YOUR VIEW OF OUR PLACE

HELP US SHAPE OUR PLAN 2015-25

We all know Hawke's Bay is a great place to live.

Help Us Make It Even Better.

HAWKE'S BAY
REGIONAL COUNCIL

LOOKING AHEAD AT **THE NEXT TEN YEARS**

Welcome to Our Plan

This is your chance to read about and comment on the proposals in our Long Term Plan.

Take a look at our proposals and the questions we're asking, then comment on them or on any part of Our Plan by **4pm, Monday 18 May 2015.**

As part of our planning and budgeting for the next 10 years, we need your views on what we invest in and prioritise. As with your own household budgeting, there is only so much money to go around.

From last year's Big Six conversations and recent surveys, you've told us that the most important issues for Hawke's Bay involve balancing the many demands on our water resources and land use, investing in our parks and open spaces, helping everyone to feel safe from natural hazards and keeping rates low. We agree.

Take a few minutes to read this summary on how we can address water demands, land use, allocate funding to parks and open spaces, and keep everyone safe. Some of the services we propose will increase rates more for some ratepayers than others, but overall we've been able to contain the 2015-16 rate increase to 3.95%.

Our key activities link back to our focus on resilience in our communities, in our ecosystems and our economy, which is driven by HBRC as a regionally-focused organisation.

This document summarises what we're consulting on with proposals that collectively make up HBRC's next 10-year budget.

This document has been audited by the Auditor-General as required under the Local Government Act 2002. The Auditor-General's opinion confirms that this consultation document provides an effective basis for public consultation. We look forward to reading your views on the future of Hawke's Bay.

The feedback you provide will inform final decisions made in June 2015.

Fenton Wilson
Chairman

Liz Lambert
Interim Chief Executive

OUR STRATEGIC **GOALS**

Resilient Organisation

Using foresight, strategy, smart investment, strategic alliances and a fit-for-purpose approach to lead our region.

- Strategy and Planning
- Investment
- Governance and Leadership
- Economic Development
- Emergency Management
- Community Partnerships

Resilient Economy

Profitable farming systems that adapt to pest threats, greater weather extremes and take advantage of new opportunities.

- Land Management
- Economic Development
- Biosecurity
- Strategy

A reliable, well-organised water supply that helps us to grow sustainably.

- Water Management
- State of the Environment Reporting

Quality, future-focused infrastructure.

- Land Drainage and River Control
- Transport Planning
- Investment

Resilient Ecosystems

Smart management links biodiversity, land, fresh water and our coastal marine areas.

Balanced water use for a healthy natural environment that also supports growth.

- Biodiversity
- Strategy and Planning
- Land Management
- Air Management
- Water Management
- Coastal Management
- Regulation
- State of the Environment Reporting

Resilient Communities

Quality services for a healthy, well-connected community.

- Passenger Transport
- Total Mobility
- Road Safety
- Heat Smart
- Community Engagement
- Open Spaces
- Navigation and Safety

Local leadership, good relationships and affordable, well-considered solutions.

- Governance and Leadership
- Heat Smart
- Community Engagement
- HB Local Authority Shared Services company
- Community Partnerships

Our people and businesses feel safe from natural hazards.

- Hazard Assessment and Response
- Emergency Management
- Land Drainage and River Control
- Gravel Management

THE BIG SIX UPDATE

Late last year, we asked for your thoughts on the big issues that matter to you.

Your comments have influenced our proposals for this year's Long Term Plan.

Economic Development

We support Hawke's Bay Tourism and Business Hawke's Bay as our key visitor and business facilitation agencies. Currently we spend $1.4 million collectively on these activities each year. Our proposed budget is based on a funding increase of $70,000 in 2015-16. However, additional funding is sought by Hawke's Bay Tourism - see page 7.

Our focus for economic development initiatives is around maximising the resilience of the primary production sector.

Relationship with Māori

Māori organisations are going to change over the next five years as Treaty settlements are reached. We are continuing to work closely with these important partners on resource management and economic development.

