

Hawke's Bay Regional Council

Long Term Plan 2015-25

Part 7 | Related Information

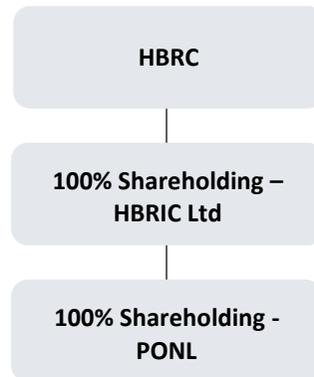
Part 7 : Related Information

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Introduction

In February 2012 Hawke's Bay Regional Council (HBRC) established a Council Controlled Trading Organisation in 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).



On 25 March 2015 HBRC resolved to re-appoint the current HBRIC Ltd Directors as Directors of HBRIC Ltd until the earlier of 30 June 2016 or 60 days post-Financial Close of the Ruataniwha Water Storage Scheme (RWSS).

The current directors of HBRIC Ltd are:

- Dr Andy Pearce (Chairman)
- Jim Scotland
- Sam Robinson
- Danelle Dinsdale
- David Faulkner

Policy and Objectives in Relation to Ownership and Control

HBRIC Ltd and PONL are both strategic assets of HBRC as defined by the Local Government Act 2002 and will therefore require a special consultative process if any of the shareholding was to be sold down.

HBRC's objectives in setting up HBRIC Ltd are to:

- Enhance HBRC's capability to manage an active investment policy for its portfolio
- Improve net financial and economic returns from HBRC's investment portfolio
- Provide flexibility of operation and access to financial tools not otherwise available directly to HBRC which would increase returns to HBRC from its ongoing financial management.

Nature and Scope of the Activities to be Provided by HBRIC Ltd

The nature and scope of HBRIC Ltd's activities are to:

- Own and manage the investment assets and liabilities transferred to it by HBRC from time to time
- 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.
- Make new investments and dispose of current investments in pursuit of its objectives in accordance with its Acquisition/Divestment Policy.
- Advise HBRC on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return.

- 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.
- Invest in, and manage, a range of financial and physical assets in accordance with HBRC’s Investment Policy.
- Raise funds for investment by issuing bonds, mortgages, preference shares and other debt instruments (with the approval of HBRC for any sum greater than 5% of the value of HBRIC Ltd) or by reducing its holdings in equity investments in its subsidiary or associated companies.
- 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
- Only invest in, or dispose of, investments, and use all income derived from these activities for Regional Council purposes and functions consistent with HBRC’s Investment Policy.

Key Performance Targets for HBRIC Ltd

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	8%
Return on Shareholders’ Funds	5%
Notes: EBIT = Earnings Before Interest and Tax EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation	

Development of Māori Capacity to Contribute to Decision Making Processes

The following initiatives are in place to develop Māori capacity to contribute to decision-making processes of Hawke’s Bay Regional Council (HBRC).

Regional Planning Committee

Treaty of Waitangi settlements with Hawke’s Bay claimant groups are significant for Hawke’s Bay where they relate to natural resource management and cultural redress. HBRC and the Treaty claimant groups have worked collectively to establish the Joint Regional Planning Committee. This was formally adopted by HBRC in September 2011.

The role of the Regional Planning Committee is to oversee the review and development of the regional policy statement and regional plans for the Hawke’s Bay region, as required under the Resource Management Act 1991. Membership of the committee comprises equal numbers of elected members and Treaty claimant representatives and 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.

Māori Committee

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

The committee consists of 12 Maori members, 3 from each of the 4 rohe (areas) within HBRC boundaries plus 3 councillors.

The committee meets every second month and considers various relevant issues and provides the Council with recommendations taking into account the tangata whenua.

The committee provided a submission on the council’s LTP focusing on further capacity building proposals for tangata whenua involvement in local government. Council considered that submission as part of the LTP deliberations.

Council, in early 2015, resolved to form a working party of councillors and members of both the Maori and Regional Planning committees to seek expressions of interest from appropriate consultants to run a review of Council’s present involvement initiatives with Maori – to consider what is done well and what doesn’t work as well as benchmarking against what other Council’s do. It is expected that a number of changes will be recommended from this process, including how council can best engage with tangata whenua and consequentially, the possible future of the Maori Committee.

