied for the Scheme's maintenance activities only. The scheme was established to protect a 1/100 year flood event, although land on the right bank will still be flooded when the river is high the scheme keeps the Maraetotara River flows within the stopbanks, floodwalls and natural high ground, and a flood-gated outlet from the lagoon through the stopbank to the river.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 175

River Control and Drainage			Explanation of Rates
Kairakau Community Scheme			
Central HB District	UTR		This scheme maintains flood protection, including the seawall and Mangakuri River retaining wall for the Kairakau community on the Central Hawkes Bay coastline. HBRC works closely with the Kairakau Development Society (KDS) which requested the scheme. KDS determines on behalf of the community what work is needed.

All rates figures are GST inclusive

Local Government (Financial Reporting) Regulations

The following information is presented for compliance with Local Government (Financial Reporting) Regulations 2011. In accordance with the regulations, the information presented is incomplete (in particular, the information presented does not include depreciation and internal transactions such as overheads) and it is not prepared in compliance with generally accepted accounting practice. It should not be relied upon for any other purpose than compliance with the Local Government (Financial Reporting) Regulations 2011.

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 176

Item 7

Attachment 1

HBRC Funding Impact Statement

Council Funding Impact Statement												
	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
Sources of operating funding												
General rates & uniform annual general charge, rate penalties	3,358	4,300	6,952	8,262	9,393	9,714	10,230	10,873	11,327	11,830	12,411	12,853
Targeted rates	14,303	14,824	15,877	16,377	17,042	17,553	17,939	17,766	18,121	18,512	18,917	19,327
Subsidies & grants for operating purposes	4,616	3,630	3,368	3,430	3,480	3,545	3,612	3,687	3,759	3,841	3,926	4,011
Fees & charges	6,532	7,000	9,198	9,925	10,739	10,978	10,645	10,899	11,046	11,226	11,407	11,092
Interest & dividends from investments	12,348	12,620	13,297	13,723	13,869	14,068	14,322	14,586	14,895	15,223	15,543	15,831
Local authorities fuel tax, fines, infringement fees & other receipts	2,756	2,804	2,732	3,344	2,395	3,185	2,514	2,513	2,505	2,505	2,546	2,577
Total operating funding	43,913	45,178	51,424	55,061	56,918	59,043	59,262	60,324	61,653	63,137	64,750	65,691
Applications of operating funding												
Payments to staff & suppliers	40,360	40,371	44,332	45,478	47,238	47,454	48,251	49,013	49,966	51,275	52,685	53,837
Finance costs	2,979	2,648	2,447	2,854	3,161	3,363	3,552	3,630	3,693	3,800	3,942	4,099
Other operating funding applications	0	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	43,339	43,019	46,779	48,332	50,399	50,817	51,803	52,643	53,659	55,075	56,627	57,936
Surplus / (deficit) of operating funding	574	2,159	4,645	6,729	6,519	8,226	7,459	7,681	7,994	8,062	8,123	7,755
Sources of capital funding												
Subsidies & grants for capital purposes	843	1,538	1,882	2,345	2,626	3,134	3,204	3,595	3,651	3,651	3,602	2,881
Development & financial contributions	0	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	280	7,368	2,758	6,197	3,346	624	795	(841)	(45)	303	719	1,124
Gross proceeds from sale of assets	7,191	168	1,006	1,274	482	1,443	374	395	194	1,089	606	158
Lump sum contributions	0	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	8,314	9,074	5,646	9,816	6,455	5,201	4,373	3,149	3,800	5,043	4,927	4,163
Applications of capital funding												
Capital expenditure:												
- to meet additional demand	1,456	3,016	435	2,160	3,160	160	160	160	160	160	160	160
- to improve the level of service	834	1,865	2,090	2,080	2,195	2,476	2,517	2,447	2,505	2,581	3,268	3,417
- to replace existing assets	3,192	3,506	6,536	6,251	4,679	2,676	2,483	2,076	2,046	2,829	2,327	1,669
	5,482	8,387	9,061	10,491	10,034	5,312	5,160	4,683	4,711	5,570	5,755	5,246
Increase / (decrease) in reserves	(2,213)	(64,932)	(4,970)	1,108	(3,940)	1,618	11	1,085	1,633	1,826	1,144	169
Increase / (decrease) of investments	5,619	67,778	6,200	4,946	6,879	6,497	6,661	5,062	5,450	5,709	6,151	6,503
Total application of capital funding	8,888	11,233	10,291	16,545	12,973	13,427	11,832	10,830	11,794	13,105	13,050	11,918
Surplus / (deficit) of capital funding	(574)	(2,159)	(4,645)	(6,729)	(6,519)	(8,226)	(7,459)	(7,681)	(7,994)	(8,062)	(8,123)	(7,755)
Funding balance	0	0	0	0	0	0	0	0	0	0	0	0
Reconciliation from Funding Impact Statement to Statement of Comprehensive Revenue and Expenditure												
Surplus / (deficit) of operating funding (above)		2,159	4,645	6,729	6,519	8,226	7,459	7,681	7,994	8,062	8,123	7,755
Depreciation & amortisation expense		(2,739)	(2,925)	(3,259)	(3,599)	(3,726)	(3,569)	(3,536)	(3,425)	(3,308)	(3,247)	(3,137)
Reduction in ACC Leasehold Liability		1,035	917	936	917	896	873	814	756	706	678	647
Fair value gains on investments		1,737	3,195	3,315	3,502	3,642	3,834	4,032	4,243	4,462	4,699	4,942
Operating Surplus After Income Tax per Statement of		2,192	5,832	7,721	7,339	9,038	8,597	8,991	9,568	9,922	10,253	10,207

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 177

Funding Impact Statement: Governance and Partnerships

Funding Impact Statement: Governance and Partnerships											
	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
Sources of operating funding											
General rates & uniform annual general charge, rates penalties	1,530	2,603	3,161	3,300	3,339	3,424	3,496	3,601	3,641	3,786	3,869
Targeted rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies & grants for operating purposes	15	15	15	15	15	15	15	15	15	15	15
Fees & charges	133	122	124	126	128	131	133	135	138	141	143
Internal charges & overheads recovered	1,335	826	84	60	38	24	12	3	(1)	(5)	(7)
Local authorities fuel tax, fines, infringement fees & other receipts	-	-	-	-	-	-	-	-	-	-	-
Total operating funding	3,013	3,566	3,384	3,501	3,520	3,594	3,656	3,754	3,793	3,937	4,020
Applications of operating funding											
Payments to staff & suppliers	2,503	2,976	2,796	2,893	2,934	3,024	3,094	3,202	3,242	3,379	3,468
Finance costs	147	115	92	68	45	32	19	11	6	3	1
Internal charges & overheads applied	364	475	496	540	541	538	543	541	545	555	551
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	3,014	3,566	3,384	3,501	3,520	3,594	3,656	3,754	3,793	3,937	4,020
Surplus / (deficit) of operating funding	(1)	-	-	-	-	-	-	-	-	-	-
Sources of capital funding											
Subsidies & grants for capital purposes	32	-	-	-	-	-	-	-	-	-	-
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	304	(305)	(410)	(360)	(315)	(240)	(185)	(105)	(80)	(50)	(15)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	336	(305)	(410)	(360)	(315)	(240)	(185)	(105)	(80)	(50)	(15)
Applications of capital funding											
Capital expenditure:											
- to meet additional demand	630	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
	630	0	0	0	0	0	0	0	0	0	0
Increase / (decrease) in reserves	(295)	(305)	(410)	(360)	(315)	(240)	(185)	(105)	(80)	(50)	(15)
Increase / (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total application of capital funding	335	(305)	(410)	(360)	(315)	(240)	(185)	(105)	(80)	(50)	(15)
Surplus / (deficit) of capital funding	1	-	-	-	-	-	-	-	-	-	-
Funding balance	-	-	-	-	-	-	-	-	-	-	-
Depreciation for Governance and Partnerships	6	8	8	8	8	8	8	8	8	8	8

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 178

Funding Impact Statement: Strategic Planning

Funding Impact Statement: Strategic Planning											
	Annual Plan	Year 1 LTP	Year 2 LTP	Year 3 LTP	Year 4 LTP	Year 5 LTP	Year 6 LTP	Year 7 LTP	Year 8 LTP	Year 9 LTP	Year 10 LTP
	2017/18 (\$'000)	2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)
Sources of operating funding											
General rates & uniform annual general charge, rates penalties	-	2,733	2,726	2,831	2,886	2,933	2,997	3,044	3,115	3,100	3,157
Targeted rates	2,310	1,850	1,894	1,942	1,990	2,038	2,092	2,145	2,204	2,265	2,327
Subsidies & grants for operating purposes	274	274	274	274	274	274	274	274	274	274	274
Fees & charges	-	-	-	-	-	-	-	-	-	-	-
Internal charges & overheads recovered	2,444	89	(0)	0	(0)	(0)	(0)	(0)	(0)	0	0
Local authorities fuel tax, fines, infringement fees & other receipts	-	-	-	-	-	-	-	-	-	-	-
Total operating funding	5,028	4,946	4,894	5,047	5,150	5,245	5,363	5,463	5,593	5,639	5,758
Applications of operating funding											
Payments to staff & suppliers	4,463	4,296	4,234	4,348	4,451	4,553	4,657	4,764	4,885	4,909	5,034
Finance costs	8	5	6	5	4	2	1	-	-	-	-
Internal charges & overheads applied	557	645	654	694	695	690	705	699	708	730	724
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	5,028	4,946	4,894	5,047	5,150	5,245	5,363	5,463	5,593	5,639	5,758
Surplus / (deficit) of operating funding	-	-	-	-	-	-	-	-	-	-	-
Sources of capital funding											
Subsidies & grants for capital purposes	-	-	-	-	-	-	-	-	-	-	-
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	-	-	-	-	-	-	-	-	-	-	-
Applications of capital funding											
Capital expenditure:											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Total application of capital funding	-	-	-	-	-	-	-	-	-	-	-
Surplus / (deficit) of capital funding	-	-	-	-	-	-	-	-	-	-	-
Funding balance	-	-	-	-	-	-	-	-	-	-	-
Depreciation for Strategic Planning	-	-	-	-	-	-	-	-	-	-	-

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 179

Funding Impact Statement: Integrated Catchment Management

Funding Impact Statement: Integrated Catchment Management											
	Annual Plan	Year 1 LTP	Year 2 LTP	Year 3 LTP	Year 4 LTP	Year 5 LTP	Year 6 LTP	Year 7 LTP	Year 8 LTP	Year 9 LTP	Year 10 LTP
	2017/18 (\$'000)	2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)
Sources of operating funding											
General rates & uniform annual general charge, rates penalties	-	-	674	1,525	1,716	2,075	2,543	2,819	3,165	3,564	3,833
Targeted rates	3,032	3,197	3,447	3,749	3,949	3,993	3,450	3,482	3,526	3,576	3,617
Subsidies & grants for operating purposes	25	82	83	85	86	87	89	90	92	94	95
Fees & charges	3,345	4,182	4,521	4,809	5,052	5,156	5,350	5,432	5,502	5,556	5,156
Internal charges & overheads recovered	8,920	9,849	9,834	9,786	9,197	8,977	8,965	8,978	9,078	9,185	9,808
Local authorities fuel tax, fines, infringement fees & other receipts	51	27	6	(16)	(30)	(24)	(11)	16	55	95	103
Total operating funding	15,373	17,337	18,565	19,938	19,970	20,264	20,386	20,817	21,418	22,070	22,612
Applications of operating funding											
Payments to staff & suppliers	12,315	13,660	14,469	15,374	15,190	15,296	15,202	15,527	15,919	16,306	16,702
Finance costs	918	940	1,131	1,320	1,536	1,752	1,911	2,053	2,220	2,384	2,563
Internal charges & overheads applied	2,139	2,738	2,965	3,243	3,244	3,214	3,273	3,237	3,278	3,379	3,345
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	15,372	17,338	18,565	19,937	19,970	20,262	20,386	20,817	21,417	22,069	22,610
Surplus / (deficit) of operating funding	1	(1)	-	1	-	2	-	-	1	1	2
Sources of capital funding											
Subsidies & grants for capital purposes	1,506	1,882	2,345	2,626	3,134	3,204	3,595	3,652	3,651	3,600	2,879
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	313	2,100	1,622	2,981	2,490	2,624	891	1,369	1,677	1,945	2,221
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	1,819	3,982	3,967	5,607	5,624	5,828	4,486	5,021	5,328	5,545	5,100
Applications of capital funding											
Capital expenditure:											
- to meet additional demand	2,166	160	160	160	160	160	160	160	160	160	160
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
	2,166	160	160	160	160	160	160	160	160	160	160
Increase / (decrease) in reserves	(346)	(979)	(1,232)	(1,475)	(1,079)	(1,048)	(830)	(646)	(640)	(784)	(1,662)
Increase / (decrease) of investments	-	4,800	5,039	6,923	6,543	6,718	5,156	5,507	5,809	6,170	6,603
Total application of capital funding	1,820	3,981	3,967	5,608	5,624	5,830	4,486	5,021	5,329	5,546	5,101
Surplus / (deficit) of capital funding	(1)	1	-	(1)	-	(2)	-	-	(1)	(1)	(1)
Funding balance	-	-	-	-	-	-	-	-	-	-	1
Depreciation for Integrated Catchment Management	400	444	560	684	723	711	708	616	520	426	349

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 180

Funding Impact Statement: Asset Management – Flood Protection and Control Works

Funding Impact Statement: Asset Management - Flood Protection and Control Works											
	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
Sources of operating funding											
General rates & uniform annual general charge, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted rates	6,815	6,912	7,082	7,307	7,497	7,721	7,945	8,137	8,339	8,528	8,752
Subsidies & grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees & charges	312	1,084	1,093	1,156	1,194	1,202	1,205	1,218	1,256	1,276	1,312
Internal charges & overheads recovered	(223)	648	593	625	647	665	614	569	617	692	705
Local authorities fuel tax, fines, infringement fees & other receipts	168	155	173	175	183	173	182	190	222	221	173
Total operating funding	7,072	8,799	8,941	9,263	9,521	9,761	9,946	10,114	10,434	10,717	10,942
Applications of operating funding											
Payments to staff & suppliers	4,760	5,253	5,288	5,475	5,634	5,804	5,915	5,999	6,204	6,319	6,478
Finance costs	37	23	16	11	9	7	8	7	7	6	6
Internal charges & overheads applied	1,641	1,749	1,801	1,881	1,924	1,933	1,943	1,961	2,007	2,105	2,097
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	6,438	7,025	7,105	7,367	7,567	7,744	7,866	7,967	8,218	8,430	8,581
Surplus / (deficit) of operating funding	634	1,774	1,836	1,896	1,954	2,017	2,080	2,147	2,216	2,287	2,361
Sources of capital funding											
Subsidies & grants for capital purposes	-	-	-	-	-	-	-	-	-	-	-
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	(262)	(124)	(124)	(64)	(34)	(10)	(10)	(11)	(11)	(12)	(12)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	(262)	(124)	(124)	(64)	(34)	(10)	(10)	(11)	(11)	(12)	(12)
Applications of capital funding											
Capital expenditure:											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	1,865	2,090	2,080	2,195	2,476	2,517	2,447	2,505	2,581	3,268	3,417
- to replace existing assets	16	1,217	1,344	2,201	268	633	709	582	360	40	768
	1,881	3,307	3,424	4,396	2,744	3,150	3,156	3,087	2,941	3,308	4,185
Increase / (decrease) in reserves	(1,509)	(1,657)	(1,712)	(2,564)	(824)	(1,143)	(1,086)	(951)	(736)	(1,033)	(1,836)
Increase / (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total application of capital funding	372	1,650	1,712	1,832	1,920	2,007	2,070	2,136	2,205	2,275	2,349
Surplus / (deficit) of capital funding	(634)	(1,774)	(1,836)	(1,896)	(1,954)	(2,017)	(2,080)	(2,147)	(2,216)	(2,287)	(2,361)
Funding balance	-	-	-	-	-	-	-	-	-	-	-
Depreciation for Asset Management - Flood Protection and Control Works	667	602	601	637	636	635	679	678	678	728	728

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 181

Funding Impact Statement: Asset Management – excluding Flood Protection and Control Works

Funding Impact Statement: Asset Management - excluding Flood Protection and Control Works											
	Annual Plan	Year 1 LTP	Year 2 LTP	Year 3 LTP	Year 4 LTP	Year 5 LTP	Year 6 LTP	Year 7 LTP	Year 8 LTP	Year 9 LTP	Year 10 LTP
	2017/18 (\$'000)	2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)
Sources of operating funding											
General rates & uniform annual general charge, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted rates	-	169	168	168	168	169	169	168	168	169	169
Subsidies & grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees & charges	963	949	945	1,426	1,326	841	838	855	853	873	871
Internal charges & overheads recovered	1,710	1,629	1,637	1,130	1,134	1,654	1,742	1,794	1,876	1,939	2,022
Local authorities fuel tax, fines, infringement fees & other receipts	118	112	117	124	149	153	145	136	125	115	103
Total operating funding	2,791	2,859	2,867	2,848	2,777	2,817	2,894	2,953	3,022	3,096	3,165
Applications of operating funding											
Payments to staff & suppliers	1,620	1,712	1,730	1,714	1,641	1,678	1,721	1,759	1,802	1,849	1,896
Finance costs	123	100	90	76	62	56	53	54	55	56	57
Internal charges & overheads applied	1,048	1,047	1,047	1,058	1,074	1,083	1,120	1,140	1,165	1,191	1,212
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	2,791	2,859	2,867	2,848	2,777	2,817	2,894	2,953	3,022	3,096	3,165
Surplus / (deficit) of operating funding	0	0	0	0	0	0	0	0	0	0	0
Sources of capital funding											
Subsidies & grants for capital purposes	-	-	-	-	-	-	-	-	-	-	-
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	0	0	0	0	0	0	0	0	0	0	0
Applications of capital funding											
Capital expenditure:											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
	0	0	0	0	0	0	0	0	0	0	0
Increase / (decrease) in reserves	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total application of capital funding	0	0	0	0	0	0	0	0	0	0	0
Surplus / (deficit) of capital funding	0	0	0	0	0	0	0	0	0	0	0
Funding balance	-	-	-	-	-	-	-	-	-	-	-
Depreciation for Asset Management excl Flood Protection and Control Works	43	46	48	49	47	37	37	37	37	39	39

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 182

Funding Impact Statement: Consents and Compliance

Funding Impact Statement: Consents and Compliance											
	Annual Plan 2017/18 (\$'000)	Year 1 LTP 2018/19 (\$'000)	Year 2 LTP 2019/20 (\$'000)	Year 3 LTP 2020/21 (\$'000)	Year 4 LTP 2021/22 (\$'000)	Year 5 LTP 2022/23 (\$'000)	Year 6 LTP 2023/24 (\$'000)	Year 7 LTP 2024/25 (\$'000)	Year 8 LTP 2025/26 (\$'000)	Year 9 LTP 2026/27 (\$'000)	Year 10 LTP 2027/28 (\$'000)
Sources of operating funding											
General rates & uniform annual general charge, rates penalties	1,990	1,294	1,370	1,411	1,438	1,458	1,485	1,505	1,539	1,578	1,604
Targeted rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies & grants for operating purposes	67	67	69	71	72	73	75	76	78	80	82
Fees & charges	1,537	2,579	2,959	3,053	3,109	3,147	3,203	3,237	3,308	3,392	3,441
Internal charges & overheads recovered	-	385	421	434	442	450	459	465	476	489	498
Local authorities fuel tax, fines, infringement fees & other receipts	10	10	10	10	10	10	10	10	10	10	10
Total operating funding	3,604	4,335	4,829	4,979	5,071	5,138	5,232	5,293	5,411	5,549	5,635
Applications of operating funding											
Payments to staff & suppliers	2,891	3,405	3,773	3,851	3,944	4,023	4,098	4,174	4,278	4,381	4,481
Finance costs	-	-	-	-	-	-	-	-	-	-	-
Internal charges & overheads applied	713	930	1,056	1,128	1,127	1,115	1,134	1,119	1,133	1,168	1,154
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	3,604	4,335	4,829	4,979	5,071	5,138	5,232	5,293	5,411	5,549	5,635
Surplus / (deficit) of operating funding	-	-	-	-	-	-	-	-	-	-	-
Sources of capital funding											
Targeted rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies & grants for capital purposes	-	-	-	-	-	-	-	-	-	-	-
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	-	-	-	-	-	-	-	-	-	-	-
Applications of capital funding											
Capital expenditure:											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Total application of capital funding	-	-	-	-	-	-	-	-	-	-	-
Surplus / (deficit) of capital funding	-	-	-	-	-	-	-	-	-	-	-
Funding balance	-	-	-	-	-	-	-	-	-	-	-
Depreciation for Consents and Compliance	4	1	1	1	1	1	1	0	0	-	-

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 183

Funding Impact Statement: Emergency Management

Funding Impact Statement: Emergency Management											
	Annual Plan	Year 1 LTP	Year 2 LTP	Year 3 LTP	Year 4 LTP	Year 5 LTP	Year 6 LTP	Year 7 LTP	Year 8 LTP	Year 9 LTP	Year 10 LTP
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding											
General rates & uniform annual general charge, rates penalties	-	149	151	154	154	153	155	157	158	161	159
Targeted rates	1,063	2,130	2,133	2,191	2,229	2,266	2,321	2,361	2,415	2,481	2,528
Subsidies & grants for operating purposes	583	-	-	-	-	-	-	-	-	-	-
Fees & charges	112	119	119	119	119	119	119	119	119	119	119
Internal charges & overheads recovered	163	(25)	(26)	(26)	(23)	(21)	(20)	(20)	(19)	(18)	(14)
Local authorities fuel tax, fines, infringement fees & other receipts	(1)	(1)	(1)	-	-	-	1	1	2	2	3
Total operating funding	1,920	2,372	2,376	2,438	2,479	2,517	2,576	2,618	2,675	2,745	2,795
Applications of operating funding											
Payments to staff & suppliers	1,511	1,840	1,844	1,875	1,917	1,959	2,006	2,052	2,102	2,154	2,209
Finance costs	-	-	-	-	-	-	-	-	-	-	-
Internal charges & overheads applied	409	532	532	563	562	558	570	566	573	591	586
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	1,920	2,372	2,376	2,438	2,479	2,517	2,576	2,618	2,675	2,745	2,795
Surplus / (deficit) of operating funding	-	-	-	-	-	-	-	-	-	-	-
Sources of capital funding											
Targeted rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies & grants for capital purposes	-	-	-	-	-	-	-	-	-	-	-
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	-	-	-	-	-	-	-	-	-	-	-
Applications of capital funding											
Capital expenditure:											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Total application of capital funding	-	-	-	-	-	-	-	-	-	-	-
Surplus / (deficit) of capital funding	-	-	-	-	-	-	-	-	-	-	-
Funding balance	-	-	-	-	-	-	-	-	-	-	-
Depreciation for Emergency Management	1	17	17	17	15	11	11	10	8	7	2

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 184

Funding Impact Statement: Transport

Funding Impact Statement: Transport											
	Annual Plan	Year 1 LTP	Year 2 LTP	Year 3 LTP	Year 4 LTP	Year 5 LTP	Year 6 LTP	Year 7 LTP	Year 8 LTP	Year 9 LTP	Year 10 LTP
	2017/18 (\$'000)	2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)
Sources of operating funding											
General rates & uniform annual general charge, rates penalties	-	173	180	173	180	187	196	202	212	223	231
Targeted rates	1,604	1,620	1,653	1,686	1,719	1,754	1,789	1,825	1,861	1,898	1,936
Subsidies & grants for operating purposes	2,666	2,929	2,988	3,035	3,098	3,162	3,234	3,303	3,382	3,464	3,545
Fees & charges	40	153	153	40	40	40	40	40	40	40	40
Internal charges & overheads recovered	79	(34)	(28)	(25)	(22)	(19)	(13)	(7)	2	13	25
Local authorities fuel tax, fines, infringement fees & other receipts	(4)	(2)	(3)	(4)	(5)	(7)	(9)	(11)	(13)	(16)	(19)
Total operating funding	4,385	4,839	4,943	4,905	5,010	5,117	5,237	5,352	5,484	5,622	5,758
Applications of operating funding											
Payments to staff & suppliers	4,186	4,608	4,705	4,655	4,760	4,869	4,985	5,103	5,233	5,364	5,503
Finance costs	6	5	9	8	7	6	5	4	3	2	1
Internal charges & overheads applied	193	226	229	242	243	242	247	245	248	256	254
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding	4,385	4,839	4,943	4,905	5,010	5,117	5,237	5,352	5,484	5,622	5,758
Surplus / (deficit) of operating funding	-	-	-	-	-	-	-	-	(0)	-	-
Sources of capital funding											
Targeted rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies & grants for capital purposes	-	-	-	-	-	-	-	-	-	-	-
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding	-	-	-	-	-	-	-	-	-	-	-
Applications of capital funding											
Capital expenditure:											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Total application of capital funding	-	-	-	-	-	-	-	-	-	-	-
Surplus / (deficit) of capital funding	-	-	-	-	-	-	-	-	-	-	-
Funding balance	-	-	-	-	-	-	-	-	(0)	-	-
Depreciation for Transport	40	25	42	46	50	53	52	52	50	50	62

Item 7

Attachment 1

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 185

Resource Management Charges

Section 36 of the Resource Management Act (RMA) enables local authorities to allocate fixed charges for various administrative and monitoring activities to specific resource users. These fixed charges can either be specific amounts or determined by charging scales.

There are five types of resource management charges and they relate to:

- consent applications
- compliance and monitoring
- zone based water management
- gravel extraction
- contaminated sites

These charges will reflect actual and reasonable costs agreed as adopted in the LTP 2018 – 2028, following consultation, and applied in the year 2018/19.

1. Charges Relating to Resource Consent Applications

(Other than non-notified gravel extraction applications)

Charges for receiving, processing and deciding on applications for:

- resource consents
- certificates of compliance
- changes to, cancellation of, or review of resource consent conditions
- transfers of resource consent

are comprised of a fixed charge payable in advance (a deposit) and an additional charge payable once the application has been decided. An additional fixed charge will be required before notification, and the start of a hearing, if the application requires these processes.

Fixed Charges for Processing Resource Consent Applications

Tables 1 and 1a set out the fixed charges payable for processing resource consent applications. These fees are charged in accordance with Section 36(1)b of the RMA.

Section 36(7) of the RMA specifies that where a fixed charge has not been paid, Hawke’s Bay Regional Council HBRC need not perform the action to which the charge relates until it has been paid in full. HBRC can suspend processing an application until a fixed charge has been paid.

Table 1: Fixed charges payable for processing resource consent applications 2018-19 (other than Non-notified Gravel Extraction Applications - see Table 7)		
Item	Initial Fixed Fee - Payable upon Lodgment (excl GST)	Additional Charge - Payable subsequent to processing
Land use application for bore permit	\$500	Based on actual and reasonable costs
Land use for bore field where 3 or more bores are to be drilled for the same purpose on the same site (or in close proximity	\$1000	
Other consent applications	\$2000	
Other changes or cancellations of consent conditions	\$750	Based on actual and reasonable costs
Review of conditions as per RMA s128 1a, 1c or 2.	\$1500	Based on actual and reasonable costs
Transfer a consent to another site	\$750	Based on actual and reasonable costs
Extensions to lapse dates	\$1000	Based on actual and reasonable costs
Transfer of resource consent (1 only, with transfer form completed and signed) to a new owner/occupier	\$120	Based on actual and reasonable costs for non-standard process
Transfer of resource consent (2 or more, with transfer form completed and signed) to a new owner/occupier, or change of name	\$150	Based on actual and reasonable costs for non-standard process

Part 6 - Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 186

Table 1 Continued Fixed charges payable for processing resource consent Applications (other than Non-notified Gravel Extraction Applications - see Table 7)		
Item	Initial Fixed Fee - Payable upon Lodgment (excl GST)	Additional Charge - Payable subsequent to processing
Certificate of compliance:		
– Bore sealing	– no charge	– N/A
– Confirmation of domestic on site waste water Permitted Activity status	– \$250	– Based on actual & reasonable costs ¹
– Issuing a notice under s87BA or BB stating whether an activity is a permitted activity	– \$1500	Based on actual and reasonable (likely to be lodged as a consent)
– Other	– \$1500	

Note 1: Actual and Reasonable Costs include time spent by staff in receiving, processing and deciding on the applications, hearing costs and any external disbursements (which shall include any external expert advice from consultants at cost). Staff costs shall be calculated by multiplying the actual hours involved in receiving, processing and granting a consent by the hourly rates for the staff involved and adding any actual disbursements (as in Table 10); and adding any hearing costs and any costs of consultants and commissioned reports; and then subtracting the fixed charge that was paid in advance and any renewal fees that have been paid in advance. The total calculated amount shall then, if necessary, be adjusted to reflect HBRC's actual and reasonable costs having regard to the factors referred to in section 36(4) of the RMA and any relevant discounts. (This does not apply to applications which are not subject to additional charges or refunds).

Note 2: Where a bore field consent is issued for 3 or more bores, bore inspection and compliance administration shall be carried out at an hourly \$135 per hour.

Table 1a: Fixed Charges for Resource Consent Applications Requiring Notification or a Hearing				
Application Type	Type of Fixed Fee (excl GST)			Additional Charge – Payable subsequent to processing
	Initial Fixed Fee	Fixed Fee: Payable upon notification	Fixed fee: Payable 5 days before hearing	
Individual resource consent application (including applications for ancillary activities)	\$1000	\$5000	\$7500	Based on actual and reasonable costs ¹
Application processed as part of a catchment wide replacement process	\$1000	\$1500	\$2000	Based on actual and reasonable costs ³
Request for Independent Commissioner under s 100A	Fixed fee payable on requesting a Commissioner			Additional Charge - Payable subsequent to processing
Fixed fee payable on requesting an independent commissioner	\$3000 per commissioner			Based on actual and reasonable costs ¹ of additional cost incurred as a result of using an independent commissioner

Note 3: Where an activity requires multiple ancillary consents, and the application will be processed in a bundle, HBRC may require payment of only one initial fixed fee (deposit). The deposit shall be equal to the highest deposit required for any of the applications required, as per Table 1.

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 187

Item 7

Attachment 1

Additional Resource Consent Charges

In addition to these fixed charges, in most cases additional charges will be payable subsequent to processing, in accordance with Section 36(3) of the RMA.

Refunds

Except for applications for bore permits, minor administrative changes or cancellations, and certificates of compliance, a portion of the charge as set out in Tables 1 and 1a will be remitted if the actual cost of receiving, processing and deciding on the application is less than that already paid.

Hearings

HBRC is conscious of the cost that can be incurred by applicants when a resource consent application goes to a hearing. Therefore, the HBRC Hearings Committee will carefully assess the number of members who will participate in each hearing. The numbers involved in a hearing panel will usually range from three to a maximum of five. Where a hearing is required, the following charges shall be payable by the applicant, except for those costs incurred under s100A of the RMA:

- actual meeting fee allowances at the rate approved by the Remuneration Authority, which is currently \$80.00 an hour for each committee member other than the chairman who is paid \$100.00 an hour, for each of the elected and tangata whenua appointed Committee members participating in the hearing (a six hour hearing with a hearing panel of three members would, therefore, incur meeting fee allowances for the hearing of \$1,560);
- actual mileage for committee members travelling to and from the hearing at the rate approved by the Remuneration Authority which is currently 74¢ a kilometre;
- actual accommodation costs where it is cheaper for a committee member to stay overnight rather than return home;
- actual meeting fee allowances for each of the committee members attending and participating in a formal site inspection, or any meeting subsequent to the hearing for formal deliberations;
- mileage and accommodation costs associated with any formal site inspection or deliberation meetings;

- actual costs (including disbursements) of any commissioner appointed by the Minister of Conservation’s representative;
- the actual cost of staff attendance at a hearing (typically the Reporting Officer, hearings administrator, decision writer, relevant technical officers, and the Manager Consents or the Group Manager Resource Management);
- the costs associated with the use of an independent hearing commissioner where the use of a commissioner has been occasioned¹ by the application. The apportionment of costs when an independent hearing commissioner is requested by an applicant and/or submitters is noted below. Independent hearing commissioner costs will be calculated on an actual and reasonable basis and include fees for disbursements, reading the application material, site visit, hearing attendance, deliberations and drafting the decision.
- the costs for photocopying, hall hire, catering (for the Panel and Decision Writer), and any administration services relating to hearings and deliberations will be recovered from the applicant on a case-by-case basis.

Independent Hearing Commissioners (s100A)

Applicants and/or submitters now have the ability to request that independent commissioners hear and decide publicly or limited notified applications. If an applicant makes the request, he or she is responsible for paying all costs associated with the use of the independent commissioner (as noted above). In accordance with s36 (1) (ab), if one or more submitters requests an independent commissioner (and the applicant does not), those submitters are responsible for paying the extra costs incurred as a result of an independent commissioner being used (compared with the cost of using an elected member).

If a request is made for an independent commissioner, a fixed charge of \$3000 a commissioner shall be paid at the time of the request. The actual and reasonable costs of the commissioner will also be charged as an additional charge in accordance with Section 36(3) of the RMA. HBRC decides which accredited independent commissioner(s) will be appointed to the hearing panel.

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 188

Hearing Decision Writers

The following charges shall be payable by the applicant except for those costs incurred under s 100A of the RMA:

- The cost of the decision writer to attend the hearing and deliberations, and the decision writing time.
 - Where the decision writer is an independent commissioner sitting as a panel member, the commissioner’s time to attend the hearing, deliberate and write the decision will be charged at actual cost.
- Where an independent consultant is engaged as the decision writer their time to attend the hearing and deliberations, and to write the decision will be charged at actual cost.

Charging for Consultants

Where the use of consultants is required to provide particular technical input to the consent process the applicant will be responsible for the actual costs charged by the consultant.

Contribution to the costs of Commissioning Reports in accordance with Section 92(2)

HBRC may, from time to time, commission reports in accordance with Section 92(2) of the RMA, to determine the cumulative effects of an activity according to resource consent applications. Where the activity meets the following criteria, the HBRC may contribute to the costs of preparing the report to a maximum of 25%, up to a maximum of \$5000.

The HBRC’s contribution is at the discretion of the Group Manager, Resource Management, and the following criteria must be met for a discount to be considered:

- The commissioned report must directly inform a plan change that the HBRC has committed to in the applicable Long Term Council Community Plan, and/or
- The commissioned report must develop a method, or provide information that is applicable to sites beyond the immediate scope of the application, and
- The commissioned report must contain information that is of benefit to the regional community as a whole.

2. Charges to Holders of Resource Consents for Compliance and Impact Monitoring

Charges for the monitoring, administration and supervision of resource consents have been determined based on an estimate of the time for carrying out the inspection/s, assessment, reporting and administration associated with that monitoring.

Basic Charge

Consent holders whose consents require no more than a single annual inspection, and/or information return, and/or a single sampling undertaken by HBRC staff at the same time as the inspection will be charged as in Table 2. Table 2 does not include water takes with a water measuring device. Consent holders should check the conditions of the consent to determine whether sampling, water use or other information is required.

These charges are invoiced after inspection for one-off inspections, or at the end of the financial year for the consents that either have more than one inspection or ongoing monitoring throughout the year.

An additional charge will only be made to consent holders whose consents fall under the description for the basic charge, where extra compliance monitoring is required as a result of non-compliance with consent conditions or where extra time is spent following up suspected non-compliance where a consent holder has not supplied sufficient information to demonstrate compliance.

Item 7

Attachment 1

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 189

Water Measuring Device Charges

Charges to holders of resource consents to take water which require a water measuring device.

An additional charge will only be made where extra compliance monitoring is required as a result of non-compliance with consent conditions or where water takes require additional monitoring or data returns over and above water use returns.

Actual and Reasonable Charge

Consent holders whose consents are subject to more than a single inspection a year and/or are subject to specific conditions, will be subject to the basic charge for the first inspection plus an additional charge based on the actual and reasonable costs to undertake the total annual monitoring activity.

For new consents, the consent holder will be advised of the likely annual monitoring costs when the consent is issued; thereafter the previous year’s monitoring costs will act as an indication of monitoring costs.

Table 2: Monitoring Task	Fixed Basic Annual Charge (Excl GST)
Inspection and associated reporting and administration	\$423
Inspection and associated reporting and administration of unmetered water takes	\$322
Additional inspection, reporting and administration charges where a resource consent authorises groundwater takes from more than two wells	\$70 - each additional well over 2.
Additional inspection, reporting and administration charges where additional consents under the same ownership and invoiced collectively, within 5km of each other, and able to be inspected on the same day	\$233 each additional consent.
Sampling time (sampling analysis will be at cost – see Table 10)	\$110
Other information returns	\$110

Additional Charges for Compliance Monitoring

Where an additional charge is to be made, this shall be calculated by multiplying the actual hours involved in undertaking monitoring of the consent by the hourly rate for the staff involved and adding any actual disbursements (as in Table10). The total calculated shall then, if necessary, be adjusted to reflect HBRC’s actual and reasonable costs having regard to the factors referred to in section 36(4) of the RMA.

Table 2a: Monitoring Water Measuring Devices	Annual Charge (Excl GST)
Sampling time (sampling analysis will be at cost – see Table 10)	\$110
– Water use returns & Audits – Telemetered, Web/Text entry	\$200
– Each additional water measuring device	\$ 30
– Water use returns & Audits – Fax/Email/Standard Mail	\$242
– Each additional water measuring device	\$ 66
Where water measuring devices do not meet HBRC’s approved devices criteria or are not installed by an approved installer, a full compliance audit will be undertaken and charged as per Table 2.	\$385
Non-exercised consent	\$40

Monitoring of Domestic On-site Wastewater Treatment Systems Charges

Consent holders with an on-site wastewater treatment system type that is not on the HBRC’s Accredited Manufacturer list, and who do not have that system installed and serviced by a person or company on the Accredited Installer and Service Agent list will be subject to an annual monitoring cost of \$385.

Consent holders with an on-site wastewater treatment system type that is on the HBRC’s accredited list and is installed and maintained by an accredited installer/service person or company will not be subject to routine compliance inspection fees.

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 190

Charges to holders of Resource Consents for Low Flow Monitoring

For holders of consents to take water where the abstraction is subject to low flow limits (directly or via gallery intake or wells), the cost of monitoring the low flows will be recovered for each water take subject to low flow restrictions (excluding frost consents that are from the same take point as an irrigation consent, held in the same name):

- A charge of \$100 each primary consent (excl GST)
- Should the fixed charges not cover the actual and reasonable costs associated with the low flow monitoring programme an additional charge shall be added to all consents subject to the low flow charge to recover the actual and reasonable costs incurred.

3. Charges to holders of Resource Consents for Freshwater Management Research/Investigations and Monitoring (Zone Based Water Science Charges)

HBRC policy is to recover 35% of the total costs of investigation and monitoring of freshwater resources from holders of resource consents to take or dam water, or to discharge into water or onto land in a manner that may enter water. This recognises that while all residents of the region receive benefits from the sustainable management of our freshwater resources, resource users receive greater benefits than other land owners. The charges in the following section are indicative estimates based on the 2018-19 science budgets for the year, and may be adjusted for actual expenditure within the zones at year-end.