The funding currently proposed for strategy and planning includes hiring the capability to integrate Māori values into policy development. Our Regional Planning Committee has asked that we give more support to that Committee. The Māori Committee has also suggested that strategic partner relationships need us to establish a management position to better facilitate relationships with Māori. This may involve a review of the role of the Māori Committee. This plan has not increased the funding allocated to Maori Relationships.

Wise Land Use

This is a key focus for us over the next ten years, and part of our land and water planning processes. We've set new rules for the Tukituki River and wider catchment, and we'll be monitoring these for effectiveness. At the same time, we'll push forward with other catchment plan changes, and through various initiatives described in our Land Management Activity. The challenges of Hawke's Bay's hill country - and in the north towards Wairoa - will get a particular focus as we develop a strategy with the agricultural sector and other key parties.

Energy Futures

We propose to develop an Energy Strategy to help identify possible efficient energy initiatives that we could then facilitate or invest in.

Connecting our Region

We continue to be responsible for land transport planning and providing passenger transport services. Both of these come from our role coordinating the Regional Land Transport Plan and Regional Passenger Transport Plan. We have been supportive of identifying a feasible solution to reinstate the Napier-Gisborne rail service, which is currently mothballed.

At a digital level of connectivity, Hawke's Bay's Local Authority Shared Services company is investigating a more integrated information management system across councils to improve the service for residents and ratepayers. HBRC is also championing our own internal digital strategy.

There are no other specific initiatives relating to digital connectivity in the pipeline.

Climate Change

We agree that climate change is a strategic issue.

We integrate our climate change response across all our activities, and in partnership with other councils, such as Napier for Westshore beach erosion, and Hastings for Haumoana / Te Awanga / Clifton.

We already plan to increase the level of protection given by the Heretaunga Plains Flood Control Scheme, develop a coastal strategy for Clifton to Tangoio, and do research into viable and resilient farming systems. New initiatives now proposed include developing a hill country strategy (see 'Wise Land Use') and developing an Energy Strategy (see 'Energy Futures'). We also propose to collectively report on all these initiatives as a way of documenting our response to Climate Change.

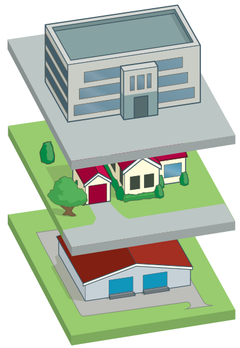
No specific initiatives are proposed for reducing carbon and regional emissions.

OUR **PLAN**

These are the big ticket areas, and it is here we propose to focus more of our activities over the next 1 to 3 years, and out to 2025. None of these big ticket areas in Our Plan will impact on HBRC's debt levels.

All preferred options have been included in the plan.
For all the information that supports Our Plan, go to **hbrc.govt.nz**, keyword search: 'ourplan'.

OVERALL RATES IMPACT



Our Plan links total rate increases to the Local Government Cost Index (LGCI), with some adjustments for the levels of service increases we propose.

This is consistent with best practice in the sector, where 70% of New Zealand councils use the same approach to calculate rates increases.

Levels of service increases will be limited to 1.7% in year 1, and 1.5% in years 2 and 3. Details on what we fund now and what is proposed for the future can be found online in our Revenue and Financing Policy, where you can also access other documents relevant to Our Plan.

We have calculated a moderate rates increase so that we can carry out the investment and spending covered in these pages. This will enable us to improve the levels of service we deliver in some areas. See page 11 for more information on rate increases.

1

Our options are to:

- Increase rates on average by 3.95% this year (preferred option), or
- Reduce delivery on some or all of our big ticket areas for a lower rate increase.

Do you agree with our proposal to increase rates on average by 3.95%?

WATER SCIENCE CHARGES

This only applies to consent holders - in that we've been asked to review water science charging methods.

Currently these charges vary widely from year to year and are levied according to the amount of work done in each of the seven water catchment zones.

2

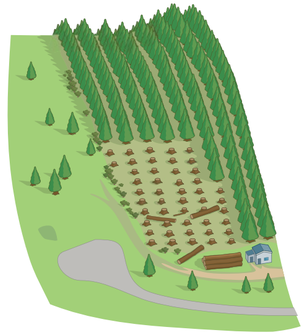
Our options are to:

- Move to a smoother regional charge approach, (preferred option), or
- Continue with the current 'high and low' variable charge approach.