The Charter

In 1994 a charter was developed which set out the way in which the committee and HBRC would interact. The Charter was reviewed in June 2011 and includes HBRC’s response to the

Treaty of Waitangi and consultation policy with tangata whenua and specifically how they are to be involved in decision-making processes.

The main points included in the Charter dealing with capacity building for tangata whenua are:

- The Chair of the Maori Committee sits in HBRC meetings as a non-voting participating member
- Nominated members of the Maori Committee are appointed as full committee members of the main committees of council
- A member of the Maori Committee sits on the Regional Transport Committee.

Other Initiatives

Council has continued to forge strong relationships with individual marae communities and hapu groups as well as important relationships with the Treaty claimant groups in the region both inside the Regional Planning Committee and outside of that committee.

The HBRC Executive team and councillors have attended hui 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.

- In recognition that the tāngata whenua of Hawke's Bay and HBRC care deeply about the region and its environment and are committed to working together for its long-term benefit a *Deed of Commitment* has been prepared by all parties in good faith as a measure of that commitment.
- The deed involves meeting quarterly to discuss matters of concern to any party, in addition to the meetings being held under the auspices of the Regional Planning Committee.
- HBRC continues to develop relationships with various Taiwhenua in the region and use the emerging strength of these entities to provide input into Council's decision-making processes;
- A contract has been in place since December 2009 between HBRC and Te Taiwhenua o Heretaunga for the development of a template for hapu management plans and to provide assistance to hapu with the preparation of their management plans.

All of these measures have added to the tangata whenua capacity to contribute to HBRC's decision-making processes. It is considered that these measures are the key components of HBRC's commitment to the development of Māori involvement in decision-making processes and will continue long term. HBRC is always willing to discuss other initiatives that may arise over time.

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Governance Structure

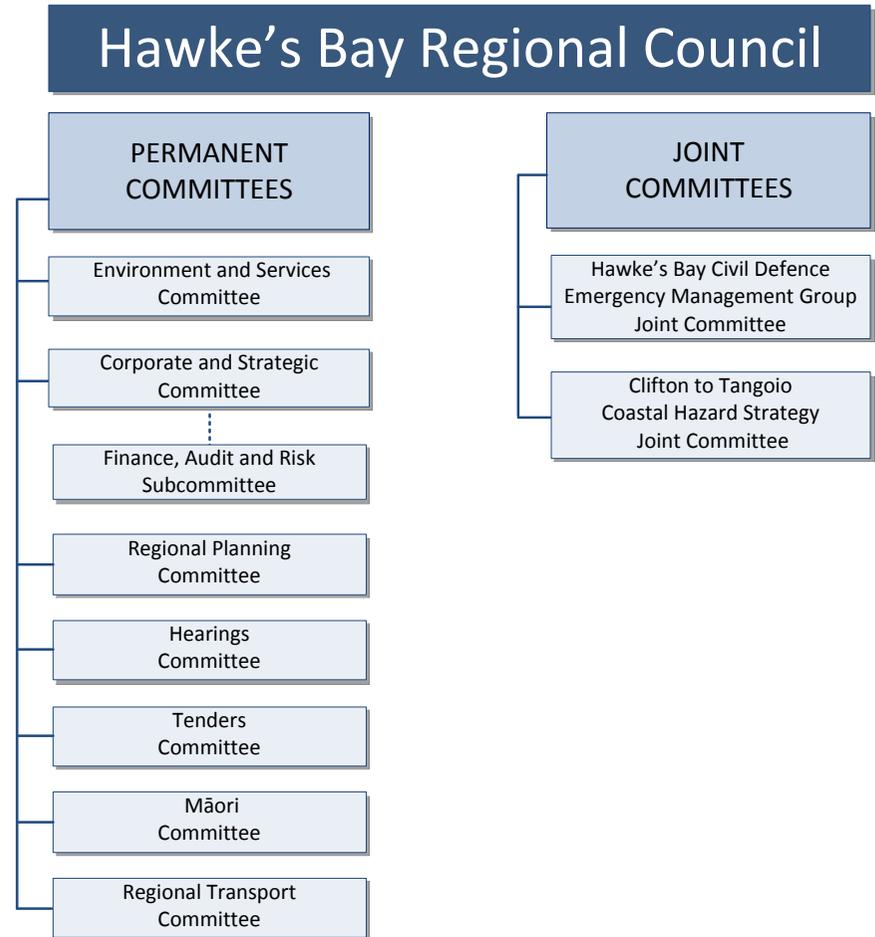
Regional Council and Committee meetings are open to the public, except where items of business specifically exclude the public. Meeting dates and times are published in Hawke’s Bay Today and on Council’s website www.hbrc.govt.nz. Council has established the following committees.