Allocation of Charges

The costs charged are derived from the water investigation and monitoring projects with a proposed total cost to be recovered from consent holders of \$1,685,415 excl GST in 2017-18 that includes a carry forward of \$310,000 from 2016- 17. Indicative budgets in the LTP indicate a recovery of \$1,897,000 excl GST in 2018 - 19

Costs are recovered from consent holders using a zone based approach. Twenty per cent of the costs will be charged as a fixed portion and distributed uniformly among all current consent holders at \$120. The remaining costs are separately attributed to six categories of relevant consent holders (surface water takes, groundwater takes, (stream depleting – hybrid SW/GW), hydro water takes, discharges to water, including coastal, or discharges to land). Charges are levied against individual allocated volume m3 for water takes, and a pollution index score for discharge consents. Charges are levied against consented volumes not actual use, non-exercised/partially exercised consents are not discounted.

HBRC will be excluded from these charges.

The pollution index score for each discharge subtype will be reviewed yearly by a suitably qualified scientist.

Charges are levied against the current consent holder at the time of invoicing, yearly apportioning will apply to new consents. Charges are payable by the date specified on the invoice.

Domestic onsite wastewater consents from a single domestic dwelling are excluded from the charging. A 25% discount applies to the irrigation component of dam fill consents.

Water takes

Table 3: Water takes are based on \$ per Cubic Metre/week, on consented weekly volumes							
	Wairoa	Mohaka	Esk	Heretaunga	Tukituki	Porangahau	Southern Coast
Groundwater Takes	\$0.93	\$0.30	\$0.09	\$0.05	\$0.06	\$0.22	\$0.06
Surface water takes	\$0.17	\$0.12	\$0.09	\$0.16	\$0.06	\$0.05	\$0.08

If the consent specifies a 28 day volume then this volume divided by 4 is used, otherwise the annual consent volume divided by 52 is used.

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 191

Frost protection consents do not have weekly volumes so a deemed weekly take is calculated for these consents. This equates to an estimated annual usage of 5 days or a usage of approximately 7 hours per week during the 4 month frost season. This usage estimate recognises the limited circumstances and period over which this consent can be used. The rate of take in l/s is multiplied by the number of seconds in 5 days and then divided by 1000 to give a deemed annual volume in m3. Dividing this by 52 gives the deemed weekly volume.

Dam fill consents that have a frost protection purpose are treated in the same way as frost protection consents. However, if a dam fill consent has both an irrigation and frost protection purpose, a hybrid approach is taken in calculating the weekly volume (50% frost; 50% irrigation). If a dam fill consent has purely an irrigation purpose then it is treated in the same manner as an irrigation consent, however the consented/deemed weekly volume irrigation component of dam fill consents that are subject to low flow cessation conditions are discounted by 25%. This measure reflects the lower environmental impacts associated with these takes.

The shingle washing consent weekly volume is discounted by 80%. This measure reflects the predominately non-consumptive characteristics of these consents.

Consents classified as “surface water depleting” by HBRC are treated in a hybrid manner for charging purposes with 75% being attributed to groundwater and 25% being attributed to surface water.

Some consents have been authorised by HBRC but can only be utilised on the surrender of another consent. The former consents only become subject to the water science charging regime upon the surrender of the latter consent.

Consents that share a defined volume of water will cumulatively attract a water science charge that recognizes (but does not duplicate) this total entitlement.

Consents relating to the discharge of primary or secondary treated effluent that originate from a single residential dwelling are excluded from the Water Science charging regime.

Dairy farms in the Mohaka zone are charged based on the consented herd size rather than the PI score. The Mohaka zone will be charged \$135 per 100 cows.

Discharges that are exercised once and for a very short period and which have no or negligible environmental impact are excluded from the charging regime.

Discharges directed at improving the environment are excluded from the charging regime.

Table 4: Hydro Scheme Charges are based on \$ per litre/second, on consented volume

	Wairoa	Mohaka	Esk	Heretaunga	Tukituki	Porangahau	Southern Coast
Take Hydro	\$0.11		\$0.11	\$0.10	-	-	\$0.06

Discharges

Table 5 : Discharges charges are based on \$ per PI unit in each zone

	Wairoa	Mohaka	Esk	Heretaunga	Tukituki	Porangahau	Southern Coast
Discharge to Land	\$271.80	\$793.74	\$299.45	\$257.13	\$770.98	\$288.32	\$464.90
Discharge to Water	\$271.80	\$793.74	\$299.45	\$257.13	\$770.98	\$288.32	\$464.90

To calculate the variable charge that will be payable multiply the relevant \$ / PI figure for the zone (Table 5) by the PI score for the type of consent (from Table 6).

Table 6: Pollution Index score for each type of consent; not all consent types occur in each zone.

Type of Discharge	Discharge to Land	Discharge to Water
Air – Particles and /or sandblasting		1
Coastal Protection	0.75	1.75
Crop Spray		1.75
Drainage and Flood Protection	0.75	3
Environmental purposes	0.75	2
Hazardous Substances	1.75	
Irrigation		1
Leachate	1.875	4
Potable supply		1

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 192

Table 6: Pollution Index score for each type of consent; not all consent types occur in each zone.

Type of Discharge	Discharge to Land	Discharge to Water
Quarry Works	1.125	
Sewage – Advanced Primary Treatment	2	
Sewage – Primary treated		4.25
Sewage – Primary Treatment	2.25	
Sewage – Secondary treated	1.875	3.75
Sewage – Tertiary Treated	1.5	
Sewage – untreated	2.25	4.5
Solid Waste – Inorganic	1.375	
Solid Waste – Organic	2.125	
Solid Waste – Organic /Inorganic	1.75	3.25
Stockwater supply	0.5	1.5
Stormwater – non polluted	1.75	3
Stormwater – polluted	1.875	3.75
Structure – Bed Protection	0.75	
Structure – Flood Protection	0.875	
Wastewater – Apple Dump	1.375	
Wastewater – Primary Treated	2.125	
Wastewater – Secondary Treated	1.875	3.75
Wastewater – untreated	2.375	4.5
Wastewater – washwater	1.875	2.5
Wastewater- primary treated		3.25
Wastewater –Tertiary Treated	1.625	
Water	0.5	1
Water supply cooling water	0.75	1.5

4. Charges for Gravel Extraction Land Use Consents

Charges for Non-notified Applications

A charge payable in advance for receiving, processing and deciding on non-notified land use consent applications to extract gravel:

- 0-50 cubic metres \$20
- 50 cubic metres and over \$80

(For charges for notified gravel extraction land use consents, see Table 1 and associated text).

Compliance Monitoring, Administration Charges and Financial Contributions

Compliance monitoring, administration charges and financial contributions are based on the volume of gravel extracted; the source of the gravel; and its quality. The categories include:

- inferior grade material (as determined by HBRC staff)
- material extracted from above the confluence of the Tukipo and Mangaonuku River tributaries of the Tukituki and Waipawa rivers (Upper Tukituki catchment)
- all other material.

The financial contribution is established in the Regional Resource Management Plan under Section 108 of the Resource Management Act 1991.

Resource consent charges for gravel extraction are due and payable monthly on the same day as extraction declarations.

Table 7: Gravel Extraction Charges based on \$ per Cubic Metre Extracted per annum (Excluding GST)

	State of Environment Monitoring Charge (\$35 of RMA)	Compliance / Allocation Charge (\$36 of RMA)	Financial Contribution (\$108 of RMA)	Total
Upper Tukituki catchment	No charge	\$0.20	No charge	\$0.20
Inferior grade	\$0.12	No charge	\$0.08	\$0.20
All Other	\$0.12	\$0.60	\$0.08	\$0.80

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 193

5. Charges Relating to Contaminated Site Management

These charges are set in accordance with section 150 of the Local Government Act 2002.

Where a party requests information about the 'contaminated site' status of a property	A charge of \$200 An additional charge based on actual and reasonable costs may apply if a site inspection is required
Where a party requests HBRC review and comment on contaminated site investigation and remediation reports	Actual and reasonable charges will apply
Where a party requests more extensive involvement of HBRC staff	A charge based on the actual and reasonable costs of staff time incurred

Building Act Charges

The processing of building consents for dams and issuing of project information memoranda (PIMs) for dams and administering dam safety regulations are new statutory functions for the HBRC under the Building Act (2004) and its amendments. Dam safety regulations become operative on 1 July 2010. Amounts stated for Building Act charges below are exclusive of GST.

PIM costs

A fixed charge (deposit) listed in Table 8 is payable in advance, and an additional charge may be payable once the application has been decided, based on actual costs.

Building Consent Costs

This function has been transferred to Waikato Regional Council. The transfer agreement specifies that Building Consent costs will be recovered on an actual and reasonable basis, with hourly rates and fixed charges from Waikato Regional Council. These charges are set and recovered directly by Waikato Regional Council. Any HBRC processing costs not associated with the Building Act will be charged as specified in Table 1 under Resource Management Charges.

Certificate of Acceptance Costs

This function is retained by HBRC, but Waikato Regional Council will provide technical advice into the process. A fixed charge (deposit) is payable in advance, and an additional charge may be payable once the application has been decided. The fixed charge for this is listed in Table 8.

Department of Building and Housing and Building Research Authority of New Zealand Levies

Department of Building and Housing (DBH) and Building Research Authority of New Zealand (BRANZ) levies were required by regulation on 1 March 2008. These levies may change in accordance with amendments made to regulations. The Hawke’s Bay Regional Council (HBRC) is required to collect and pay DBH and BRANZ levies as regulated for all Building Consent Applications and Certificate of Acceptance applications.

The following fees apply to all building work with an estimated value greater than \$20,000 - DBH levy – \$1.97 for every \$1000 (or part of \$1000) of the estimated value of the building work. BRANZ levy – \$1.00 for every \$1000 (or part of \$1000) of the estimated value of the building work.

Table 8: Fixed Charges for Building Act Applications (Excluding GST)			
Item	PIM	Certificate of Acceptance	Amendment to Compliance Schedule
Large Dam (above \$100,000 value)	\$1000	\$4000	\$1000
Medium Dam (\$20,000 to <\$100,000 value)	\$750	\$2000	\$1000
Small Dam (\$0 to <\$20,000 value)	\$500	\$500	\$1000

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 194

Additional Building Act Charges

Where an additional charge is to be made, the charge will be recovered on an actual and reasonable basis. This shall be calculated by multiplying the actual hours involved in undertaking monitoring of the application by the hourly rate for the staff involved and adding any actual disbursements (as in Table 10).

An additional charge will apply to:

- all PIMs, Certificate of Acceptance Applications, and Amendment to a Compliance Schedule applications when the fixed charge does not cover the costs of processing.
- all other unspecified Building Act duties that deal with its application, processing or compliance, and are attributable directly to a dam. These charges are payable by the owner of a dam.

Maritime Transport & Navigation Charges

Standard Charges under the Maritime Transport Act 1994 - Marine Tier 1 Oil Transfer Sites

Maritime Rule Part 130B requires that the operator of an oil transfer site obtain the approval for a site marine oil spill contingency plan from the Director of Maritime New Zealand. The power to approve these plans has been delegated by the Director to the Chief Executive (sub-delegated to HBRC regional On Scene Commanders) of HBRC in an Instrument of Delegation pursuant to Section 444(2) of the Maritime Transport Act 1994. Section 444(12) of the Maritime Transport Act 1994 allows HBRC to charge a person a reasonable fee for:

- Approving Tier 1 site marine oil spill contingency plans and any subsequent amendments
- Inspecting Tier 1 sites and any subsequent action taken thereafter in respect of preparation of inspection reports or reporting on non-conformance issues.

Tier 1 Site operators shall be charged a basic charge of \$291 per Tier 1 Marine Oil Spill Contingency Plan approval. Where the cost incurred by HBRC when approving a contingency plan is greater than \$350, the Tier 1 Site operator will be charged the actual and reasonable cost.

Inspecting Tier 1 sites, auditing response exercises and subsequent follow up reports and corrective actions shall be charged the actual and reasonable cost of the required work.

Actual and reasonable charges shall be calculated using the hourly rates listed in Charge Rates section, Table 10.

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 195

Navigation and Safety By-laws Charges

The Local Government Act enables HBRC to charge for various functions it undertakes in accordance with the Navigation and Safety By-laws.

A fixed charge of \$145 will be charged to all vessels requiring a hot-work permit to be issued outside the hours of 8am – 4pm on a normal working day.

Internal and external costs incurred responding to breaches of Navigation and Safety By-laws, securing of vessels, responding to unseaworthy vessels or sinking vessels, and other tasks required to be undertaken to ensure safe navigation can be maintained, shall be charged actual and reasonable costs (Table 9) to the master, owner or person who caused the cost to be incurred.

Table 9: Navigation and Safety Charges	
Licence Type Vessels not Under Safe Ship Management	Annual Charge Payable in Advance (Excluding GST)
Passenger Vessel Licence	
– Passenger Vessel Owner's Licence	\$70.00
– Passenger Vessel Licence (per vessel)	\$40.00
Hireboat Licence	
– Hireboat Owner's licence	\$70
Hireboat Licence (per craft)	
– Kayak	\$6.00
– Windsurfer	\$7.00
– Rowing boat	\$10.00
– Sail boat	\$20.00
– Jetski	\$20.00
– Powerboat	\$40.00
Pilot-exemption Recommendations/Revalidation	
– Overall Vessel Length less than 65 metres	\$200.00
– Overall Vessel Length between 65 and 130 metres	\$300.00
Applications for Suspension or Exemptions under Bylaw 5.1	
– Public Notification	Actual Advertising Costs
Jet Ski - Individual licensing and registration (July 2018)	\$53

Charges for the Preparation of, or Change to a Regional Plan

Applicants for the preparation of, or change to any regional plan will be subject to the following fixed charge payable in advance: \$1000 (excl GST).

If the actual costs incurred by HBRC in preparing, varying or changing the regional plan exceed the charge payable in advance, then these costs may be recovered by way of an additional charge. The additional charge shall be based on actual costs as calculated by multiplying the actual hours involved in preparing or changing the regional plan by the hourly rates for staff involved and adding any actual disbursements (see Table 10) and subtracting the charge referred to above. The total calculated amount shall then, if necessary, be adjusted having regard to the factors referred to section 36 of the Resource Management Act.

Charges for the Provision of Information

The Regional Council (HBRC) shall charge for the provision of information as follows.

- The first hour of time spent actioning a request for information on each or any occasion relating to the same general matter or issue arising from the Regional Policy Statement, regional plans or resource consents shall be provided free of charge.
- HBRC reserves its rights under section 13 of the Local Government Official Information and Meetings Act 1987 (LGOIMA) to charge for the provision of information above one hour. HBRC delegates the decision for treating requests made by the same person and in quick succession as one request, to the Chief Executive.
- In accordance with the LGOIMA, HBRC does not consider requests for explanations in its definition of information requests.
- Staff time spent actioning any request over and above the time provided free of charge shall be charged at the rates set out in Table 10 HBRC may also choose to require payment in advance.
- The first 20 pages of black and white photocopying on standard A4 or A3 paper shall be provided free of charge.
- Where the total number of pages of photocopying is in excess of 20 then the rates set out in Table 10 will apply.

Part 6: Financials | Wāhanga 6 - Pūrongo Pūtea

Part 6 | page 196

Other Charges Related Information

Charges by the Crown

HBRC is responsible for collecting the following Crown fees, rents and royalties in addition to its charges:

In the Coastal Marine Area:

- Restricted coastal activity application fees as specified;
- Extraction of sand and gravel - \$1.51 excluding GST per cubic metre royalty;
- Rent for the occupation of land from the Crown;
- Geothermal royalties.

Due Dates for Payment

- Charges payable in advance for consent applications are due on the filing of an application.
- Charges payable for photocopying of less than \$20 are due on collection of the copies.
- All other charges will be due and payable on the 20th of the month following date of the invoice.

Cost of Debt Recovery

- All debt collection costs incurred by HBRC in relation to the activities covered in this section shall be borne as a debt by the party whose actions caused the initial charge.

Table 10: Charge rates (excl. GST) for the purpose of calculating actual costs per hour	
Item	Per Hour
Executive	\$135
Governance and Partnerships	\$ 85
Strategic Planning	\$ 94
Integrated Catchment Management	
-Science	\$107
-SOE Reporting (Environmental Information)	\$ 85
-Client Services	\$ 92
-Water Information Services	\$ 92
Catchment Management	\$ 96
Biodiversity and Biosecurity	\$ 93
Asset Management	\$ 101
Consents and Compliance	
– Resource consent processing	\$165
– Resource consent administration	\$ 92
– Compliance/impact monitoring of consents and Approving, monitoring & auditing of Tier 1 Marine Oil Spill Contingency Plans, monitoring the new NESPF for forestry and monitoring of Resource Management Act regulations.	\$135
Emergency Management	\$79
Transport	\$85
Corporate Services	\$71
Disbursement costs shall be charged at the rates set out below:	
– Accommodation	– \$150 a night per person
– Public notification	– Actual advertising costs
– Photocopying	– 20c per A4 page B&W
	40c per A4 page colour
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	70c per A2 page B&W
– External laboratory testing	– Actual cost
– Consultant fees	– Actual cost

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 197

Part 7 Policies | Wāhanga 7 - Ngā Kaupapa Here

Contents

Treasury Policy.....	199
1. General Policy Context.....	199
2. General Objectives.....	199
3. Investment Policy - Purpose.....	200
4. Investment Policy - Scope.....	200
5. Investment Policy - Responsible Investment.....	200
6. Investment Policy - Ethical Investment.....	200
7. Investment Policy - Externally Managed Funds.....	201
8. Investment Policy - Mix of Investments.....	201
9. Investment Policy - Investment Parameters.....	204
10. Investment Policy - Acquisition of Investments.....	205
11. Investment Policy - Disposal of Investments.....	205
12. Disposition of Income.....	205
13. Risk Assessment and Management.....	205
14. Investment Policy - Investment Types.....	206
15. Counterparty Risk.....	207
16. Liability Management Policy – Purpose.....	208
17. Local Government Funding Agency.....	209
18. Debt Repayment.....	209
19. Specific Borrowing Limits.....	210
20. Liquidity and Funding limits.....	210
21. Security.....	211
22. Internal Debt Management.....	211
23. Interest Rate Risk Management.....	211
24. Foreign currency.....	212
25. Approved financial instruments.....	213
26. Review of Policy.....	213
27. Management responsibilities.....	214
28. Delegation of authority and authority limits.....	217
29. Treasury Procedures – Operational Risk.....	219
Investment Management Report.....	222

Policies on Rates Remission and Postponement.....	223
Māori Freehold Land.....	223
Remission in Special Circumstances.....	224
Remission for Uniform Annual General Charges (UAGC) ...	226
Postponement in Cases of Financial Hardship or Natural Disaster.....	227
Revenue and Financing Policy.....	228
Purpose of the Policy.....	228
Revenue and Financing Policy by 'Group of Activity'.....	229
Step one allocations.....	229
Step two considerations.....	236
Detailed explanation of Council's considerations.....	236
Available Funding Sources.....	238
Capital Expenditure.....	240
Appendix to the Revenue and Financing Policy.....	242
Statement on Council Controlled Organisations.....	254
Policy and Objectives in Relation to Ownership and Control.....	254
Nature and Scope of the Activities.....	254
Key Performance Targets.....	255
Significance and Engagement Policy.....	256
Purpose and Scope.....	256
Process.....	256
Our general approach to significance.....	256
Criteria for Significance.....	257
Strategic assets.....	257
Our general approach to engagement.....	258
Engagement Spectrum – our approach.....	259
Special consultative procedure.....	260
Review of Policy.....	260

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 198

Item 7

Attachment 1

Summary of Significant Accounting Policies.....	261	Significant Forecasting Assumptions.....	271
General Information	261	HBRC Activities and Functions.....	271
Reporting Entity.....	261	Financial Presentation	271
Basis of Preparation.....	261	Population.....	271
Major Depreciation and Amortisation Periods	268	Natural Disasters	271
		Climate Change	271
		Interest Rates	271
		Cost Adjusters	272
		Asset Value Adjusters.....	273
		Investments.....	273
		Assets	275
		Insurance of Infrastructure Assets	276
		Funding of Open Space Initiatives and Community	
		Facility Assistance.....	276
		Subsidy Rates	276
		Risks to Assumptions.....	277
		Reporting on Significant Changes	279

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 199

Treasury Policy

1. General Policy Context

- HBRC's Treasury Policy is consistent with its objectives, Long Term Plan (LTP) and Annual Plans. All external borrowing, investments and incidental financial arrangements (e.g. use of interest rate risk management instruments) will meet the requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy. The policy is established in accordance with the following relevant legislation:
- Local Government Act 2002, in particular sections 101, 102, 104, 112, 113 and 105. The policy covers Council's management of all borrowing, as defined in section 112 of the Act, as well as management of other liabilities. Section 113 of the Act prohibits Councils' from borrowing or entering into incidental arrangements denominated in other than New Zealand currency.
- In accordance with the Local Government Act, and by resolution, Council may borrow on such terms and conditions that they consider appropriate. HBRC uses short-term and long-term funding to achieve an effective borrowing mix and to balance the requirements of liquidity and funding risk management.
- Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part II Investments.
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.

2. General Objectives

The objective of this Policy is to control and manage borrowing costs and investment returns that can influence operational budgets, public equity and the setting of debt levels. Specific objectives are:

- to manage investments to optimise returns in the long term whilst balance risk and return considerations
- to balance the mix of financial investments and blended investments
- obtain an acceptable ongoing annual cash income from the investment portfolio as a whole
- ensure sufficient cash is available (liquidity) as needed to assist with the funding of HBRC's ongoing operations and to meet known and reasonably unforeseen funding requirements
- protect and maintain long term gains in capital value of its investments for the benefit of future as well as current generations of ratepayers
- ensure externally managed investment funds protect the real capital value, and amounts available for distribution, between present and future ratepayer generations. Real capital value is the value that has been adjusted for the effect of inflation
- hold certain investments for strategic benefits as well as for the financial benefits to the region
- to minimise liquidity risks and exposure to credit risk by investing and dealing with credit worthy counterparties
- develop and maintain relationships with financial institutions, credit agencies, LGFA, investment managers, investors and investment counterparties
- minimise HBRC's costs and risks in the management of its borrowings
- invest and borrow funds and transact risk management instruments within an environment of control and compliance under the Policy to protect HBRC's costs, returns and assets
- arrange and structure appropriate funding for HBRC at the lowest achievable credit margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this Policy
- monitor and report on financing/borrowing covenants and limits under the obligations of the HBRC's lending/security arrangements
- monitor, evaluate and report on treasury performance
- ensure that all statutory requirements of a financial nature are adhered to
- to ensure adequate internal controls exist to protect HBRC's financial assets and to prevent unauthorised transactions.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 200

3. Investment Policy - Purpose

The purpose of the Investment Policy is to present HBRCs policies in respect to investments including:

- The mix of investments
- The acquisition of new investments
- An outline of the procedures by which investments are managed and reported to Council
- An outline of how risks associated with investments are assessed and managed.

4. Investment Policy - Scope

HBRC has a significant portfolio of investments comprising of:

- Equity investments
- Property investments
- Forestry investments
- Treasury investments
- Externally managed investment funds

Investments bound by this Policy are all of HBRC's financial assets and reserves, which are held to produce a financial return within accepted risk parameters, and help achieve its strategic economic objectives, while collectively retaining their real capital value over the period of their ownership. The real capital value is the current market value in New Zealand dollars (based on market or independent valuation) adjusted for movements in the CPI.

There are two investment categories that HBRC may invest in:

- **Financial Investments** – the purpose of financial investments is to provide annual cash income at budgeted amounts.
- **Blended Investments** – the purpose of blended investments is to invest in projects that may have a combined objective of providing environmental or regional economic growth benefits as well as financial benefit. Blended investments are only to be invested in if the total investment portfolio can provide the annual cash income requirements of HBRC.

5. Investment Policy - Responsible Investment

Investments will be made with judgment and care, under circumstances prevailing at the time which people of prudence, discretion and intelligence exercise in the professional management of financial assets.

HBRC does not make speculative investments (such as contracts for difference in prices over time of any commodity or asset and other financial derivatives) or any other investments not detailed within this Policy or Council's SIPO document. Council has adopted an ethical based investment strategy. This will involve companies and industries being reviewed for sustainability, socially responsible and ethical practices. Investments will be periodically reviewed against these principles; any contraventions discovered will lead to the prudent and timely divestment.

Its economic and financial objectives should be achieved by balancing potential risks. Prudent investment management requires managing investment risk and return by consideration of the mix of investments by investment type, and location.

In its financial investment activity, HBRC's primary objective is to protect the value of its assets. Accordingly investment may only be made in creditworthy counterparties having acceptable standing and credit ratings. Where investments are externally managed these activities are approved under a separate policy.

6. Investment Policy - Ethical Investment

Where practical, investments will consider the ethical practices of the investment entity. HBRC's intention for its investment portfolio is to avoid direct involvement with industries that have a negative impact on society and the environment. This includes but is not limited to:

- Alcohol
- Tobacco
- Fossil fuels
- Military/weapons.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 201

7. Investment Policy - Externally Managed Funds

Where Council funds are to be managed externally by a suitably qualified Investment Manager, investment funds (Funds) are managed in line with a separate Statement of Investment Policy and Objectives (SIPO) document. An external Investment Manager will be appointed in the knowledge of and operate the portfolio according to, the investment guidelines outlined in the SIPO.

Council will be responsible for the following:

- Setting the Fund’s Investment Strategy, including the level of risk and investment performance objectives, and investment policies.
- Formally reviewing the SIPO annually, including the investment strategy, policies and manager configuration, and instructions to the Investment Manager.
- Formally reviewing the SIPO every three years. The review includes the investment strategy, return objectives, policies and manager configuration, and instructions to the Investment Manager.
- Ensuring that the level of redemptions from the Fund is consistent with the Fund’s objectives to maintain its real capital value, and amounts available for distribution, between present and future generations.
- Providing cash flow information to the Investment Manager with respect to future deposits to, and redemptions from the Fund.

The strategic asset allocation and tactical ranges provided in the following table are included within HBRC’s SIPO document.

Sector	Benchmark %	Ranges %
NZ equities	15%	13% - 18%
International equities (fully hedged)	29%	25% - 34%
NZ property	3%	1% - 4%
International property (fully hedged)	3%	1% - 4%
Total growth assets	50%	40% - 60%
Cash and short term securities	5%	2% - 8%
NZ fixed interest securities	20%	15% - 24%
International fixed interest (fully hedged)	25%	23% - 28%
Total income assets	50%	40% - 60%

8. Investment Policy - Mix of Investments

Equity Investments

HBRC Ltd

Since its establishment on 1 February 2012, HBRC beneficially owns 100% of the shares in HBRC Ltd, a company established to manage HBRC’s corporate investments.

HBRC Ltd is classified as a strategic asset in terms of Section 97 of the Local Government Act 2002.

A key requirement of HBRC is that HBRC adopt an investment policy for the management of the investments that is consistent with, and reflects the purpose, objectives and requirements of this investment policy, which will remain the overriding policy document for all HBRC’s investments, including any investment company and its assets.

HBRC sets a series of performance and strategic targets for HBRC Ltd in an annual Statement of Objectives, which in turn is reflected in the company’s annual Statement of Intent (SOI). The 2017-18 performance targets as set out in HBRC’s Statement of Objectives for HBRC Ltd are outlined in the following tables.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 202

Hawke's Bay Regional Investment Company Initial Performance Targets (subject to annual SOI review) HBRIC Ltd Parent 2017-18	
Performance Indicator	Target
Net debt to net debt plus Equity	<10%
Interest cover (EBIT/Interest paid)	>3x
EBITDA/Total Assets	3%
Return on Shareholder's Funds	3%
Hawke's Bay Regional Investment Company Initial Performance Targets (subject to annual SOI review) Consolidated 2017-18	
Performance Indicator	Target
Net debt to net debt plus Equity	<40%
Interest cover (EBIT/Interest paid)	>3x
EBITDA/Total Assets	9%
Return on Shareholder's Funds	5%

Notes: EBIT = Earnings Before Interest and Tax
EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation

These performance targets may change from year to year as a result of HBRC's annual review of its Statement of Objectives and the company's Statement of Intent and changing economic, market and financial circumstances.

As controlling shareholder HBRC appoints the directors of HBRIC Ltd and, as controlling shareholder, HBRC will have an expectation that the company's policies will support its strategic objectives.

In its role as a CCO, HBRIC is responsible for approving new investments or divestments, including any made by its current and any future subsidiary companies, joint ventures or other investment vehicles, except where the new investment or divestment:

- Is inconsistent with delivery of HBRC's strategic objectives
- Significantly varies performance targets agreed through respective Statements of Intent
- Requires HBRC to assist funding these investments by increasing its equity in its subsidiary, associate, joint venture or other investment vehicle, or provide loans or other financial assistance to them
- Involves divestment of a strategic asset as defined under Section 97 of the Local Government Act 2002.

Port of Napier Limited

As at 30 June 2017, HBRC beneficially owned 100% of the shares in PONL through HBRIC. HBRC's strategic objective is to continue to beneficially hold a majority of the shares of PONL as a key means of assisting economic development of the region. The investment is expected to be a significant source of non-rate revenue and has long term prospects for growth and development.

As controlling shareholder HBRC approves the appointment of the directors of PONL recommended by HBRIC Ltd.

Property Investments

Napier leasehold property

HBRC owns leasehold endowment property within and around Napier City. The portfolio was acquired in 1989 during the reformation of Local Government, and under the terms of each lease, the properties can only be sold to lessees. This means HBRC will retain ownership of each lease unless the lessor is willing to buy the freehold interest in the property at a value acceptable to both lessee and lessor.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 203

HBRC intends to continue to sell freehold interests to lessors wherever an acceptable sale price can be achieved, and reserves the right to sell the annual cash flows arising from ongoing rents paid by lessors from time to time. With effect from 1 July 2013, HBRC sold the annual rentals due from this portfolio over the next 50 years (i.e. until July 2063) to ACC for a lump sum of \$37.8 million. The underlying properties continue to be owned by HBRC and sales to lessors have continued, and may continue in the future, in the same way as they have done in the past.

Ground rents paid by lessors have been predominantly set at 5% or “fair annual ground rental” and reviewed every 21 years.

Wellington leasehold property

HBRC owns 12 leasehold properties in the suburbs of Kelburn and Thorndon in Wellington, which are not subject to endowment restrictions. These leases provide an annual return with leases renewed every 14 years. HBRC reserves the right to sell some or all of these properties and reinvest the proceeds in appropriate investment types specified in this policy.

Other Property Investments

HBRC may invest in other property if they meet section 1 to 6 of this investment policy and the correct delegations are engaged.

Forestry Investments

HBRC has an existing forestry portfolio consisting of:

Site Name	Area (ha)	Assumptions
CHB	168	No material investment, maintenance only, no harvesting in LTP period
Mahia	36	No material investment, maintenance only, no harvesting in LTP period
Waihapua	213	No material investment, maintenance only, no harvesting in LTP period
Tutira	114	Harvesting proposed over the period from 2018/19 to 2022/23. Replanting after harvest
Tutira Manuka Honey	130	Maintenance continues with yearly honey income of \$46,000 assumed
Tangoio	150	Harvesting proposed over the period from 2020/21 to 2021/22. Replanting after harvest

Return on the forestry investments are determined by the harvest revenue received. Tangoio forestry is treated differently from all the other forestry investments as HBRC does not own the land but does have responsibility for the management and control of the forest. Any income received from harvest is kept on reserve to fund the continuing maintenance programme and is not available for general ratepayer funding.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 204

NZ LGFA Limited Investments

The Council may invest in shares and financial instruments issued by the New Zealand Local Government Funding Agency Limited, and may borrow to fund that investment.

The Council's objective in making any such investment will be to:

- obtain a return on the investment, and
- ensure that the LGFA has sufficient capital to become and remain viable as a source of debt funding for the Council.

Because of this dual objective, Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, Council may also subscribe for uncalled capital in the LGFA.

Treasury investments

Council maintains Treasury Investments for:

- investing money allocated to accumulated surpluses, Council-created special, and restricted reserves, and general reserves
- investing funds allocated for approved future expenditure in strategic initiatives or support inter-generational allocations
- investing funds arising from pre-funding upcoming maturing debt amounts
- investing surplus cash, to be used for operational and capital expenditure requirements and
- investing proceeds from asset sales.

Treasury Investments, that are not externally managed, will be managed within Council by the CFO and will be prudently invested as follows.

- Investments which have the intention of supporting liquidity should be matched to meet future cash flow and capital expenditure projections.

- Interest income from financial investments is credited to general funds, except for income from investments for special funds, reserve funds and other funds where interest income may be credited to the particular fund.
- The CFO executes Council’s investment strategy within approved policy limits by regularly reviewing cash flow forecasts (incorporating plans for approved expenditure and strategic initiatives).
- Council adopts a conservative risk position for these funds and only accepts investments that have a minimum risk of loss. Accepting that a low-risk portfolio may result in lower returns.
- Treasury Investments must be compliant with the Investment Parameters, Approved Financial Instruments and Counterparty Credit sections of this Policy.

Term deposits

HBRC currently holds both investment and reserve funds on term deposits with approved banking institutions.

9. Investment Policy - Investment Parameters

The following percentages are calculated on the total current investment portfolio managed internally by Council. These Policy limits concurrently apply to both the maturity term and the interest rate re-pricing profile of the investment portfolio (and should be reported separately where they differ):

Maturity Term	Minimum limit	Maximum limit
0 to 1 year	50%	100%
1 to 3 years	0%	50%

When cash flow projections are changed, the maturity profile may have to be adjusted to comply with the policy limits.

The Council must only invest in acceptable financial instruments and counterparties, as covered in the Approved Financial Instruments and Counterparty Credit sections of this Policy.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 205

10. Investment Policy - Acquisition of Investments

New investments will be acquired from time to time within the investment types specified in accordance with the policies and objectives recorded in this policy.

New investments will be made by HBRC, HBRIC and its officers in accordance with the management authorities and delegations summarised below.

Acquisition of new investments will be made after assessment of their benefits, alignment with strategic objectives, costs and risks in accordance with the assessment procedures approved by HBRC from time to time.

11. Investment Policy - Disposal of Investments

Sale or liquidation of investments held for special purpose reserves may only occur when the funds are required for the particular purpose each reserve was established for by HBRC. Any disposal of unrestricted assets requires the approval of Council, other than those made within delegated authority granted by HBRC.

HBRC regards Napier Port as a strategic asset and will retain beneficial control either directly, indirectly, or through its wholly owned investment company. In the event it contemplates reducing its interest in Napier Port from its present 100% shareholding to not less than 51% (i.e. still retaining control) by selling shares to a third party (or parties) or by changing how the Napier Port is managed and operated, it will comply with the provisions of Section 97(1)(b) of the Local Government Act 2002 where “a decision to transfer ownership or control of a strategic asset” is to be considered.

HBRC will use either the Annual Plan or LTP process, or a separate Special Consultative Process, it deems appropriate at the time, to obtain the views of ratepayers and stakeholders on its proposed sale of shares before committing to it.

HBRC wishes to retain the right to use a limited amount of funds from the proceeds of the disposals of leasehold property for purposes other than reinvestment in the investment types of this policy, where appropriate. Such purposes will be restricted to capital related projects, loans (including interest free loans), and servicing the costs of borrowings by HBRC used for these purposes and may be initiated by HBRC or other organisations in the region.

When proposing such a course of action, HBRC will, subject to the exceptions stated below, adopt a special consultative procedure under the Act which will ensure a fully inclusive decision making process with the Hawke’s Bay regional community. This process is intended to extensively canvass the community’s views and seek their input into any such proposals.

There will be no requirement to carry out a special consultative procedure when:

- no more than \$300,000 of sale proceeds will be used for any one project, or
- HBRC uses the sales proceeds to acquire land or enters into partnership for the development of further open space areas, particularly those that are in environments that are of high ecological or landscape value or extensively used by the public.

HBRC’s objective will be to indicate in either the LTP or relevant Annual Plan any proposals not covered by the above exceptions. There may be some occasions when the special consultative process for such initiatives may not always coincide with these HBRC planning processes and so may occur as standalone consultations.

12. Disposition of Income

Investment income other than that to be applied to reserve funds and in compliance with the provisions of Section 3(b) of the Endowment Act, will be included in the revenue account and used for the general purposes of HBRC.

13. Risk Assessment and Management

The risk profile of the investment portfolio is continuously assessed to ensure adherence to the following risk management rules:

- HBRC will not invest where there is a significant known risk of decreased asset value, except where it has identified potential advantages to the Hawke’s Bay economy in pursuit of its economic development objectives that may arise from making particular investments and has assessed whether potential economic gains could more than offset any potential decreases in asset value.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 206

- For prudent management, while retaining a flexible approach to future investment opportunities, no more than 33% of HBRC's total investment portfolio will be invested in any one investment, or institution or groups of institutions in the same investment type, other than in institutions which are Government guaranteed (in which instance up to 100% of the portfolio may be invested). This rule does not apply to existing investments in Napier Port and Napier endowment property and the investment company established by HBRC.
- HBRC may use financial derivatives to "hedge" against fluctuations in interest rates and equity indexes. In some instances HBRC matches foreign currency denominated purchases with forward exchange contracts to reduce the risk of exchange rates increasing the cost of its purchases.
- HBRIC and Napier Port (and subsidiary Council Controlled Organisations (CCTO's) yet to be formed) will from time to time use interest-rate swaps and forward exchange contracts to manage interest rate and currency risk, consistent with prudent treasury and risk management practices.

14. Investment Policy - Investment Types

HBRC can invest in the following investment types.

14.1 Investment Instruments

Investment instruments include bonds, debt securities, cash, bills, commercial paper and term deposits. International investments are managed within the external Investment Fund.

14.2 Investment Property

Investment property includes Napier endowment property and other unrestricted investment property assets. New Zealand and international property investments are managed within the external Investment Fund.

14.3 Forestry

This includes physical assets including trees and land for forestry and forest development.

14.4 Equities

This excludes the Port of Napier, but includes shares in publicly listed New Zealand and International Companies. Equities are managed through the external Investment Fund by an appointed Investment Manager.

New Zealand carbon units (or emission units) are purchased for the satisfaction of Council generated carbon liabilities.

14.5 Related Equity Investments

Equity investments in HBRIC, PONL, CCTOs, and other subsidiary companies established in accordance with this policy, including those established by HBRIC.

14.6 Equity Investments: Joint Ventures

Equity investments in joint ventures with external partners.

14.7 Loans and Mortgages

This includes mortgages to buyers of the freehold of Napier endowment property.

14.8 Investment Portfolios

Both professionally managed (external to HBRC) and internally managed investment portfolios of assets classes itemised in this Section, either by direct investment or through unit trusts or other structures.