This won't make any difference to levels of service, but will spread costs more evenly over years of activity, to make it easier for consent holders to plan for and manage cash flows.

What do you consent holders think of shifting to a regional charge approach?

DEVELOPING OUR ECONOMY



HBRC facilitates economic activity in the region, working alongside Hawke's Bay Regional Investment Company Limited (HBRIC), Hawke's Bay Tourism and other council partners to improve opportunities for our people and prosperity for our region.

Much of our recent energy has been directed toward's HBRIC's focus on investments including Ruataniwha Water Storage Scheme and Napier Port, the latter of which contributes a significant annual dividend.

The dividend pays for services which would otherwise be covered by rates. We already invest significant focus into business through the Ahuriri BusinessHub, initiatives in Wairoa and Business Hawke's Bay.

An annual operating spend of $290,000 over and above staff costs supports the implementation of strategic growth themes established in the Hawke's Bay Regional Economic Development Strategy (REDS), developed in 2011. Three of the key areas of the strategy are:

- Agency collaboration
- Resilient primary sector growth, and
- Business investment, skills and migrant attraction.

3

Our options are to:

- Continue to support our economy at the same level of spending (preferred option), or
- Increase spending on economic development for the primary sector and business.

For each $100,000 increase in the economic development rate, rural and urban ratepayers will pay an extra $1.25, and commercial ratepayers an extra $0.84 per $100,000 of capital value.

Do you want to see more, or the same level of activity in this area?

MANAGING OUR ENVIRONMENT

HBRC has a large challenge ahead as we give effect to our Hawke's Bay Land and Water Strategy and the National Policy Statement for Freshwater Management in all our catchments. This means we need to create a number of catchment-based plan changes, for which we don't currently have sufficient staff.

Progress is being made on policy development for the Greater Heretaunga/ Ahuriri catchment, and Mohaka River catchment. This will be our focus for the next three years.

We're scheduling to start a review of the whole Regional Resource Management Plan - including the Regional Policy Statement - in 2020. We also need to work on the remaining parts of the region to give full effect to the National Policy Statement for Freshwater Management.

4

Our options are to:

- Increase our spend on planning, to employ people to deliver the region's catchment-based plan changes in a reasonable time (preferred option), or
- Continue to support planning at the same level, prioritising the catchments and lengthening the time we'll need to deliver the region's catchment-based plan changes.

Extra resourcing will cost $595,000 in 2015-16 and the years that follow. 45% ($268,000) of this work would be funded from General Rates and 55% ($327,000) from our Environmental Initiative Reserve Fund.

What do you think about HBRC doing this work as quickly as we can, or taking more time with the people we have?

TOURISM

HBRC is a significant funder of Hawke's Bay Tourism, but they operate as an independent financial entity. Hawke's Bay Tourism is working through a ten year strategic framework for tourism growth and has already claimed some significant wins for the region since it was reorganised in 2011.

Hawke's Bay Tourism has been on a fixed three-year contract for $850,000 per annum. We propose an increase of $70,000 in the next agreement to match the increase in operating costs over the last three years.

5

Our options are to:

- Increase our targeted rate contribution so that Hawke's Bay Tourism can do more (preferred option), or
- Continue funding tourism at the same level for the same service delivery.

$70,000 of extra funding will be Hawke's Bay Tourism's first increase in 3 years. We also propose an annual cost index adjustment.

What do you think?

Hawke's Bay Tourism would like to lift its performance even further by developing a campaign to attract more domestic visitors to Hawke's Bay. They are seeking substantial additional funding from HBRC to do this.

6

Our options are to:

- Continue at the same level of promotion (preferred option), or
- Increase tourism funding to raise our regional profile outside Hawke's Bay.

Tourism is part of the Regional Economic Development Strategy (REDS) which is now under review. For each $100,000 increase in the economic development rate, rural and urban ratepayers will pay an extra $1.25, and commercial ratepayers an extra $0.84 per $100,000 of capital value.