Permanent Committees

- Environment and Services Committee
- Corporate and Strategic Committee
- Finance, Audit and Risk Sub-committee
- Regional Planning Committee
- Hearings Committee
- Tenders Committee
- Maori Committee
- Regional Transport Committee (required by statute)

Joint Committees

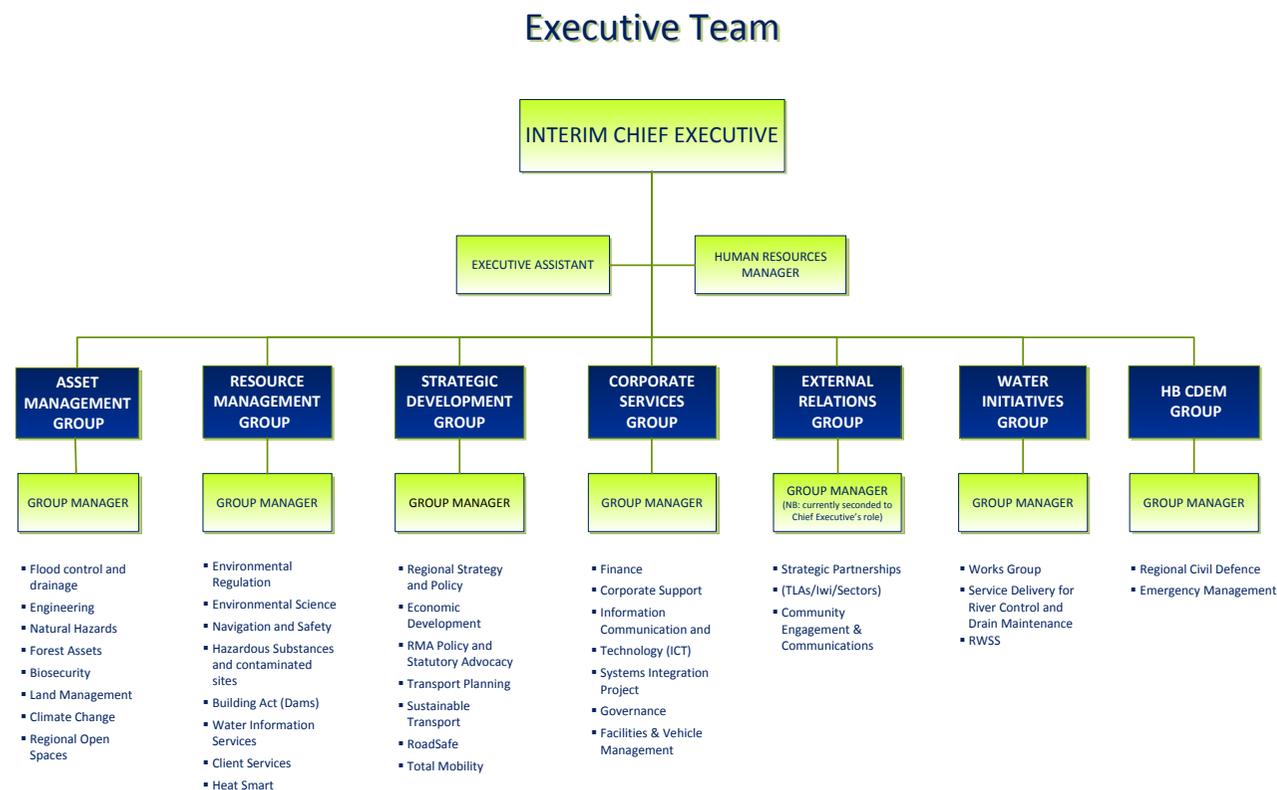
- Hawke’s Bay Civil Defence Emergency Management Group Joint Committee (required by statute)
- Clifton to Tangoio Coastal Hazard Strategy Joint Committee