14.9 Internal loans

Internal Loans for the development of infrastructure and property, plant and equipment assets.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 207

15. Counterparty Risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where Council is a party. The credit risk to Council in a default event will be weighted differently depending on the type of instrument entered into. External borrowing, investment and interest/foreign exchange risk management related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved based on long-term credit ratings (Standard & Poor's or Moody's or Fitch). For liquidity and borrowing purposes all banks must be registered with the Reserve Bank of NZ and have a minimum long-term credit rating of A. Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

Internal and external cash and treasury investments are only made in alignment with the following parameters:

Issuer / counterparty	Instruments	Minimum short term credit rating	Minimum long term credit rating	Maximum exposure per counterparty (% of rates revenue ¹³)	Maximum exposure per counterparty Category (% of rates revenue ¹)
New Zealand Government	Treasury bills, NZ government bonds, debt issued by entities explicitly guaranteed by the NZ Government	n/a	n/a	unlimited	100%
RBNZ registered banks	Term deposits	A-1	A+	50%	100%
	Bank bills	A-1	A+	30%	
	Bonds	A-1	A+	20%	
	Interest rate risk management contracts	A-1	A+	15%	
LGFA	Borrower notes, bonds, CP	A-1	AA-	40%	40%
Local authorities –rated	Local authority bonds, CP	A-1	AA-	20%	50%
Local authorities – non rated	Local authority bonds, CP	n/a	n/a	5%	20%
Supranational	Bonds	n/a	AA+	40%	40%
Other issuers including state owned enterprises, listed companies	Commercial paper	A-1+	AA-	15%	25%
	Corporate bonds	A-2	BBB+	10%	

- Investments (such as bank deposits) – Transaction Notional × Weighting 100% (unless a legal right of set-off over corresponding borrowings exists whereupon a 0% weighting may apply)
- Interest Rate Risk Management (such as swaps, FRAs) – Transaction Notional × Maturity (years) × 3%.
- Foreign Exchange Risk Management (such as FECs) – Transactional Notional × the square root of the Maturity (years) × 15%.

Individual counterparty limits are kept on a register and updated on a day to day basis with specific approvals made by the GMCS. Credit ratings should be reviewed by the FA on an ongoing basis and in the event of material credit downgrades; this should be immediately reported to the GMCS and assessed against exposure limits. Counterparties exceeding limits should be reported to the Council.

¹³ Rates revenue is defined as general rates, targeted rates and uniform annual general charges and in the 2017 Annual Report was \$17.66 million.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 208

15.2 Investment Portfolios (excluding the Disaster Damage Reserve)

Investment portfolios may invest in any of the investment types indicated in this policy. The portfolio must earn at least 4.5% cash real return (after fees) on the funds for the first year of the LTP and then a 5% cash real return (after fees) for the rest of the LTP in line with the financial strategy.

Fund managers have the responsibility to obtain these returns while taking into account the following considerations and requirements of this policy.

- Cash Return
- Liquidity
- Capital Gains
- Risk Balance – Location, Industry risk
- Diversification of investments
- Responsible Investment
- Ethical Investment

15.3 Disaster Damage Reserve

As a specific part of its Disaster Damage Reserve HBRC holds New Zealand Shares and quasi equity instruments (such as convertible notes) listed on the New Zealand Stock Exchange, as well international shares (held in diversified global funds which may be investment trusts, investment companies or unitised funds).

These investments are held to generate long term capital appreciation for the Reserve, while providing ready liquidity in order to meet any call on the Disaster Damage Reserve funds.

Investments in equities for the reserve are limited to an overall maximum of 45% of the Disaster Damage Reserve, and further limited to:

- New Zealand shares - up to 20% of the Reserve
- International shares - up to 35% of the Reserve (fully hedged)

15.4 Other Reserves

HBRC holds a number of reserves for which it holds investments for. These include asset replacement provisions, disaster damage management and land drainage and flood control schemes. These funds need to be readily realisable to meet their particular purposes. All of the returns for these reserves are retained within the individual reserves.

15.5 HBRC Cash Reserves

HBRC also needs to maintain a working capital balance to ensure it can meet its obligations as and when they fall due. It is therefore important to maintain a continuing “cash reserve” in this form at a level no less than \$3 million.

16. Liability Management Policy – Purpose

HBRC has large infrastructure assets with long economic lives yielding long term benefits for the community. The use of debt as a funding option is seen as an appropriate and efficient mechanism for promoting inter-generational equity between current and future community members in relation to such assets. In addition, debt may allow scheme or other projects to progress at an earlier stage than might otherwise be possible as it reduces the cash flow burden on beneficiaries and therefore increases affordability.

Council may borrow for any of the following primary purposes:

- Funds for the acquisition of any assets expected to have a useful economic life of more than 2 years
- Funds for specific one-off projects
- The acquisition of low risk investments
- Short term debt to manage timing differences between cash inflows and outflows and to maintain Council's liquidity position and, if necessary, to fund emergency expenditure.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 209

In approving new borrowing, Hawke's Bay Regional Council (HBRC) will apply the following principles:

- Borrowings will be repaid over the economic life of the assets being funded, or such shorter period as determined, at its discretion
- Interest costs and principal repayments will be funded by the beneficiaries of the borrowings
- The extent of borrowings will be determined by the beneficiaries' ability and willingness to pay, as determined by consultation
- HBRC considers the impact on borrowing limits, and its consistency with the LTP.

In evaluating strategy for new borrowing (in relation to source, term, size and pricing), HBRC considers:

- available terms from banks, domestic capital markets and LGFA,
- the overall debt maturity profile to ensure concentration of debt is avoided at re-issue/rollover time,
- prevailing interest rates and credit margins relative to domestic capital markets, LGFA and bank borrowing,
- liquidity, funding and interest rate risk-management parameters as detailed in this Policy,
- legal documents and financial covenants, together with credit rating considerations, and
- the market and HBRC's outlook on future credit margin and interest rate movements.

17. Local Government Funding Agency

HBRC has proposed, as part of the public consultation for this LTP, to join the LGFA Scheme, including borrowing from the LGFA and entering into the transactions relating to that borrowing.

In connection with LGFA borrowings, HBRC may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

18. Debt Repayment

HBRC will repay borrowings from rates, surplus operating funds, proceeds from the sale of assets or investments, re-financing with new debt or from specific sinking funds.

Guarantees/contingent liabilities and other financial arrangements

HBRC may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with HBRC's strategic objectives.

HBRC is not allowed to guarantee loans to Council Controlled Trading Organisations under Section 62 of the Local Government Act.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 210

19. Specific Borrowing Limits

The following table summarises the specific borrowing limits that HBRC adheres to, in conjunction with the LGFA’s lending covenants.

	HBRC	LGFA
Net external debt as a percentage of total revenue	<150%	<175%
Net interest on external debt as a percentage of annual rates income	<20%	<25%
Net interest on external debt as a percentage of annual rates income	<20%	<25%
Liquidity buffer amount comprising liquid assets and available committed debt facility amounts relative to existing total external debt	>10%	n/a

The first two borrowing limits are used by HBRC as the quantified limits on borrowing for the debt affordability benchmarks.

- Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue.
- Revenue excludes non-government capital contributions (e.g. developer contributions and vested assets)
- Net debt is defined as total external debt less liquid funds.
- Liquid funds are cash and cash equivalents defined as being:
 - Overnight bank cash deposits
 - Wholesale/retail bank term deposits no greater than 30 days
 - Bank issued registered deposits no greater than 181 days
 - Allowable fixed interest bonds as per approved investment instruments
 - Bank term deposits linked to pre-funding of upcoming maturing term debt exposures

Debt will be repaid as it falls due in accordance with the applicable agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Borrowing limits are measured on Council only, not the consolidated group.
Disaster recovery requirements will be met through the liquidity ratio and contingency reserves (e.g. Disaster Damage Reserve).

20. Liquidity and Funding limits

Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Council will maintain liquidity by:

- Matching average expenditure closely to revenue streams and managing cash flow timing differences to its favour
- Avoiding concentrations of debt maturity dates
- Maintaining operating cash balances (being less than 1-year investment timeframes) of not less than \$3,000,000 and complying with the liquidity amount policy.

Funding risk management centres on the ability to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of existing facilities.

HBRC has the ability to pre-fund up to 12 months of forecast debt requirements including re-financings. Debt re-financings that have been pre-funded, will remain included within the funding maturity profile until their maturity date.

The debt maturity profile of the total committed funding in respect to all external debt and committed debt facilities, is to be controlled by the following risk control limits:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	0%*	60%

**Should HBRC’s external debt exceed \$30 million, this minimum will increase to 15%.*

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 211

A funding maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, a maturity profile outside these limits for greater than 90 days will require specific Council approval.

Notwithstanding the \$25 million external core debt threshold, at all times, the LGFA require that no more than the greater of NZD 100 million or 33% of HBRC’s borrowings from the LGFA mature within an immediate 12-month period.

21. Security

HBRC’s external borrowings and interest rate risk management instruments are secured by way of a charge over rates and rates revenue offered through the Debenture Trust Deed. Under the Debenture Trust Deed, HBRC’s borrowing is secured by a floating charge over all HBRC rates levied under the Rating Act. The security offered by HBRC ranks equally or pari passu with other lenders to Council.

Other borrowing structures are possible, but HBRC does not normally offer assets, other than rates, as security. Under special circumstances, and if considered more appropriate, security may be offered over specific assets, but only with HBRC’s prior approval.

22. Internal Debt Management

When considered appropriate, HBRC uses cash operating and reserve balances as internal borrowing sources, thereby reducing the level of external borrowings. The following guidelines apply to the use of internal borrowings:

- Interest will normally be charged on the average of opening and closing loan balances in each financial year
- The interest rate charged is the average rate of return achieved from short term investments during the financial year.

The reserves established to cover the funding of replacement operating property, plant and equipment and renewal of flood and drainage scheme infrastructure are treated as one reserve balance for the purposes of providing funds for the purchase of new assets. Therefore for the most part loans are only raised from external funding sources when the total reserve balance is low.

23. Interest Rate Risk Management

Interest rate risk refers to the impact that adverse movements in interest rates may have on Council's cash flows and interest expense.

The following interest rate risk control limits apply to external core debt:

Debt interest rate policy parameters		
(calculated on a rolling monthly basis)		
Debt period ending	Minimum fixed	Maximum fixed
Current	50%	100%
Year 1	45%	95%
Year 2	40%	90%
Year 3	35%	85%
Year 4	30%	80%
Year 5	25%	75%
Year 6	0%	70%
Year 7	0%	65%
Year 8	0%	60%
Year 9	0%	55%
Year 10	0%	50%
Year 11	0%	45%
Year 12	0%	40%
Year 13	0%	35%
Year 14	0%	30%
Year 15	0%	25%

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 212

- “Fixed Rate” is defined as all known interest rate obligations on core debt, including where hedging instruments have converted floating interest rate obligations into firm commitments.
- “Floating Rate” is defined as any interest rate obligation subject to movements in the applicable reset rate.
- The fixed rate percentages are calculated on the projected core debt level at month-end reporting dates.
- Core debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved debt forecasts are changed, the amount of fixed rate protection in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.
- A fixed rate maturity profile that is outside the above limits, however self corrects within 90-days is not in breach of this Policy. Maintaining a maturity profile beyond 90-days requires specific approval by Council.
- Bank draw down advances may be for a maximum term of 12 months.
- Any interest rate hedge with a maturity beyond 15 years must be approved by Council. The exception to this will be if Council raises LGFA funding as fixed rate or an interest rate hedge is linked to floating rate LGFA debt that has a maturity date beyond 15 years.
- Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate “in-the-money”.
- Purchased borrower swaptions must mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00 per cent above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.

- The forward start period on swap/collar strategies to be no more than 24 months, unless the forward start swap/collar starts on the expiry date of an existing swap/collar/fixed rate debt instrument and has a notional amount, which is no more than that of the existing swap/collar/fixed rate debt instrument.

24. Foreign currency

HBRC has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

All individual commitments over NZ\$100,000 equivalent are hedged using foreign exchange contracts, once expenditure is approved and legally committed. Both spot and forward foreign exchange contracts are used.

Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency.

Foreign currency management of the external Investment Fund is managed within the SIPO.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 213

25. Approved financial instruments

Category	Instrument
Cash management and external borrowings	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long term loan facilities) Bonds (Fixed Rate or Floating Rate) either through the LGFA or domestic capital markets Commercial paper (CP) –
Interest rate risk management (for borrowing activity only)	Forward rate agreements ('FRAs') on bank bills Interest rate swaps including: Forward start swaps (start date <24 months, unless linked to existing maturing swap/collar with notional amount amounts not exceeding maturing swap/collar) Amortising swaps (whereby notional principal amount reduces) Swap extensions and shortenings Interest rate options on: Bank bills (purchased caps and one for one collars) Interest rate swaptions (purchased swaptions and one for one collars with matching notionals only)
Foreign exchange risk management	Spot foreign exchange Forward exchange contracts (including par forwards)
Treasury Investments	Bank term deposits (senior) Treasury bills(senior) Commercial paper (CP) (senior) Bank certificates of deposit (RCDs) (senior) Local Authority bonds (secured) State Owned Enterprise (SOE) bonds (senior) Government and Supranational bonds (senior) Corporate bonds (senior) LGFA borrower notes Note: bonds are either fixed rate or floating rate.

26. Review of Policy

This policy will be reviewed no less than every three years and amendments can be made through Council resolution any time within the three year period.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

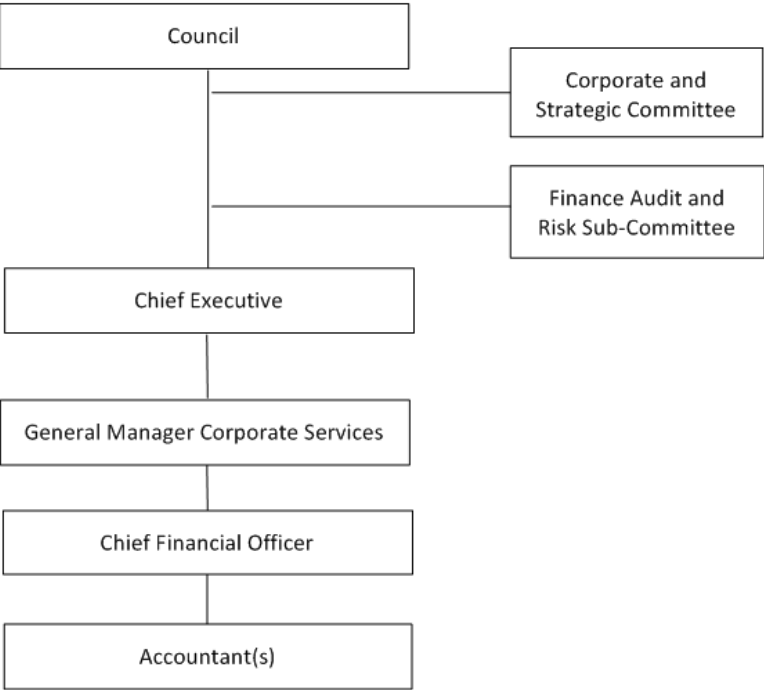
Part 7 | page 214

Item 7

Attachment 1

27. Management responsibilities

All of the Council’s treasury management activities are undertaken by the Treasury function. The following diagram illustrates those individuals and bodies who have treasury responsibilities.



Council

The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect Council decides the level and nature of risks that are acceptable.

Council is responsible for approving these Liability Management and Investment Policies and any changes required from time to time. While the Policy can be reviewed and changes recommended by other persons, the authority to make or change Policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of the Council through the 10-year LTP and the Annual Plan
- Approving HBRC’s SIPO document, including the investment strategy, return objective, policies, manager configuration, and instructions to the Investment Manager
- Approving new debt funding via resolution of the Annual Plan
- Approving the Liability Management and Investment Policies, incorporating the following delegated authorities:
 - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive (CE), General Manager Corporate Services (GMCS), Chief Financial Officer (CFO) and other managers
 - risk management control limits
 - guidelines for the use of financial instruments
- Delegating authority to the CE and other officers
- Reviewing and approving changes to the Liability Management and Investment Policies as well as the SIPO document every three years.

Council will also ensure that:

- Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the Treasury function are resolved immediately
- Approval will be gained by the GMCS for any transactions falling outside Policy guidelines.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 215

Corporate and Strategic Committee

The Corporate and Strategic Committee will discuss investment matters on a quarterly basis. Responsibilities are:

- Approve investments (in the instances where funding is required from HBRC) in HBRC, PONL and any Council Controlled Trading Organisations (CCTOs), other subsidiary companies or trusts, including authorisations of use of investment funds and the terms and conditions of investment for these purposes
- As controlling shareholder, vote for the appointment of directors in HBRC, PONL and any CCTOs or other subsidiary companies established to manage HBRC’s investments in future
- Approve new investments to facilitate community infrastructure asset creation, whether by way of direct property ownership or by making loans to non-HBRC entities for this purpose
- Approve the investment strategy and distribution policy for the external Investment Fund. Review the SIPO and appoint the Investment Manager.

Finance Audit and Risk Sub-Committee (FARC)

The FARC will oversee the implementation of the Council’s borrowing and investment strategies and monitor and review the effective management of the treasury function, borrowing and investment activities.

The FARC will ensure that the information presented to the Council is accurate, identifies the relevant issues and is represented in a clear and succinct manner.

The FARC will discuss treasury matters on a quarterly basis.

Responsibilities are:

- Recommending the Liability Management and Investment Policy and SIPO document (or changes to existing policy) to the Council
- Receiving recommendations from the GMCS and make submissions to the Council on all treasury matters requiring Council approval
- Recommending performance measurement criteria for externally managed funds

- Review all matters concerning the SIPO as well as providing guidance and leadership on the appointment, management, monitoring and review of the appropriate Investment Manager
- Monitoring quarterly performance of externally managed funds and borrowing activity against benchmarks
- Approving allowable financial instruments
- Complete an annual review of all investments.

Chief Executive Officer (CE)

While the Council has final responsibility for policy governing the management of Council’s risks, it delegates overall responsibility for the day-to-day management of such risks to the CE. The Council formally delegates to the CE the following responsibilities:

- Ensuring Council’s policies comply with existing and new legislation
- Approving the bank signatories
- Exercise delegated authority to make and implement investment decisions in accordance with authority delegated by HBRC
- Monitor investment conditions and performance and recommend initiatives and changes to HBRC as circumstances require
- Grant delegated authority to implement investment decisions to senior staff as appropriate
- Approving new counterparties and counterparty limits as defined within this policy and recommended by the GMCS
- Approving the opening and closing of bank accounts.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 216

Group Manager Corporate Services (GMCS)

The CE formally delegates the following responsibilities to the GMCS:

- Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy
- Approving re-financing of existing debt
- Approving all treasury deal tickets (borrowing, investment and risk management instruments) within delegated authority
- Approving treasury transactions in accordance with policy parameters outside of the CFO's delegated authority
- Authorising the use of approved risk management instruments within discretionary authority
- Approving all foreign currency hedging activity
- Receiving advice of breaches of Policy and significant treasury events from the CFO
- Discretionary authority to re-finance existing debt on more favourable terms. Such action is to be reported and ratified by the Council at the earliest opportunity.

Chief Financial Officer (CFO)

The GMCS formally delegates the following responsibilities to the CFO:

- Recommending policy changes to the FARC for evaluation
- Ongoing risk assessment of borrowing and investment activity, including procedures and controls
- Receive quarterly reporting from the Investment Manager(s)
- Proposing any new funding requirements falling outside the Annual Plan and LTP to the FARC for consideration and submission to the Council
- Designing, analysing, evaluating, testing and implementing risk management strategies to position Council's interest rate risk profile to be protected against adverse market movements within the approved Policy limits

- Investigating financing alternatives to minimise borrowing costs, credit margins and interest rates, making recommendations to FARC as appropriate
- Reviewing and making recommendations on all aspects of the Liability Management and Investment Policy to the FARC including dealing limits, approved instruments, counterparties, and general guidelines for the use of financial instruments
- Negotiating bank funding facilities
- Managing bank, LGFA, Investment Manager, Trustee, Custodial and other financial institution relationships
- Executing treasury transactions in accordance with approved limits. In the absence of the CFO, the GMCS will execute treasury transactions
- Completing deal tickets for treasury transactions
- Overseeing a triennial review of the Liability Management and Investment Policy, treasury procedures and all dealing and counterparty limits
- Managing the long-term financial position of the Council in accordance with Council's requirements
- Ensuring that all borrowing and financing covenants/limits to lenders are adhered to
- Ensuring management procedures and policies are implemented in accordance with this Policy
- Monitoring and reviewing the performance of the Treasury function in terms of achieving its objectives.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 217

Accountant(s)

The CFO formally delegates the following responsibilities to the Accountant(s):

- On a continuing basis, monitoring and updating credit ratings of approved counterparties
- Recommending changes to credit counterparties to the CFO
- Monitoring treasury exposure on a regular basis, including current and forecast cash position, treasury investment portfolio, interest rate exposures and borrowings
- Checking compliance against limits and preparing reports on an exceptions basis
- Preparing treasury reports
- Delivering weekly reports to the CFO covering cash/liquidity, investment portfolio, debt funding portfolio and interest rate risk position
- Forecasting future cash requirements
- Check the written evidence of executed deals on an agreed form
- Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards
- Managing the operation of all bank accounts
- Handling all administrative aspects of bank, LGFA agreements and documentation
- Completing, reviewing and approving treasury journals, bank, borrowing and investment spreadsheet reconciliations to the general ledger (ensuring segregation of completion, review and approval tasks amongst Accountant(s))
- Undertaking a triennial review of the Liability Management and Investment Policy, treasury procedures and all dealing and counterparty limits
- Updating treasury spreadsheets for all new, re-negotiated and maturing transactions
- Checking all treasury deal confirmations against internal deal documentation and reporting any irregularities immediately to the GMCS
- Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records
- Review electronic batch payments to creditors and arranging for approval by authorised signatories.

28. Delegation of authority and authority limits

Treasury transactions entered into by Council without the proper authority are difficult to cancel given the legal doctrine of “apparent authority”. Insufficient authority for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays). Therefore, the following procedures will apply:

- All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.
- A comprehensive letter will be sent to all bank and lender counterparties, at least every year, detailing all relevant current delegated authorities of the Council and contracted personnel empowered to bind the Council.
- Whenever a person with delegated treasury authority leaves Council, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.

The Council has the following responsibilities, either directly, or via the following stated delegated authorities.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 218

Activity	Delegated Authority	Limited
Approving and changing policy	The Council	Unlimited
Borrowing new debt	The Council CE (delegated by Council) GMCS (delegated by Council)	Unlimited (subject to legislative and regulatory limitations) Subject to Council resolution and policy
Acquiring and disposing of investments other than financial investments	The Council	Unlimited
Approving charging assets as security over borrowing	The Council	Subject to terms of the Debenture Trust Deed
Approving Council guarantees	The Council	Unlimited (subject to legislative limitations)
Overall day-to-day treasury management	GMCS (delegated by Council) CFO (delegated by Council)	Subject to policy
Re-financing existing debt	GMCS (delegated by Council)	Subject to policy
Approving transactions outside policy	The Council	Unlimited
Adjusting debt or investment interest rate risk profile	GMCS (delegated by Council) CFO (delegated by Council)	Per risk control limits
Managing investments and funding maturities	GMCS (delegated by Council) CFO (delegated by Council)	Per risk control limits
Maximum daily transaction amount (borrowing and interest rate risk management) excluding roll-overs under bank debt facilities	The Council CE (delegated by Council) GMCS (delegated by Council) CFO (delegated by Council)	Unlimited \$15 million \$10 million \$2.5 million
Maximum daily transaction amount (investing and cash management)*	The Council CE (delegated by Council) GMCS (delegated by Council) CFO (delegated by Council)	Unlimited \$15 million \$10 million \$5 million
Maximum daily transaction amount (foreign exchange risk management)	The Council CE (delegated by Council) GMCS (delegated by Council) CFO (delegated by Council)	Unlimited \$1 million \$0.5 million \$0.25 million
Approving bank signatories	CE	Unlimited
Approving the opening/closing bank accounts	CE	Unlimited
Reviewing the Liability Management and Investment Policies every three years	FARC	N/A
Ensuring compliance with Policy	GMCS	N/A

*Daily transaction amounts relate to internally managed Investment Funds only with external Investment Funds managed under Council's SIPO document.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 219

29. Treasury Procedures – Operational Risk

Operational risk is the risk of loss as a result of human errors including fraud, system failures, or inadequate procedures and controls. Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood
- Too much reliance is often placed on the specialised skills of one or two people
- Most treasury instruments are executed over the phone.

Operational risk is minimised by this policy.

Dealing Authorities and Limits

Transactions will only be executed by those persons and within limits approved by Council.

Segregation of Duties

There will be adequate segregation of duties among the borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting. However, there are a small number of people involved in borrowing and investment activity. Accordingly, strict segregation of duties will not always be achievable.

The risk will be minimised by:

- the Accountant(s) will report directly to the CE to control the transactional activities of the GMCS and the CFO
- documented approval processes for borrowing and investment activity.

Procedures and controls

- The CFO will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.
- All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by Council.
- All treasury products will be recorded and diarised within a treasury system/spreadsheet, with appropriate controls and checks over treasury journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures,

including templates of deal tickets, will be included in a treasury procedures manual separate to this policy.

Procedures and controls will include:

- Regular management reporting
- Regular risk assessment, including review of procedures and controls
- Organisational systems, procedural and reconciliation controls to ensure:
 - All borrowing and investment activity is bona fide and properly authorised
 - Checks are in place to ensure Council's accounts and records are updated promptly, accurately and completely
 - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity
 - Cheque/electronic banking signatories will be approved by the CE. Dual signatures will be required for all cheques and electronic transfers
- All treasury counterparties will be provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive deal confirmations
- The CFO will record all deals on properly formatted deal tickets. Deal summary records for borrowing, investments, risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transaction
- All inward deal confirmations, including registry confirmations, will be received and checked by the Accountant(s) against completed deal tickets and summary spreadsheets records to ensure accuracy
- Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order
- Any discrepancies arising during deal confirmation checks which require amendment to Council records will be signed off by the GMCS
- Where possible borrowing and investment payments will be settled by direct debit authority

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 220

- For electronic payments, batches will be set up electronically. These batches will be checked by the Accountant(s) to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council register
- The Accountant(s) will perform bank reconciliations monthly. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's records will be signed off by the GMCS
- A monthly reconciliation of the borrowing and investment spreadsheets to the general ledger will be completed, reviewed and approved by the Accountant(s), ensuring of completion, review and approval tasks.

Treasury Procedures – Cash Management

The Accountant(s) have the responsibility to carry out the day-to-day cash and short-term debt management activities. The Accountant(s) will:

- Calculate and maintain cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) basis
- Electronically download all Council bank account information daily
- Co-ordinate Council's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters
- Undertake short-term borrowing functions as required, minimising overdraft costs
- Ensure efficient cash management, through improvement to accurate forecasting using spreadsheet modelling
- Minimise fees and bank charges by optimising bank account/facility structures
- Monitor Council's usage of committed cash advance facilities
- Match future cash flows to smooth over time
- Provide reports to CFO detailing actual cash flows during the month compared with those forecast.

Treasury Procedures – Financial Instrument Accounting Treatment

Council uses financial arrangements (derivatives or financial instruments) for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate Council's accounting treatment of financial instruments in a broad sense.

Under NZ IPSAS changes in the fair value of financial instruments go through the Income Statement unless financial instruments are designated in an effective hedge relationship.

Council's principal objective is to actively manage the Council's interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of financial instruments can create potential volatility in Council's annual accounts.

The Accountant(s) responsible for advising the CFO of any changes to relevant NZ IPSAS, which may result in a change to the accounting treatment of any financial instruments.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 221

Treasury Procedures – Reporting			
Report Name	Frequency	Prepared by	Recipient
Daily Cash Position	Daily	Accountant(s)	CFO
Treasury investments	Quarterly	Accountant(s)	CFO
Summary Treasury Report*	Quarterly	Accountant(s)	CFO, GMCS, CE, FARC, and Council
Counterparty Credit Limits Report	Daily for exceptions / Quarterly	Accountant(s)	CFO, GMCS, and FARC
Debt Maturity Profile	Quarterly	CFO	FARC and Council
	Six-monthly		
Revaluation of financial instrument and review of guarantees	Quarterly	Accountant(s)	CFO

*The ‘Summary Treasury Report’ includes:

- Treasury exceptions report
- Risk exposure positions
- Policy compliance
- Borrowing limit report
- Investment management report (see below)
- Cost of funds report
- Cash flow forecast report.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 222

Investment Management Report

Investment mix and performance is reported to HBRC for all investments through the following means.

1. Reporting annually
- For all equities, (including HBRIC, PONL, CCTOs and other subsidiary companies, and New Zealand and international shares):

• Dividends and other payments received

• Sales and acquisitions; gains and losses on disposal (if any)

• Changes in capital values of the assets (based on market or independent valuation)

• Financial and operating results

• Economic impacts (if any) generated during year.
- For property investments (including the Napier endowment property):

• Movements in rental renewals

• Sales and acquisitions of leases and property over the year

• Any transfers of leasehold properties between lessees

• Gains and losses on disposal (if any)

• Net income and change in capital values of the underlying assets (based on market or independent valuation)

• Economic impacts (if any) generated during the year.
2. Reporting quarterly
- For all treasury investments:

• Dividends, interest and other income received during the quarter

• Sales and acquisitions; gains and losses on disposal (if any)

• Changes in capital values of the assets (based on market or independent valuation)

• Economic impacts (if any) generated during quarter.

- For all externally managed investment funds :

• Fund valuation

• Fund duration

• Compliance reporting (including approved exceptions)

• Performance summary for the Fund and by asset class

• Performance against benchmarks

• Fund income

• Asset transactions summary

• Cash transactions

• Investment management fees

• Custodial fees

• Individual fund management fees

• Brokerage and other transaction costs.
3. Individual issue papers submitted to HBRC dealing with matters of relevance (including changes in investment policy) to the investment portfolio that may arise during the year.
4. Additional requirements on HBRIC, PONL, CCTOs and other subsidiary companies reporting through HBRIC, including:
- Agreeing financial and other relevant strategic and performance targets for these businesses through an annual Statement of Intent

- Confirm appointment of directors having appropriate expertise to their boards

- Where requested, for HBRC’s strategic planning purposes, review businesses strategic plans, annual budgets and financial forecasts for their medium and long term future operations

- Receiving 6 and 12 month reports on financial performance and position and operating results of these businesses

- Being briefed by the Chairperson of Directors and Chief Executive Officer of the businesses as required by the HBRC, but no less than twice a year

- Being consulted, and where necessary, making decisions as shareholders, at any time on new developments or significant departures from anticipated performance.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 223

Item 7

Attachment 1

Policies on Rates Remission and Postponement

Māori Freehold Land

Introduction

Māori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court. Only land that is the subject of such an order may qualify for remission or postponement under this policy. Whether rates are remitted or postponed in any individual case will depend on the individual circumstances of each application.

This policy has been formulated for the purpose of:

- Ensuring the fair and equitable collection of rates from all sectors of the community by recognising that certain Māori owned lands have particular conditions, features, ownership structures or other circumstances that make it appropriate to provide relief from rates
- Meeting the requirements of Sections 102 and 108 and the matters in Schedule 11 of the Local Government Act 2002 to have a policy on the remission and postponement of rates on Māori freehold land.

Objectives

The objectives of this policy are:

- To recognise situations where there is no occupier or person gaining an economic or financial benefit from the land
- To set aside land for conservation purposes because of its natural features
- To recognise and take account of the presence of waahi tapu (sacred areas) that may affect the use of the land for other purposes
- Where part only of a block is occupied, to grant remission for the portion of land not occupied.

Conditions and criteria

1. Application for a remission or postponement under this policy must be made by the person(s) liable for rates for the land (e.g. owners or trustees), or a person appointed by the Māori Land Court, or other authorised agent of the owners of the land.
2. The application is to be made in writing before 30 days of the due date of payment. Applications made after this cut-off date will apply from the beginning of the following rating year. Hawke’s Bay Regional Council (HBRC) will review the appropriateness of remissions on occasion.
3. The applicant must include the following information in their applications:
 - Details of the rating unit or units involved
 - Documentation that shows that the land qualifies as land whose beneficial ownership has been determined by a freehold order issued by the Māori Land Court
 - Details supporting the applicant’s eligibility under clause 5 below.
4. Relief and the extent thereof, is at the sole discretion of Council and may be cancelled or reduced at any time.
5. HBRC may grant a remission on Māori freehold land of up to 100% of all rates for the year to which the application applies, based on the following criteria.

The land is in multiple ownership:

 - Where the level of gross income derived from the land is not sufficient to cover the cost of rates levied on that land
 - Where it is not possible to identify or locate the owners, or those liable to pay rates on the land
 - The support for the use of the land by the owners for traditional purposes
 - The support for the relationship of Māori and their culture and traditions with their ancestral lands
 - Recognition of the presence of sacred areas (waahi tapu) that may affect the use of the land for other purposes

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 224

- Recognition of the importance of the land for community goals relating to:
 - the preservation of the natural character of the coastal environment
 - the protection of outstanding natural features
 - the protection of significant indigenous vegetation and significant habitats of indigenous fauna.
- 6. No application under this policy will be automatically backdated; however, having granted a remission on a property under the criteria laid down in clause 5 (above), Council may remit (write-off) outstanding arrears owing on that same property.

Delegated Authority

Decisions on the remission and postponement of rates on Māori freehold land are delegated to the Group Manager Corporate Services or the Chief Executive.

Review of Policy

This policy will be reviewed at least every 3 years to ensure that the conditions and criteria on which the policy is based continue to be relevant and appropriate.

Remission in Special Circumstances

Introduction

In order to allow rate relief where it is considered fair and reasonable to do so, Hawke’s Bay Regional Council (HBRC) has resolved to adopt policies under Sections 102 (5) (a) and 109 of the Local Government Act 2002 specifying the circumstances under which rates will be considered for remission. There are various types of remission, and circumstances under which a remission will be considered. A remission will not be granted where an entity has qualified under the Local Government (Rating) Act 2002 (LGRA) for partial non rating under Part 2 of Schedule 1. The conditions and criteria relating to remission in special circumstances are set out following.

1. Remission of Rates in Special Circumstances

Policy objective

To provide for the possibility of a rates remission in circumstances that have not been specifically addressed in other parts of HBRC’s rating policy.

Conditions and criteria

- 1.1 HBRC may remit all or part of the rates assessed in relation to a particular rating unit in special or unforeseen circumstances where it considers it just and equitable to do so.
- 1.2 The approval of the remission must not set a precedent that unfairly disadvantages other ratepayers.
- 1.3 A remission under this policy will apply for one year only. Applicants must reapply annually.
- 1.4 No application under this policy will be backdated. Rates arrears on the land as at 1 July 2004 will remain outstanding until such time as HBRC is no longer legally able to pursue the collection of rates.
- 1.5 All applications must be received in writing detailing the rating unit(s) involved and any other relevant information supporting the applicant’s eligibility for the remission.
- 1.6 The application for a rates remission must be made before 7 days of the due date of payment.

Delegation

Decisions relating to the remission of rates special circumstances are retained by HBRC.

Review of Policy

This policy will be reviewed at least every 3 years, to ensure that the conditions and criteria on which the policy is based, continue to be relevant and appropriate.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 225

Item 7

Attachment 1

2. Remission of Penalties on Rates

Objective

To enable HBRC to act fairly and reasonably when a rates payment has not been received by the due date.

Conditions and criteria

Upon receipt of an application from the ratepayer either in written or email format, or if identified by Council, a penalty may be remitted where at least one of the conditions listed below are met:

- 2.1 A full payment of outstanding rates due (excluding a penalty amount) has been made prior to the application being received by the Council, and if the ratepayer has previously paid all rates by the due date within the last three years.
- 2.2 Where a ratepayer has rate arrears, that on entering and adhering to a payment plan, the additional penalties will be remitted at an agreed time.
- 2.3 Where payment has been late due to an unforeseen disruption to the normal activities or business of the ratepayer, i.e. serious illness, case of death, injury, accident of family member, or family circumstances.
- 2.4 The late payment was caused by matters outside of the ratepayer’s control.
- 2.5 It is demonstrated that the penalty has been levied because of an error by Council.
- 2.6 Where it is considered just and equitable to do so. Each application will be considered on its merits.

Matters that will be taken into consideration by Council under above include:

- 2.7 The ratepayer’s payment history
- 2.8 The ratepayer entering into an agreement with Council for the payment of rates.
- 2.9 Matters controlled by the ratepayer may include: electronic payment errors, late posting of payment, failure to update mailing or direct debit arrangement.
- 2.10 Matters out of the control of the ratepayer may include: payments missing in transit, change of ownership, bank errors.

Where there is a deliberate non-payment, remission will not be granted. Council reserves the right to impose conditions on the remission of penalties.

Delegation

Decisions relating to the remission of penalties on rates are delegated to the Group Manager Corporate Services or Chief Executive.

Review of Policy

This policy will be reviewed at least every 3 years to ensure that the conditions and criteria on which the policy is based, continue to be relevant and appropriate.

3. Remission of Rates on Properties Affected by Natural Calamity

Objective

To help ratepayers experiencing extreme financial hardship due to natural calamity which affects their ability to pay rates.

Conditions and Criteria

- 3.1 Applicable where erosion, subsidence, submersion, or other natural calamity has affected the use or occupation of any rating unit. Does not apply to erosion, subsidence, submersion, etc that may have occurred without a recognised major event.
- 3.2 HBRC may, at its discretion, remit all or part of any rate assessed on any rating unit so affected by natural calamity.
- 3.3 HBRC will set the criteria for remission with each event. Criteria may change depending on the severity of the event and available funding at the time.
- 3.4 HBRC may require financial or other records to be provided as part of the remission approval process.
- 3.5 Remissions approved under this policy do not set a precedent and will be applied only for each specific event and only to properties affected by the event.

Delegation

Decisions relating to the remission of rates on property affected by natural calamity are delegated to the Group Manager Corporate Services or the Chief Executive.

Review of Policy

This policy will be reviewed at the least every 3 years, to ensure that the conditions and criteria under which the policy is based, continue to be relevant and appropriate.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 226

Remission for Uniform Annual General Charges (UAGC)

Introduction

In order to allow rate relief where it is considered fair and reasonable to do so, Hawke’s Bay Regional Council (HBRC) is required to adopt policies to specify the circumstances under which rates will be considered for remission. This policy is prepared under Sections 102 (5) (a) and 109 of the Local Government Act 2002.

Policy Objectives

- To provide relief to ratepayers who occupy several near adjacent rating units, but which do not meet the criteria for continuity under section 20 of the Local Government Act (Rating) 2002.
- To provide relief for developers in the instances of sub-division development in urban areas.

Remissions under the Local Government (Rating) Act 2002

Section 20 of the Local Government (Rating) Act 2002, stipulates that there shall be one property for the purposes of levying the UAGC, where two or more separately rateable properties are:

- Occupied by the same ratepayer (owner or person with right to occupy by virtue of lease for more than 12 months); and
- Used jointly as a single property (for the same purpose); and
- Contiguous but separated only by a road, railway-line, drain, water race, river or stream, they shall be deemed to be one property for the purposes of any Uniform Annual General Charges.

Where not already reflected on Council's rating information database, HBRC will allow, without further enquiry except for clarification, applications made by ratepayers in the form of a statutory declaration to the effect that two or more separately rated properties are occupied by the same ratepayer and used jointly for the same purpose, the Uniform Annual General Charge levied on the second and subsequent assessments will be cancelled.

Conditions and Criteria to achieve Policy Objectives

1. Where farming or horticultural operations conducted on separate blocks of land are so far apart so as to indicate that there is no possible continuity between them, all charges may be levied on each; however, factors such as distance, stock rotation, stock driving, etc., property size and the number of properties affected, will be taken into account in determining whether remission should apply.