Would you be happy to pay more in rates to achieve tourism's ten year targets?

LOOKING AFTER OUR WATERWAYS

Our Plan for the Tukituki River and wider catchment is close to a final decision. What's also now needed is the monitoring regime to give effect to this plan change, and to set us up for other catchments and plan changes to come.

Based on what we've learned so far about Tukituki River, its tributaries and the wider catchment, we propose to increase research here to ensure that the limits we set are met. There's a lot of work to do on the land and with owners, so our Land Management programme sits alongside this activity.

To give you a bit more background, HBRC's science team already carry out comprehensive monitoring and reporting on the region's air quality, coast, land, surface and ground water which informs the work we do. The most recent 5-yearly State of the Environment Trends report has just been released. This shows the critical role that good information plays to help HBRC make well-informed, long term decisions.

We propose to step up our water science programme in year 1 of the plan to help our work in the region's main river catchments. Resource management charges paid by consent holders cover 35% of this cost.

Our increased scientific knowledge means we can apply more effective advice and rigorous monitoring of consent activity. To help us to cover these areas, General Rates will increase in year 1 of the plan, with resources shifting over time to achieve plan changes across all the region's catchments.

7

Our options are to:

- Increase spending on monitoring the health and state of our region's major river catchments (preferred option), or
- Continue at the same level of funding, but acknowledging significant gaps in our knowledge.

Extra funding of $618,000 in 2015-16 and increases over this level in the 5 years that follow will deliver information for robust river and catchment management, funded from General Rates ($527,000) and Section 36 Water Science Charges ($91,000).

What standard of monitoring programme do you think is important for our region?

MANAGING AND MONITORING OUR LAND

Our land management team assists the region's rural landowners. We take a sustainable long-term view of each property's land and water assets. There is a growing need for this assistance, particularly for good advice and information.

Our work in this area has always been 100% funded by General Rates, however we recognise that farmers and other landowners benefit significantly from our focus on sustainable land management. The new monitoring framework we're putting in place in the Tukituki catchment is closely linked to these activities.

The comprehensive TB Vector programme to control possums has, up to now, been covered by HBRC rates on rural land. Bovine Tb rates will no longer be levied in 2015-16. TBfree NZ has reviewed how they fund their BovineTb control programme. HBRC will not fund the programme after 30 June 2016.

Because of the increased activity for all rural properties to give effect to the National Policy Statement for Freshwater Management and our plan changes, we propose the following changes to rating:

- In the 2015-16 year, 25% of the annual cost of land management activities will be paid for by the landowner
- In the 2016-17 and 2017-18 years, 25% of the cost of science-based land monitoring activity will be paid for by the landowner.

8

Our rating options are to:

- Increase Rural Targeted Rate funding of land management activities (preferred option), or
- Continue funding this work entirely from General Rates.

Rural landowners will pay 25% of the funding for these activities through a Rural Targeted Rate, so that's $560,000 in 2015-16, $660,000 in 2016-17 and $760,000 in 2017-18. We're not rating for TB Vector any more, but in previous years the TB Vector Rate was applied to General Rates ($230,000) and Rural Targeted Rates (530,000) per year.

Do you agree with this change in rating?

REGIONAL PARKS AND OPEN SPACES

We created a Regional Parks Network in 2014, and are now working through the priorities identified in individual park plans. This sets maintenance standards in our parks and guides their long term development.

Our work on regional assets also includes the popular Hawke's Bay Trails network and some of the properties we have long-standing relationships with, such as Te Mata Park.

Given our commitments to maintain and enhance our current assets, we don't intend to look for additional Regional Park/ Open Space opportunities until 2019-20.

The work across these assets also adds to and benefits from HBRC-led pest control and biodiversity projects.

9

HB Trails. Our options are to:

- Increase our yearly maintenance to cater for an expanding trails network (preferred option), or
- Continue to manage the trails at its current scale, with no growth opportunity.

Current spending of $60,000 per year will increase on targeted scheme rates by $10,000 per year during the life of this plan to $176,000. This will maintain the trails surface and allow for ongoing improvements to the network.