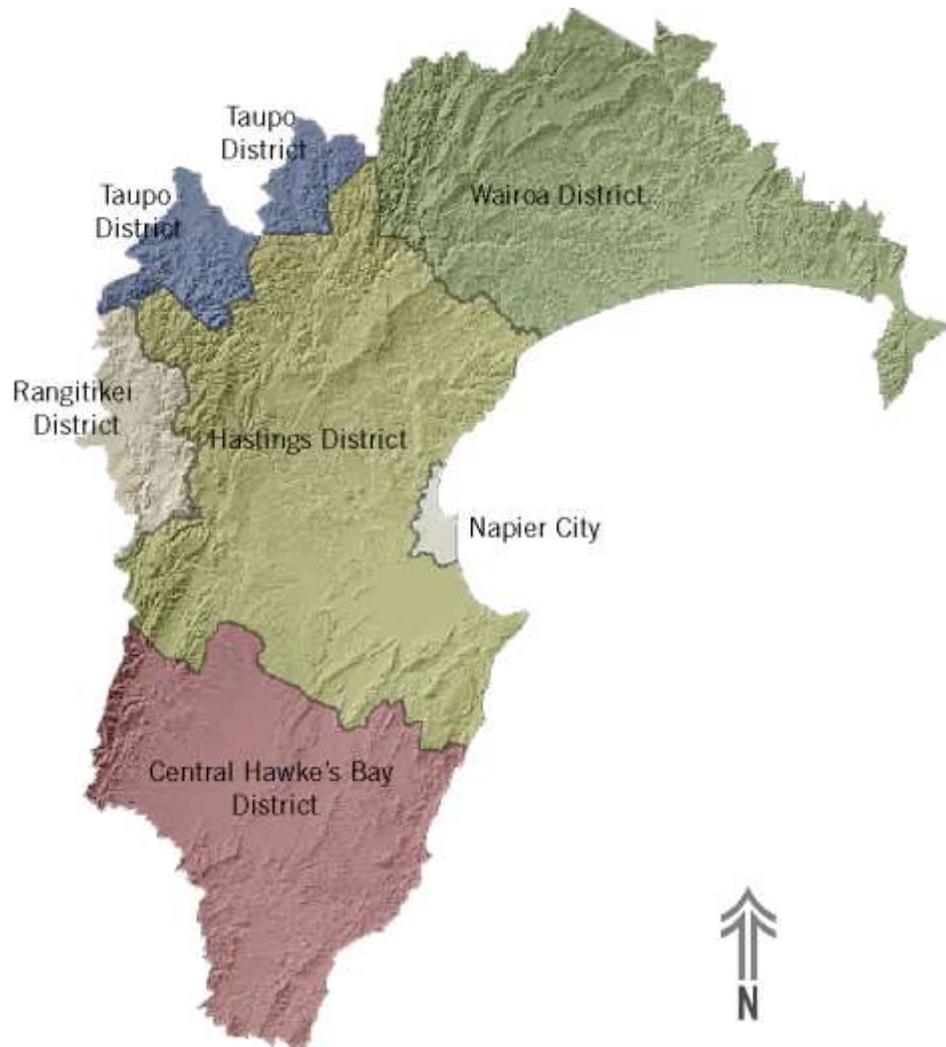
HBRC’s Management

Council is supported by a professional corporate organisation, led by the Chief Executive. Officers provide Council with policy advice and are responsible for implementing Council’s policies to achieve the results Council wants.

The Chief Executive and staff are responsible for managing day-to-day issues and implementing Councils’ decisions and policies. The organisation is structured under seven Groups, each of which is headed by a Group Manager.



The Executive Team comprises the Group Managers of the seven Groups plus the HR Manager (who reports directly to the CE), 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 seven Groups is consistent with Council’s goals and objectives in the Long Term and Annual plans.



Hawke's Bay Region – Profile and Trends Summary

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, tsunamis, 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 HB people

Social Environment

- Regional population currently totals 158,900, has risen by 4,400 or 2.8% since 2009 and is projected to increase to around 167,000 by Year 2026. The Napier-Hastings urban area accounts for 81% of the HB population.
- The 65+ age-group population element projected to increase from the current level of 17% to 23% in 2026, with the median age of the total population rising from 39-42 years.
- Significant population growth of 10% projected over the next decade for the HB Māori population. The Māori population presently accounts for approximately a quarter of the regional total.