1.1 Without dwellings

Where a single operation is operated over a number of separate rating units, or blocks of separate rating units within close proximity the 'flagship' (major rating) may be levied a full charge and the associated rating units may receive a 100% reduction.

1.2 With dwellings

Where a single operation is operated over a number of separate rating units, or blocks of separate rating units within close proximity a charge may be levied against each rating unit with a habitable dwelling and the associated units may receive a 100% reduction.

Where a single operation is operated over a number of separate blocks of contiguous rating units that contain dwellings, one full charge may apply to each block of such rating units.

2. Miscellaneous
If a rating unit is of a size which would not enable a dwelling to be erected and where no dwelling exists, a 100% reduction in charge may apply.
Remission of the charge may apply to a subdivision for the period if the individual lots continue to be in the ownership of the developer.
3. The application is to be made in writing 30 days before the due date of payment.
4. All applications must be received in writing, detailing the rating unit/units involved and any other relevant information supporting the applicant's eligibility for the remission.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 227

Delegation

Decisions relating to the remission of Uniform Annual General Charges are delegated to the Group Manager Corporate Services and Financial Accountant.

Review of Policy

This policy will be reviewed at least every 3 years to ensure the conditions and criteria on which the policy is based, continue to be relevant and appropriate.

Postponement in Cases of Financial Hardship or Natural Disaster

Introduction

This policy is prepared under Sections 102(5)(b) and 110 of the Local Government Act 2002.

Objective

- To assist ratepayers experiencing short term extreme financial hardship that affects their ability to pay rates.
- To assist ratepayers whose property has been subject to a natural disaster to the extent that ratepayer is unable to pay rates.

Conditions and Criteria

The financial hardship must be caused by circumstances beyond the ratepayer’s control. The postponement of rates in cases of financial hardship is a last resort to assist residents who own the property to which the postponement application applies.

Criteria for the postponement of rates for ratepayers in cases of hardship are:

1. The applicant can illustrate a postponement of rates will help them overcome their short term extreme financial hardship
2. The applicant has no access to other funds to pay the rates due.

Criteria for the postponement of rates for ratepayers in cases of natural disaster are:

1. The applicant is unable to pay their rates bill because of a natural disaster or severe weather event that has severely impacted on their ability to pay rates but a postponement will help enable them to pay in the future.

Other Conditions

Approval of rates postponement is for one year only. The applicant must reapply annually for the continuation of a rates postponement.

Delegation

Decisions relating to the postponement of rates in cases of financial hardship are delegated to the Chief Executive.

Decisions related to the postponement of rates in cases of natural disaster are retained by Council.

Review of Policy

This policy will be reviewed at least every 3 years, to ensure that the conditions and criteria on which the policy is based, continue to be relevant and appropriate.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 228

Revenue and Financing Policy

Introduction

This policy has been prepared in accordance with Sections 101 (3), 102 (2) (a) and 103 of the Local Government Act 2002. It 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.

Local Government is required by statute to identify the costs of its functions and fund them appropriately. This involves the allocation of costs to the functions followed by a determination of the most appropriate form of funding.

Purpose of the Policy

The purpose of the Revenue and Financing Policy is to provide and explain the policy of the Hawke's Bay Regional Council (HBRC) for the funding of operating and capital expenditure from the following sources.

- fees and charges
- general rates, including
 - choice of valuation system
 - differential rating
 - uniform annual general charges
- targeted rates
- investment income
- borrowing
- proceeds from asset sales
- development contributions
- financial contributions under the Resource Management Act 1991
- grants and subsidies
- any other source

In determining the sources that are appropriate to fund operating and capital expenditure, the Council has considered the following.

The Revenue and Financing Policy (Policy) contains Council's policies with respect to the funding of operating expenditure and capital expenditure from various revenue sources. Section 101 (3) of the Local Government Act 2002 (LGA) set out the requirements Council must consider as part of the development of the policy.

The first step requires consideration, at activity level of each of the following.

- community outcomes - the community outcomes to which the activity primarily contributes (in other words your rationale for service delivery)
- the user/beneficiary pays principle – the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals. This is also known as a public versus private allocation
- the intergenerational equity principle – the period in or over which those benefits are expected to accrue
- the exacerbator pays principle – the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity, and
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

The second step in the process considers the aggregate all of the results from step one, and consider the impact that these results might have on the community.

The following pages outline funding considerations for each activity within the seven HBRC 'Groups of Activities'.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 229

Revenue and Financing Policy by 'Group of Activity'

Step one allocations

Details of funding by each activity are provided in the tables that follow. The Council has used the following table in assessing each of the considerations listed (ii to v) above.

Key for allocation	
Low	10% to 20%
Low to medium	20% to 40%
Medium	40% to 60%
Medium to High	60% to 80%
High	80% to 100%

The following tables reflect the Council’s considerations of each of its activities. It is important that the notes to these tables are read along with the figures in the tables in the appendix to the policy, as the notes provide the reasoning applied to each funding split between public and private.

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
1. Governance								
1.1 Community Representation and Leadership	Vibrant Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
1.2 Tāngata Whenua Partnerships and Community Engagement		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 230

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
2. Strategic Planning								
2.1 Strategy	Healthy Environment / Vibrant Community / Prosperous Economy	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
2.2 Planning		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
2.3 Sustainable Regional Development		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity, however business receive a greater value than other ratepayers	Uniform Targeted rates and Targeted rates set on a capital value	Nil

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 231

Item 7

Attachment 1

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
3. Integrated Catchment Management								
3.1 Science and Information	Healthy Environment	High Public, low private benefit	Low	Low	Medium	All ratepayers benefit from this activity	Differential targeted rates, water science direct charges and General Funding	Loan and reserve funding
3.2 Catchment Management		Medium to high public benefit	Low	Low to medium	Medium	All ratepayers benefit from this activity	Differential targeted rates, water science direct charges and General Funding	Loan funding
3.3 Biodiversity and Biosecurity		Medium to high public benefit	Low	Medium	Medium	All ratepayers benefit from this activity	Differential targeted rates, and General Funding	Loan funding

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 232

Item 7

Attachment 1

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
4. Asset Management								
4.1 Flood Control and Protection Works	Prosperous Economy / Vibrant Community	Low public good, high private good	High	Low to medium	High (based on a number of schemes)	Broadly the properties that are protected by this activity gain significant benefit compared with other properties	General funding, differential targeted rates based on location and area	Use of reserves, loans and targeted rates
4.2 Flood Risk Assessment and Warning		High public good	Low	Nil	Nil	Generally all ratepayers benefit from this activity	General funding	Nil
4.3 Coastal Hazards		Medium public good and medium private good	Medium	Low	Medium		General and grants funding and targeted rates based on location	General funding and targeted rates based on location
4.4 Opens Spaces		High public good	Low	Nil	Nil	Generally all ratepayers benefit from this activity	General funding and fees and charges	Use of reserves, loans and general funding
4.5 Works Group		High private good	Low	Low	Nil		Fees and charges	

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 233

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
5. Consents and Compliance								
5.1 Consents	Healthy Environment / Vibrant Community / Prosperous Economy	High private good	Nil	Medium	Medium	While there is a public good in issuing of consents, the primary beneficiaries are the applicants.	General funding and fees and charges	Nil
5.2 Compliance and Incident Pollution Response		High public good	Nil	High	Low	There is a public good in compliance and pollution response, Council wishes to recover its costs from those who cause the cost.	General funding and fees and charges	Nil

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 234

Item 7

Attachment 1

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
6. Emergency Management								
6.1 Hawke's Bay CDEM Group	Prosperous Economy / Vibrant Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
6.2 HBRC Emergency Management		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 235

Item 7

Attachment 1

Groups of Activities/activities	Community outcomes	Public/private allocation	Intergenerational	Actions or inactions	Costs and benefits of funding the activity distinctly from other activities	Rationale	Operational funding	Capital funding
7. Transport								
7.1 Transport Planning and Road Safety	Prosperous Economy / Vibrant Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding, local territorial authority and central government contribution and grants	Nil
7.2 Passenger Transport		Medium to high private benefit	Low	Low	Low	Those who use public transport are the primary beneficiaries, however there is a benefit to the region by having a public transport network	Fees and charges, central government subsidy	Low
7.3 Regional Cycling		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 236

Item 7

Attachment 1

Step two considerations

Council has considered the overall impact of these allocations including the use of fees and charges, the use of general funds which includes General rates and investment income. After the consideration of general funds, the primary tool that provides for the modification of the impacts on rating is the use of the uniform annual general charge UAGC). Council believes that by having an appropriate UAGC fairly reflects the services being delivered to the community.

It also believes that a move from land to capital value requires investigation and further discussions with the community that may impact on the overall allocation of liability on the community.

Other changes

Additional penalties to be added from July 2019

All outstanding rates including previous penalties as at 1 July each year will now have a penalty of 10% added to those rates. This penalty will be added on the first working day after 1 July each year.

Rate invoicing period change

It is proposed that during the 2018-28 LTP period HBRC will investigate changing the date that rate invoices are sent out and the final due date each year.

Detailed explanation of Council’s considerations

Community Outcomes

The requirement to consider community outcomes in the funding process is seen as an obligation for Council to consider why it is engaged in an activity and to what level. To that extent, possible funding of activities should be consistent with achievement of desired outcomes.

Distribution of Benefits

At this stage, Council is required to consider who benefits from the activities performed by Council. This is expressed as the Public/Private split. Economic theory suggests there are two main characteristics that need to be considered when looking at a particular good or service:

Rivalry in Consumption

A good is a rival in consumption if one person’s consumption of the good or service prevents others from doing so, e.g. a chocolate bar is a good with a large degree of rivalry in consumption, i.e. if Bill eats it, Jane cannot.

Excludability

A good or service is excludable if a person can be prevented from consuming the good or service, e.g. if Bill does not buy a movie ticket, then the usher can exclude him by preventing him from entering the theatre.

At one end of the continuum there are so-called ‘public goods’. These are goods which are both non-rival and non-excludable, i.e. everyone can consume them and no one can be prevented from consuming them if they wish. A good example of a public good is national defence, where the whole community is protected from an invasion by the armed forces whether it wishes to be or not, and this protection cannot be removed from anyone in New Zealand.

At the other end of the continuum are ‘private goods’ which are both rival and excludable. Most daily consumables are private goods.

Very few goods and services are entirely public goods or private goods. Most goods and services are ‘mixed goods’ and fall somewhere between the two ends of the continuum.

The characteristics of a good or service determine what type of funding mechanism might be used to fund a particular service. Council has already made judgements about what it considers are public goods when deciding whether or not to undertake a particular activity.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

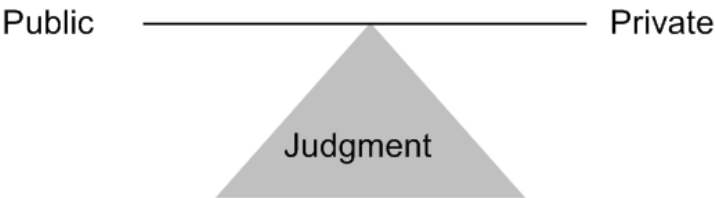
Part 7 | page 237

Item 7

Attachment 1

For example, a good towards the public end of the continuum may not be a good candidate for user charges as people cannot be prevented from consuming it, or because everyone consumes it whether they wish to or not. Such goods will generally be candidates for funding from some general source such as a general rate. A good towards the private end of the spectrum may be a candidate for a targeted rate or a user charge.

In the end, it is likely to come down to 'reasonable' judgement. Both the LGA and previous case law place the responsibility on elected members to make decisions about who benefits and who should pay.



Distribution of Benefits Over Time

Council needs to consider something called 'intergenerational equity' which means that funding decisions are required to consider future generations, not just today. Many of the activities provided by local government are either network or community infrastructure which has long service lives. Benefits from these services can be expected to accrue over the entire life of the asset. Current ratepayers should not be expected to subsidise the benefits that future ratepayers receive nor should future ratepayers subsidise current ratepayers.

One way that Council applies the intergeneration equity principle is by spreading costs over the future. Council will typically borrow to fund the cost of a project and future ratepayers will repay the loan (and interest cost), say over a 25 year period. Council typically only borrows to fund capital expenditure but Council may use short term borrowing to spread some operating costs smooth funding over a limited period to avoid rate spikes.

Council also needs to ensure that appropriate funding has been allocated to reasonably meet the levels of service that each activity is targeting to meet and financial sustainability into the future needs to be considered.

Actions or Inactions of Individuals or Groups

This generally refers to how to make the 'exacerbators' pay. This could include funding mechanisms to allow for the fining of people that cause unwanted Council activity, eg cleaning up abandoned cars or rubbish. However, Council has very limited funding mechanisms to enable targeted charging and, in many cases, it is not possible to pass this cost on to the exacerbator and, therefore, it becomes more a case of identifying the quantum of the issue and deciding who then should bear the cost, if not the exacerbator.

Costs, Benefits and Separate Funding

Council is required to consider whether an activity should be separately funded and what the cost implications might be. There are administration costs associated with separate funding and these need to be weighed against any benefits of targeting specific beneficiaries/users of a service, including transparency and accountability.

Transparency and accountability are most evident when an activity is totally distinctly funded. This allows ratepayers, or payers of user charges, as the case may be, to see exactly how much money is being raised for and spent on the activity, and to assess more readily whether or not the cost to them of the activity represents good value.

However, funding every activity this way would be extremely complex. For some activities, the quantity of rates funding to be collected amounts to only a few cents per ratepayer. The administrative costs and lack of significance lead Council to fund a number of activities by way of a general rate. To aid in transparency and accountability, Council separates the total general rate into reasonable activity breakdowns when presenting the ratepayer with their rates assessment notices. This then allows the ratepayer to make some form of meaningful assessment down to activity level.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 238

Selection of tools

Section 103(1) requires Council to identify the funding of operational expenditure and capital expenditure.

Operational expenditure is normally funded by way of revenue (income) while capital expenditure can be funded by way of both revenue and non-revenue items such as borrowings and the use of Council created reserves.

Capital expenditure is expenditure when the benefit of that expenditure is greater than one year and therefore benefits obtained by those assets spread according to the life of the asset.

Grouping of Activities

To comply with statutory responsibilities and for operational management purposes, HBRC groups its functions in the Long Term Plan into separate groups of activities. The Council has seven 'groups of activities' which form the Long Term Plan and Annual Report processes.

Groups of Activities are further analysed by individual activities within each group. This framework enables the Council to co-ordinate its various planning and reporting responsibilities and provides an appropriate base for determining the Council's revenue and financing policy.

Available Funding Sources

HBRC may lawfully fund its expenditure needs from the sources listed above. Set out below is discussion on the most significant of these to the Council.

Fees and Charges

Subject to the provisions of a number of statutes, the Council may directly charge beneficiaries for services.

These user pays charges may be made using a variety of methods from setting fees for certain activities to charges for actual time and materials based on pre-determined hourly charge out rates.

- Of relevance also is Section 36 of the Resource Management Act 1991 which enables local authorities to establish charges for various administrative and monitoring activities including:
 - receiving, processing and granting resource consents
 - implementing requests to prepare or change plans or policy statements
 - monitoring compliance with conditions on resource consents
 - providing information in respect of consents or plans
 - gathering information or research
 - monitoring the state of the environment
 - providing information on water science.
- Administrative charges made under Section 36 of the Resource Management Act 1991 are required to be fair and reasonable. Before making charges, the Council is required to have regard to:
- The sole purpose of any charge is to recover the reasonable costs incurred by HBRC in respect of the activity to which the charge relates
 - A particular person or persons should be required to pay a charge only to the extent that either the benefit of the Council’s actions to which the charge relates is obtained by those persons as distinct from the community of Hawke’s Bay as a whole, or the need for its actions to which the charge relates is occasioned by the actions of those persons
 - When the charge relates to monitoring the state of the environment, a particular person or persons should only be required to pay a charge, either to the extent that the charge relates to the likely effects on the environment of those persons’ activities, or to the extent that the likely benefits of the monitoring to those persons exceeds the likely benefit of the monitoring to the community of the Hawke’s Bay Region as a whole.
- Other direct charges include fees, and sundry charges.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 239

Item 7

Attachment 1

Rates

Rates are a substantial and traditional source of revenue for local government. Rates are a form of taxation based on the ownership or occupation of property.

- **Rating Basis:** Under the provisions of the Local Government (Rating) Act 2002, there are four bases upon which rates can be made and levied. In brief, these are:
 - **Land value:** The market value of the land
 - **Capital value:** The market value of the land and improvements
 - **Annual value:** The rent for which a particular property could be let from year to year, less 20% in the case of buildings and 10% in the case of land, but it shall not be less than 5% of the market value
 - **Area system:** Where rates are made and levied on the basis of an amount based on the area of each rateable property.

Capital and land values are determined independently of local authorities by valuation service providers. The properties for each city and district are normally revalued every 3 years. For the Hawke's Bay Region, a certificate is obtained which equalises the values of each city and district annually to compensate for timing differences in the valuations between districts.

- **General Rates:** HBRC may make and levy a regional general rate, either:
 - across the Region, or
 - within each constituent city or district, so that the rate made or levied may vary from district to district.
 - A system of differential rating for the general rate whereby rating levels may be varied for different categories of property, for example, rural versus commercial, can also be used.
 - A General Rate can be set on either the basis of land value, capital value or annual value.
 - HBRC has always used land value (equalised) as its base for general rates, and has not adopted any differentials, for example for commercial property.

- It is proposed that during the 2018-28 LTP period HBRC will investigate changing the general rate basis from land value to capital value. If it was proposed to change the current basis the options and implications will be publically consulted.
- Uniform Annual General Charge (UAGC): From 1 July 2004 HBRC introduced a UAGC to ensure that each rating unit in the region contributes a minimum amount of the general rate to represent the services that each ratepayer benefits from equally.
- **Targeted Rates:** In addition to the general rate, HBRC is authorised to make targeted rates for the purpose of undertaking any specific service or work for the benefit of all or part of the Region. These rates are normally applied to properties that have a direct beneficiary or cause/effect relationship with the function or service being provided (thus reflecting the locality concept).

HBRC has used targeted rates to fund flood protection and drainage schemes, public transport, animal and plant pest control, civil defence emergency management, the heat smart assistance programme, and economic development. A combination of capital value, land value, area basis and Fixed Annual Charge have been used for these targeted rates. Detailed information of the rating for each scheme and its basis is set out in the funding impact statement included in this plan.

Investment Income

HBRC has a range of property, equity, and cash investments that provide a source of income not related to any specific function or activity. HBRC's investment assets are its 100% shareholding in the Hawke’s Bay Regional Investment Company Limited (HBRC Ltd); Napier leasehold property investments; Forestry assets and reserve funds.

General Funds

Investment income is used to offset the general rate requirements of HBRC. For the purposes of this Revenue and Financing Policy investment income, general rates and UAGCs have been combined and are referred to as general funds.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Proceeds from Asset Sales

The proceeds from any property investment sales, with the exception of Napier leasehold properties, are credited to the Sale of Land Account. These funds are initially invested in fixed deposits until suitable projects that meet the criteria of Council’s ‘Policy on the evaluation of investment opportunities’ and comply with its general investment policies are identified.

Proceeds from the sales of Napier leasehold properties are paid to Accident Compensation Commission (ACC) under the Lease Receivables Purchase Agreement. This agreement covers HBRC’s agreement with ACC for the capitalisation of Napier leasehold cash flows.

The proceeds from the sale of all other operating assets are used to fund the replacement operating asset needs of Council.

Development Contributions

The Local Government Act 2002 precludes Regional Councils from charging development contributions.

Financial Contributions under the Resource Management Act 1991

HBRC has determined that it will impose financial contributions only in relation to resource consents granted for river bed gravel extraction. These financial contributions are used to avoid, remedy or mitigate the adverse effects on the environment of this activity.

Borrowing

Local authorities may borrow New Zealand currency to finance their lawful functions. Borrowing is a useful method of funding the costs of a project where the benefits will accrue into the future, for example, funding the capital costs of a flood control scheme, or major building project. Council will periodically borrow for such purposes.

Reserves

Local authorities have traditionally, and to varying degrees, developed reserve funds. Reserve funds have been used to allocate funds for special purposes such as asset replacement, future capital works, flood and drainage schemes, and for emergencies and contingencies. HBRC have some reserves which help in the financial management of activities. Consideration of the appropriate reserves and reserve levels is addressed as part of the Long Term Plan and Investment Policy.

Government Grants

The Government may provide funds to HBRC for specific purposes and projects across a range of functions on an ongoing basis. The New Zealand Transport Agency provides funding for subsidised passenger transport.

Capital Expenditure

The funding of capital expenditure is addressed in two distinct ways depending upon the nature of the expenditure.

For fixed assets including buildings, furniture and fittings, plant, equipment etc., it is HBRC policy to fully fund depreciation from operating revenue for these assets. This depreciation is placed in an asset replacement reserve which is used to fund replacement assets. If there is any shortfall HBRC will either borrow, use other Council reserves, or other general funding revenue sources.

Financing of infrastructure assets

1. Assets with infinite life

These assets include stopbanks, berm edge protection, sea or river groynes, drainage works, etc and are considered not to deteriorate over time and are maintained in accordance with Councils Asset Management plan. No depreciation is provided on these assets.

The infrastructure asset strategy provides for continuing yearly maintenance programmes to ensure the integrity of assets in this class.

For significant new asset construction under this category, borrowed funds are used as Council’s preferred method of financing. If sufficient accumulated funds are held in the Scheme operating reserve and/or the Scheme infrastructure depreciation reserve, then where provided for in the Asset Management plans for that Flood and Drainage Scheme, such new asset purchases can be directly funded from these accumulated reserves or those reserves be used to service a loan raised to fund such a purchase.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 241

2. Assets with a finite life

These assets include culverts, detention dams, pump stations, etc and are depreciated over their useful life. Depreciation is set at a rate that is consistent with the requirements of the Local Government Act 2002 sections 100-102, and as provided for in the adopted Asset Management Plan for each scheme. Such depreciation is placed in an infrastructure depreciation reserve for each Flood and Drainage Scheme.

Renewal of these assets will, where it is considered appropriate, be funded from this depreciation reserve, any accumulated credit balances in the scheme operating account or through the use of loan funding as set out in the adopted Asset Management plan.

Where (new) assets that will result in improved levels of service or additional capacity are to be purchased or constructed, then it is Council’s preference to fund this through external loan funding other than where adopted Asset Management plans provide for such new assets to be funded from accumulated infrastructure depreciated reserves and/or scheme operating balances for each flood drainage scheme.

Set out below in the following appendix is Council’s detailed allocation of rates and rationale.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 242

Appendix to the Revenue and Financing Policy

Please Note:

- General Funds include General Rates on Land Value, Uniform Annual General Charges and Investment Income.
- Targeted Rate denotes the amount required from targeted rates net of any internal revenue contributions or other sundry income
- Funding required excludes internal revenue contributions
- Previous Policy reflects the Policy that was adopted in the 2015-25 ten year plan as well as amendments passed through subsequent Annual Plans.
- The cost of targeted rate collection is met directly from targeted ratepayers.
- The notes to these tables provide the logic to support the distribution of benefits between Public and Private benefits.

Group of Activity: Strategic Development								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Strategy		100%	Nil	100%	Nil	General Funds	Nil	1
Planning		100%	Nil	100%	Nil	General Funds	Nil	2
Economic Development		Nil	100%	Nil	100%	Nil	Differential Targeted Rate	3

1. This activity ensures that organisational strategy is more effectively translated into action to achieve the desired outcomes as set by council in its Strategic Plan. It includes research, programme management, and development of statutory and non-statutory regional strategies and plans including the Long Term Plan and Annual Plan. HBRC treats these costs as a public cost and funds them through the use of general funds.
2. This activity develops, reviews and evaluates Resource Management Act 1991 (RMA) planning documents including the Regional Policy Statement, Coastal Plan and Regional Resource Management Plan. This activity also provides statutory advocacy of council's resource management policies and interests through submissions and various exchanges with other resource management agencies. HBRC treats these costs as a public cost and funds them through the use of general funds.
3. This activity promotes economic development for the region and contributes to Business Hawke's Bay and Hawke's Bay Tourism and the Regional Business Partners Programme. HBRC is the sole local government funder of Hawke's Bay Tourism by agreement with the region's TLAs. It is considered that this activity provides a greater and more immediate benefit to the broader business community. On this basis the Economic Development activity is fully fund through the use of an Economic Development Rate across the region. The basis of the rating in the 18-19 year is that 50% of the total Economic Development rate is to be funded by the commercial or industrial properties and based on capital value. The remaining 50% is to be collected from residential and rural properties as a Fixed Annual Charge. Wairoa District ratepayers' contribution is to be limited to 5% of the total Economic Development rate. For the 19/20 year onwards the rating basis will shift to 70% of the total Economic Development rate is to be funded by the commercial or industrial properties and based on capital value. The remaining 30% is to be collected from residential and rural properties as a Fixed Annual Charge. Wairoa District ratepayers' contribution is to be limited to 5% of the total Economic Development rate.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 243

Group of Activity: Asset Management								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Heretaunga Plains Schemes	Drainage	10%	90%	10%	90%	General Funds	Differential Targeted Rate	4
	Flood Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	5
Upper Tukituki Scheme		18%	83%	18%	83%	General Funds	Differential Targeted Rate	6
Other Schemes	Paeroa	13%	88%	13%	88%	General Funds	Differential Targeted Rate	6
	Makara	10%	90%	10%	90%	General Funds	Differential Targeted Rate	6
	Porangahau	10%	90%	10%	90%	General Funds	Differential Targeted Rate	6
	Poukawa	5%	95%	5%	95%	General Funds	Differential Targeted Rate	6
	Ohuia-Whakaki	5%	95%	5%	95%	General Funds	Differential Targeted Rate	6
	Esk	13%	88%	13%	88%	General Funds	Differential Targeted Rate	6
	Whirinaki	13%	88%	13%	88%	General Funds	Differential Targeted Rate	6
	Wairoa	13%	88%	13%	88%	General Funds	Differential Targeted Rate	6
	Te Awanga	10%	90%	10%	90%	General Funds	Differential Targeted Rate	6
	Kopuawhara	10%	90%	10%	90%	General Funds	Differential Targeted Rate	6
	Opoho	10%	90%	10%	90%	General Funds	Differential Targeted Rate	6
	Kairakau	10%	90%	10%	90%	General Funds	Differential Targeted Rate	6
	Te Ngarue	10%	90%	10%	90%	General Funds	Differential Targeted Rate	6
	Central & Southern	13%	88%	13%	88%	General Funds	Differential Targeted Rate	6
Investigations & Enquiries	Investigations and Enquiries	100%	Nil	100%	Nil	General Funds	Nil	7
	Subsidised Work	30%	70%	30%	70%	General Funds	Fees/Charges	8
	Consultancy Services	Nil	100%	Nil	100%	Nil	Fees/Charges	9

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 244

Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Gravel Management	Gravel Management	Nil	100%	Nil	100%	Nil	Fees/Charges	11
	River Cross Sections	100%	Nil	100%	Nil	General Funds	Nil	12
Flood Assessment and Warning	Flood Risk Assessment	100%	Nil	100%	Nil	General Funds	Nil	13
	Flood Forecasting & Hydrological Flow Management	100%	Nil	100%	Nil	General Funds	Nil	13
	Flood Warning System	100%	Nil	100%	Nil	General Funds	Nil	14
Coastal Hazards	Westshore	50%	50%	50%	50%	General Funds	Contribution from Napier City Council	15
	Coastal Processes	100%	Nil	18%	82%	General Funds	Contribution from Napier City & Hastings District Council and Targeted Rate	16
Open Spaces	Regional Park Networks	98%	2%	98%	2%	General Funds / Reserve Funds	Fees/Charges	17
	Public Access to Rivers	100%	Nil	100%	Nil	General Funds	Nil	18

4. An analysis of the Heretaunga Plains Drainage Scheme has identified a 90% private benefit to those ratepayers directly benefiting from the scheme. The indirect benefits of increased productivity of the Heretaunga Plains land to the whole region, as a result of increased economic activity resulting from the productivity, are recognised in the allocation of 10% of the costs to the region as a whole which is funded through the use of general funds. The 90% private benefit is funded through a targeted rate based on capital value.
5. An analysis of the Heretaunga Plains Flood Control Scheme has identified a 70% direct benefit to the landowners within the Hastings District and Napier City Council areas. Of this, 49% results in a direct benefit to properties protected from frequent flooding and/or river course changes, and 21% being the indirect benefit as a result of increased opportunity arising from higher population and increased choice and competition among service industries, and improved opportunities for employment, investment and recreation. The 70% private benefit is funded through a targeted rate based on capital value, with the remaining 30% public benefit funded through the use of general funds.
6. An assessment of the public and private benefits undertaken as part of the Step 1 analysis has provided for a public contribution to be made to each of the other schemes which HBRC administers according to the following principles.
 - A scheme which provides protection to a State Highway will receive a public contribution of 12.5%.
 - A scheme which provides protection to a local roading network will receive a public contribution of 10%.
 - A scheme which provides protection only to private land will receive a public contribution of 5%.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 245

- The Upper Tukituki Scheme will receive an additional 5% public contribution because of the additional cost which arises from gravel flows from the upper catchment land. The balance, being the private benefit, is to be funded through targeted rates which are based on a mix of land value, capital value, and Fixed Annual Charge.
- 7. The provisions of HBRC internal staff time to respond to public enquires and provide expert advice on Land Drainage and River Control activities is considered a public benefit and funded 100% by general funds.
- 8. Subsidised work including small flood control and stream improvement works undertaken on private land, but which benefit a wider community, receives a public contribution of 30% and is funded through the use of general funds. The 70% private benefit is recovered through the charging of fees to the requesting landowner(s).
- 9. This activity relates to the provision of consultancy services by HBRC engineering staff for drainage, flooding, and coastal erosion issues according to individual project agreements. The costs of these services are met directly by the beneficiary through the charging of fees.
- 10. This activity was initially identified as a 30% private benefit recognising that the main beneficiaries from the work are the owners of land and/or utilities in the areas immediately around the river mouths. However, the costs associated with the opening of river mouths are relatively small and the cost of establishing a funding mechanism to recover the private good portion of the cost could not be justified, therefore this work is treated as a public good and funded through the use of general funds.
- 11. The Gravel Management activity is established to administer the allocation and extraction of river bed gravel in accordance with the Regional Resources Management Plan and in the best interest of river management. The private benefit element of this activity has been assessed at 100% with resource management charges paid directly by the consent holder, under s36 of the Resource Management Act, based on the level of gravel extracted.
- 12. Cross section work provides data that is used for State of the Environment monitoring, and is also used for flood prediction management and assessment and is funded through the use of general funds.
- 13. There is a region wide benefit from flood risk assessment work for identifying and quantifying potential hazards and also for the work for flood forecasting & hydrological flow management which is funded as a public cost through the use of general funds.
- 14. There is a region wide benefit from being able to predict and respond to floods as they occur and also a direct benefit to the ratepayers of flood and drainage schemes. The information gathered from the flood warning system is used to predict flooding events and to input into design work associated with the flood control and drainage schemes. The public benefit has been assessed at 100% and funded through the use of general funds.
- 15. The Westshore coastal works are funded by 50% public / 50% private. This reflects the fact that HBRC is unable to allocate costs in accordance with its preference of Westshore renourishment because there remains uncertainty with regard to the impact of Port of Napier Limited structures on rates of erosion, and there are no legal means of identifying and collecting income from exacerbators. Consequently the use of general funds will meet the public benefit share of these costs. The private benefit costs are met by the Napier City Council.
- 16. The Coastal Processes activity has incorporated substantial new work in the past few years for Clifton to Tangoio Coastal Hazards Strategy, taking into account sea level rises, increased storminess, coastal erosion, coastal inundation and tsunami. This has been a joint working committee with both Napier City Council and Hastings District Council who have met 45% of the costs. There is a new Coastal Erosion targeted rate for those in the Napier and Hastings districts to 37% of the costs. The remaining 18% has been treated as a public good and funded through the use of general funds.
- 17. HBRC maintains, develops, and provides public access to six regional parks. 2% of the funding is provided by lease and rental income with the residual 98% private benefit costs are met by general funds.
- 18. The public good element of this public access to rivers activity is funded through the use of general funds, and the private good element funded through charges in relation to white bait stands.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 246

Group of Activity: Integrated Catchment Management								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Science and Information	State of the Environment Reporting	83%	18%	83%	18%	General Funds	Fees/Charges	19
	Research and Grants	100%	Nil	100%	Nil	General Funds	Nil	20
	Water Science	65%	35%	65%	35%	General Funds	Fees/Charges	21
	Land Monitoring	75%	25%	75%	25%	General Funds	Targeted Rate	22
	Land Research & Investigations	65%	35%	65%	35%	General Funds	Fees/Charges	23
	Air Quality	100%	Nil	100%	Nil	General Funds	Nil	24
	Sustainable Homes	Nil	100%	Nil	100%	Nil	Targeted Rate & Fees/Charges	25
	Water Information Services	Nil	100%	Nil	100%	Nil	Fees/Charges	26
Catchment Management	Environmental Enhancement Projects	New	New	100%	Nil	General Funds	Nil	27
	Future Farming Trust	New	New	100%	Nil	General Funds	Nil	28
	Integrated Catchment Activities – Afforestation/Riparian	New	New	75%	25%	General Funds	Fees/Charges	29
	Integrated Catchment Activities – FEMP	New	New	10%-13%	90%-87%	General Funds	Fees/Charges	29
	Sustainable Land Management	75%	25%	75%	25%	General Funds	Differential Targeted Rate	30
	Soil Conservation Nursery	Nil	100%	Nil	100%	Nil	Fees/Charges	31

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 247

Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Pest Animal Control	Rabbit Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	32
	Possum Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	33
	Rook Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	34
	Site Specific Pest Animal Control	30%	70%	30%	70%	General Funds	Differential Targeted Rate	35
	Predator Free Hawke's Bay	New	New	40%	60%	General Funds	Differential Targeted Rate	36
	Marine Pests	100%	Nil	100%	Nil	General Funds	Nil	37
Pest Plant Control	Research	30%	70%	30%	70%	General Funds	Differential Targeted Rate	38
	General Advice	30%	70%	30%	70%	General Funds	Differential Targeted Rate	38
	Incentive Scheme	100%	Nil	100%	Nil	General Funds	Nil	39
	Primary production pest plants	40%	60%	40%	60%	General Funds	Differential Targeted Rate	40
	Biodiversity/human health pest plants	100%	Nil	100%	Nil	General Funds	Nil	41
	Biological Control	100%	Nil	100%	Nil	General Funds	Nil	42
Pest Management Strategies		100%	Nil	100%	Nil	General Funds	Nil	43

19. The Step 1 analysis has revealed that there is a private benefit to consent holders from State of the Environment monitoring. Monitoring of state and trends in our natural resources is important to demonstrate that policy is effective in managing consented activities within limits. This demonstration allows the continued access to those resources. The assessment has revealed that half of the work in this area relates to work which attracts Zone Based Water Science Charges, therefore half of the potential 35%, being 17.5%, of this activity is deemed to be a private benefit and will be recovered through the charging of fees directly to the consent holder under s36 of the Resource Management Act.
20. This activity relates to the undertaking of specific one off research projects on environmental issues in order to meet scientific, regulatory or policy needs. Where the work undertaken is associated to recoverable projects, such as zone based water science charges, HBRC will endeavour to recover a share of these costs. As this is not considered a certain enough source of income to be used in the funding policy, all of this activity is treated as a public good and funded through the use of general funds.
21. HBRC determined through Step 1, that there is a significant private good that results from these activities which is assessed at 35%. This private benefit reflects that users benefit from our knowledge and understanding of the region's water resources as it facilitates the expeditious processing of the consent applications and enables Council to manage the resources in an efficient and sustainable fashion. The 35% private benefit is funded through the charging of fees directly to the consent holder under s36 of the Resource Management Act.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 248

22. Council determined through Step 1, that there is a significant private good resulting from these activities which is assessed at 25%. This private benefit reflects that users benefit from Land Monitoring as it enables HBRC to identify and monitor the impacts of land use intensification on soil and water quality throughout the region. Given that this project relates directly to work undertaken as part of the Sustainable Land Management activity, and that Council has agreed to initiate a regional charge for Sustainable Land Management activities, the 25% private benefit is to be funded as part of the targeted rate on those properties in the region over 4ha
23. Land Research & Investigations are integral to the Sustainable Land Management Programme. The private benefit for this activity has been assessed at 35% recovered through s36 zone based water science charging where the work is related to water quality outcomes.
24. When allocating the benefits between public and private in Step 1 it was determined that part of the work required on this activity was a result of the action of users/exacerbators, with this being classified as a private benefit. However, the ability to charge fees for exacerbators is not legally possible because HBRC can currently only charge Resource Consent holders. It is also not practical to charge exacerbators through a targeted rate because it is impossible, for example, to practically isolate the impact of specific things such as ambient air quality on geographic areas. Consequently HBRC is to treat this as a public cost and fund it through the use of regional investment income and general rates
25. Sustainable Homes has grown in this LTP to not only include the Heat Smart programme but to also encourage the use of solar energy, domestic water storage and upgraded septic tanks. Heat Smart has the aim to reduce particles of polluting smoke in the affected airsheds by replacing open fires or wood burners with more efficient forms of heating and also installation of insulation. This activity is classified as a private benefit and is funded by way of a targeted rate based on land value for those in the Napier and Hastings airsheds, and by the charging of fees for those who take up the offer of Council assistance.
The new areas provide assistance to homeowners to install solar systems, to provide water storage that will improve resilience in an emergency and to improve the quality of septic tanks. These activities are classified as a private benefit and are funded by the charging of fees for those who take up the offer of Council assistance.
26. The Water Information Services activity provides infrastructure and services to support the collection and management of water use data and has been established following the introduction of legislative requirements. This activity has been assessed as a 100% private benefit on the basis that water consent holders directly benefit from water metering data. Costs for this activity are recovered from these consent holders through fees and charges.
27. Environmental Enhancement Projects were introduced in the 2017/18 Annual Plan with the intention of starting the clean up of five environmental hot spots being Lake Turira, Ahuriri Estuary, Whakaki Lake and Waiora River, Lake Whatuma and Tukituki Catchment, Karamu Stream. Due to the regional public benefit HBRC has treated this a public cost funded through the use of general funds.
28. The Future Farming Trust activity has been proposed to form a governance trust of regional farming leaders to provide guidance, knowledge, leadership and research into farming best practice. It is envisioned that this trust will obtain external funding from the industry and the Crown but at this stage these funding streams cannot be guaranteed and so HBRC initially treated this as 100% public cost funded through the use of general funds.
29. Integrated Catchment Activities are a new set of activities intended to reform the Land Management functions of Council to facilitate rapid delivery of solutions into catchments to attain the anticipated outcomes of in the Strategic Plan, NPSFM and RRMP. This incorporates a Farm Environment Management Plans (FEMPs) business unit to speed up the delivery of these plans. This activity encourages the completion of FEMPs by offering a facility for the cost of the FEMP to be placed against the property and the cost of the principle repaid by a targeted rate. The interest will be paid by HBRC as an incentive for compliance.
This also incorporates the Riparian Business Unit to fund riparian fencing, planting and maintenance of planted areas and also an Afforestation scheme to get trees planted on highly erodible land. An incentive will be offered on these projects in the form of a 75% public funding for these projects with 25% directly privately funded. The public benefit is driven from improved water quality, instream ecological health and forest habitats and will be funded by general funds.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 249

30. For Sustainable Land Management the Step 1 strict economic analysis indicates that there is a 50% public benefit and 50% private benefit element for HBRC's Sustainable Land Management activities. The private benefit reflects the level of private landowner and wider sector benefit that is derived through Council providing advisory and financial services to assist them in meeting Plan Change 6 requirements, in particular the benefit derived in meeting Farm Environmental Management Plans and other Plan Change 6 requirements where they would otherwise require resource consent to continue their rural operations. While recognising this private benefit, HBRC believes that a significant public benefit can also be applied to reflect the high regional priority on water quantity and quality, the positive regional flow-on benefits of significantly improved water management, the public good nature of a number of proposed HBRC Plan Change 6 services and the difficulty in applying the exacerbator pays factor. However, taking into account additional important considerations such as the requirement for the Council to respond to the Government's National Policy Statement on Freshwater Management, the major new resource management approach for the Council which Plan Change 6 represents, and transition costs, HBRC believes a 25% private benefit strikes a fair balance between HBRC's current benefit allocation for Sustainable Land Management and the result of the strict economic analysis. The 25% private benefit is to be funded by way of a targeted rate on those properties in the region over 4ha, with the 75% public funding being met by general funds.
31. The HBRC Soil Conservation Nursery operation has been established to provide for the regional community a consistent supply of quality poplar and willow poles for erosion control use in Hawke's Bay. This operation is set at a break even position and assessed as a private benefit because the cost of the purchase and production of poles is offset by the sale of poles to users.
32. Early identification and reduction of rabbit numbers has benefits to the whole region by reducing soil erosion and the prevention of the spread of rabbits. Many of the complaints and requests for advice arise from small rural properties and properties on the fringe of the urban area. Accordingly, 30% of the costs are publically funded through the use of general funds. The 70% private benefit is funded through a differential targeted rate on all rural properties greater than 4ha.
33. HBRC's Possum Control programme, involving Council's subsidy of animal pest control products and the protection of possum control area boundaries, has spin off benefits for the environment, biodiversity, public health and the regional economy. This is assessed at 30% of the cost of the work and is funded from general funds. The private portion of this activity is assessed as 70% because owners of productive land benefit directly from low pest densities and increased productivity and are therefore charged through a differential targeted rate on all rural properties greater than 4ha.
34. Rook control is largely a private good; however, rooks cover a significant range and the exacerbator is unlikely to be the beneficiary of any control work undertaken. With significantly reduced rook numbers the reduced public benefit of ongoing work is recognised by aligning the funding with Council's possum control programme which is assessed as 70% private through the charging of a differential targeted rate, and 30% public which is funded through the use of general funds.
35. This programme focusses on supporting land occupiers and community groups manage specific pest animals as part of a pest control programme or to protect QEII covenants and ecosystem prioritisation sites. Although there are significant biodiversity gains that the wider regional community is a beneficiary, almost all programmes are on private land in rural areas resulting in a 70% private, 30% public funding policy.
36. There will be both biodiversity benefits and primary production benefits from a Predator Free Hawke's Bay. Although the general community will benefit from the biodiversity gains, the primary beneficiary of predator control will be the agricultural sector. This is due to the programme being delivered in rural areas and the benefit from reducing the spread of parasites such as *Toxoplasma gondii* and bovine tuberculosis. The private portion of this activity is assessed as 60% and 40% public, to recognise the increased regional biodiversity benefits.
37. Marine pests are a major threat to production and conservation values in the Hawke's Bay marine system. Currently there is no active aquaculture being undertaken in Hawke's Bay but there are areas consented for this purpose. The primary beneficiary is the regional community therefore this activity is 100% publically funded through the use of general funds.
38. HBRC animal pest control research and general advice plays an integral part in seeking ways for the animal pest control programme to be more efficient and cost effective. The 70% private and 30% public benefits reflect a funding policy consistent with the rest of the animal pest control programme.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 250

39. The private contribution of 50% (up to a maximum of \$3,000 each application) of the costs of total control of Plant Pests (occupier responsibility) specified in the Regional Pest Management Plan does not appear in HBRC financial statements.
40. Although there are minor biodiversity benefits from managing some primary production pest plants, the primary beneficiary is the agricultural sector. To maximise the effectiveness of individual control across the region and to minimise the externality impacts of the plant the Council has proposed an advisory, inspectorial, and compliance regime. The primary beneficiaries of this programme are land occupiers, resulting in a 60% private, 40% public funding policy.
41. Biodiversity/human health pest plants are a major threat to biodiversity values and human health in the Hawke's Bay region. To maximise the effectiveness of individual control across the region and to minimise the externality impacts of the plant the Council has proposed an advisory, inspectorial, and compliance regime for these pests. The benefits of this programme are a public good rather than a private good, therefore this activity is 100% publically funded through the use of general funds.
42. Plant pest biological control has benefits to the overall region of animal and human health; the environment; and the region's economy. Although there may be an initial private benefit, biological control agents spread across the region, benefiting the regional community.
43. Pest management strategies and plans cover the whole of the Hawke's Bay region and cover a wide range of pests. It is not possible to target a particular beneficiary from any one particular strategy and plan and therefore HBRC policy is for this activity to be 100% publically funded through the use of general funds.