10

Te Mata Park. Our options are to:

- Increase our yearly maintenance General Rate contribution to $65,000 keep this regional gem in tip-top condition (preferred option), or
- Continue annual funding of $35,000, but where service levels in the park will continue to fluctuate.

11

HBRC Regional Parks. Our options are to:

- Increase borrowing up to a further $1 million commencing in the 2018-19 year for new open space opportunities (preferred option), or
- Continue to keep the same public spaces.

The increase will cover operational costs and help HBRC to make enhancements in each of the current parks. New borrowing commencing in 2018-19 will result in a General Rate increase of up to $160,000, when drawn on, to cover loan servicing.

What do you think of these plans for our open spaces?

BIODIVERSITY AND PEST CONTROL

We have been facilitating a Biodiversity Strategy for Hawke's Bay, which made significant progress during 2014. Collectively, we are moving into implementation during 2015-16.

This strategy is supported by a wide range of partners including the Department of Conservation, councils, Federated Farmers, DairyNZ, iwi, the Ministry for Primary Industries, conservation groups, and many others.

We have also entered into a significant five-year partnership with the Aotearoa Foundation, the Department of Conservation, Landcare Research and Cape Sanctuary to deliver predator control across 26,000 hectares of land between Waimarama and Havelock North. The project covers a broad spectrum of pest control including possums, ferrets, stoats, weasels and feral cats.

In our region, TBfree are withdrawing their control efforts on 140,000 hectares of land. This area is to be transferred into HBRC's possum control area programme. Extra staff support is now needed to manage this programme effectively, covering an area that increases from 510,000 hectares to 650,000 hectares.

12

Biodiversity Strategy. Our options are to:

- Continue to progress this important work with $40,000 per year funded from General Rates (preferred option), or
- Put this work on hold.

13

Pest Control. Our options are to:

- Increase spending to keep possum numbers low, with $100,000 in 2015-16 funded 30% from General Rates and 70% from a Rural Targeted Rate (preferred option), or
- Rely on general landowner practices to sustain low possum numbers.

What do you think of these?

EMERGENCY MANAGEMENT

Our Plan is to improve how we promote and coordinate the work of Hawke's Bay Civil Defence Emergency Management's Group (HB CDEM Group) and the Group Plan adopted in 2014. This includes better resourcing to divide and manage the workload, to reduce risk, while improving readiness, response and recovery-planning initiatives.

14

Our options are to:

- Increase coordination efforts around our HB CDEM Group Plan (preferred option), or
- Continue to support a less-coordinated multi-agency model.

Initial activities can be covered out of current reserves in the 2015-16 year, but an additional $75,000 will be needed in 2016-17 and $50,000 in 2017-18 to achieve coordinated regional emergency management.

What standard of emergency management is needed in Hawke's Bay?

Did we miss anything important?

We realise that in such a brief document there is no way we can list all of council's activities.

But if you feel that we have missed a key issue that's going to significantly affect the people of Hawke's Bay and our opportunity to prosper, we welcome your comments as a submission to our Long Term Plan for 2015-25.

We also offer you the opportunity to speak to your submission at our hearings to be held in June.

OUR DRAFT **10-YEAR BUDGET AT A GLANCE**

In the 2014-15 year, we ran an operational budget of $41M, with a capital spending budget of $38M - a total of $79M. Our Plan for 2015-16 proposes an operational budget of $41 million and a capital spending budget of $62 million - a total of $103 million. The increase in capital spend is due to the increase in investment for the Ruataniwha Water Storage Scheme. Take a look at our Financial Strategy for more information.