- Total households projected to increase by 15% over the next decade. Single-person households projected to increase by 20% and 'couple without children' households by approximately 15%.
- Increase in early childhood education/tertiary education enrolments and higher level educational achievement.
- Health sectors goals in the region include improved health outcomes for Māori, older people, those at risk and with long-term health conditions and vulnerable groups in the community.
- Main housing issues include overcrowding in lower socio-economic areas, substandard housing, significant incidence of cold and damp homes and air quality issues in the winter.
- Fluctuations over time in the level of recorded criminal offending.
- 11% of working-age population currently receiving benefits. Small fall in total beneficiary numbers over the past year. Leading benefit categories are currently jobseeker support and supported living.
- Key cultural services in HB include museums, cultural organisations, heritage buildings, arts and cultural events, important Māori sites and sacred areas, and cultural performance venues.

Economic Environment

- Total economic activity or GDP in HB currently stands at \$6.5B or 3% of national GDP. Overall regional economic activity as measured by the ANZ Bank has been strengthening since 2012 and grew at a rate of 2.3% over the year ending September 2014, compared to 3.7% at the national level. However, the level of activity growth over the period has been significantly below that of a number of other regional parts of NZ as well as the country as a whole.
- HB's largest industries in GDP terms are commercial-business services, rural production, processing and manufacturing, retail-wholesale trade and tourism-hospitality services, health-community services and construction industry services. Industry growth has been strongest over the past 5 years for healthcare and community services, education and training services, business services, and rural production. Industry decline has occurred only in the overall manufacturing sector.

- Port of Napier international export volumes have risen steadily since 2009 and overall by 55%. Import volumes have risen by 54%. The handling of cruise ships visits is an important part of the Port's annual operation as well as overall tourism activity in HB.
- Employment in Hawke's Bay has grown at an annual average rate of approximately 0.5% over the past five years. The leading employing sectors in the region are in order business services, wholesaling/retailing, processing/manufacturing, primary production and health/community services.
- The annual rate of unemployment in the HB (and Gisborne) region stood at 7.3% in Sept 2014, compared to 5.7% nationally. The region had the second highest unemployment rate in the country at that time, after Northland but only slightly higher than Bay of Plenty and Manawatu-Wanganui. The rate of unemployment in the region for the past year was significantly below the previous year and a little bit down on the figures for 2009-2012.
- HB is ranked 12th amongst NZ's 15 regions for the economic standard of living and this indicator has risen by 11% during the past decade, compared to 18% nationally. Whilst still significantly below the national figure, median weekly earnings in HB have nevertheless risen by almost 7% over the past 5 years.
- Annual economic growth in the range 1.5-2.5% is forecast for the HB region over the medium-term. Growth will continue to be most influenced by the economic performance of the region's key primary production and associated processing, manufacturing and servicing industries.

Changes in Population

Since 2009 the Hawke's Bay population has increased by 2.8%, compared to the national increase at 4.8% (led by the Nelson, Auckland and Waikato regions). Hawkes Bay's growth rate over the period places it above the Gisborne, Manawatu-Wanganui, Marlborough, West Coast and Canterbury regions and on par with Southland region. Further information on Hawke's Bay's Economic profile is included in section 6 of this Plan.

Change in Land Use/Economics

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.

Primary production and related processing sectors account for approximately 30% of total regional employment compared to 12% nationally. The HB percentage increases further when all the different industries servicing the rural sector (e.g. specialised manufacturing, energy supply, building construction, wholesale and retailing of rural supplies, Port of Napier and road/rail freight transport, communications and business/financial services) are also taken into account.

The Hawke's Bay economy is underpinned by the private business sectors many of which focus on commodity products for export. HBRC's strategies in this LTP are geared to providing economic stimulus by directing investment funds into those areas that will drive economic activity and their associated multiplier effects.

The list following provides definitions of terms and acronyms frequently used within this Long Term Plan.