Revenue and Financing Policy								
Group of Activity: Consents and Compliance								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Consents	Resource Consents	40%	60%	20%	80%	General Funds	Fees/Charges	44
	Appeals & Objectives	NA	NA	100%	Nil	General Funds	Nil	45
Compliance Monitoring	Compliance Programmes	30%	70%	20%	80%	General Funds	Fees/Charges	46
	Environmental Incident Response	100%	Nil	100%	Nil	General Funds	Nil	47
	Building Act Implementation	100%	Nil	100%	Nil	General Funds	Nil	48
	Hazardous Waste/ Substance Management	100%	Nil	100%	Nil	General Funds	Nil	49
Maritime Safety	Marine Oil Spill	Nil	100%	Nil	100%	Nil	Govt. Grants	50
	Coastal Use Management	100%	Nil	100%	Nil	General Funds	Nil	51

44. HBRC determined that 80% of the work relating to the processing and administering of resource consents conferred a private benefit and would be recovered through fees and charges directly to the consent holder. It is considered that charging for general advice would be contrary to its policy of encouraging the public to enquire as to what consents are required before resource use is initiated so the provision of general advice is treated as a public good and is funded through the use of general funds.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 251

45. Managing appeals and objections on resource consents are a statutory obligation of Council. While all costs are attempted to be recovered in the process these cannot be guaranteed and so HBRC treated this activity as 100% public cost funded through the use of general funds.
46. HBRC determined that 80% of the work relating to the processing and administering of resource consents conferred a private benefit and would be recovered through fees and charges directly to the consent holder. It is considered that charging for general advice would be contrary to its policy of encouraging the public to enquire as to what consents are required before resource use is initiated so the provision of general advice is treated as a public good and is funded through the use of general funds.
47. For Environmental Incident Response the Step 1 analysis indicated that most of the work should be treated as a private good because it was a consequence of the actions of individuals or organisations. However, it is not possible, other than through legal action, to recover any part of these costs. HBRC will initiate appropriate legal action, but because it is not considered a certain enough source of income to be used in the funding policy, all of the activity is treated as a public good and funded through general funds.
48. It is estimated that 95% of the costs arising from this activity cover the responsibilities to hold and provide information and develop audit systems, these costs not being recoverable from consent applicants and holders. Other than the occasional issuance of Project Information Memorandums and the imposition of a fine for non compliance there is limited income to be earned. Because this is not considered a certain enough source of income to be used in the funding policy, it is Council's preference to treat 100% of the activity as a public good and funded through the use of general funds.
49. Hazard Waste / Substance Management is a full public benefit project funded by through general funds as this is an incentive for the public to dispose of hazardous substances appropriately
50. Marine oil spills are caused by the actions or inactions of vessels or port operations. The costs are met by the exacerbators either through Maritime New Zealand or directly by the spiller and are therefore assessed as a 100% private benefit
51. The private benefit of this activity is estimated to be 75% which relates to costs incurred in managing navigation safety (70%) and identifiable exacerbators (5%). Current funding tools available will not allow HBRC to allocate costs in accordance with its preference. Recoveries could be made through legal action; however, this is not a certain enough source of income to use in the funding policy. Consequently the 75% private good element is funded as public cost through general funds.

Group of Activity: Emergency Management								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Hazard Assessment and Response	Response Management	100%	Nil	100%	Nil	General Funds	Nil	52
HB Civil Defence Emergency Management Group	Reduction – Hazard Identification and Mitigation	Nil	100%	Nil	100%	Nil	Targeted Rate as a fixed annual charge	53
	Readiness and Response	Nil	100%	Nil	100%	Nil	Targeted Rate as a fixed annual charge	53
	Recovery and Co-ordination	Nil	100%	Nil	100%	Nil	Targeted Rate as a fixed annual charge	53
	Local Emergency Management	Nil	100%	Nil	100%	Nil	Targeted Rate as a fixed annual charge	53

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 252

52. There is a region wide benefit from being able to plan for emergencies by identifying and quantifying potential hazards which is funded as a public cost through the use of general funds.
53. The Hawke's Bay Civil Defence Emergency Management Group (CDEM) is responsible for providing effective Civil Defence Emergency Management within its area consistent with the Civil Defence Emergency Management Act 2002. The CDEM consists of the Wairoa District Council, Hastings District Council, Napier City Council, Central Hawke's Bay District Council and the Hawke's Bay Regional Council. The Hawke's Bay CDEM area is reflective of the boundaries of the member TLA Councils. The Hawke's Bay Regional Council is the administering authority for the CDEM. The CDEM has established a Group Office to manage the day to day functions of Civil Defence Emergency Management. The benefits of the work of the Group Office are spread across the member Councils and their communities. This programme is funded through a separate targeted rate which has been set as a Fixed Annual Charge for properties within the CDEM area. As of the 2018/19 financial year all of the local TLAs have confirmed that they will no longer rate for Local Emergency Management and that this will be included in the HBRC rate.

Revenue and Financing Policy								
Group of Activity: Transport								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Regional Road Safety		15%	95%	9-12%	91-88%	General Funds	Govt. Grants and Territorial Authority Grants	54
Regional Land Transport Strategy		47%-49%	51%-53%	48%-51%	52%-49%	General Funds	Govt. Grants	55
Subsidised Passenger Transport		Nil	100%	Nil	100%	Nil	Govt. Grants/Differential Rate & Fees/Charges	56
Regional Cycling Activity		35-50%	65-50%	35-50%	65-50%	General Funds	Territorial Authority Grants	57

54. This activity is directed at promoting Road Safety education in partnership with Regional Stakeholders by the promotion of campaigns. These campaigns increase awareness and lessen the risks associated with road transport. HBRC provides 9%-12% of the total Regional Road Safety funding. The remaining funding stems from contractual agreements with the New Zealand Transport Agency (91% - 88%) with the balance provided by the Hawke's Bay Local Territorial Authorities and other Government Agencies. The funding provided by HBRC is considered to be a public benefit as all members of the regional community benefit from this activity, and is funded through the use of general funds.
55. The benefits of this activity is the development of an integrated approach to transport to meet economic, social and safety needs of the public. The New Zealand Land Transport Agency makes an annual financial contribution (52% -49%) towards the costs of undertaking this activity, with this contribution treated as a form of private user subsidy. The remaining 48% 51% is treated as a public benefit and funded through the use of general funds.
56. The current private benefit allocation at 100% includes the amount to be raised through the subsidised public transport targeted rates, the amount paid directly by private beneficiaries in the way of fares, and the New Zealand Transport Agency grant. The private contribution for the overall cost of subsidised public transport, which is raised through user charges, does not appear in the Council's financial statements as this amount is collected and retained by the bus operator and is offset against Council's payment for running the bus service. Over the last few years fare patronage has increased substantially with this rate of strengthening forecast to slow and level off throughout the 10 years of this plan. Any additional funding received by way of fare patronage may be reinvested to enhance the provision of the bus services.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 253

57. The Regional Cycling Activity has been setup to provide support the regional cycling sector and promote our cycle pathways. This project is partially funded up to 65% by external funders with the residual funded as a public benefit through the use of general funds.

Revenue and Financing Policy								
Group of Activity: Governance and Community Engagement								
Sub -Activity	Further Analysis	Previous Policy		Proposed Policy		Funding Tools		Notes
		Public	Private	Public	Private	Public	Private	
Community Partnerships	Tangata Whenua Engagement	100%	Nil	100%	Nil	General Funds	Nil	58
	Community Engagement & Comms	100%	Nil	100%	Nil	General Funds	Nil	58
	Enviroschools	82% -78%	18% - 22%	82% -78%	18% - 22%	General Funds	Grants	59
Community Representation and Regional Leadership		100%	Nil	100%	Nil	General Funds	Nil	60
Investment Company Support		Nil	100%	Nil	100%	Nil	Fees/Charges	61

58. HBRC considers that the main objective of Tangata Whenua and Community engagement and communications activities is to widely inform and assist decision making across the scope of HBRC's work. It is considered a disincentive to charge beneficiaries for information promoting behaviour change which in many cases also requires significant ratepayer investment. Public benefits are recovered through the use of general funds.
59. Enviroschools is the HBRC in school environmental education programme. This is partially funded through grants with the residual funded by use of regional funds.
60. This function relates to the costs of elected political representation (including the Maori Committee) as well as the costs of reporting to the community, and is assessed 100% as a public benefit and met by general funds.
61. This function relates to the activities of the Hawke's Bay Regional Investment Company Limited (HBRIC Ltd) which is administered through the Council. This activity is assessed as a 100% private benefit and will be funded by HBRIC Ltd through the recovery of time and costs incurred by Council on behalf

Item 7

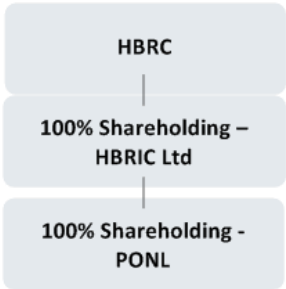
Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Statement on Council Controlled Organisations

Introduction

In February 2012 Hake’s Bay Regional Council (HBRC) established a Council Controlled Trading Organisation called the Hawke’s Bay Regional Investment Company (HBRIC Ltd). HBRC has a 100% shareholding in HBRIC Ltd which has a 100% shareholding in the subsidiary company, the Port of Napier Limited (PONL).



Policy and Objectives in Relation to Ownership and Control

HBRIC Ltd and PONL are both strategic assets of HBRC and will therefore require a special consultative process if any of the shareholding was to be sold down, or any other major capital transaction was to occur. HBRC will retain beneficial control of Napier Port through its wholly owned investment company. In the event it contemplates reducing its interest in Napier Port from its present 100% shareholder to not less than 51% (i.e. still retaining control) by selling shares to a third party (or parties) or by changing how the Napier Port is managed and operated, it must comply with the provisions of Section 97(1)(b) of the Local Government Act 2002.

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”. Council’s strategic assets are listed in its Significance and Engagement Policy.

HBRC’s objectives in setting up HBRIC Ltd are to:

- Enhance HBRC’s capability to actively manage transferred strategic assets.
- Improve net financial and economic returns from these assets.
- Provide flexibility of operation not otherwise available directly to HBRC which would increase returns to HBRC from its ongoing financial management.

Nature and Scope of the Activities

The nature and scope of HBRIC Ltd’s activities are to:

- Own and manage the investment assets and liabilities transferred to it by HBRC.
- Encourage and facilitate subsidiary and associated companies to increase shareholder value and regional prosperity through growth, investment and dividend payments.
- Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC Ltd’s ownership.
- Monitor the performance of each subsidiary and associated company against their stated economic, environmental and social performance objectives and against relevant benchmarks, ensure that they have proper governance procedures in place, and promote sustainable business practices.
- Advise HBRC on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 255

- Perform financial, custodial and other functions required by HBRC which may include:
 - Grouping together HBRC’s ownership of its subsidiary companies.
 - Separation of the subsidiary companies from the ordinary operations of HBRC.
 - Smoothing the cash flows to HBRC from its subsidiary companies.
 - Enabling diversification of the Region’s income streams for the benefit of ratepayers.
 - Enhancing HBRC’s capability to manage an active investment policy.
- Comply with the LGA provisions requiring a special consultative process, and with HBRC policies, in regard to any disposal or part-disposal of shares in any Strategic Asset, for example by way of part sales of shares in Napier Port.
- Advise HBRC of any material capital expenditure projects by HBRIC Ltd or via its subsidiaries

Key Performance Targets

HBRIC Ltd is to actively manage its allocated investment portfolio and any new investment it makes to ensure:

- Growth in long term shareholder value
- Increased financial and strategic returns
- Investments are secure and sustainable over the long term
- Investments will assist achievement of HBRC’s regional strategic development objectives.

Specific financial performance targets are outlined in the following table

Consolidated Performance Targets	
Performance Indicator	Target
Net debt to net debt plus Equity	<40%
Interest cover (EBIT/Interest Paid)	>3x
EBITDA/Total Assets	9%
Return on Shareholders’ Funds	5%
Notes: EBIT = Earnings Before Interest and Tax EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation	

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 256

Significance and Engagement Policy

Purpose and Scope

Hawke's Bay Regional Council (HBRC, Council or 'we') has developed this policy to:

1. Enable Council and our communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities
2. Provide clarity about how and when communities can expect to be engaged in decisions made by Council
3. Inform Council from the beginning of a decision-making process about the extent, form and type of engagement required.

The Local Government Act 2002 (the Act) has consultation principles to guide HBRC when making decisions. With this in mind, HBRC commits to:

- Identify and assess options
- Place a value on benefits and costs
- Consider an appropriate level of detail
- Show evidence of how we comply with this Significance and Engagement Policy
- Provide processes to encourage and engage with Māori.

Process

On every issue requiring a decision, Council will consider the degree of significance and the most appropriate level of engagement.

HBRC will refer to the Criteria for significance (page 2) to identify matters, issues or proposals that require a Council decision. Advice on significance and options will come from an HBRC officer or other professional. Council will consider and make decisions, taking into account the degree of significance of the issue and referring to the *Criteria for engagement* (page 3) to identify the appropriate level and type of engagement.

Advice from HBRC officers normally comes through the Council-approved report format. This format specifically alerts elected members to significant impacts and engagement considerations.

Our general approach to significance

Significance means the degree of importance of the issue, proposal, decision, or matter – determined by the local authority – relating to its likely impact on and likely consequences for:

- The district or region
- Any persons who are likely to be particularly affected by or interested in the issue, proposal, decision or matter
- The achievement of, or means to achieve, HBRC's stated levels of service as set out in the current Long Term Plan
- The capacity of HBRC to perform its role and carry out its activities, now and in the future
- The financial, resource and other costs of the decision, or that these are already included in an approved Long Term Plan.

Council will exercise its judgement when assessing the degree of significance for each decision to be made by Council.

Significant means that the issue, proposal, decision or other matter is judged by Council to have a high degree of importance. This is typically when the impact is on the regional community, or a large portion of the community or where the financial consequences of a decision are substantial.

If the issue, proposal, decision or related matters concerned involve a significant decision in relation to land or a body of water, Council will take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga. Council will also take into account the values of the whole community.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 257

Item 7

Attachment 1

When making decisions, Council will:

- Identify and assess as many options as are practical
- Evaluate the costs and benefits resulting from the decision/s to be made
- Provide detailed information, which will be accessible to the public
- Maintain clear and complete records showing how compliance with this Significance and Engagement Policy was achieved.

As part of the engagement process for the adoption of this policy, and subsequent reviews, Council will ask people in the region their engagement preferences and will review those preferences each three-year term.

Council will also take into account views already expressed in the community and make judgements on the level of support for those views, when determining the significance of a decision.

Criteria for Significance

When looking at the significance of a matter, issue, decision or proposal, elected members will assess:

- The likely level of community interest
- The likely impact or consequences for affected individuals and groups in the region
- How much a decision or action promotes community outcomes or other Council priorities
- The impact on levels of service identified in the current Long Term Plan
- The impact on rates or debt levels
- The cost and financial implications of the decision to ratepayers
- The involvement of a strategic asset.

Strategic assets

Strategic assets are owned by Council and defined 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.’ This does not include strategic natural resources managed by Council. Regionally significant natural resources are served by the Resource Management Act and Regional Resource Management Plan.

HBRC considers the following to be strategic assets:

- Napier Port
- Heretaunga Plains Flood Control Scheme
- Upper Tukituki Catchment Control Scheme
- Tūtira Regional Park (excluding commercial forestry)
- Pekapeka Regional Park
- Pākōwhai Regional Park
- Waitangi Regional Park
- Hawke’s Bay Regional Investment Company Limited.

HBRC owns a number of assets that, managed as a whole, we consider to be strategic. However not all trading decisions made regarding these assets are regarded as significant nor do they affect the asset’s strategic nature, i.e. the Heretaunga Plains Flood Control Scheme is strategic, but small parcels of land that make it up may not be, and the purchase or sale of such parcels of land may not amount to a significant decision.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 258

Our general approach to engagement

Engagement is a term used to describe the process of seeking information from the community to inform and assist decision-making. There is a spectrum of community involvement, and HBRC follows these general principles:

- We conduct our business in an open, transparent, democratically accountable manner
- We stay aware of, and have regard to, the views of all of our communities
- When making a decision, we consider: the diversity of the community and the community’s interests in its district or region; the interests of future as well as current communities; and the likely impact of any decision on these interests
- We provide opportunities for Māori to contribute to our decision-making processes.

HBRC seeks authentic engagement with our community and applies a *Criteria for engagement*. We acknowledge that “community” may be ‘communities of place’ or ‘communities of issue’ and will use appropriate tools and techniques to make meaningful and timely connections that result in feedback. Formal consultation is one of many approaches that can be used.

Guidance on obligations and timing to respond to public correspondence is addressed in the Local Government Official Information and Meetings Act 1987 (LGOIMA or OIA), which sets a maximum of 20 working days.

HBRC will prepare an Engagement Plan for each major decision or group of interrelated decisions. Decisions are not usually delegated to those involved in the engagement processes, however they are likely to be informed by community and stakeholder engagement.

An Engagement Plan will outline:

- Engagement objectives – the feedback that is sought from communities
- Timeframe and completion date
- Communities to be engaged with
- Engagement tools and techniques to be used

- Resources needed to complete the engagement
- Communication planning needed
- Basis of assessment and feedback to the communities involved
- Project team roles and responsibilities.

Engagement is not solely about providing information, is not always about reaching an agreement or consensus and is not always about negotiation. Engagement is not appropriate when outweighed by commercial sensitivity or when there is a threat to public health and safety.

Criteria for engagement

Community engagement is a process. It involves all or some of the public and is focused on decision-making or problem-solving. HBRC considers the significance of a decision to be made and uses a table of criteria to assess the approach we might take to engage the community.

In some circumstances HBRC is required to use the special consultative procedure, set out in section 83 of the Act and described in a separate section below.

Decisions will be “informed” as a minimum standard. Decisions of high significance will be at the very least informed to wider communities, and will use engagement tools and techniques beyond “inform” for affected communities.

While community and stakeholder engagement improves decision-making, it is not the sole input into a decision. There are a wide range of information sources and perspectives that will inform a council decision. All the input gathered is harnessed and collated to help make a ‘sustainable’ decision (i.e. unlikely to require re-visiting because it is well-informed and well-considered). Decisions made by Council may differ from the prevailing public opinion.

The level of engagement will be agreed on a case-by-case basis. The significance of the decision will guide the selection of appropriate engagement tools and techniques to be used. A low level of engagement does not mean that engagement is diminished, inappropriate or necessarily that a decision is of lesser significance. Time and money may limit what is possible on some occasions.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 259

Engagement Spectrum¹⁴ – our approach

Level	1. Inform	2. Consult	3. Involve	4. Collaborate	5. Empower
What it involves	<i>One-way communication</i> - to provide public with balanced, objective information to assist them in understanding problems, alternatives, opportunities and/ or solutions	<i>Two-way communication</i> - to obtain public feedback on analysis, alternatives and/ or decisions	<i>A participatory process</i> - to work with public through the process to ensure that public concerns and aspirations are consistently understood and considered	<i>Working together</i> - to partner with public in each aspect of the decision including the development of alternatives and identifying the preferred solution	<i>Public empowerment</i> - to place final decision-making in public hands
Types of issues that we might use this for	- Report adoption - Algal bloom - Pest control - Access issue	- Annual Plan - Long Term Plan - Regional Land Transport Programme	- Flood & drain scheme review - Regional cycling plan	- Tukituki plan change - Taharua/ Mohaka plan change	- Election voting systems (STV or first past the post)
Tools Council might use	- Website - Media release - Brochure/ flyer - Public notice/s	Formal submissions & hearings, social media, email, focus groups, phone surveys, surveys, video	- Workshops - Focus groups - Citizens panel	- External working groups (involving community experts)	- Binding referendum - Local body elections (Special Consultative Procedure)
When the community can expect to be involved	Council will generally advise the community when a decision is made	Council will advise the community when a draft decision is made and generally provides the community with up to four (4) weeks to participate and respond	Council will generally provide the community with a greater lead-in time to allow the time to be involved in the process	Council will generally involve the community at the start to scope the issue, again after information has been collected and again when options are being considered	Council will generally provide the community with a greater lead-in time to allow them time to be involved in the process – typically a month or more

HBRC engages with communities in many ways, from face-to-face to meetings, forums and surveys. Preferences for community engagement are periodically evaluated through regional surveys¹⁵.

¹⁴ Using the International Association of Public Participation (IAP2) Spectrum of Engagement

¹⁵ 2013 Regional Resident Survey, SIL Research, confirmed post/ mail, phone, newspaper and email as most preferred

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 260

Special consultative procedure

In some cases, and as we are required under the Act, HBRC will use the special consultative procedure to issue a proposal. When that happens, the proposal will be open to the community to provide their views for at least a month. The process we will follow is to:

- Prepare and adopt a statement of proposal, and in some cases a summary of the statement of proposal which is:
 - a fair representation of the statement of proposal
 - in a form determined by HBRC, i.e. published online, in the newspaper and/ or in HBRC’s regional newsletter, so long as it is distributed as widely as reasonably practical
 - indicates where it is available
 - states how long it is open for public submission.
- Make publicly available (at Council offices, through interest group distribution lists, at Public Libraries, on HBRC’s website):
 - the statement of proposal
 - a description of how people can present their views
 - a statement of the period the proposal is open for comments.
- Make the summary of proposal widely available
- Allow people to present their views to HBRC ensuring that they have a reasonable opportunity to do so and know how and when this opportunity will be available to them
- Allow people to present their views by audio link or audio-visual link, or as agreed.

HBRC may also request advice or comment from a Council officer or any other person.

Where HBRC is required to use the special consultative procedure as part of making or amending bylaws, the statement of proposal must include:

- A draft of the proposed bylaw, or the proposed amendment of the bylaw
- The reasons for the proposal
- A report on any determinations made under the Act on whether a bylaw is appropriate.

Where HBRC is required to or chooses to use the special consultative procedure, the statement of proposal is a draft of any plan, policy or similar document or in any other case a detailed statement of the proposal which must include:

- The reasons for the proposal
- An analysis of options
- Any other relevant information.

Review of Policy

This policy will be reviewed at least once every five years, when it will involve community engagement. It may also be amended from time to time. This policy was last adopted in March 2018.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 261

Item 7

Attachment 1

Summary of Significant Accounting Policies

General Information

Reporting Entity

The Hawke’s Bay Regional Council (Council) is a regional local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

Its primary objective is to provide services and social benefits for the community rather than make a financial return. Accordingly, Council has designated itself as a Tier 1 public benefit entity under PBE IPSAS Accounting Standards.

The prospective financial statements presented are for the 10 consecutive years beginning on 1 July 2018 and have been prepared in accordance with Sections 93 and 111 of the Local Government Act 2002 and were authorised for issue on 27 June 2018.

Basis of Preparation

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

HBRC has not presented group prospective financial statements because we believe that parent prospective financial statements are more relevant to readers. The main purpose of prospective financial statements in an Annual Plan is to provide readers with information about the core services that HBRC intends to provide to its ratepayers; the expected cost of those services, and as a consequence how much is required by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that HBRC obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements.

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE Standards.

The statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, infrastructure assets, hydrological equipment, investment property, forestry assets and financial instruments.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$’000).

The principal accounting policies applied in the preparation of these prospective financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. Revenue Recognition

Revenue comprises the fair value for the sale of goods and services, net of GST, rebates and discounts and after elimination of sales within the Group. Revenue is recognised as follows.

1.1 Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

1.2 Sales of Goods and Services

- Revenue from the sale of goods is recognised when a product is sold to the customer.
- Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service provided.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 262

1.3 Interest and Dividends

- Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.
- Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

1.4 Grants

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied. The majority of grant revenue is from NZTA for subsidised passenger transport. This is recognised when invoiced on a monthly basis as per the contract with NZTA.

1.5 Leasehold Land Rent

Leasehold land rent is recognised as revenue when they become receivable as per the individual lease agreements.

2 Expenditure Recognition

2.1 Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

2.2 Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

2.3 Foreign Currency Transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot

exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

3 Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

- Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.
- Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.
- Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.
- Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.
- Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 263

4 Leases

4.1 Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

4.2 Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

6 Receivables

Receivables are recorded at their face value, less any provision for impairment.

7 Derivative Financial Instruments and Hedging Accounting

Derivative financial instruments are used to manage exposure to foreign exchange arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The Council and group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The Council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 264

7.1 Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.

7.2 Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of “finance costs”.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

8 Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council and group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables
- held-to-maturity investments, and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

8.1 Financial Assets at Fair Value through Surplus or Deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking.

Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 265

current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

8.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

8.3 Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

8.4 Financial Assets at Fair Value through other Comprehensive Revenue and Expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless

management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and group includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

9 Impairment of Financial Assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

9.1 Loans and receivables, and held-to-maturity investments

Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account.

Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 266

9.2 Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

10 Inventory

Inventory is stated at the lower of cost (using the weighted average cost method) and net realisable value.

11 Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

12 Plant, Property and Equipment

12.1 Operational Assets

Council land and buildings are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by independent, professionally qualified valuers.

Hydrological equipment is shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

All other operational assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The costs of assets constructed by Council include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

12.2 Infrastructure Assets

Infrastructure assets are tangible assets that are necessary to fulfil the Council's obligations in respect of the Soil Conservation and Rivers Control Act 1941 and the Drainage Act 1908. Such assets usually show some or all of the following characteristics.

- They are part of a system or network that could not provide the required level of service if one component was removed.
- They enable the Council to fulfil its obligations to the region's communities in respect of flood control and drainage legislation.
- They are specialised in nature and do not have alternative uses.
- They are subject to constraints on removal.

Infrastructure assets are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 267

experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

12.3 Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

12.4 Disclosure

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

12.5 Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council or group and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive revenue and expense during the financial period in which they are incurred.

12.6 Revaluation Adjustments

Increases in carrying amounts arising from revalued assets are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset category are charged against revaluation reserves in equity. All other decreases are charged to the statement of comprehensive revenue and expense.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are accounted for on a class-of-asset basis.

12.7 Value in use for non-cash-generating and cash-generating assets

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

13 Intangible Assets

13.1 Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

13.2 Carbon Credits

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Free carbon units received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 268

Item 7

Attachment 1

13.3 Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

14 Depreciation and Amortisation Periods

Land and hard dredging are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Major depreciation and amortisation periods are as follows.

Major Depreciation and Amortisation Periods	
Asset Category	Years
Buildings	10 - 110
Site Improvements	10 - 40
Vehicles	3 - 14
Plant & Equipment	3 - 73
Computer Equipment	5 - 20
Computer Software & Licences	5 – 20
Infrastructure Assets	25 - 70
Dredging	6 - 8

No depreciation is provided for stop banks, berm edge protection, sea or river groynes, drainage works or unsealed roads. These assets are not considered to deteriorate over time and, therefore, will provide a constant level of service unless subjected to a significant flood event.

15 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested for impairment at each balance date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive revenue and

expense for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

16 Investment Property

Investment property is leasehold land in Napier and Wellington and one property on forestry land held to earn rental revenue and for capital appreciation. Such property is initially recognised at cost. At each balance date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the statement of comprehensive revenue and expense for the period in which it arises.

17 Forestry Assets

Forestry assets are measured at their fair value less estimated point-of-sale costs each balance date by independent, professionally qualified valuers. Fair value is determined by the present value of expected net cash flows discounted by the current market-determined pre-tax rate. A gain or loss in value is recorded in the statement of comprehensive revenue and expense for the period in which it arises.

18 Payables

Short-term creditors and other payables are recorded at their face value.

19 Borrowings

Borrowings are recognised initially at fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 269

20 Employee Entitlements

20.1 Short-term Employee Entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

20.2 Long-term Employee Entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows

21 Provisions

Provisions are recognised when:

- Council has a present legal or constructive obligation as a result of past events, and
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market

assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

22 ACC Leasehold Liability

In December 2013 Council entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows generated from the portfolio of Napier leasehold properties for a period of 50 years ending 30 June 2063 (after a free-holding initiative to lessees). A lump sum of \$37.7 million was received for this to fund investment activity. The liability to ACC reduces by any sales of leasehold property during the year as these are paid to ACC as compensation for lost rental revenue over the 50 year term from the property freeholded.

The liability is held at the net present value as at balance date which is recalculated every year to account for freeholding of leasehold property and rent renewals. Any movements in the liability figure are taken to the statement of comprehensive revenue and expenditure.

23 Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- accumulated funds
- fair value reserves
- other reserves

23.1 Fair Value Reserves

This reserve relates to the revaluation of land, buildings, hydrological assets, infrastructure assets and other financial assets to fair value.

23.2 Other Reserves

Other reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Some of these other reserves are restricted by Council decision. Transfers to and from these reserves are at the discretion of the Council.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 270

24 Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

25 Basis of Allocation of Council's Indirect Costs

Clearly identifiable costs are directly charged against each activity. Indirect costs are allocated to cost centres in the first instance under a variety of methods including:

- Floor area occupied
- Number of full time equivalent employees
- Assessed use of various services provided.

These costs are then charged to projects on a labour standard costing basis. The allocation unit is each working hour charged by employees at a pre-determined rate. Variances arising from this method will be allocated on the same basis as for costs of a fixed nature referred to above. Project costs are then summarised for each activity and group of activities.

26 Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed following.

Fair Value of Assets

Various assumptions have been made in determining fair value of assets. These assumptions are set out under the individual assets notes.

Useful Life of Assets

The useful life of assets that are depreciated or amortised as based on best estimates and prior knowledge but may not reflect the actual true useful life of individual assets.

27 Implementation of new and amended standards

The five new standards, PBE IPSAS 34 Separate Financial Statements, PBE IPSAS 35 Consolidated Financial Statements, PBE IPSAS 36 Investment in Associates and Joint Ventures, PBE IPSAS 37 Joint Arrangements and PBE IPSAS 38 Disclosure of Interests in Other Entities, are effective from periods beginning on or after 1 January 2019. The council are yet to assess the impact of these new standards, although the impact is unlikely to be material.

All other standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to the council or **are not expected to have a material impact on the financial statements of the council and, therefore, have not been disclosed.**

28 Cautionary Note

The forecast financial statements are prepared based on best estimates available at the time of preparing the accounts. Actual results are likely to vary from information presented and the variations may be material.

The purpose of this draft plan is to consult with the community on the spending priorities outlined within it, and may not be appropriate for any other purpose.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 271

Item 7

Attachment 1

Significant Forecasting Assumptions

Introduction

In preparing the Long Term Plan for 2018-28 a number of assumptions and predictions about the future have been made. There are always inherent risks with such forecasting, therefore it is important that the main assumptions used in these forecasts are identified. This section has been designed to identify these assumptions, and explain the risks associated with such assumptions.

A number of additional assumptions are highlighted in the groups of activities section of this plan.

HBRC Activities and Functions

HBRC will continue to perform our existing functions in accordance with current legislation and current Council policies. These functions will be primarily carried out to meet our statutory role and responsibilities and to help meet the community outcomes for the region. This plan links community outcomes to HBRC activities within each group of activities.

Financial Presentation

Council has not presented group prospective financial statements because it believes that parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in a Long Term Plan is to provide users with information about the core services that Council intends to provide to ratepayers and the expected cost of those services and consequentially how much Council needs by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements

Population

HBRC has taken into account forecast changes in population in the form of rateable properties. A standard increase of 0.25% has been used for each year of the Long Term Plan. The impact of these changes have a very low effect on the plan’s overall projections.

Natural Disasters

A significant disaster event, particularly a flood, may have a major impact on the work programmes set out in this Long Term Plan. As these events cannot be anticipated they have been excluded from the Plan. Following such an event, HBRC will focus on response to community needs and recovery. Any major issues would be included in subsequent Annual Plans or Long Term Plan Amendments.

Climate Change

HBRC has allowed for a response to climate change throughout its work programme and levels of service. Two major projects in this LTP which are in a direct response to climate change are the increase in flood protection standards in the Heretaunga Plains Scheme and the continuance of the Coastal Hazards Strategy 2120 which is looking at a joint committee approach to coastal hazard and sea level solutions.

Interest Rates

External Borrowing

- The interest rate assumptions for external borrowing for inclusion in the plan are set out below.
- For the 2018-19 financial year 5.0%
 - For the 2019-20 financial year 5.5%
 - For the 2020-21 financial year 6.0%
 - For the remainder of the plan until 30 June 2028 6.5%

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 272

Interest on Deposits

The interest rate assumptions for interest on deposits for inclusion in the plan are set out below.

- For the 2018-19 financial year 3.5%
- For the 2019-20 financial year 4.0%
- For the 2020-21 financial year 4.5%
- For the remainder of the plan until 30 June 2028 5.0%

Cost Adjusters

All expenditure projections in the financial statements for year 1 (2018-19) of the Long Term Plan are stated without cost adjusters. From year 2 (2019-20) cost adjusters have been used to allow for the effect of inflationary pressures. These cost adjuster assumptions are set out in Table 1.

The rates have been provided by BERL economic forecasts in September 2017. The salary related costs have also been considered against Strategic Pay indicators who are the providers HBRC uses for annual remuneration reviews.

Table 1: Cost Adjusters						
Year	Salary Related Costs		External Expenditure		Works Group Costs	
	Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)
2019-20	2.00	2.00	2.20	2.20	2.10	2.10
2020-21	2.00	4.00	2.20	4.40	2.10	4.20
2021-22	2.10	6.10	2.20	6.60	2.15	6.35
2022-23	2.20	8.30	2.30	8.90	2.25	8.60
2023-24	2.20	10.50	2.40	11.30	2.30	10.90
2024-25	2.30	12.80	2.40	13.70	2.35	13.25
2025-26	2.30	15.10	2.50	16.20	2.40	15.65
2026-27	2.40	17.50	2.50	18.70	2.45	18.10
2027-28	2.40	19.90	2.60	21.30	2.50	20.60

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 273

Asset Value Adjusters

All applicable assets are revalued at various stages during the LTP. Table 2 below sets out the asset value adjusters used in the Long Term Plan.