AREA OF SPENDING	CAPITAL SPENDING NEXT 10 YEARS $164.2M	OPERATING SPEND OVER NEXT 10 YEARS $462.1M
STRATEGIC PLANNING	$0.2 M	$49.6 M
LAND DRAINAGE & RIVER CONTROL	$29.7 M	$76.5 M
REGIONAL RESOURCES: AIR, WATER, LAND	$20.7 M	$130.1 M
REGULATIONS	$0.0 M	$38.2 M
BIODIVERSITY & BIOSECURITY	$0.0 M	$29.9 M
EMERGENCY MANAGEMENT	$0.0 M	$21.5 M
TRANSPORT	$1.3 M	$48.5 M
COMMUNITY ENGAGEMENT, GOVERNANCE & SERVICES	$29.5 M	$29.3 M
REGIONAL INVESTMENT	$82.8 M	$38.5 M

UPDATE ON OUR **BIG INVESTMENTS**

	Up to 2014-15	10 Year Plan	Total
INVESTMENTS MANAGED THROUGH HAWKE'S BAY REGIONAL INVESTMENT COMPANY			
Ruataniwha Water Storage Scheme. Dam building and related infrastructure programmed 2015 - 2017. HBRC has already committed to invest up to $80M in RWSS subject to conditions on consenting, investment, design and construction, and uptake being met by financial close.	$21.0 M	$50.5 M	$71.5 M
Ngaruroro Water Storage Scheme Dam building and related infrastructure programmed 2019 – 2021. The feasibility phase of investigating NWSS has yet to be started, but we have allowed for it in our long-term planning.	-	$30.0 M	$30.0 M
INVESTMENTS MANAGED BY HBRC			
Development of Forestry Estate * includes costs to establish/ maintain forests, return on funds invested; excludes land purchase	$4.5 M*	$3.0 M	$7.5 M
Napier/Gisborne Rail In February 2015, HBRC agreed to lease the railway between Napier and Gisborne from KiwiRail subject to a number of operational matters being resolved. KiwiRail has advised their withdrawal of a previous offer to lease the line, but have not ruled out future discussions.	$3.9 M	$1.6 M	$5.5 M
Total of Proposed Investment Programmes	$29.4 M	$85.1 M	$114.5 M

If any of these investments do not proceed, HBRC will reconsider the use of the funds set aside for investment.

HAVE **YOUR** SAY

We want to hear your views on the issues facing Hawke's Bay. We encourage you to get involved in the public consultation which runs from 10 April until 18 May. There are a number of ways you can give feedback:

Online:

You can give us written feedback online at **hbrc.govt.nz**.

In person:

Come and talk to us at one of our '**Have Your Say**' events. This is an opportunity for you to give feedback in person and be heard by the council's decision makers.

There will be at least 7 events across the region between **15 April** and **14 May**. For details, go to **hbrc.govt.nz** or call **0800 108 838** and ask for the Community Engagement team.

Social media:

Comments made through the following channels will be considered written feedback:

- on Twitter using **@hawkesbayrc**
- on our facebook page: **hbregionalcouncil**
- send a text to **027 445 8290**, start your text with "OurPlan"

In writing:

Written submissions can also be sent to:

OurPlan
c/- Hawke's Bay Regional Council,
Private Bag 6006, Napier 4142.

We will also have displays at local libraries and HBRC's main office in Napier.

Go to **hbrc.govt.nz** for everything you need, including this version of Our Plan, supporting information, a schedule of 'Have Your Say' events and how to give us your feedback online. If you have any questions, drop an email to **ourplan@hbrc.govt.nz**.

Have we focused our efforts in the right areas? Are we making the best use of ratepayers' money? Tell us what you think, and if we've missed anything important.

Join us at a **'Have Your Say'** event

TARADALE
15 APRIL
Taradale Primary School Hall
10 Church Road, Taradale
Wednesday evening at 5.30pm

HAVELOCK NORTH
16 APRIL
Lucknow Primary School Hall
Elliott Crescent, Havelock North
Thursday evening at 5.30pm

WAIPAWA
23 APRIL
CHB Municipal Theatre
Kenilworth Road, Waipawa
Thursday evening at 5.30pm

HASTINGS
28 APRIL
Hastings Central School Library
400 Karamu Road, Hastings
Tuesday evening at 5.30pm

HASTINGS
7 MAY
Matahiwi Marae
Lawn Road, RD 2 Hastings
Thursday evening at 4pm

NAPIER
12 MAY
Napier Intermediate School Hall
Jull Street, Napier
Tuesday evening at 5.30pm

WAIROA
14 MAY
Tiaho School Hall
93 Clyde Road, Wairoa
Thursday evening at 5.30pm

How long have you got to make a submission?