ACC	Accident Compensation Corporation	EECA	Energy Efficiency & Conservation Authority
AEP	Annual Exceedance Probability, the chance of a flood of a given size occurring in any one year	EMO	Emergency Management Officer
AHB	Animal Health Board	EOC	Emergency Operations Centre (for CDEM)
AO	Audit Office, which checks council plans and financial statements for compliance with legislation and standards of practice	EPA	Environmental Protection Authority
AQMS	Air Quality Monitoring Strategy	ERMA	Environmental Risk Management Authority
Airshed	A defined geographic area where air pollution is monitored. This area is legally gazetted by the government.	ETS	Emissions Trading Scheme
BASS	Better Administrative Support Systems	EW	Environment Waikato (Waikato Regional Council)
BOI	Board of Inquiry	Flood event	(or rainfall event) a period in which flood or rain is monitored for hazard warning
CAPEX	Capital Expenditure (budget to purchase assets)	GDP	Gross Domestic Product
CCTOs	Council Controlled Trading Organisations	GE	Genetic Engineering
CDEM	Civil Defence Emergency Management	GIS	Geographic Information System
CE	Chief Executive	GMO	Genetically Modified Organism
CHBDC	Central Hawke's Bay District Council	Hapu	Maori sub-tribe
Class Vle or Class VIle	A measure of the gradient of the land, with Class VIle being the steepest land with a high risk of eroding	HASNO	Hazardous Substances and New Organisms Act
Clean Heat	Hawke's Bay Regional Council's insulation and clean heating funding assistance programme for homeowners	HBCDEM	Hawke's Bay Civil Defence Emergency Management
CMA	Coastal Marine Area	HBRC	Hawke's Bay Regional Council
CPI	Consumer Price Index	HBRIC Ltd	Hawke's Bay Regional Investment Company
CRI	Crown Research Institute	HDC	Hastings District Council
DHB	District Health Board	Horizons	Manawatu-Wanganui Regional Council
DOC	Department of Conservation	HPFCS	Heretaunga Plains Flood Control Scheme
ECAN	Environment Canterbury Regional Council	HPUDS	Heretaunga Plains Urban Development Strategy
		IRR	Internal Rate of Return
		ISO	International Organisation for Standardisation
		Iwi	Maori tribe
		Kaitiaki	Maori term for guardianship
		KPI	Key Performance Indicator

Kyoto Protocol	United Nations Framework Convention on Climate Change	PM ₁₀	Particulate matter of 10 microns in size -This is very fine material (in dust , smoke or sea spray) which can get into people’s lungs and cause respiratory illness; Air quality monitoring measures the amount of PM ₁₀ in the air
LAPP	Local Authority Protection Programme		
LGA	Local Government Act		
LGNZ	Local Government New Zealand		
LGOIMA	Local Government Official Information and Meetings Act 1987	PONL	Port of Napier Limited trading as Napier Port
		RCEP	Regional Coastal Environment Plan
LOS	Level of Service	Rates	Please refer to Targeted Rates, UAGC and UAC
LTP	Long Term Plan, a 10 year plan required to be produced every 3 years by all councils in New Zealand	RID	Rating Information Database
		RLS	Regional Landcare Scheme
McLean Scale	A method for measuring populations of rabbits on land	RLTS	Regional Land Transport Strategy
MPI	Ministry for Primary Industries - previously called Ministry of Agriculture and Forestry (MAF)	RMA	Resource Management Act
		RPMS	Regional Pest Management Strategy
MTA	Maritime Transport Act 1994	RPS	Regional Policy Statement
MTI	Maungaharuru-Tangitu Iwi Incorporated, the mandated body for several hapu in the Tangoio, Tutira, and Maungaharuru areas	RRMP	Regional Resource Management Plan
		RSAP	Regional Safety Action Plan
MoU	Memorandum of Understanding	SOE	State of the Environment
NCC	Napier City Council	SOI	Statement of Intent
NES	National Environmental Standard	TAG	Technical Advisory Group
NGO	Non Government Organisation	Targeted Rates	Rates set against particular properties, to fund activities specific to that area
NKII	Ngati Kahungunu Iwi Incorporated	Tb or TB	[Bovine] Tuberculosis, an infectious disease of cattle
NPS	National Policy Statement	Telemetry	Device that can automatically transmit and record various monitoring information, such as water use and soil moisture levels
NZ GAAP	New Zealand Generally Accepted Accounting Practice		
NZTA	New Zealand Transport Agency	TLA	Territorial local authority – a legal term for a city or district council
NZCPS	New Zealand Coastal Policy Statement		
PCA	Pest Control Area	TOR	Terms of Reference
PIF	Performance Improvement Framework	Total Control	Management level for plant or animal pests
		TTOH	Te Taiwhenua o Heretaunga
		TTOT	Te Taiwhenua o Tamatea

UAC	Uniform Annual Charge, a targeted rating method where a fixed amount is charged on each property within a specific area
UAGC	Uniform Annual General Charge, a fixed amount charged on each property
Vector control	Pest control to prevent the spread of disease by 'vectors' or carriers (i.e. TB Vector control)
VTR	Voluntary Targeted Rate
WCO	Water Conservation Order
WDC	Wairoa District Council