Year	Land & Buildings (%)	Forestry Assets (%)	Investment Property (%)	Infrastructure Assets (%)	Hydro Assets (%)	HBRIC Ltd Shares (%)
2018-19	3.00	6.00	5.00	1.40	2.30	5.00
2019-20	3.00	6.00	5.00	2.20	2.50	5.00
2020-21	3.00	6.00	5.00	2.30	2.30	5.00
2021-22	3.00	6.00	5.00	2.30	2.40	5.00
2022-23	3.00	6.00	5.00	2.30	2.40	5.00
2023-24	3.00	6.00	5.00	2.30	2.50	5.00
2024-25	3.00	6.00	5.00	2.40	2.60	5.00
2025-26	3.00	6.00	5.00	2.40	2.60	5.00
2026-27	3.00	6.00	5.00	2.40	2.70	5.00
2027-28	3.00	6.00	5.00	2.40	2.80	5.00

The above rates for Infrastructure Assets and Hydrological Assets have been provided by BERL economic forecasts in September 2017.

The rates used for Land & Buildings, Forestry Assets, Investment Property and HBRIC Ltd Shares were not provided by BERL so industry knowledge and previous actual results have been used as a guide to produce these conservation rate assumptions.

- Property and Forestry Crops are revalued every year
- HBRIC Ltd shares are revalued every three years starting in the 2020-21 year
- Operational Land and Buildings and Hydrological Assets are revalued every Investment three years starting in the 2018-19 year.
- Infrastructure Assets are revalued every three years starting in the 2019-20 year.

Investments

Investment Activities

HBRC has significant investment assets which are used to generate income and help subsidise the operating expenditure of HBRC activities.

The LTP proposes to maintain the current investment in:

- Napier Port through HBRIC Limited
- Leasehold property in Napier and Wellington
- Existing forestry

HBRIC Ltd

HBRIC Ltd, the Council's investment company, commenced activities in February 2012. Its principal investment is 100% ownership of Port of Napier Limited (PONL), which owns and operates Napier Port

Dividends payable to HBRC will be 100% of HBRIC Ltd's Net Profit after Tax (NPAT) as stated in its Statement of Intent (SOI) for the year ending 30 June 2018.

The following table summarises the significant forecasting assumptions in respect of HBRIC Ltd dividends.

Year	\$'000	Year	\$'000
2018-19	10,000	2023-24	11,088
2019-20	10,209	2024-25	11,318
2020-21	10,422	2025-26	11,554
2021-22	10,640	2026-27	11,794
2022-23	10,861	2027-28	12,039

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Leasehold Properties

Napier

HBRC owns leasehold endowment property within and around Napier City. Ground rents paid by lessors have been predominantly set at 5% of current land value, or “fair annual ground rental” and reviewed every 21 years.

From 1 July 2013, HBRC sold the annual rentals due from this portfolio over the next 50 years (i.e. until July 2063) to ACC for a lump sum of \$37.8 million. As the annual rents have been sold this LTP assumes that the income received will be paid out as an expense with a small margin to be kept by HBRC as an administration fee.

The underlying properties continue to be owned by HBRC and sales to lessors have continued, and may continue in the future, in the same way as they have done in the past. HBRC has invested these funds in investments specified in HBRC investment policy, and will continue to do so in respect of net proceeds, (after disbursements to ACC), of sales of freehold interests to lessors.

Wellington

HBRC holds a portfolio of 12 leasehold properties in Wellington which were purchased from the historic proceeds of the sale of Napier leasehold properties. These leases provide a return of \$840,814 per annum with leases renewed every 14 years.

Forestry

HBRC has an existing forestry portfolio consisting of:

Site Name	Area (ha)	Assumptions
CHB	168	No material investment, maintenance only, no harvesting in LTP period
Mahia	36	No material investment, maintenance only, no harvesting in LTP period
Waihapua	213	No material investment, maintenance only, no harvesting in LTP period
Tutira	114	Harvesting proposed over the period from 2018-19 to 2022-23. Replanting after Harvest
Tutira Manuka Honey	130	Maintenance continues with yearly honey income of \$46,000 assumed
Tangoio	150	Harvesting proposed over the period from 2020-21 to 2021-22. Replanting after Harvest

Return on the forestry investments are determined by the harvest revenue received. HBRC has carbon credits associated with these forestry assets. Council has yet to develop an approved carbon credit policy so for the LTP it is assumed that there are no carbon credit sales.

Tangoio forestry is treated differently from all the other forestry investment as HBRC does not own the land but does have responsibility for the management and control of the forest. Any income received from harvest is kept on reserve to fund the continuing maintenance programme and is not available for the funding of general HBRC operations.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 275

New Investment

The previous LTP had proposed investment of up to \$80 million into the RWSS project through HBRIC Limited. As at the end of June 2017 HBRC had advanced \$15 million into the project. In the wake of a Supreme Court decision to rule against the land exchange needed to continue with the project, HBRC resolved to invest no further capital in the RWSS and write off the full value of the advance between HBRC to HBRIC Ltd.

The remaining \$65 million was made up of \$50 million cash funds and \$15 million invested in Wellington Leasehold Property. It has been proposed to keep the Wellington Leasehold Property and the remaining \$50 million which had been set aside for the project are now to be preserved and to provide investment income to help fund the increase to Council's operating activities.

Instead of keeping these funds on term deposit it is proposed to make these assets work harder and provide more returns. This LTP assumes a return of 4.5% on the funds for the first year of the LTP when term deposits are being transferred and then a 5% return for the rest of the LTP. Any income over those projections are to be transferred to reserve to cover market fluctuation risks.

These investments may include any of the investment classes included in the investment policy.

Start Up Investments

Water Augmentation

The LTP proposes a \$5 million fund to be available for water augmentation, not fixed to any particular scheme but available as a grant fund for technical investigation and feasibility.

Although there may be potential for future investment returns from water augmentation investment these have not been factored into the LTP budgeting process as there needs to be more clarity in this area.

Napier – Gisborne Rail

The LTP proposes a commitment of \$1.5 million in year one to support central Government's policy to reinstate the Napier-Wairoa rail line. No financial returns have been assumed over the next ten years as the final business case is not yet known.

Assets

Infrastructure Assets

All infrastructure assets (river, flood control and drainage schemes) will be operated, maintained and improved as set out in the asset management plans that have been prepared for each of the river, flood control and drainage schemes.

Schemes are funded to a level that ensures levels of service set for each scheme in the relevant asset management plan are achieved and maintained over the life of the assets.

For the purposes of projecting annual movement in the values of this asset category to fair value, the property price adjusters covering projected movement in asset construction (Local Government cost index, capex) as set out by BERL have been used. Refer to the Infrastructure Strategy for further details on the lifecycle of infrastructure assets and funding of the replacement of significant assets.

The useful life of each category of asset is shown in the Statement of Significant Accounting Policies included in this plan.

Plant, Property and Equipment including Intangible Assets

It is assumed that HBRC's other fixed assets continue to be provided at the level required to carry out its activities. Depreciation on operating assets will continue to be fully funded. Combined with the proceeds of asset sales and loan funding, where appropriate, that will be sufficient to fund the ongoing programme of capital expenditure on operating assets.

The useful life of each category of asset is shown in the Statement of Significant Accounting Policies included in this plan.

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 276

For the purposes of projecting annual movement in the values of this asset category to fair value, the Local Government cost index, capex as set out by BERL have been used.

Insurance of Infrastructure Assets

HBRC currently provides cover for its infrastructure assets through a hierarchy of insurance and other available funding as follows.

- HBRC uses a commercial insurer to cover 40% of infrastructure value up to an estimated maximum probable loss based on a > 1 in 2000 year event of \$60 million, with an excess of \$1.5 million. The insurance will cover up to 2 events in any one year.
- Central Government, under the National Civil Defence Recovery Plan, will meet 60% of the value of infrastructure assets critical to the functioning of the community, above 0.002% of regional capital value and provided HBRC has taken demonstrable steps to meet the remainder of the cost.
- Each flood control and drainage scheme has access to a disaster reserve account. The scheme disaster reserves are designed to meet the costs of damage that may occur in any relatively minor flood event.
- A Regional Disaster Damage Reserve which has been set up to provide “last resort” funding for:
 - Cost of responding to and managing an event
 - Any difference between the deductible (excess on insurance) and the threshold for eligibility for Central Government assistance
 - Cost of reinstatement of any uninsured assets (e.g. pathways on top of stopbanks)
 - Contribution towards the cost of reinstatement of infrastructure assets to an equivalent standard to that in place before the damage was incurred
 - The possibility of contributing to the cost of reinstating the level of service provided by an asset being considerably more than the optimised replacement value.

The Regional Disaster Reserve is required to be maintained with between \$2.75M and \$3.75M of investments.

The budgets established for the 2018-28 LTP were prepared on the basis that this reserve would not be drawn on within the 10 Year Plan period.

Funding of Open Space Initiatives and Community Facility Assistance

HBRC has historically adopted policies to approve expenditure on capital related open space items and assistance to community facilities within the region. This plan incorporates the funding of these past initiatives including the loan facility from Council’s Sale of Land Investment account.

Subsidy Rates

Funding assistance will be provided by Crown agencies, primarily the New Zealand Transport Agency.

NZTA - Operations funding assistance rates

NZTA provide various subsidies for the following services:

- | | |
|------------------------------------|--------------------|
| • Bus services | 51% of costs |
| • Total Mobility scheme | 60% of costs |
| • Road Safe Community Programmes | 75% of costs |
| • Regional Land Transport Planning | 75% of costs |
| • Super Gold Cards. | \$255,000 per year |

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 277

Risks to Assumptions

The following tables outline the risks to significant forecasting assumptions. If these assumptions prove to be incorrect, there could be a significant effect on the level of rates that HBRC plans to collect from the community. In this situation, it will re-examine its work programmes and determine if it's appropriate to rate the community or change the scope of those programmes.

Council Investment Risks

Investments	Assumption	Risk to Assumption	Level of Uncertainty	Reasons and Financial Impact
HBRC Ltd	Dividends will be paid to HBRC as scheduled	Napier Port financial performance falls short of its forecast or natural disaster reduces Napier Port capacity.	Medium	A substantial part of HBRC's regional income comes from HBRC as the majority of HBRC's investment assets are held by HBRC. Any diminution of dividends paid by HBRC to HBRC will have a direct negative effect on HBRC's operating position. HBRC's ability to pay dividends relies in the first instance on the profitability and dividend payments of Napier Port. If dividends were not able to be received there would be a large impact on rates. As per the 30 June 2019 Statement of Intent between HBRC and HBRC there is potential that the dividends could vary between \$7m and the \$10m assumed in the LTP. This is driven by HBRC needing to take into account the future investment requirements of the Port. While the risk is medium it would have a \$3m impact of rates if the full \$10m dividend was not received.
Wellington leasehold properties	Lease payments will continue as scheduled	Lessees unable to pay or natural disaster leaves land unleaseable	Low	A good part of HBRC's regional income comes from Wellington Leasehold lease payments. Any diminution of payments will have a direct negative effect on HBRC's operating position
Forestry Harvesting	Log prices remain stable over the period of the LTP.	Price for logs at harvesting is lower than forecast.	Low	Like all commodity markets timber is cyclical, however this risk can be managed by bringing forward or deferring harvesting.
Forestry - Manuka	Honey prices remain stable over the period of the LTP	Price for honey is lower than forecast.	Low	A small part of HBRC's regional income comes from honey sales.
Managed Funds	Revenue assumptions can be met each year	Investments and markets can fluctuate effecting income and capital value.	Medium	A diverse portfolio will be required to mitigate the risk of investment fluctuations as well as trying to build up a reserve to cover fluctuations. Managed funds held for investment are to be in the order of \$50M at the start of this plan. Therefore a 0.5% movement either up or down from the assumed levels of returns in this plan would result in an annual exposure of plus or minus \$250,000.
Water Augmentation	No returns assumed in the LTP period	No risk	Low	No downside financial impact. There may well be an upside if the investment can be turned into a commercial feasibly project.
NGR	No returns assumed in the LTP period	No risk	Low	No downside financial impact. There may well be an upside if the investment can be turned into a commercial feasibly project.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 278

Other Risks

Investments	Assumption	Risk to Assumption	Level of Uncertainty	Reasons and Financial Impact
Inflation	Inflation rates have been developed from BERL economic forecasts	Inflation is higher or lower than forecast	Medium	Inflation is affected by external economic factors, most of which are outside of HBRC's control and influence. The estimate of the potential effects of the uncertainty is best illustrated by stating that for 2019-20 a move in the cost adjusters provided by BERL and used in this plan by plus or minus 0.5% would result in either an under or over provision for external expenditure of \$107,000 and for employment costs of \$90,000 .
Interest Rates on Borrowings	Interest rates increase slightly over the term of the plan	Interest rates are higher or lower than forecast	Medium	The majority of the borrowing programme proposed in this plan is to provide funding to cover loans to homeowners for Sustainable Homes and for the Integrated Catchment Activities. The effect of any interest rate movements on the borrowing programme can best be illustrated by stating that a 0.5% movement either up or down from the assumed levels of interest rates in this plan would result in an annual exposure of plus or minus \$17,000 for 2018-19 \$224,000 for 2027-28 the last year of the plan.
Asset Revaluations	Asset value adjusters have been developed from a combination of external and industry knowledge and previous actual results	Asset value adjusters are higher or lower than forecast	Medium	Asset valuations are affected by external economic factors, most of which are outside of HBRC's control and influence. While the movement in asset valuations are not cash transactions they do have an effect on the statement of comprehensive revenue and expenditure as well as increasing or decreasing the asset values on the statement of financial position. The estimate of the potential effects of the uncertainty is illustrated in by plus or minus 0.5% on the asset revaluation would increase/decrease the revaluation amount by \$73,000 for 2018-19
Occurrence of Natural Disaster	No natural disasters	A natural disaster/flood event occurs which damages Council's property, plant and equipment	Medium	Call on commercial insurance, Local Authority Protection Programme and Government funding through the National Civil Defence Recovery Plan. The use of reserves is also available to HBRC as required.

Item 7

Attachment 1

Part 7 – Policies | Wāhanga 7 - Ngā Kaupapa Here

Part 7 | page 279

Reporting on Significant Changes

The Local Government Act 2002, Section 95 (5)(b) requires that subsequent Annual Plans identify any variation from the financial statements and funding impact statement which are included in the Council's Long Term Plan for the year of that plan.

For the purposes of this reporting, the following material and significance levels will apply:

- Where the financial impact of any change exceeds 1.5% of total budgeted expenditure in that year

Other items of change where it is considered to be of interest to the public as the principal users of the plan. These items would include establishing new land drainage and flood control schemes, new projects, changes in future direction, etc.

Item 7

Attachment 1

Part 8 - Audit Report | Wāhanga 8 - Te Pūrongo a te Kaitātari Kaute

Part 8 | page 280

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Item 7

Attachment 1

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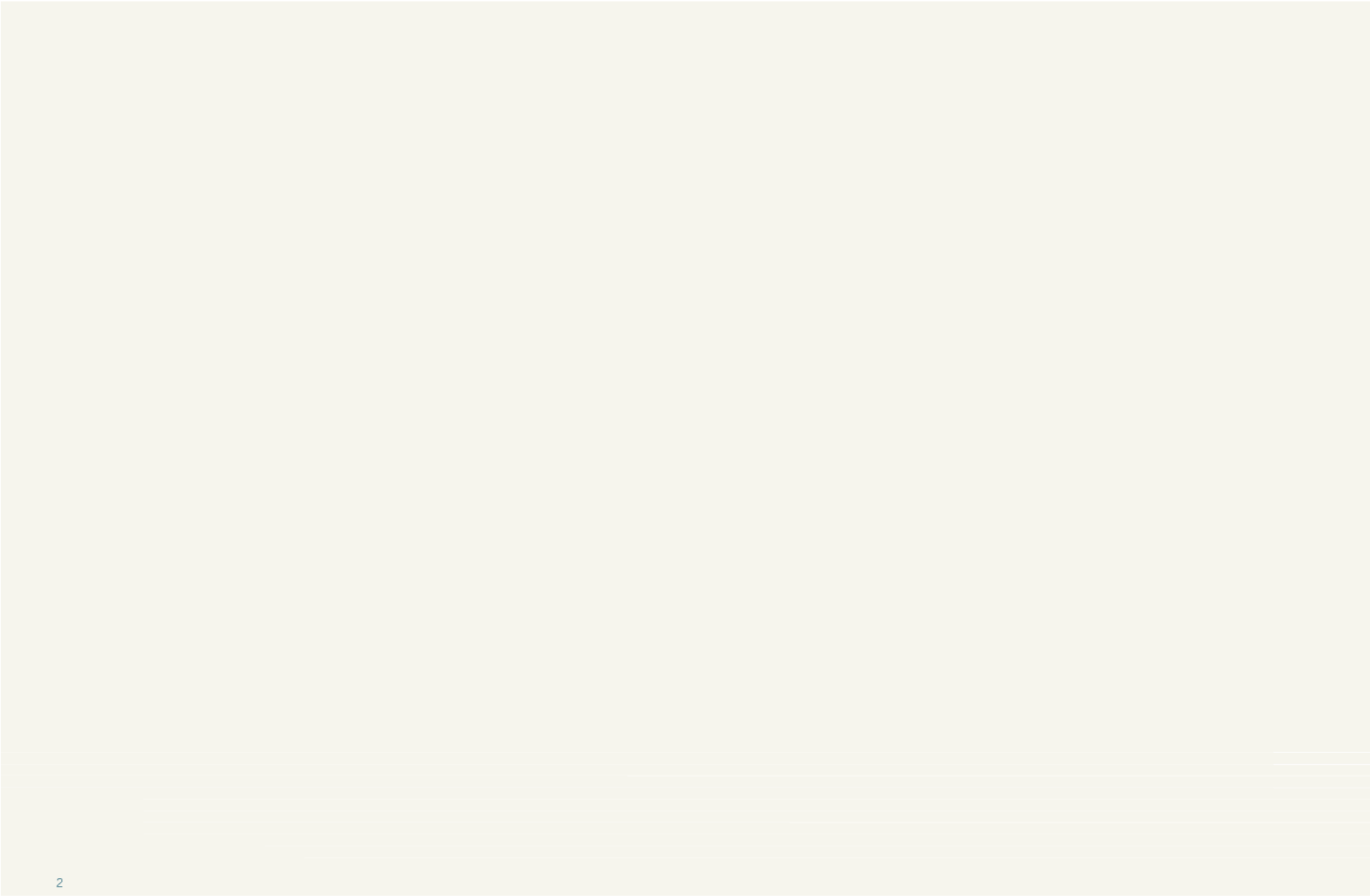
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+ REGIONAL LAND TRANSPORT PLAN
2015 - 2025
REVIEW



JUNE 2018





Item 8

Attachment 1



FOREWORD FROM REGIONAL TRANSPORT COMMITTEE CHAIRMAN

This 2018 review of the Regional Land Transport Plan 2015-25 revisits Hawke's Bay's strategic objectives for the transport system to 2025 and sets out our funding request to the New Zealand Transport Agency for the next three years. The review has been undertaken by the Hawke's Bay Regional Transport Committee, which includes representatives from all councils in Hawke's Bay and the New Zealand Transport Agency, with other key transport partners as advisors.

The vision for transport in Hawke's Bay is "A safe, resilient and efficient transport system that supports the development of our economy and contributes to social wellbeing in our community".

A number of major roading projects are already underway in the region, designed to improve road safety on key routes as well as improve access to the Port of Napier for freight. These originate from the extensive transport studies undertaken between 2009 and 2012 and the strategic direction set out

in the Regional Land Transport Strategy 2012. Once these are complete, we are confident that the Heretaunga Plains transport network will function more safely and efficiently.

However, there is much still to be done, particularly in light of revised national goals. The draft Government Policy Statement on Land Transport challenges all regions in the country to do more to address safety, access, the environment and value for money.

The condition of State Highway 2 from Napier north to Wairoa and beyond is a particular concern in light of predicted logging volumes, the need to improve access to services and to open up economic opportunities, including tourism, in the Wairoa district.

Deaths and serious injuries on our roads are once again increasing, and we must re-double our efforts to reduce this sad toll.

Ensuring that key routes are capable of carrying high productivity motor vehicles will reduce the number of trucks on our roads and improve safety.

Resilient links to other regions are very important and we urge the NZ Transport Agency to commence work on the replacement route for the Manawatu Gorge as soon as possible.

We are also very keen to build on the tremendous success of our cycling network, which provides safe access to schools and workplaces for our residents and attracts many visitors to the Bay each year.

On behalf of the Regional Transport Committee, I'd like to thank all those who have contributed to the preparation of this document. I look forward to ensuring that Hawke's Bay's plan delivers better transport options for the future.


Councillor Alan Dick
Chairman, Regional Transport Committee

CONTENTS

1.0	Background	5	4.5	Economy	9	5.2	Problem Statement 1: Parts of the transport system lack capability, limiting opportunities for improved economic and social development (60%)	14
2.0	National Context for the RLTP.....	5	4.6	Employment	10	5.3	Problem Statement 2: Limited shared view of cross-boundary transport issues increases the risk of misaligned investment and/or management of the transport system (10%)	17
2.1	Government Policy Statement on Land Transport 2018.....	6	4.7	Transport Network.....	10	5.4	Problem Statement 3: Poor user behaviour and transport system deficiencies increase the risk of deaths and serious injuries (30%)	19
2.2	Long Term Strategic View	6	4.8	Travel Patterns and Vehicle Ownership	11	6.0	Statement of Transport Priorities.....	22
2.3	The Provincial Growth Fund	7	4.9	Road Safety	11	7.0	Regional Transport Objectives and Policies ...	23
3.0	Regional Context for the RLTP	7	4.10	Public Transport.....	12			
4.0	About Hawke’s Bay	8	4.11	Freight.....	12			
4.1	Geography	8	5.0	Challenges and Pressures on the Hawke’s Bay Transport System	13			
4.2	Landscape	8	5.1	Introduction	13			
4.3	Climate	8						
4.4	Population	9						

8.0	Regional Programme of Activities	25	11.0	Assessment of the relationship of Police activities to the Regional Land Transport Plan.....	41	GLOSSARY	44
8.1	Process to Assess and Prioritise Significant Activities	25	12.0	Activities approved under Section 20 of the LTMA but not yet complete.....	42	APPENDIX A	
8.2	Prioritised Activities for 2018-21	26	13.0	Activities to be varied, suspended or abandoned	42	Assessment of RLTP Compliance with Sections 14 and 16 of the LTMA.....	45
8.3	Full list of Activities for 2018-21	28	14.0	Monitoring of the plan	43	APPENDIX B	
8.4	Ten Year Forecast by Activity Class (\$).....	36	15.0	Summary of consultation carried out in the preparation of this plan	43	Significance Policy	48
9.0	Regionally Significant expenditure on land transport activities to be funded from sources other than the national land transport fund	39					
10.0	Activities of Inter-Regional Significance.....	40					



Item 8

Attachment 1

1.0 BACKGROUND

» The Regional Land Transport Plan (RLTP) for 2015-25 was prepared by the Hawke's Bay Regional Transport Committee (RTC) and adopted by the Regional Council in 2015.

Under the Land Transport Management Act 2003, each regional council must ensure that its RTC prepares a regional land transport plan every six financial years and reviews it after three years. The plan must set out the region's land transport objectives policies and measures for at least ten years in advance.

The plan must contain all activities for which the organisations in the region are seeking funding from the National Land Transport Fund (as allocated by the NZ Transport Agency) and allows the region to prioritise its proposed transport activities. The Agency can only allocate funds to activities included in an RLTP.

The RTC has now reviewed the 2015 RLTP to capture what has changed over the last three years; emerging transport issues, changes in the rate of growth, progress with and the effects of major transport projects.

The list of activities in this plan has been jointly developed by key regional transport stakeholders, including Hawke's Bay Regional Council, Napier City Council, Hastings District Council, Wairoa District Council, Central Hawke's Bay District Council, the New Zealand Transport Agency and other entities with transport interests.

The plan consists of proposed transport activities to be undertaken during the 2018-2021 period and provides a 10-year forecast of anticipated expenditure on all transport activities.

2.0 NATIONAL CONTEXT FOR THE RLTP

» 2.1 GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT 2018

The Regional Land Transport Plan must be consistent with the Government Policy Statement (GPS) on Land Transport, which is reviewed three yearly and sets the Government's direction for land transport.

The GPS is the Government's main lever for setting priorities and funding levels for land transport investment.

The National government released its draft GPS during 2017, but delayed the final version pending the outcome of elections in September.

The Minister for Transport for the Labour/NZ First coalition government which came into power in October 2017, has further delayed the release of a revised GPS, in order to make changes to reflect the Government's strategic priorities, which are:

- giving public transport greater priority in cities and expanding the public transport system to support new housing and interregional commuting;
- increasing the use of rail to enable efficient passenger and freight use;
- supporting regional development;
- increasing support for active modes – walking and cycling;
- delivering health, safety and environmental improvements;
- reducing the environmental impact of transport;
- mode neutrality in freight transport planning

A draft revised GPS was released in April 2018 and has four strategic objectives. These are set out in Figure 1 below:

The GPS cannot determine which projects will be funded, or how much funding any particular project will receive. Rather, the GPS sets ranges of funding which government will make available for different types of activity. The New Zealand Transport Agency then determines which projects receive funding – and to what level – within those overall funding ranges.

The RTC has reviewed its strategic direction against the GPS objectives and intends to review its programmes over time to better reflect these objectives. The timing of GPS announcements and the advanced development of council long term plans has made it difficult to adjust programmes in the short-term; where a ratepayer contribution is required, an increased rate of subsidy through the NZ Transport Agency may be one way to help achieve government objectives more quickly.

However, the Agency’s State Highway Investment Plan (which set out what the Agency intended to invest in state highways) has been revised in light of the draft GPS and released as the Transport Agency Investment Proposal (TAIP). The revised TAIP has a greater emphasis on safety improvements on the region’s state highways. Changes to transport programmes by the region’s councils, or further variations to the state highway programme, will be added to this RLTP when necessary.

The first of these variations is likely to be adjustments to reflect that footpath maintenance will now be subsidised, in order to help achieve government aims to increase walking and community access.

» 2.2 LONG TERM STRATEGIC VIEW

In May 2017, the NZ Transport Agency released the first draft national Long Term Strategic View (LTSV) document. This document aims to capture the pressure points and key economic, environmental, and population factors that will shape the transport system needed for the future. It sets out how we need to respond to these challenges. The LTSV is intended as a living document which will be regularly updated as new information and trends come to hand.

The key opportunities and challenges identified in the LTSV for Hawke’s Bay are reflected strongly in the discussion of transport challenges and pressures in this document (Section 5).

» 2.3 THE PROVINCIAL GROWTH FUND

The Provincial Growth Fund was announced by the government in February 2018. The PGF aims to enhance economic development opportunities, creating sustainable jobs, contributing to community well-being, lifting the productivity potential of regions and helping meet New Zealand’s climate change targets. The PGF is important for regions such as Hawke’s Bay because it can be used to facilitate transport activities that might otherwise not be possible in the short-term.



Figure 1: Strategic Direction of the GPS 2018

The PGF can be used to

- provide a top-up of local share for projects that will receive funding from the National Land Transport Fund but where local councils are financially constrained
- bring forward projects which are not yet able to be funded from the NLTF but which are important for a region’s productivity potential
- fund projects outside the scope for NLTF investment, but which contribute to the objectives sought through the PGF and are aligned with the region’s transport strategy.

3.0 REGIONAL CONTEXT FOR THE RLTP

One example of PGF investment that has already been announced for Hawke's Bay is the reinstatement of the rail line between Napier and Wairoa to provide for transport of logs to Napier Port. Promoting the use of rail for freight is a key objective of this RLTP, but currently funding for rail infrastructure sits outside the scope of the NLTF. The announcement of PGF funding for reinstatement of the line will therefore contribute to our regional objectives for rail.

With the recent announcement of criteria for the fund, and a better understanding of how the fund might work alongside NLTF investment in Hawke's Bay, our councils and the NZ Transport Agency are currently considering further opportunities for PGF applications.

Wairoa District Council is considering applications to seal State Highway 38, for bridge and pavement strengthening on heavy traffic routes (Gate to Port activities) and for improving connectivity to Mahia. Central Hawke's Bay District Council may apply to the fund to construct roads into areas of housing development in rural communities, where paper roads already exist.

3.1 COUNCIL LONG TERM PLANS

While the GPS sets national priorities for transport in the region, the RLTP brings together the transport programmes of all the councils in the region into one document.

City and district councils have responsibility for the upkeep and improvement of local roads in their districts, while the System Design and Delivery arm of the New Zealand Transport Agency manages the state highways in the region. Hawke's Bay Regional Council has a role in transport planning through the Regional Transport Committee as well as contracting and managing the provision of public transport services.

Each of the region's councils must prepare a Long Term Plan (LTP) at the same time as the RLTP is prepared or reviewed. The LTP contains planning and financial information for the next ten years. The RLTP has an impact on the LTP because the level of government subsidy received will affect the size of each transport programme and the amount of income required from city, district or regional rates. The RLTP is consulted on during a similar period as each LTP and it is important that the final document reflects the region's LTPs as much as possible. No activity can be funded by NZTA unless it is contained in the RLTP.

3.2 REGIONAL ECONOMIC DEVELOPMENT STRATEGY

Matariki, Hawke's Bay's economic development strategy, was adopted in 2016 and sets out a number of work areas which this RLTP contributes to. Chief among these is Matariki's desire to see State Highway 2 between Napier and Opotiki improved to decrease journey times, improve access to areas such as Wairoa, improve safety and cater for significant growth in forestry in the catchment areas of this route. The NZ Transport Agency is working through a business case for the route in partnership with the Hawke's Bay and Gisborne Regional Transport Committees and other major stakeholders.

Matariki, with its main focus on economic development, also advocates for ensuring safe and efficient access to Napier Port, another opportunity identified in this plan and for which a programme of works is already underway.

Matariki also promotes the sealing of State Highway 38 in order to facilitate tourist and community access into Lake Waikaremoana and beyond, another key aim of this RLTP. A business case for this route has already been commenced in conjunction with the Bay of Plenty Regional Transport Committee.

4.0 ABOUT US

In order to understand the transport issues and priorities identified in this plan, we need a broad understanding of the physical, social and environmental factors that have influenced and shaped our transport needs and how these have changed or might change over time.

4.1 GEOGRAPHY

The Hawke's Bay region covers 1.42 million hectares, lies on the east coast of the North Island and includes Wairoa, Hastings and Central Hawke's Bay District Councils and Napier City Council. The region adjoins the Bay of Plenty, Waikato and Manawatu-Wanganui regions and Gisborne District.

4.2 LANDSCAPE

In the north of the region, much of the land is unstable, highly erodible and deeply incised by rivers and streams. In the centre and in the south, more extensive plains have been formed. In the west all these land are bound by high axial ranges and by lower limestone hills in the east south of Napier. This landscape restricts movement north and south and to other regions to one or two main corridors.

4.3 CLIMATE

Hawke's Bay's weather is sunny and warm overall, with hot dry summers. Storm systems from the north and east affect the region seasonally and can cause significant rainfall events to occur.

The transport network can be affected by flooding and by snow on high altitude areas, and climate change is predicted to bring about more intense rainfall events, with consequent flooding and erosion.

Those parts of the transport network close to the coastline may be affected by sea level rises and consequent coastal erosion.

It is expected that climate change will also affect key state highway links in and out of the region. Resilience issues in other regions could compromise journeys to and from the Bay. For example, the Manawatu Gorge was an important connection between the east and west of the North Island. While alternative routes exist, these are longer and more costly to traverse and the replacement for the Gorge needs to be more efficient and resilient.



» 4.4 POPULATION

Approximately 130,000 people live on or adjacent to the Heretaunga Plains. Beyond this area, the population is dispersed, and mainly situated in the small towns of Wairoa, Waipawa and Waipukurau.

The Napier-Hastings area is the fifth largest urban area in New Zealand. There has been moderate population growth in the region. However our population is ageing quickly, exacerbated by young people moving to larger centres and retirees moving to the Bay. A review of demographic and economic indicators in 2016 shows that the population growth in the Heretaunga Plains area from 2009 to 2015 of 4.4% , was higher than predicted. There has also been a 24% increase in the number of people over 65.

» 4.5 ECONOMY

Rural land is used for pastoral farming and forestry, horticulture and viticulture. There is around 20,500 hectares of land on the Heretaunga Plains dedicated to horticulture and viticulture, the largest area in New Zealand. The value of this land to the Hawke's Bay economy is very significant and the Heretaunga Plains Urban Development Strategy 2017 aims to protect it from encroaching residential or other development.

Hawke's Bay produces 61% of New Zealand's apple and pear crops, 70% of summer fruit, 25% of grapes for wine and 50% of the country's squash crop.

The pipfruit sector is seeing significant growth in plantings in Hawke's Bay (it is estimated that over 1 million new trees have been planted in the region in the last two years) and this will have flow-on effects for the transport network. Hawke's Bay accounts for an estimated 60-70% of the national pipfruit crop.¹

There are 134,841 hectares of plantation forests – up from 128,100 hectares in 2012. Timber products are a major export.

There are around 3 million sheep, 520,000 cattle, 85,000 dairy and 63,000 deer stock units in the region.

The main processing centres for rural produce are situated in and around Tomoana/Whakatu, Omahu Road and Irongate areas in Hastings, and the Awatoto and Onekawa areas in Napier.

Tourism is a growing industry within our region, with tourist spend in the region up by 8.2% for the year ending December 2016 with an estimated annual spend of \$583 million. By October 2017, the 2016 annual spend had already been exceeded.

The number of consented new residential houses rose 19% in 2016, over the previous year. The total number of new buildings (including commercial) consented in the region during 2016 was up 23.8% on the previous year, with the value of these buildings up 25.4%.²

¹ <http://www.businessHawke'sbay.co.nz/docs/economic%20reports/hbecmondecqtr16.pdf>

² <http://www.businessHawke'sbay.co.nz/docs/economic%20reports/hbecmondecqtr16.pdf>

» 4.6 EMPLOYMENT

There is a trend towards increasing employment in the horticulture, agriculture, forestry and fishing industries. This was the largest occupational group recorded in the 2013 Census, with 14% of Hawke's Bay workers occupied in this area.

» 4.7 TRANSPORT NETWORK

The region is serviced by State Highways 2, 2B, 5, 38, 50 and 50A. See Figure 2.

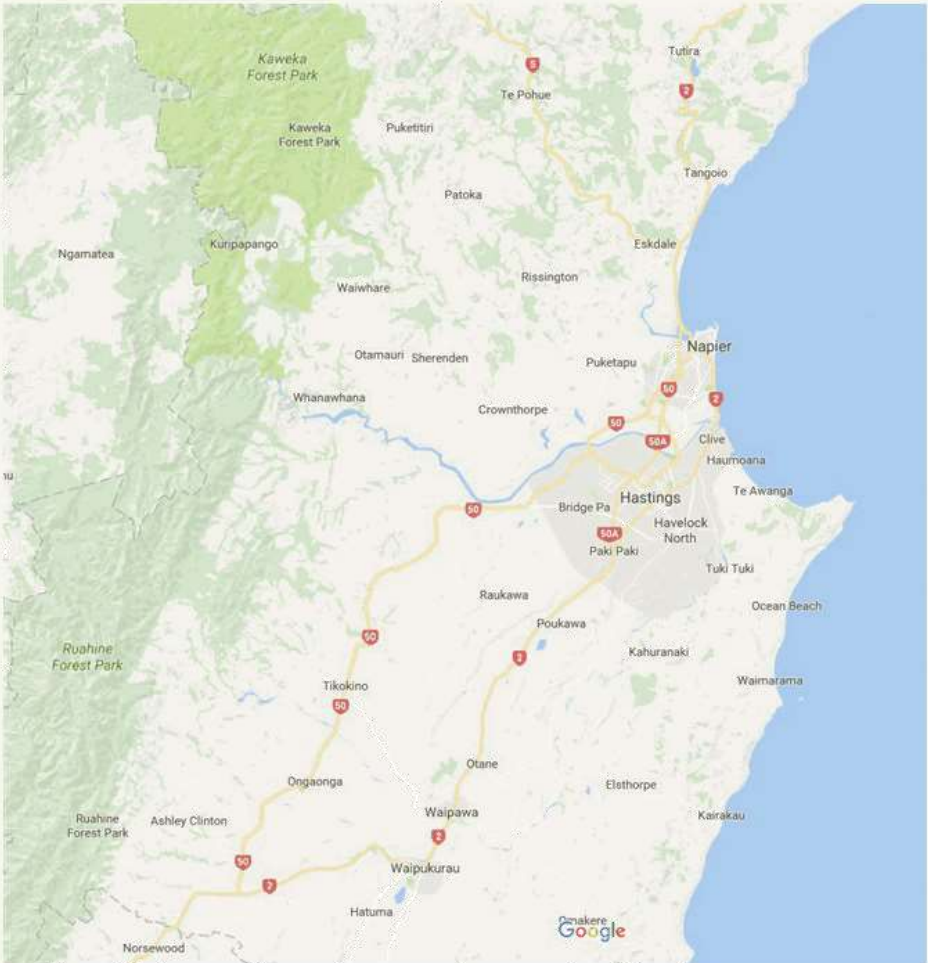
Figure 2 sets out the classification of each highway according to the One Network Road Classification now used across New Zealand.

A single track rail line runs from the south of the region north to Gisborne district, but the section between Napier and Gisborne has been closed since 2012 due to major damage sustained after a weather event. Plans to reopen the line for freight transport between Wairoa and Napier have been given a major boost by the February 2018 announcement of government funding for reinstatement of the line.

The Port of Napier provides logistics services for the region and central New Zealand, while Hawke's Bay Airport at Napier provides national passenger services and caters for irregular private jets.

Since 2002, Hawke's Bay has created over 200 kilometres of off-road cycle trails and 100 kilometres of on-road cycle facilities.

Figure 2: Hawke's Bay State Highway Network



» 4.8 TRAVEL PATTERNS AND VEHICLE OWNERSHIP

The number of households with access to a private vehicle increased by 12% between 2001 and 2013. The number of kilometres travelled on Hawke’s Bay roads remained fairly consistent until 2014 but has increased by around 10% since then. The distance travelled by heavy vehicles in the region has increased significantly. Major efficiency improvements are under construction and will ensure that the network continues to cope well with demand for the near future, although there are some pinch points that will be monitored.

The number of cyclists has increased steadily as infrastructure improvements have been made, and cycling has become an important generator of tourist visits to the Bay. There are around 400,000 annual users of the off-road cycle trails and over 200 daily users of the cycle paths between Hastings and Havelock North.

» 4.9 ROAD SAFETY

Hawke’s Bay has more crashes per vehicle kilometre travelled on local roads and state highways than many other regions. Crash rates vary across the region and are lower in Central Hawke’s Bay and higher in Hastings and Wairoa districts.

There were 18 fatalities on the region’s roads in 2017. The highest road toll over the last five years was 21 in 2012 and the lowest was 6 in 2014. Fatal and serious injuries from some major crash factors (alcohol and drugs, young drivers, fatigue and distraction, roads and roadsides, no restraint use) have in general declined since 2008, although crashes caused by high-risk drivers and speeding drivers have shown little improvement.

» 4.10 PUBLIC TRANSPORT

Long distance bus services operate through the region to the Manawatu and Wairarapa, Taupo and Gisborne.

Local bus passenger services operate in and between Napier, Hastings and their dormitory towns; Flaxmere, Taradale, Havelock North and Bay View, with approximately 700,000 passengers carried annually, for a distance of approximately 7.2 million kilometres. An ageing population and consequent development of more retirement villages could eventually require improved services and new routes; this trend will need to be monitored over time.