We need all your comments by 4pm on Monday 18 May 2015. This includes online, email, hand-delivered and posted submissions.

YOUR RATES

What are the rate limits we're budgeting for?

HBRC proposes to limit rate increases to the Local Government Cost Index, known as LGCI, plus up to a 1.7% adjustment for level of service increases. These level of service adjustments will vary from year to year depending on the need for these to fund increased services. See how we have provided for each year of the Long Term Plan, the LCGI, plus the proposed level of service adjustments.

Year	LCGI	Adjustment for levels of service Increases	Total proposed increase in rates	Proposed rate level $000
2015 / 16	2.25%	1.70%	3.95%	16,284
2016 / 17	2.45%	1.50%	3.95%	16,926
2017 / 18	2.53%	1.40%	3.93%	17,592
2018 / 19	2.61%	1.00%	3.61%	18,227
2019 / 20	2.75%	1.00%	3.75%	18,911
2020 / 21	2.90%	1.00%	3.90%	19,648
2021 / 22	3.04%	-	3.04%	20,246
2022 / 23	3.19%	-	3.19%	20,891
2023 / 24	3.36%	-	3.36%	21,593
2024 / 25	3.53%	(2.73%) [1]	0.83%	21,772

1. This decrease in the level of service reflects the end of the targeted rate on Napier and Hastings rateable properties within the airsheds. It is anticipated this programme will be completed by 2024 / 25.

Rates for different property types

The overall proposed average general rates increase is 3.95%, but the average for different types of property is quite different. Take a look at the average rate for the three main types of properties. A number of factors influence these rate levels, including the impact of valuations and also HBRC's policy on how the rates are shared across different types of properties. Individual rating policies are available in HBRC's Revenue and Financing Policy and the Funding Impact Statement.

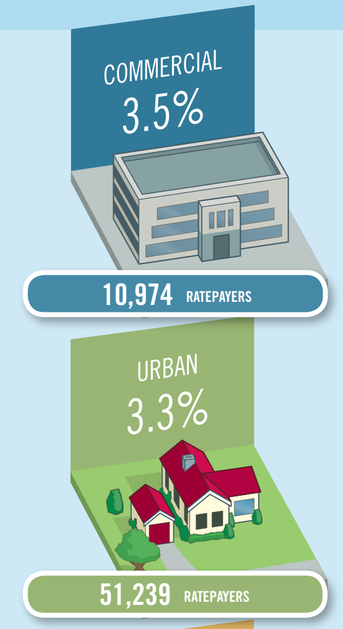
Example Properties	Capital Value	Land Value	Area	2014/15 Actual Rates	2015/16 Proposed Rates	% Increase from 2014/15
Residential						
Taradale*	$430,000	$230,000	N/A	$281.14	$295.13	4.98%
Napier Hill*	$520,000	$340,000	N/A	$226.97	$228.91	0.85%
Hastings	$170,000	$64,000	N/A	$138.60	$141.74	2.27%
Hastings	$390,000	$160,000	N/A	$249.71	$254.75	2.02%
Central HB	$300,000	$120,000	N/A	$81.93	$85.20	3.99%
Wairoa	$230,000	$63,000	N/A	$86.53	$89.97	3.98%
Commercial						
Napier	$3,100,000	$860,000	N/A	$1,508.50	$1,569.55	4.05%
Napier	$1,710,000	$530,000	N/A	$584.21	$616.18	5.47%
Hastings	$910,000	$670,000	N/A	$843.36	$860.53	2.04%
Hastings	$970,000	$385,000	N/A	$630.79	$643.62	2.03%
Central HB	$205,000	$40,000	N/A	$79.02	$82.64	4.58%
Wairoa	$255,000	$50,000	N/A	$114.69	$117.90	2.80%
Rural (> 4 ha)						
Hastings	$2,080,000	$1,580,000	346.8 ha	$1,154.65	$1,227.66	6.32%
Central HB	$1,565,000	$1,150,000	58.5 ha	$400.48	$423.40	5.72%
Wairoa	$470,000	$370,000	32.9 ha	$221.62	$234.08	5.62%

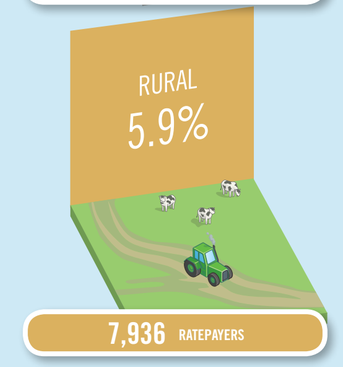
The above table is GST inclusive. It covers the total rates increases including both the increases in general and targeted rates.