A taxi based Total Mobility scheme is provided for those people unable to use public transport services and carries approximately 100,000 passengers annually. As the population ages, the number of Total Mobility users is likely to increase.

Figure 3: One Network Road Classification of State Highways in Hawke’s Bay

CLASSIFICATION	STATE HIGHWAY
National High Volume Route	SH2B, SH50A - Port and City of Napier to Hastings
National Route	SH2 – Hastings to Woodville
Regional Route	SH2 – Napier to Gisborne, SH5 – Taupo to Napier
Arterial Route	SH2 – Napier to Hastings
Primary Collector	SH35 - Wairoa to Murupara, SH50

4.0 ABOUT US (CONTINUED)

» 4.11 FREIGHT

The Port of Napier is the fourth largest port in New Zealand by overseas export volumes. It accounts for 10% of New Zealand's export tonnages and is therefore a nationally significant asset. In dollar terms, Napier Port supports more than \$3.4 billion of Hawke's Bay's Gross Regional Product.

There have been significant increases in the freight flow through the Port, with overall tonnages growing by 70% between 2006 and 2016, from 2.3 million tonnes to 3.9 million tonnes. Napier Port predicts that growth in key freight types through the Port will increase truck movements by 187% (being 171,000 truck movements) along the critical Ahuriri access corridor, in the nine years to 2027.

Road transport carries 95% of the region's freight, while rail accounts for almost all the remaining 5%. The rail line south from Napier is commercially viable and handles all the region's rail freight. Use of this line for freight grew over 40% between 2007 and 2012³, but tonnages remain low as a percentage of all freight carried. After 2014 freight loads had dropped on the line, due to Ravensdown Fertiliser's discontinued use of rail and because Fonterra product is no longer exported out of Napier Port.

However, the 2016 Kaikoura earthquake caused significant damage to CentrePort in Wellington and Napier Port took on a large portion of its business. Until recently there were two additional daily freight trains running on the line, now reduced to one. However, KiwiRail states that the log volumes from Whanganui on this route (as discussed below) continue to grow.

The Napier to Gisborne section of the rail line has been mothballed since 2012 when the line suffered extensive storm damage. After many ideas were floated to re-open the line, a commercial agreement has been reached between Napier Port and KiwiRail for the transport of logs from Wairoa by rail to the port. KiwiRail currently operates a dedicated log service to Whanganui every weekday and this train will be utilised to provide (initially) four services each weekend. It is estimated that this service will decrease the daily one way logging truck movements by 50 per day when forest harvesting is in full swing. A 2018 announcement by the new Labour-NZ First government will see government funds provided for the reinstatement of the line.

» 4.12 AIR TRANSPORT

The Hawke's Bay Airport hosts regular scheduled domestic flights on two airlines, Air New Zealand and Jetstar.

Passenger numbers have increased from about 450,000 per year in 2014 to 652,400 in 2017, in line with increased tourist numbers and the advent of Jetstar flights to the region.

Hawke's Bay Airport is jet capable.

³ National Freight Demand Study 2012, Ministry of Transport.

5.0 OUR FUTURE

Challenges and Pressures on the Hawke’s Bay Transport System

» 5.1 INTRODUCTION

The Heretaunga Plains Transport Study 2012 identified a number of network constrictions and safety issues which needed to be addressed to improve access to the Port of Napier and to address major safety blackspots. Key roading improvements that arose out of this study included:

- The Whakatu Arterial Link and associated SH2-Napier Road intersection upgrade.
- The Pakowhai Road- Links Road – HB Expressway intersection upgrade.

A number of other safety and efficiency improvements have also been identified in the last five years, including upgrading key state highway and local road links for HPMV capability.

Since then, the Napier Port Access Study has identified further issues to be remedied to provide more efficient and safe access to the Port and to cope with growth in demand. A number of these have already been funded as part of the Matariki: Hawke’s Bay Economic Development Strategy, including:

- Safety and efficiency improvements on the Hawke’s Bay Expressway between Pakipaki and Watchman Road – slip lane extensions at roundabouts, targeted seal widening and median/side barriers.

- Improvements to the Prebensen Drive/Hyderabad Road roundabout – slip lanes.
- Passing lanes on State Highway 2 between Hawke’s Bay Airport and Bay View.
- The Watchman Road intersection upgrade, including relocation of the entrance to the HB Airport (State Highway 2-2B).

Almost all of the above improvements are well underway, either committed for funding or already in the construction phase. In view of the above, the region is relatively confident that major issues are in hand; the planned improvements will do much to resolve high priority safety and efficiency problems on the Heretaunga Plains. The focus of the region’s efforts now needs to expand to emerging issues across the region and to ensuring that this RLTP contributes to national objectives of improving road safety, access, addressing environmental issues (including climate change) while ensuring value for money.

In view of this recent progress in the region, the RTC has reviewed the key problem statements from the 2015 Regional Land Transport Plan. These statements summarise the key areas of focus for improvement over the next ten years, while acknowledging that the vast majority of the region’s work will be to maintain and manage the existing network and services to a high standard and to improve the operation of the network in order to maximise its capability and safety and manage growth.

» 5.2 PROBLEM STATEMENT 1: PARTS OF THE TRANSPORT SYSTEM LACK CAPABILITY⁴, LIMITING OPPORTUNITIES FOR IMPROVED ECONOMIC AND SOCIAL DEVELOPMENT (60%)

This problem statement encompasses a range of issues that the region wishes to address.

5.2.1 SAFETY, TRAVEL TIME AND LEVEL OF SERVICE ON SH2 NORTH OF NAPIER

Wairoa District Council continues to be concerned about the travel time between Wairoa and Napier, and considers this a barrier to further development in the area. Although the distance between Bay View and Wairoa is 106 kilometres, the route is winding and passing opportunities are infrequent. The journey takes around 1 hour 40 minutes and can vary considerably with the number of heavy vehicles on the route. Wairoa District Council would like to see the journey time reduced to one hour.

There is a significant crash rate on the route with 21 deaths and 56 serious injuries over ten years, and a high risk of run-off-road and head-on crashes. There is minimal roadside protection.

Heavy traffic on the route is predicted to increase due to forest harvests. Latest forecasts indicate that one way logging truck movements on SH2 from Wairoa will increase from 171 per day in 2017 to 278 by 2023.⁵

⁴ Capability of the network refers to how well the network performs on efficiency, safety, accessibility, resilience and minimisation of environmental effects.

⁵ N. Cornwall, Starboard Group Ltd, 2016

5.0 OUR FUTURE (CONTINUED)

One partial solution could be the proposal for the transport of logs from Wairoa by rail. It is estimated that this service will decrease the daily one way logging truck movements by 50 per day when forest harvesting is in full swing. As reinstatement of the line has been funded from the Provincial Growth Fund, it is hoped to have this service operational by the end of 2018. However, while the service will remove a considerable number of daily logging truck movements, there will still be an overall increase and this could increase crashes and travel time variability.

The Safe Roads Alliance⁶ has also focussed on this high-risk route, investigating safety improvements from Wairoa to Bay View. Funding for a detailed business case has been approved and work will commence soon, including side barriers, shoulder widening, wide centrelines and rumble strips.

An independent group of interested parties has developed a proposal to remove some of the worst sections of the route (between Whirinaki and Tūtira) by using the rail corridor as a new state highway alignment. Initially this proposal was to replace the rail line with a new road, but they have now adjusted this to suggest that the road could run alongside the rail line. This proposal will be tested through the development of the Opotiki to Bay View Programme Business Case referred to below.

⁶ An alliance between several consultancies and NZTA, formed to deliver a programme of road and roadside safety improvements on state highways over 6 years.

The Rocket Lab launch site at Te Mahia (Mahia Peninsula) opened in September 2016, and is seen by the Council as a major tourism opportunity. The first test launches have been successful, with commercial launches later in 2018.

As part of 2016 regional economic development strategy announcements for the Tairāwhiti and Hawke's Bay regions, a comprehensive examination of the whole SH2 route from Opotiki to Napier will be undertaken via a Programme Business Case. The NZ Transport Agency has confirmed funding for this investigation and this will be a major focus during 2018-21.

» 5.2.2 NETWORK CAPABILITY AND RESILIENCE

Despite the improvements described in the introduction to this section, there are one or two emerging pinch points on the network that will need to be monitored carefully.



» TRAFFIC GROWTH ON STRATEGIC ROUTES

It is likely that changing land use, population growth, increasing efficiency on productive land, tourism growth and increased Port traffic is leading to growth in daily traffic on certain sections of the Hawke's Bay Expressway and on some local roads. For example, the average annual daily traffic on one section of the HB Expressway near Taradale has recently increased, as shown below.

Growth in traffic movements on this section of the route has resulted in increased travel times between Pakowhai Road and Meeanee Road and has increased travel time variability on the southbound journey between Napier Port and Pakowhai.⁷ However, travel times are fairly consistent throughout the day on the northbound journey. The Napier Port Access Programme Business Case states "Preliminary analysis indicates that an increase in journey time for southbound traffic is caused by congestion near the Pakowhai Road/Links Road intersection. The upgrade of the Links Road/Pakowhai

Road intersection, while not completed yet, is likely to reduce delays in this location.”

The Transport Agency nationally looks to improving efficiency of the system through the development of intelligent transport system packages, featuring enhanced customer information, variable speed limits and improved incident detection. However, should a further response be required, the region will adopt a mode neutral approach in line with national and regional objectives for reducing the effects of transport on the climate, local environment and public health.

Faster public transport services between cities and improved commuter cycling options are key features of the Regional Public Transport Plan and Regional Cycling Plan respectively. These could contribute to managing capacity on the Expressway as well as reducing carbon emissions.

Another opportunity which could be explored to manage growth on strategic routes is the increased use of rail for freight in the region; this is discussed in the next section.

» INCREASED PERSONAL TRAVEL

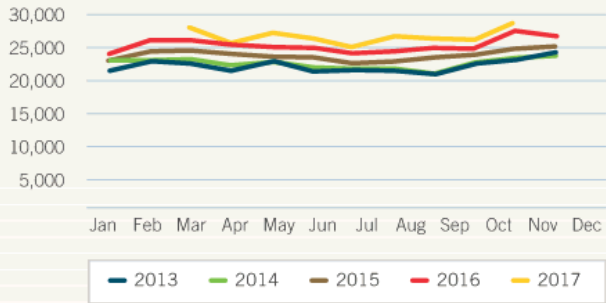
From the early 2000s to 2014, the distance travelled by light vehicle traffic in the Hawke’s Bay region had been fairly static. This trend was noticed nationally and in many developed countries. However, regional Vehicle Kilometres Travelled (VKT) has increased by 10% since 2014. Recent population estimates show that Hawke’s Bay’s population is growing at a greater rate than previously predicted, and this will be a major contributor to the increased VKT, along with growth in freight movements. However, our population is also ageing at a greater rate than predicted, and eventually could slow VKT growth as more residents move into retirement and consequently reduce their daily travel.

Public transport services will need to be responsive to this demographic change to ensure continued access for all members of the population. This will be especially true for residents in smaller towns, where scheduled bus services are often not sustainable and innovative methods such as on-demand community van services may need to be explored.

However, the recent increase in personal travel in the Bay also offers a challenge in view of our goals to reduce the environmental impacts of transport. The average emissions level of a new car sold in 2017 was 118.5 grams of CO2 per kilometre. The increase in vehicle kilometres travelled in Hawke’s Bay between 2015-16 and 2016-17 (approximately 78.5 million) would have added at least 8.9 million kilograms of CO2 to the atmosphere.

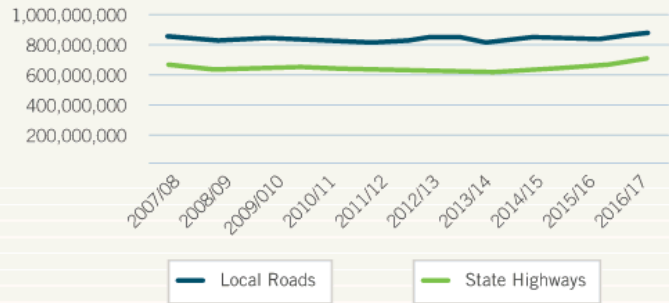
The need to balance improved access for all parts of the region with addressing the effects of transport on the environment points to potential solutions such as public transport, walking and cycling and ride-sharing. The region is keen to explore these further through the period of this RLTP.

Figure 4: Average Daily Traffic on HB Expressway at Taradale



⁷ (Napier Port Access Programme Business Case, NZTA 2015).

Figure 5: Annual Vehicle Kilometres Travelled on State Highways and Local Roads



» FREIGHT TRANSPORT

The distance travelled by heavy vehicles has grown even more significantly than light vehicles over the same period because of the growth in freight moving through the region. This is likely to continue, with freight into and out of the region expected to increase from 20.2 million tonnes in 2012 to about 30.7million tonnes by 2045.⁸

Napier Port predicts that growth in key freight types through the Port will increase truck movements (in and outbound) by 187% (being 171,000 truck movements), along the critical Ahuriri access corridor, in the nine years to 2027. Their predictions are based on significant recent growth in apple plantings, wood harvests commencing in the Tararua/Central Hawke’s Bay and Wairoa areas, and growth in other freight types.

Changes in the strategic road network may also influence traffic patterns into and out of the port, with the Whakatu Arterial Link (currently under construction) expected to channel freight away from the State. Highway 2 coastal route onto the Hawke’s Bay Expressway through Ahuriri to the Port. Traffic calming measures instigated along Marine Parade in Napier will further discourage heavy traffic from the coastal route.

Close monitoring of the urban sections of routes to Napier Port is also required. There is the potential for conflict between the amenity value of the Napier waterfront and Ahuriri area, and the need for efficient access to the Port. As the number of tourists visiting Napier and traffic to the Port

increases, this effect is likely to become more apparent due to geographical constraints. Ahuriri has experienced a recent resurgence in retail, light commercial, tourism and residential activity, so growth in traffic to the Port via State Highway 50 has the potential to cause conflict with these activities. Any further development in the Ahuriri area needs to be managed carefully in light of the predicted traffic growth.

As described earlier, the Napier Port Access Programme Business Case identified a number of potential safety and efficiency improvements to the key strategic routes to the Port and a number of these are already underway. The NZ Transport Agency has committed to regular monitoring of the SH50 route to the Port to ensure that it can respond to any emerging issues appropriately.

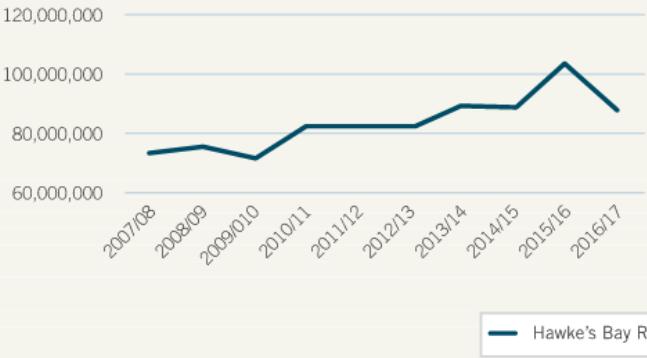
However, in keeping with the concept of mode neutrality, all options must be explored if it becomes necessary to take further steps to maintain efficient freight access to the Port. Options such as the concept of an inland port at Whakatu with rail freight links to Napier are under early investigation.

In view of increases in heavy trucks on Hawke’s Bay roads, the region is also very supportive of any viable proposals for increased rail freight to and from the south of the region and would like to work closely with KiwiRail to understand what such opportunities might be.

The region is also supportive of opportunities to promote coastal shipping where feasible, to relieve pressure on the road network.

The capability of the network to transport High Productivity Motor Vehicles (HPMVs) and to ensure safe and resilient

Figure 6: Vehicle Kilometres Travelled by Heavy Vehicles on State Highways



⁸ National Freight Demand Study , Ministry of Transport ,2014

access to areas of primary production is also an ongoing issue for the region. The state highways in and out of the region are currently undergoing assessment to carry HPMVs and funding will be allocated to the necessary infrastructure strengthening. However, Hastings District currently has 41 bridges that are understrength and the increase in demand for HPMV capability will require bridge strengthening on key access routes. Hastings District is also facing a period of significantly higher road renewal requirements in the next ten to fifteen years, because of a concentrated programme of rural road sealing in the 1960s. This creates challenges for the district to maintain appropriate levels of service into rural areas.

» RESILIENCE, ENVIRONMENT AND CLIMATE CHANGE

Maintaining a resilient network in the face of more frequent extreme weather events caused by climate change is also a challenge for the region. Lack of resilience in the network can isolate communities and areas of primary production, negatively affecting the region's social and economic outcomes. The resilience of the strategic network between Napier and Hastings (including SH2, SH50, SH50A) can be an issue if peak time disruptions occur, with sometimes lengthy diversions required and causing significant congestion.

However, the region's concerns about climate change should not be limited to possible effects on the resilience of the network. The transport system is responsible for about one-fifth of New Zealand's climate changing greenhouse emissions and without action, these are anticipated to

increase over time. An increase in the use of energy efficient transport modes is needed to combat transport emissions. Supporting and promoting the use of rail for freight will lessen emissions as well as improving road safety and journey times; the proposal for reopening of the rail line to Wairoa is an example of the region's ongoing commitment to rail.

Other initiatives could include business travel plans, such as successful travel plan recently instigated by the Hawke's Bay District Health Board (DHB). Working with Hawke's Bay Regional Council, the DHB has introduced free bus trips to hospital for all outpatients, and subsidised staff bus trips to and from work. This has reduced the number of staff arriving to work by car and significantly increased bus use to and from the hospital by patients and staff alike. The number of staff cycling or carpooling to work has also increased significantly as a result of other travel plan initiatives.

As described earlier, the region aims to improve bus services between cities and continue expanding the already extensive cycling network in Hawke's Bay, including the iWay cycle networks within both Napier and Hastings, and comprehensive cycling education aimed at getting more people riding bikes. Hawke's Bay is also working to promote the uptake of electric vehicles via a regional working group of interested parties.

The region wishes to explore other opportunities to mitigate the effects of the transport system on the environment and will commence this work as soon as possible. Any activities which require funding through the National Land Transport Fund can be added to this RLTP by way of a variation.

» 5.2.3 THE CHANGING TRANSPORT NEEDS OF HAWKE'S BAY'S POPULATION

We also need to monitor and plan for demographic change in the region to ensure that transport access and services are appropriate to changing needs and that our transport system facilitates social wellbeing. Our population is aging and already has a higher median age than New Zealand as a whole.

Although 2017 Statistics NZ population estimates are encouraging and show that trends may have reversed, there has been steady population decline in some of the region's smaller towns over the last ten years. If this longer-term trend were to continue, it could result in withdrawal of further essential services from these areas, reducing the viability of such transport services as do exist, as well as reducing the ratepayer base able to pay for road maintenance, improvements and services.

A review of demographic and economic indicators in 2016 shows that population growth in the Heretaunga Plains area 2009 to 2015 of 4.4%, was higher than projected in 2009, and there has been a 24% increase in the number of people over 65. The number of households has also grown more than expected and household occupancy has decreased from 2.60 to 2.55. The Heretaunga Plains Urban Development Strategy (2017) highlights the increased demand for retirement villages and higher density urban housing as a result.

Transport implications of the aging population are likely to include decreased peak time commuting and increased demand for public transport and Total Mobility services. The

coverage and frequency of public transport in the main cities has increased significantly over the last nine years, resulting in good patronage growth, and there is no unmet demand at present. While an immediate response is not required, the region needs to monitor and plan for this change, ensuring that funding is available and services can be provided where and when necessary.

» **5.3 PROBLEM STATEMENT 2: LIMITED SHARED VIEW OF CROSS-BOUNDARY TRANSPORT ISSUES INCREASES THE RISK OF MISALIGNED INVESTMENT AND/OR MANAGEMENT OF THE TRANSPORT SYSTEM (10%)**

» **5.3.1 INTEGRATED PLANNING BETWEEN REGIONS**

The Hawke's Bay transport system is part of a much wider social and economic catchment area, much of which connects to the Port or other key transport or land use hubs. The region needs to work closely with neighbouring regions to ensure that issues are jointly managed.

For example, a major slip closed the Manawatu Gorge for 15 months in 2011-12, requiring a substantial road reconstruction. While alternate routes were in place, the closure cost businesses and transport operators an estimated \$63,000 a day.

After several years without further significant problems, the Manawatu Gorge was again closed by a major slip in April 2017. After several weeks of closure, further slips and geological investigations revealed that the Gorge was highly unstable and more large slips were imminent, necessitating the withdrawal of workers attempting to clear the route.

A decision was made to close the Gorge permanently and commence investigation of an entirely new route for this section of State Highway 3. In March 2018, a replacement route was selected and will run close to the western entry of the closed SH3 Gorge route and cross the Ruahine Ranges north of the Gorge before emerging near Woodville.

Resilience issues such as this in neighbouring regions can have a major effect on the Hawke's Bay economy, so the transport system must be viewed in terms of end-to-end journeys, not regions. The Manawatu Gorge closure and use of the alternate route via the Saddle Road is costing freight companies, businesses and private motorists, additional vehicle operating costs and time. An efficient solution is vital. The Hawke's Bay region has been involved in the consultation processes leading up to the selection of the preferred solution.

The Napier-Taihape road connects Hawke's Bay with Rangitikei District and the central North Island, and plays an important role in the movement of freight, as an alternative to State Highways 5 and 3 and, increasingly, as a tourist route. The Hawke's Bay and Horizons regions worked closely together to have this route sealed in the early 2000s and now both support its designation as a state highway in recognition of its strategic role.

Large forests are now being harvested in the Tararua district (in the Manawatu-Whanganui region) and traverse Central Hawke's Bay roads to access the Port, effectively using the Central Hawke's Bay district as a land bridge. These routes will require increased road maintenance without any contribution

via rates, as the forests are not located within the district. The Earnslaw Forests harvest forecast equates to 60 loaded trucks and 60 empty return trips per day across Central Hawke's Bay roads. This is an ongoing issue of concern for Central Hawke's Bay District.

In addition to the travel time issues on State Highway 2 between Bay View and Wairoa, opportunities for growth in tourism in the Urewera National Park may be limited by the fact that State Highway 38 to Lake Waikaremoana and beyond remains unsealed. A strategic business case for improvements to this route (between Murupara and Wairoa) is underway and is a further example of the need to work across regional boundaries to improve strategic links.

The need for improvements to State Highway 2 north of Napier has encouraged Hawke's Bay and Gisborne to work together to advocate for improvement to the entire state highway route between Opotiki and Bay View, Napier. A programme business case for this route has recently been announced, and the neighbouring regional transport committees met during 2017 to discuss how they would jointly contribute to this.

» **5.3.2 COORDINATION WITHIN THE REGION**

Within the region, the four district councils, the NZ Transport Agency and HBRC need to work closely together to ensure aligned, integrated planning and solutions to cross-boundary issues. The One Network Road Classification (ONRC) is intended to ensure consistent standards across routes with similar functions, and asset management plans revised under the ONRC will implement this.

Napier City and Hastings District have made progress in this area with a joint application for urban cycleway funding, a special fund available through the NZ Transport Agency to help local authorities to improve cycling infrastructure in urban areas. The neighbouring districts are working closely together to ensure a seamless and consistent network of cycle facilities. This approach is further enhanced by the establishment of a regional cycling governance group and a plan to enhance the cycling network across all Hawke's Bay in a consistent manner.

Within districts, land use and transport planning needs to be closely integrated to ensure that the transport system can effectively anticipate and respond to growth in demand and land use changes. There are concerns in some districts that this has not always operated effectively in the past.

» 5.4 PROBLEM STATEMENT 3: POOR USER BEHAVIOUR AND TRANSPORT SYSTEM DEFICIENCIES INCREASE THE RISK OF DEATHS AND SERIOUS INJURIES (30%)

The region made significant improvements to its road toll during the 1990s and early 2000s but the rate of improvement has slowed during the last ten years. This trend is consistent with most other parts of New Zealand. Serious injuries in road crashes have shown a greater rate of decline, but spikes in serious crashes over the last three years are starting to reverse this trend.

Although the region's major blackspot intersections are now being addressed, we need to maintain focus on improvements that make the road environment more forgiving when mistakes

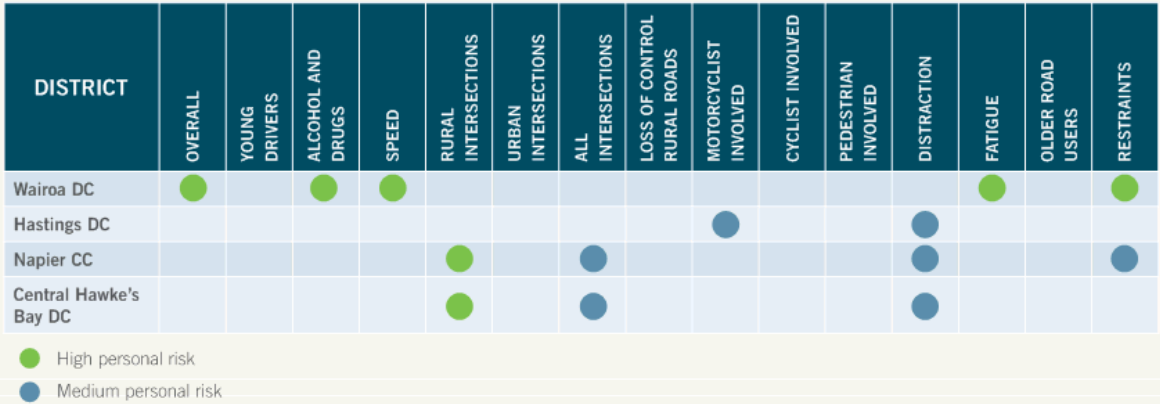
are made, and to continue to address the poor driver choices that lead to crashes.

The Communities at Risk Register sets out the personal and collective risk of being involved in a crash caused by one of a range of factors, compared with other territorial authorities. Personal risk reflects the distance travelled and is measured by the number of deaths and serious injuries per 100 million vehicle kilometres travelled⁹. Figure 7 Personal Risk to Road Users by District sets out the factors for which Hawke's Bay district residents are at high or medium personal risk.¹⁰

» 5.4.1 SAFER ROADS

A 2014 list of the 100 most dangerous intersections in New Zealand contained seven crash blackspot intersections in Hawke's Bay. While improvements have now been completed or are well underway on all of these, the focus must remain on improving roads and roadsides to make these more forgiving when drivers make mistakes. This work will be undertaken by all road controlling authorities in the region, on both local roads and state highways.

Figure 7: Personal Risk to Road Users by District



⁹ High Personal Risk – 1 standard deviation above the mean, Medium Personal Risk – 0.5 standard deviation above the mean
¹⁰ Communities at Risk Register, NZ Transport Agency website, 2017

The Safe Roads Alliance consists of the NZ Transport Agency and a number of infrastructure consultancies. Its aim is to work with stakeholders to deliver a programme of road and roadside safety improvements to the state highway network over six years.

The Alliance has identified two routes for improvement in Hawke's Bay, for which funding has now been approved. These are:

- State Highway 2 Pakipaki to Waipukurau. Over ten years there have been 13 deaths and 62 serious injuries on this route. Recommended improvements include side barriers, moderate shoulder widening, median barriers and a realignment from College Road to Silverstream.

- » • State Highway 2 Bay View to Wairoa. Over ten years, there have been 21 deaths and 56 serious injuries on this route. Recommended improvements include side barriers, shoulder widening, wide centrelines and rumble strips

5.4.2 IMPROVING DRIVER CHOICES

The NZ Transport Agency's analysis of data from the Crash Analysis System reveals that there has been significant improvement in some crash causes where driver behaviour or choice is implicated. Fatal and serious injuries in alcohol and drug related crashes have declined since 2008, as has the number of 15-24 year old drivers killed or seriously injured, as well as vehicle occupants killed and not using restraints.

However, there has been no improvement in speed-related crashes or in serious crashes caused by high-risk drivers .

Although there has been improvement since 2008, recent spikes in crashes have been of concern and the region must continue to focus on national and local education programmes aimed at improving driver behaviour.



Figure 8: Persons Killed in Road Crashes in Hawke's Bay



Figure 9: Serious injuries in Road Crashes

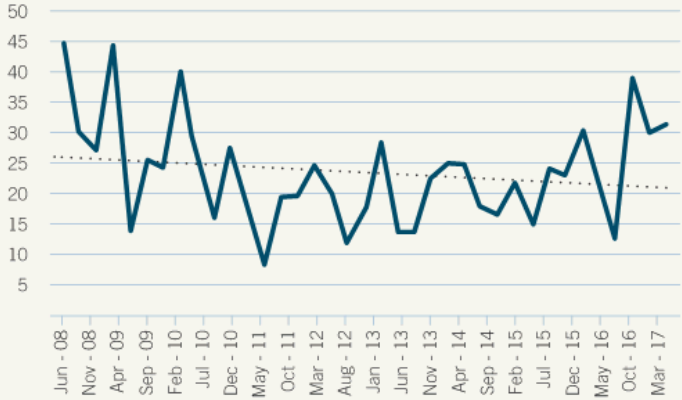


Figure 10: Fatal and Serious Injuries in Alcohol Related Crashes

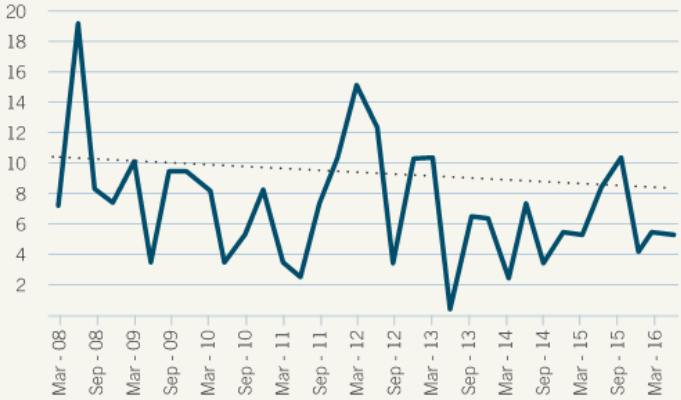


Figure 11: Fatal and Serious injuries Driver Fatigue or Distraction

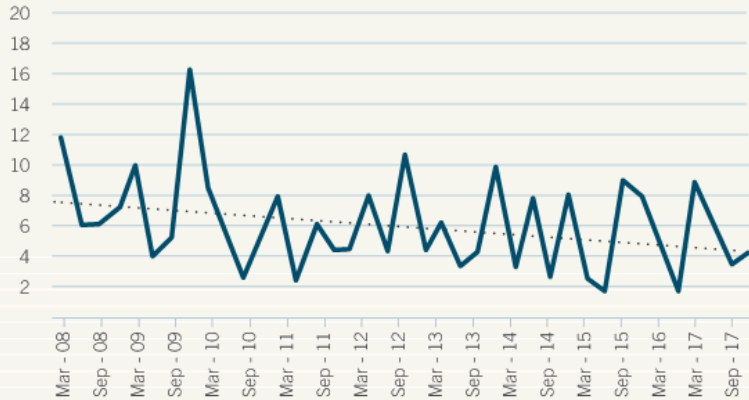


Figure 12: Fatal and Serious Injuries Speed-Related Crashes.



6.0 STATEMENT OF TRANSPORT PRIORITIES

The Regional Transport Committee has identified its transport priorities for the period of the RLTP. These reflect the region's main transport issues as outlined in Section 5 and are in turn reflected in the objectives and policies set out in Section 7. The proposed transport activities for which the region seeks funding over the next three years are consistent with these priorities.

- Our priorities are:
- To maintain appropriate levels of service and optimise existing capacity on our transport network.
 - To complete planned safety and efficiency improvements on key routes to Napier Port and major highways connecting the region.
 - To investigate safety and efficiency improvements to State Highway 2 to the north to facilitate economic activity, and to promote the use of rail for freight on this corridor.
 - To ensure High Productivity Motor Vehicle capability on the region's strategic routes and local road connections where appropriate.
 - To work with neighbouring regions to maximise the efficiency and resilience of transport routes throughout Napier Port's catchment area.
- To work together within Hawke's Bay to ensure aligned, integrated planning and joint solutions to cross-district issues.
 - To rectify known safety issues on the transport network and reduce the number and severity of crashes caused by driver behaviour.
 - To actively support measures which will reduce the environmental impact of our transport system.
 - To ensure Hawke's Bay becomes a major centre for cycling, for local residents and tourists.
 - To provide public transport services that provide access to economic, social and educational opportunities and encourage transport mode change.
 - To support increased use of rail in the region where viable.



7.0 REGIONAL TRANSPORT OBJECTIVES AND POLICIES

The region’s vision for transport in Hawke’s Bay is:

“A safe, resilient and efficient transport system that supports the development of our economy and contributes to social wellbeing in our community.”

The Land Transport Management Act requires that the Plan set out the region’s land transport objectives, policies and measures for at least ten years. Activities which the region would like to see funded from the National Land Transport Fund must be assessed against the policy or objectives to which they contribute.

Figure 10 shows the connection between the key problems faced by region, the benefits of addressing the problem and the strategic objectives sought for our transport system, while policies to support the strategic objectives are set out in Figure 11.

Figure 10: Key problems faced by regions

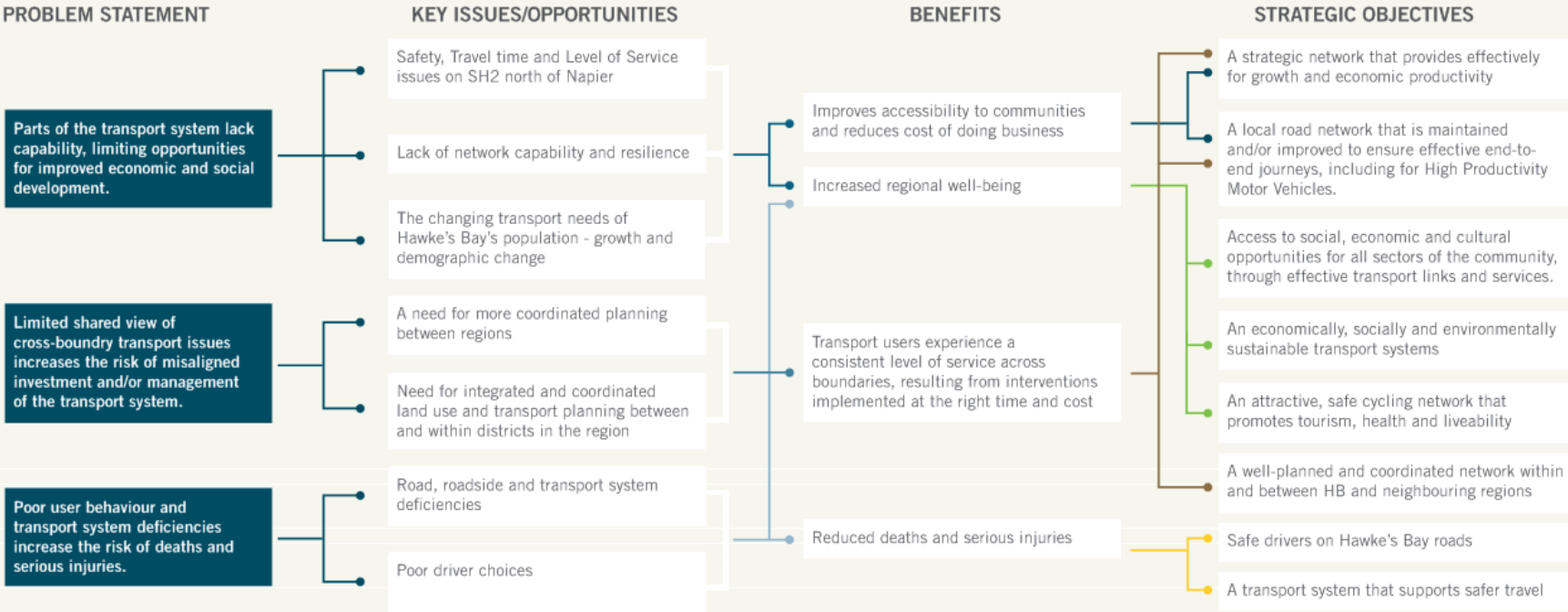


Figure 13: Strategic Objectives and Policies in Support

STRATEGIC OBJECTIVE	POLICIES IN SUPPORT
1. A strategic network that provides effectively for growth and economic productivity	<p>The region will:</p> <p>(a) Ensure strategic routes are maintained to a standard appropriate for their function .</p> <p>(b) Make improvements to strategic routes to ensure HPMV capability.</p> <p>(c) Address safety and capacity pinchpoints on strategic routes.</p> <p>(d) Promote the use of the strategic network for freight.</p> <p>(e) Support growth in the use of rail for freight where appropriate.</p> <p>(f) Advocate for the development of a lifelines plan for Hawke's Bay, setting out how strategic transport links will be maintained in the event of an emergency</p>
2. A local road network that is maintained and/or improved to ensure effective end-to-end journeys, including for High Productivity Motor Vehicles	<p>(g) Ensure local routes are maintained to a standard appropriate for their function.</p> <p>(h) Make improvements to local routes to ensure safety, efficiency and resilience, as appropriate.</p>
3. Access to social, economic and cultural opportunities for all sectors of the community, through effective transport links and services	<p>(i) Plan and provide public transport services (bus, Total Mobility, shared ride services and community van services) that facilitate mobility for the transport disadvantaged.</p> <p>(j) Encourage the use of public transport for commuting to education or work by providing efficient, reliable services and infrastructure.</p> <p>(k) Promote the use of public transport by all sectors of the community.</p> <p>(l) Ensure that pedestrian facilities meet the needs of all sectors of the community.</p>
4. An attractive, safe cycling network that promotes tourism, health and liveability	<p>(m) Maintain the existing cycle network to a high standard.</p> <p>(n) Address safety issues in the existing network.</p> <p>(o) Work towards a consistent level of service for cyclists across the region, including extension of the iWay programme.</p> <p>(p) Improve connectivity between destinations to facilitate cycling for transport.</p> <p>(q) Promote cycling for transport and recreation among local residents and visitors.</p>
5. A well-planned and coordinated network within and between Hawke's Bay and neighbouring regions	<p>(r) Work jointly to resolve mutual issues, including effective planning for emergencies.</p> <p>(s) Advocate for necessary improvements to the transport network in neighbouring regions.</p>
6. An economically, socially and environmentally sustainable transport system	<p>(t) Maximise the efficiency of the existing transport network through optimisation and effective management.</p> <p>(u) Promote mode-neutral solutions to transport issues where possible.</p> <p>(v) Promote and support the uptake of new technologies which could reduce carbon emissions.</p> <p>(w) Support the implementation of the Heretaunga Plains Urban Development Strategy, which advocates for more intensification in urban areas, reducing travel demand and providing more transport choice.</p>
7. Safe drivers on Hawke's Bay roads	<p>(x) Implement and support a safe system approach to road safety</p> <p>(y) Prioritise and remedy safety deficiencies on the network according to risk.</p>
8. A transport system that supports safer travel	<p>(z) Target road safety behaviour change programmes at major crash causes and specific risk groups in Hawke's Bay.</p>

8.0 REGIONAL PROGRAMME OF ACTIVITIES

Each council in Hawke's Bay and the NZ Transport Agency has reviewed its programme of transport activities for the next three years, including a financial forecast up until 2025. Through this plan, they seek implementation funding from the Agency.

The RTC has developed a significance policy that determines which activities are significant to the region and should be prioritised and those that are lower-cost or "business as usual", such as maintenance programmes, ongoing public transport services etc. This significance policy is found in Appendix B.

The RTC has applied the significance policy to the proposed list and determined that, as many of our large regionally-important projects are already either under construction or committed for funding, the list of significant activities to be prioritised is relatively short.

8.1 PROCESS TO ASSESS AND PRIORITISE SIGNIFICANT ACTIVITIES

The process used to prioritise significant activities largely follows the Transport Agency's Investment Assessment Framework (IAF) but also considers how each activity contributes to the regional objectives set out in Section 7.

The IAF uses the information each council has provided in its business case for investment and considers:

- Results alignment - the alignment of the proposal's key transport issues identified in the strategic case with results sought under the Government Policy Statement, and;
- Cost-benefit appraisal - how efficiently resources are used to deliver benefits from the proposed solution.

Using both the IAF and our regional transport objectives, the RTC has prioritised the significant activities, as set out in Section 8.2.



» 8.2 PRIORITISED ACTIVITIES FOR 2018-21

ORGANISATION	PROJECT NAME AND DESCRIPTION	TOTAL PROJECT COST	TOTAL COST 3 YEARS 2018-21	COST 18-19 \$	COST 19-20 \$	COST 20-21 \$	ASSESSMENT UNDER INVESTMENT ASSESSMENT FRAMEWORK	CONTRIBUTION TO REGIONAL OBJECTIVES	REGIONAL PRIORITY
NZ Transport Agency	State Highway 2 Napier to Gisborne Programme Business Case	153,900	153,900	51,300	-	-	M, -	H	1
NZ Transport Agency	SH2 Wairoa to SH5 Napier Safety Management. Deliver safer corridor treatments or speed managed to within safe system limits. Forms one of the Safe Roads Alliance corridors. Detailed Business Case, Pre-Implementation and Implementation.	9,899,715	9,899,715	262,592	530,404	9,106,719	M, 1-2.9	H	1
NZ Transport Agency	SH50 and 50A(HB Expressway) Safer Corridor	11,469,182	11,469,182	610,396	308,319	10,550,467	H, 1-2.9	H	2
Hastings District Council	Bridge Strengthening Programme to cater for heavy vehicles - 50 Max, High Productivity Motor Vehicles and new Vehicle Dimension and Mass rules.	11,138,080	5,635,510	1,084,000	2,151,670	2,399,840	M, BCR 5-5.9	H	2
NZ Transport Agency	SH2 Takapau to Hastings Safer Corridor. Deliver safer corridor treatments or speed managed to within safe system limits. Forms one of the Safe Roads Alliance corridors	22,938,363	22,938,363	608,447	1,228,984	21,100,932	M, 0-0.9	H	3
NZ Transport Agency	State Highway 5 Napier to Taupo Programme Business Case	205,200	205,200	-	205,200	-	M, -	M	4

26

» 8.3 FULL LIST OF ACTIVITIES FOR 2018-21

This sections sets out the full list of transport activities proposed for the region.

ORGANISATION	PROJECT NAME AND DESCRIPTION	MAIN OBJECTIVE OR POLICY CONTRIBUTION	TOTAL PROJECT COST	TOTAL COST 3 YEARS 18-21 \$	COST 18-19 \$	COST 19-20 \$	COST 20-21 \$	COMMENT
Central Hawke's Bay District Council	Maintenance, Operations and Renewals Programme 2018-21 - Maintenance, operation and renewal of local roads.	1,2,a,g	33,983,204	33,983,204	11,019,223	11,317,628	11,646,353	
Central Hawke's Bay District Council	Low-Cost/Low-Risk Improvements programme 2018-21. Construction/implementation of low-cost/low-risk improvements to the transport system to a maximum total cost for approval per project of \$1,000,000.	2,h,r,t, x, y	3,850,000	3,850,000	1,500,000	1,350,000	1,000,000	
DOC (Hawke's Bay)	Low-Cost/Low-Risk Improvements programme 2018-21. Construction/implementation of low-cost/low-risk improvements to the transport system to a maximum total cost for approval per project of \$1,000,000.	2,h	100,000	100,000	-	-	100,000	
DOC (Hawke's Bay)	Maintenance, Operations and Renewals Programme 2018-21 - Maintenance, operation and renewal of special purpose roads.	2,g.	264,918	264,918	77,237	77,237	110,444	
Hawke's Bay Regional Council	Public Transport Programme 2018-21 - bus services, Total Mobility services, service promotion , bus seats and shelters etc.	3,l,j,k,l	11,108,522	11,108,522	3,589,478	3,706,247	3,812,797	
Hawke's Bay Regional Council	Regional Bus Ticketing Solution	3,l,j,k	451,926	451,926	139,220	156,353	156,353	
Hawke's Bay Regional Council	Regional Land Transport Planning Management 2018-21	1,2,3,4,5,6,7,8	1,075,903	285,331	87,589	95,000	102,742	

8.0 REGIONAL PROGRAMME OF ACTIVITIES (CONTINUED)

» 8.3 FULL LIST OF ACTIVITIES FOR 2018-21 (CONTINUED)

ORGANISATION	PROJECT NAME AND DESCRIPTION	MAIN OBJECTIVE OR POLICY CONTRIBUTION	TOTAL PROJECT COST	TOTAL COST 3 YEARS 18-21 \$	COST 18-19 \$	COST 19-20 \$	COST 20-21 \$	COMMENT
Hawke's Bay Regional Council	Heretaunga Plains Transport Model update	1,3,5,6	75,000	75,000	37,500	37,500	-	
Hawke's Bay Regional Council	Road Safety Promotion, Education and Advertising 2018-21.	7,z	1,323,468	1,323,468	441,156	441,156	441,156	
Napier City Council	Maintenance, Operations and Renewals Programme 2018-21. Maintenance, operation and renewal of local roads.	1,2,a,g	19,703,844	19,703,844	7,041,378	6,589,120	6,073,346	
Napier City Council	Low-Cost/Low-Risk Improvements programme 2018-21. Construction/implementation of low-cost/low-risk improvements to the transport system to a maximum total cost for approval per project of \$1,000,000.	1,2,4,8,h,c,o,p,q,x,y	10,000,000	10,000,000	3,855,000	3,740,000	3,405,000	
Napier City Council	SH2 - Watchman Road - HB Airport Intersection upgrade.	1,8,b,c,d,y	2,818,306	20,389	20,389	-	-	Committed activity, with expected completion in 2018-19.
Napier City Council	Heretaunga Plains Transport Model update	1,3,5,6	75,000	75,000	37,500	37,500	-	
Wairoa District Council	Low-Cost/Low-Risk Improvements 2018-21 (Local Roads). Construction/implementation of low-cost/low-risk improvements to the transport system to a maximum total cost for approval per project of \$1,000,000.	2,h,i,r,t,x,y	8,158,332	8,158,332	2,955,000	2,576,000	2,626,666	
Wairoa District Council	Low- Cost/Low-Risk Improvements (Special Purpose Roads). Construction/implementation of low-cost/low-risk improvements to the transport system to a maximum total cost for approval per project of \$1,000,000.	2,x,y	325,000	325,000	150,000	100,000	75,000	

ORGANISATION	PROJECT NAME AND DESCRIPTION	MAIN OBJECTIVE OR POLICY CONTRIBUTION	TOTAL PROJECT COST	TOTAL COST 3 YEARS 18-21 \$	COST 18-19 \$	COST 19-20 \$	COST 20-21 \$	COMMENT
Wairoa District Council	Maintenance, Operations and Renewals Programme 2018-21. Maintenance, operation and renewal of local roads.	2,g.	24,768,529	24,768,529	8,024,281	7,871,143	8,873,105	
Wairoa District Council	Maintenance, Operations and Renewals Programme 2018-21 (Special Purpose Roads).	2,g.	1,902,305	1,902,305	783,112	544,525	574,668	
Hastings District Council	Maintenance Operations and Renewals Programme - Maintenance, operation and renewal of local roads.	2,g.	63,388,193	63,388,193	20,637,369	21,108,114	21,642,710	
Hastings District Council	Whakatu Arterial Link The Whakatu Arterial Link will improve access for freight and enhance supply chain efficiency from the growing industrial area at Whakatu, along the Expressway to the Port of Napier, while improving deaths and serious injury crash risks.	1,8,b,c,d,y	17,732,752	2,809 034	2,809 034	-	-	Committed activity, with expected completion in 2018-19.
Hastings District Council	Network Operation Plans 2018-21. Area-wide corridor studies to develop network operation plans.	1,2,3,4,5	123,600	123,600	40,000	41,200	42,400	
Hastings District Council	Investment Management Business Case –Transportation Modelling and Activity Management Planning. Resilience study, contribution to update of Heretaunga Plains transport model, model update and other asset management tasks.	1,2,3,5,6,8	1,429,287	634,770	205,000	343,170	86,600	

29

8.0 REGIONAL PROGRAMME OF ACTIVITIES (CONTINUED)

» 8.3 FULL LIST OF ACTIVITIES FOR 2018-21 (CONTINUED)

ORGANISATION	PROJECT NAME AND DESCRIPTION	MAIN OBJECTIVE OR POLICY CONTRIBUTION	TOTAL PROJECT COST	TOTAL COST 3 YEARS 18-21 \$	COST 18-19 \$	COST 19-20 \$	COST 20-21 \$	COMMENT
Hastings District Council	Bridge Strengthening Programme to cater for heavy vehicles - 50 Max, High Productivity Motor Vehicles and new Vehicle Dimension and Mass rules. Understrength bridges are causing lack of accessibility and resilience to support the efficient movement of freight on the roading network. The loading restrictions on a number of bridges (especially those present on key freight routes) will hinder economic growth and productivity.	2,h	11,138,080	5,635,510	1,084,000	2,151,670	2,399,840	
Hastings District Council	Low-Cost/Low-Risk Improvements. Construction/implementation of low-cost/low-risk improvements to the transport system to a maximum total cost for approval per project of \$1,000,000.	1,b,c,2,h,r,t,x,y	11,368,599	11,368,599	3,610,550	3,718,866	4,003,183	
Hastings District Council	iWay Cycling Programme - construction of new cycleways and paths, connections to the regional cycling network, promotion and community engagement.	4,m,n,o,p,q,	4,404,950	4,404,950	1,440,000	1,482,350	1,482,600	
Hastings District Council	North-Eastern Connector .New connection between Pakowhai/Evenden Road intersection and Karamu Road.	1,b,c,d	10,984,000	-	50,000	-	-	Investigation funding only during 2018-21 period.

31

8.0 REGIONAL PROGRAMME OF ACTIVITIES (CONTINUED)

» 8.3 FULL LIST OF ACTIVITIES FOR 2018-21 (CONTINUED)

ORGANISATION	PROJECT NAME AND DESCRIPTION	MAIN OBJECTIVE OR POLICY CONTRIBUTION	TOTAL PROJECT COST	TOTAL COST 3 YEARS 18-21 \$	COST 18-19 \$	COST 19-20 \$	COST 20-21 \$	COMMENT
NZ Transport Agency	SH2 Pakipaki to Waipukurau Safety Improvements. This is to implement various options of safety improvements along the 38km SH2 corridor through combination of shoulder widening, side barriers, median barrier, pole removal and a 2.1km road realignment south of College Road. The focus of improvements is within areas of 80km/hr min. speed limit between the Pakipaki roundabout and Waipukurau.	8,x,y	18,147,986	13,440,852	13,440,852	-	-	Committed activity, with expected completion in 2018-19.
NZ Transport Agency	SH2 Wairoa to SH5 Napier Safety Management . Deliver safer corridor treatments or speed managed to within safe system limits. Forms one of the Safe Roads Alliance corridors. Detailed Business Case, Pre-Implementation and Implementation.	8,x,y	9,899,715		262,592	530,404	9,106,719	
NZ Transport Agency	Low Cost/Low Risk Improvements 2018-21. Construction/implementation of low-cost/low-risk improvements to the transport system to a maximum total cost for approval per project of \$1,000,000.	1,8,b,c,d,x,y	17,805,000	12,996,991	4,242,953	4,339,669	4,414,369	
NZ Transport Agency	SH2 Takapau to Hastings Safer Corridor. Deliver safer corridor treatments or speed managed to within safe system limits. Forms one of the Safe Roads Alliance corridors	8,x,y	22,938,363	22,938,363	608,447	1,228,984	21,100,932	

ORGANISATION	PROJECT NAME AND DESCRIPTION	MAIN OBJECTIVE OR POLICY CONTRIBUTION	TOTAL PROJECT COST	TOTAL COST 3 YEARS 18-21 \$	COST 18-19 \$	COST 19-20 \$	COST 20-21 \$	COMMENT
NZ Transport Agency	State Highway 2 Napier to Gisborne Programme Business Case. Part of the Opotiki to Napier Programme Business Case.	1,8,b,c,d,x,y	153,900	153,900	51,300	-	-	This work is commencing in 2017-18. Part of the Opotiki to Napier Programme Business Case.
NZ Transport Agency	Bay View to Hawke's Bay Airport Passing Lanes	1,b,d,8,x,y	3,591,000	3,350,916	3,350,916	-	-	
NZ Transport Agency	State Highway 5 Napier to Taupo - Programme Business Case.	1,8,b,c,d,x,y	205,200	205,200	-	205,200	-	
NZ Transport Agency	Weigh Right National – Napier Port.	1, 8,a,x	3,785,940	3,785,940	36,115	1,949,400	1,800,425	
The following activities have been programmed but are scheduled to commence outside the 2018-21 period of this RLTP								
NZ Transport Agency	Regional Economic Development Strategy: Feasibility Study for a Napier to Gisborne Cycleway.		2,905,029	-	-	-	-	Scheduled for 2023-26 - outside 2018-21 period of RLTP.
NZ Transport Agency	SH5 Tarawera to SH2 Safer Corridor. Safer Corridor treatments to reduce motorcyclist road trauma. This project is within the High Risk Motorcycle Routes programme. This corridor is also in the proposed new Safe Roads Alliance corridors.	8,x,y	4,484,141		-	-	-	Scheduled for 2021-24. Outside 2018-21 period of RLTP.
NZ Transport Agency	State Highway 2 Inter-Regional Connections Opotiki to Napier. Implementation.		\$4,367,490	-	-	-	-	Scheduled for 2021 25. Outside 2018-21 period of RLTP
NZ Transport Agency	SH38 Wairoa to Murupara: Detailed Business Case, Pre-Implementation, Implementation.		\$8,101,643	-	-	-	-	Scheduled for 2023 28. Outside 2018-21 period of RLTP

8.0 REGIONAL PROGRAMME OF ACTIVITIES (CONTINUED)

» 8.4 TEN YEAR FORECAST BY ACTIVITY CLASS (\$)

INVESTMENT MANAGEMENT (INCLUDING TRANSPORT PLANNING)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 YEAR TOTAL	FINANCIAL ASSISTANCE RATE	NLTF OR CROWN SHARE	LOCAL SHARE
Central Hawke's Bay District Council	-	-	-	-	-	-	-	-	-	-	-	60%	-	-
DOC (Hawke's Bay)	-	-	-	-	-	-	-	-	-	-	-	51%	-	-
Hastings District Council	45,090	74,799	121,652	325,000	223,130	86,600	169,100	137,100	219,257	192,400	1,594,128	54%	860,829	733,299
Hawke's Bay Highway & Network Operations	165,782	32,418	-	-	-	-	-	-	-	-	198,200	54%	107,028	91,172
Hawke's Bay Regional Council	71,872	82,286	110,042	125,089	132,500	102,742	89,341	91,127	104,797	94,701	1,004,497	51%	512,293	492,204
Napier City Council	-	-	130,000	50,000	80,000	80,000	-	-	-	-	340,000	51%	173,400	166,600
Wairoa District Council	-	50,000	-	-	-	-	-	-	-	-	110,000	72%	79,200	30,800
LOCAL ROAD IMPROVEMENTS	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 YEAR TOTAL	FINANCIAL ASSISTANCE RATE	NLTF OR CROWN SHARE	LOCAL SHARE
Central Hawke's Bay District Council	298,958	297,345	300,571	1,500,000	1,350,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	8,746,874	60%	5,248,124	3,498,750
DOC (Hawke's Bay)	-	-	-	-	-	100,000	-	-	-	-	100,000	51%	51,000	49,000
Hastings District Council	3,436,753	8,901,670	11,158,422	3,610,550	3,718,866	4,039,183	4,660,950	4,789,232	4,917,515	5,394,960	54,628,101	54%	29,499,174	25,128,926
Hawke's Bay Regional Council	-	-	-	-	-	-	-	-	-	-	-	51%	-	-
Napier City Council	316,231	536,227	6,890,917	3,855,000	2,740,000	3,405,000	2,971,818	3,016,395	3,061,641	3,107,566	29,900,795	51%	15,249,405	14,651,390
Wairoa District Council	317,520	318,814	374,094	3,105,000	2,676,666	2,701,666	1,925,631	2,210,325	2,302,159	2,202,135	18,134,010	72%	14,087,460	5,478,456

LOCAL ROAD MAINTENANCE, OPERATIONS AND RENEWALS	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 YEAR TOTAL	FINANCIAL ASSISTANCE RATE	NLTF OR CROWN SHARE	LOCAL SHARE
Central Hawke's Bay District Council	10,479,329	10,769,891	12,810,112	11,019,223	11,317,628	11,646,353	11,363,673	11,363,673	11,363,673	11,363,673	113,497,228	60%	68,098,337	45,398,891
DOC (Hawke's Bay)	2,291	9,224	102,000	77,237	77,237	110,444	110,445	110,445	110,445	110,445	820,213	51%	418,309	401,904
Hastings District Council	18,303,039	18,337,740	18,282,059	20,637,369	21,108,114	21,642,710	21,227,485	21,864,309	22,520,237	23,195,843	207,118,905	54%	111,844,208	95,274,696
Napier City Council	6,477,410	6,774,849	6,475,558	7,041,378	6,589,120	6,073,346	6,579,358	6,719,686	7,274,411	7,157,522	67,162,638	51%	34,252,945	32,909,692
Wairoa District Council	7,994,293	6,742,708	13,639,004	11,877,393	8,415,668	9,447,773	7,496,188	7,559,075	7,641,854	7,720,766	88,534,722	72%	63,744,999	24,789,722
PUBLIC TRANSPORT	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 YEAR TOTAL	FINANCIAL ASSISTANCE RATE	NLTF OR CROWN SHARE	LOCAL SHARE
Hawke's Bay Regional Council	3,558,579	3,346,057	4,227,981	3,751,374	3,870,301	3,978,331	3,978,257	4,105,746	4,237,539	4,373,608	39,427,773	51%	20,108,164	19,319,608
ROAD SAFETY PROMOTION	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 YEAR TOTAL	FINANCIAL ASSISTANCE RATE	NLTF OR CROWN SHARE	LOCAL SHARE
Hawke's Bay Regional Council	381,268	505,450	499,282	441,156	441,156	441,156	539,847	545,245	550,698	556,205	4,901,281	75%	3,886,125.75	1,295,375
STATE HIGHWAY IMPROVEMENTS	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 YEAR TOTAL	FINANCIAL ASSISTANCE RATE	NLTF OR CROWN SHARE	LOCAL SHARE
Hawke's Bay Highway & Network Operations	2,374,124	4,000,736	7,422,936	24,439,953	7,014,669	5,257,369	6,672,000	7,152,000	18,504,000	7,521,000	90,358,787	100%	90,358,787	-

8.0 REGIONAL PROGRAMME OF ACTIVITIES (CONTINUED)

» 8.4 TEN YEAR FORECAST BY ACTIVITY CLASS (\$)

STATE HIGHWAY MAINTENANCE, OPERATIONS AND RENEWALS	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 YEAR TOTAL	FINANCIAL ASSISTANCE RATE	NLTF OR CROWN SHARE	LOCAL SHARE
Hawke's Bay Highway & Network Operations	16,942,345	13,116,201	11,968,435	14,406,566	16,408,010	17,449,646	20,291,880	20,991,950	21,716,172	18,281,960	171,573,165	100%	171,573,165	-
WALKING AND CYCLING IMPROVEMENTS	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	10 YEAR TOTAL	FINANCIAL ASSISTANCE RATE	NLTF OR CROWN SHARE	LOCAL SHARE
Central Hawke's Bay District Council	-	-	-	191,304	195,513	199,813	54,494	55,802	57,141	58,569	812,636	487,581	325,055	
Hastings District Council	2,094,230	2,230,366	1,285,057	1,440,000	1,488,350	1,494,600	1,600,447	1,644,496	1,688,545	1,732,594	16,698,688	54%	9,017,292	7,681,396
Hawke's Bay Highway & Network Operations	1,923,736	256,602	31,904	-	-	-	-	-	-	-	2,212,245	100%	2,212,245	-
Napier City Council	963,945	917,144	1,562,118	-	-	-	-	-	-	-	3,443,207	51%	1,631,812	1,567,820
Wairoa District Council	-	-	-	325,000	325,000	325,000	325,000	325,000	325,000	325,000	2,275,003	72%	1,638,002	637,001

9.0 REGIONALLY SIGNIFICANT EXPENDITURE ON LAND TRANSPORT ACTIVITIES TO BE FUNDED FROM SOURCES OTHER THAN THE NATIONAL LAND TRANSPORT FUND

» In February 2018, \$5 million was allocated from the Provincial Growth Fund for the reinstatement of the Napier-Wairoa rail line for log freight to Napier Port. Improvements to the Napier-Wairoa corridor and increasing the use of rail for freight are priorities for the region.



37

10.0 ACTIVITIES OF INTER-REGIONAL SIGNIFICANCE

» The LTMA requires the Regional Transport Committee to identify activities of inter-regional significance in the RLTP. The Committee considers the following activities to be of inter-regional significance.

ACTIVITY	REASON FOR INTER-REGIONAL SIGNIFICANCE
Manawatu Gorge Replacement	The Manawatu Gorge links Hawke's Bay with the major freight hub of Palmerston North in the Horizons region and is classified as a national route under the One Network Road Classification. Although alternatives to the Manawatu Gorge exist, these provide a substantially lower level of service and result in higher vehicle operating costs. An efficient and resilient replacement for the Manawatu Gorge is urgently required.
HB Expressway Pakowhai and Links Road Intersection Improvement (Committed Activity)	This intersection is a safety and efficiency pinch point on the key strategic link between the Hawke's Bay Region and the Horizons (Manawatu-Wanganui) region. The Palmerston North-Manawatu area is increasingly functioning as a freight hub, and tonnages of freight between the Manawatu and the Hawke's Bay Region increasing.
High Productivity Motor Vehicle Improvements Tranche 2 (SH2 between the Port of Napier and the boundary with the Horizons Region) (Committed Activity)	These improvements will remove impediments to the use of HPMV's between the Hawke's Bay Region and the Horizons Region, in particular the freight hubs of the Palmerston North – Manawatu area. The Saddle Road across the Tararua Ranges is suitable for HPMV use. Once bridge structures in the Hawke's Bay Region are strengthened, HPMV use will be possible on this nationally strategic link.
HB Expressway Safety Treatments (Committed Activity)	The HB Expressway forms part of the key strategic link between Napier Port and the Horizons Region. The Palmerston North - Manawatu sub area is increasingly functioning as a freight hub, and tonnages of freight between the Manawatu and the Hawke's Bay region are increasing. It is important that the HB Expressway functions safely and efficiently.
Upgraded Strategic Routes for HPMV capability in the Horizons region	The lower Horizons area acts as a freight hub and logistics centre for the lower North Island, and HPMV entrance capability will ensure that the benefits of HPMV routes to and from the Hawke's Bay Region can be maximised.
SH2 Manawatu Hill Realignment in the Horizons region	Safety black spot with a history of crashes. Improved alignment with a passing lane in both directions. Realignment will allow for travel time savings for freight between Horizons region and Hawke's Bay Region.
SH2 Napier to Gisborne- Programme Business Case	This forms part of a business case for the SH2 route between Opotiki and Napier, traversing parts of the Bay of Plenty region and Gisborne district. Safety, resilience and travel time improvements on SH2 north are a high priority for the Hawke's Bay region, particularly in light of projected increases in forest harvests, increased tourism and for economic development in Wairoa District.
SH5 Napier to Taupo Programme Business Case	This is an important tourism and freight route for both the Hawke's Bay and Waikato regions. The Programme Business Case will determine the long-term strategy for managing this regional route.

11.0 ASSESSMENT OF THE RELATIONSHIP OF POLICE ACTIVITIES TO THE REGIONAL LAND TRANSPORT PLAN

» There are a number of programmes that fall outside of the scope of the RLTP yet play a key role in the regional road safety effort; the most significant of which is the road-policing programme. Police enforcement is central to the delivery of a regional safe system response to road safety. Police collaborate with stakeholders across the region in accordance with the road safety policy directives of Safer Journeys, the National Road Policing Plan and District Road Safety Action Plans. Whilst the funding for road policing comes directly from national sources, regional policing activity is planned and implemented alongside the road safety programmes contained within the RLTP. Police use an evidence-based

approach to influence road user behaviour through risk-targeted, general and specific deterrence enforcement strategies.

Police are involved in regional road safety strategy and planning; road safety promotion and the delivery of roadside education and work collaboratively with RoadSafe Hawke's Bay to address the top priority road safety issues in Hawke's Bay – these have been identified as young drivers, drink drivers, speed, loss of control on rural roads and motorcycle crashes. These issues have been identified in the NZ Transport Agency data reports and NZ Police statistic reports.

Enforcement operations are coordinated with other regional road safety initiatives such as education to ensure that all activities are appropriately timed and achieve maximum impact.

RoadSafe Hawke's Bay is run under the umbrella of HBRC and reports to the Regional Transport Committee.



Police enforcement is central to the delivery of a regional safe system response to road safety.



12.0 ACTIVITIES APPROVED UNDER SECTION 20 OF THE LTMA BUT NOT YET COMPLETED

APPROVED ORGANISATION	PROJECT NAME	PHASE	STATUS
Hastings District Council	Whakatu Arterial Link 2012/15	Construction	Funding Approved
Hawke's Bay Highway & Network Operations	HB Expressway Pakowhai & Links Rd Intersection	Construction	Funding Approved
Hawke's Bay Highway & Network Operations	HB Expressway Safety Treatments	Implementation	Funding Approved
Hawke's Bay Highway & Network Operations	SH2 Pakipaki to Waipukurau	Implementation	Funding Approved
Napier City Council	SH2 Watchman Rd, HB Airport Intersection (Watchmen Road Upgrade)	Construction	Funding Approved
Hawke's Bay Regional Council	Regional Bus Ticketing Solution	Implementation	Funding Approved
NZ Transport Agency	Weigh Right Napier Port	Property, Implementation	Funding Approved

13.0 ACTIVITIES TO BE VARIED, SUSPENDED OR ABANDONED

» There are no known activities to be varied, suspended or abandoned

14.0 MONITORING OF THE PLAN

- » Monitoring of the plan will be undertaken annually in the first six months after the close of each financial year. A report will be prepared for the Regional Transport Committee outlining:
- (a) The progress of programmed activities during the year – expenditure, timing, scope changes, inclusion of any new activities, deletion or cessation of existing activities.
 - (b) The performance of the Hawke’s Bay land transport system against the following criteria, using the 2014-15 year as the base year:
 - Annual average daily traffic (AADT) at key locations on the strategic network
 - Annual passenger kilometres travelled on the Napier-Hastings bus network
 - Travel time reliability on the Hawke’s Bay Expressway, where available from the NZ Transport Agency
 - Number of heavy vehicles as a percentage of overall AADT on the Hawke’s Bay Expressway
 - Serious and fatal crashes in Hawke’s Bay
 - Number of cyclists at key locations on the on-road and off-road cycle networks.

15.0 SUMMARY OF CONSULTATION CARRIED OUT IN THE PREPARATION OF THIS PLAN

- » The plan was prepared in 2014-15 by the Regional Transport Committee in consultation with key advisory members representing a number of transport stakeholder organisations. It underwent a full public consultation process between December 2014 and February 2015, followed by the hearing of and deliberation on submissions. The final plan was adopted by the Regional Council on 30 April 2015.
- A mid-term review of the plan was undertaken by the Regional Transport Committee in 2017-18, and will be circulated to key stakeholder groups for their comment before adoption by the Regional Council by 30 June 2018.

16.0 GLOSSARY

TERM/ACRONYM	MEANING
Activity Class	A grouping of similar transport activities into 10 categories for which funding ranges are established as set out in the Government Policy Statement on Land Transport
Approved Organisations	Organisations eligible to receive funding from the NZ Transport Agency for land transport activities. Approved organisations are defined in the Land Transport Management Act 2003 as including regional councils, territorial authorities or a public organisation approved by the Governor General (by Order in Council).
FAR	Funding assistance rate
GPS	Government Policy Statement on Land Transport Funding 2015. A government policy statement issued under section 66 of the Land Transport Management Act 2003 which sets out the Government's direction and funding priorities for 6 financial years
HPMV	High Productivity Motor Vehicle. A longer or heavier (greater than 44 tonnes) truck that must travel on a specified route permitted by all relevant road controlling authorities.
Local Roads	Any road, other than a state highway. Local roads are under the control of a territorial authority
Long Term Plan	The 10 year community plan (formerly known as the Long Term Council Community Plan) produced by regional and territorial authorities under the Local Government Act 2002.
LTMA	Land Transport Management Act 2003. The main statutory framework for land transport planning and funding in New Zealand
NLTF	National Land Transport Fund. A dedicated fund established under the Land Transport Management Act 2003 to pay for land transport activities.
NLTP	National Land Transport Programme. The programme established for the prioritisation and distribution of the National Land Transport Fund.
RLTS	Regional Land Transport Strategy
RTC	Regional Transport Committee. A Regional Transport Committee is established under section 13 of the LTMA to prepare, on the regional council's behalf, the regional land transport plan. The Committee has representation from Hawke's Bay Regional Council, territorial authorities within the region, and the NZ Transport Agency.
SH	State highway. A road managed by the NZ Transport Agency
50MAX	Trucks with one more axle than conventional 44 tonne vehicles. The overall truck load is spread further, enabling more freight to be carried per vehicle.



APPENDIX A

» ASSESSMENT OF RLTP COMPLIANCE WITH SECTIONS 14 AND 16 OF THE LTMA

LTMA SECTION	DESCRIPTION	ASSESSMENT OF COMPLIANCE
14 (a)(i)-(ii)	The RTC must be satisfied that the regional land transport Plan: (i) contributes to the purpose of the Act; and (ii) is consistent with the GPS on land transport	<p>The purpose of the Act is to contribute to an effective, efficient and safe land transport system in the public interest.</p> <p>Sections 7 and 8 set out the region's transport priorities, objectives and measures which are aimed principally at improving the efficiency, safety and the social wellbeing of our community.</p> <p>The draft GPS 2018 has key strategic priorities of safety and access, with supporting priorities of value for money and environment</p> <p>This draft RLTP targets investment in improved road safety, resilient access for freight and residents , and aims to maximise the use of existing networks and services, in order to deliver the best value for money and minimise environmental effects.</p>
14 (b)(i) – (ii)	The RTC must have considered (i) alternative regional land transport objectives that would contribute to the purpose of this Act; (ii) the feasibility and affordability of those alternative objectives.	<p>This RLTP follows closely the strategic direction set in the Regional Land Transport Strategy 2012-42, in which a number of strategic options for achieving the region's goals were considered. In considering the strategic objectives set out in this Plan, the RTC considered a number of alternatives.</p>
14(c)(i)-(iii)	The RTC must have taken into account any (i) national energy efficiency and conservation strategy; and (ii) relevant national policy statements and any relevant regional policy statements or plans that are for the time being in force under the Resource Management Act 1991; and (iii) likely funding from any source.	<p>The region supports and promotes the adoption of High Productivity Motor Vehicles and has focussed resources in this RLTP on achieving greater HPMV capability in the region. The RLTP also supports the provision of an efficient public transport system to facilitate social development and stimulate transport mode change, particularly for commuting between the region's two cities. The development of an extensive cycling network in Hawke's Bay and cycling education and promotion is also supported in this plan. This is consistent with the NZEECS transport objective of "a more energy efficient transport system".</p> <p>The RLTP is consistent with the Regional Policy Statement objective to " achieve the integrated sustainable management of the natural and physical resources of the Hawke's Bay region, while recognising the importance of resource use activity in Hawke's Bay, and its contribution to the development and prosperity of the region", as efficient transport links support resource use activity.</p> <p>Section 8.4 sets out anticipated funding sources.</p>

APPENDIX A (CONTINUED)

LTMA SECTION	DESCRIPTION	ASSESSMENT OF COMPLIANCE
16(1)	The Regional Land Transport Plan sets out the region's land transport objectives, policies and measures for the 10 financial years from the start of the Plan.	Section 6 sets out objectives and policies for the ten financial years from the start of the Plan. Section 8 sets out the measures which will be used to achieve the objectives.
16(2)(a)	The Regional Land Transport Plan includes a statement of transport priorities for the 10 financial years from the start of the Plan	Section 6 contains a statement of transport priorities
16(2)(c) and (d)	The Regional Land Transport Plan includes: all regionally significant expenditure to be funded from sources other than the NLTF and an identification of those activities that have inter-regional significance.	Section 9 identifies all regionally significant expenditure to be funded from sources other than the NLTF. Section 10 identifies activities that have inter-regional significance.
16(3)(a), 16(c)(i)-(ii)	A regional land transport plan must contain, for the first 6 financial years to which the plan relates, activities proposed by approved organisations in the region relating to local road maintenance, local road renewals, local road minor capital works, and existing public transport services; A regional land transport plan must contain activities proposed by approved organisations in the region other than those activities specified in paragraphs (a) ; and <ul style="list-style-type: none"> • (ii) activities relating to State highways in the region that are proposed by the Agency; and • (iii) activities, other than those relating to State highways, that the Agency may propose for the region and that the Agency wishes to see included in the regional land transport plan; 	Section 8 sets out all activities proposed by approved organisations in the region.
16(3)(d)	d) the order of priority of the significant activities that a regional transport committee includes in the regional land transport plan	Section 8.2 sets out the priority order of significant projects that the RTC has included in the RLTP.

LTMA SECTION	DESCRIPTION	ASSESSMENT OF COMPLIANCE
16(3)(e)(i)-(v) and 3(f)	<p>an assessment of each activity prepared by the organisation that proposes the activity that includes:</p> <p>(i) the objective or policy to which the activity will contribute; and</p> <p>(ii) an estimate of the total cost and the cost for each year; and</p> <p>(iii) the expected duration of the activity; and</p> <p>(iv) any proposed sources of funding other than the national land transport fund (including, but not limited to, tolls, funding from approved organisations, and contributions from other parties); and</p> <p>(v) any other relevant information; and</p> <p>(f) the measures that will be used to monitor the performance</p>	<p>The activities table in Section 8.3 contains this information</p> <p>Section 14 sets out how the plan will be monitored.</p>
16(6)(b)	The Regional Land Transport Plan must contain an assessment of the relationship of Police activities to the RLTP.	Section 11 contains this assessment.
16(6)(c)	The Regional Land Transport Plan must contain a list of activities that have been approved under s20 but not yet completed.	Section 12 contains this information.
16(6)(f)	The Regional Land Transport Plan must contain a description of how monitoring will be undertaken to assess implementation of the Plan.	Section 14 contains this information.
16(6)(g)	The Regional Land Transport Plan must contain a summary of the significance policy adopted by the RTC.	This is contained in Appendix B.
16(6)(h)	The Regional Land Transport Plan may include any other relevant matters.	The plan addresses all matters specified by the LTMA and any additional matters are considered to be "other relevant matters".

APPENDIX B

» SIGNIFICANCE POLICY

» 1. PURPOSE OF THE POLICY

Section 106(2) of the Land Transport Management Act 2003 (the Act) requires the Regional Transport Committee (RTC) to adopt a policy that determines significance in respect of

- the activities that are included in the regional land transport plan under section 16 of the Act; and
- variations made to regional land transport plans under section 18D of the Act.

» 2. APPLICATION OF THE POLICY

The policy will be used in the following ways

- To determine which activities are significant for the purposes of prioritisation in the plan.(Section 16(3)(d) requires the RTC to determine the order of priority of significant activities that it includes in the plan.)
- To determine inter-regional significance.(Section 16(2)(d) requires the RTC to identify any activities that have inter-regional significance)
- To identify regionally significant expenditure from other sources.(Section 16(2)(c) requires the plan to include all regionally significant expenditure on land transport activities to be funded from other sources.

- To determine whether a variation to the plan is significant and therefore must be consulted on.

(Section 18D requires that significant variations to the plan undergo a public consultation process)

» 3. DETERMINATION OF A SIGNIFICANT ACTIVITY FOR PRIORITISATION

For the purpose of section 16(3)(d) of the Act, a significant activity is any activity put forward by an approved organisation (including the NZ Transport Agency) that:

- is a large new improvement project that is greater than or equal to \$5 million in total value (including property purchase) or
- is an improvement activity greater than or equal to \$5 million in total value that has a high level of risk; or
- any activity that is not consistent with NZTA's Planning and Investment Principles; or
- any other activity that the RTC considers to be regionally significant.

For clarity, a large new improvement project excludes:

- committed activities (existing commitments arising from approved activities)
- business as usual activities - local road and state highway maintenance and renewals, local road and state highway minor capital works (<\$5 million) and existing public transport services
- other activities costing less than \$5 million

» 4. DETERMINATION OF INTER-REGIONAL SIGNIFICANCE

- For an activity to have inter-regional significance under section 16(2)(d) it must:
- meet the criteria for a significant activity outlined in this policy; and
- impact on inter-regional connections; and/or
- require cooperation with other regions

» 5. DETERMINATION OF REGIONALLY SIGNIFICANT EXPENDITURE FROM OTHER SOURCES

For the purposes of Section 16(2)(c), regionally significant expenditure from sources other than the national land transport fund is any expenditure greater than \$5 million on individual transport activities, (whether the activities are included in the Plan or not) including

- financial expenditure by Approved Organisations
- in-kind donations of goods and/or services
- third party contributions.

» 6. DETERMINATION OF SIGNIFICANCE OF A VARIATION

The Regional Land Transport Plan can be varied at any time, once operative. In accordance with section 18D of the Act, consultation will be required on a variation if the variation is significant. Certain activities do not require a variation to the Regional Land Transport Plan (Section 18D of the Act). Activities proposed by an approved organisation relating to:

- local road maintenance
- local road renewals
- local road minor capital works; and
- existing public transport services

The RTC has adopted the following definition to determine when a variation to the Regional Land Transport Plan is significant and must therefore undergo consultation.

All variations to the Regional Land Transport Plan other than the following are considered to be significant for the purposes of consultation:

- Activities that are in the urgent interest of public safety; or
- New preventative maintenance and emergency reinstatement activities; or
- The new activity has been previously consulted on and meets funding approval provisions in accordance with sections 18 and 20 of the Act; or
- A scope change that does not significantly alter the original objectives of the project – to be determined by the RTC; or
- Variations to timing, cash flow or total cost for improvement projects
- Replacement of activities within an approved programme (eg maintenance programme) or group with activities of the same type and general priority; or
- A change to the duration and/or order of priority of the activity that does not substantially change the balance of the programme.



Item 8

Attachment 1



For further information visit www.hbrc.govt.nz or call 06 835 9200

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