* Properties in Napier were revalued on September 1st 2014. This resulted in some areas in Napier increasing in value more than others, accordingly the distribution of rates between Napier suburbs was affected.

OVERALL PROPOSED AVERAGE RATES INCREASE

For property-specific rates information, refer to HBRC's property information database at **www.hbrc.govt.nz**





3.95%

70,149 TOTAL RATEPAYERS

ARE OUR FINANCES **IN GOOD SHAPE?**

Overall, we raise enough money every year through rates and other income to pay for the services we deliver.

What income do we have?

We expect to receive income of around $39.5 million in 2015-16. This is made up of around $16.3 million from rates, $9.1 million from user charges, service fees and grants, with the balance of $14.1 million from returns on investments. This income is used to pay for all the services we deliver to the Hawke's Bay community.

What is the surplus/deficit profile?

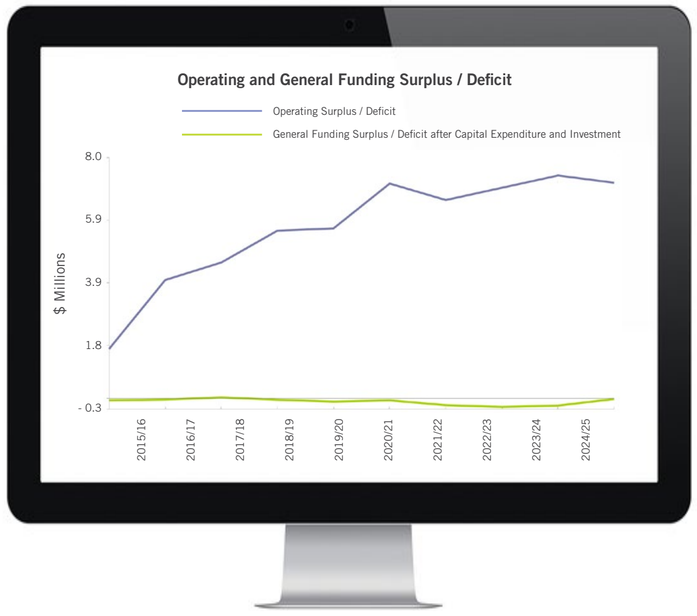
The challenge for HBRC is to provide funding for its strategic agenda, specifically in the areas of sustainable natural resources - e.g. water, land use and regional scale infrastructure - as these investments underpin an efficient export based economy whilst maintaining returns from HBRC's investment portfolio at a level which sustains a healthy operating budget.

A number of the proposed investments are predicted to provide HBRC with substantial returns in the medium to long term. This effect of delayed returns on new investment has necessitated differing financial strategies over the ten years of this Plan.

Take a look at the images showing the funding strategy we propose for this Long Term Plan, and the projected net surplus and deficit for the operating and general funded position over the Long Term Plan period.

The operating surplus increases to provide funding for an increasing infrastructure capital programme both within the ten year period and for the years subsequent to the plan,

We consider the excess expenditure over funding in years 1 and 5 to 9 to be financially prudent and sustainable given the expectation of increases, in the long-term, from returns on HBRC's investments. In these years, these deficits will be covered by operating reserves.



How much are we borrowing?

We propose to borrow $50.7 million over the next ten years. Our proposed budgets allow for the repayment of debt over the life of this plan, so our debt will grow from $21.5 million to $31.8 million over this time.

Our main borrowing requirements are for the HeatSmart/ Solar programmes loan scheme ($19.2 million), property, plant, regional parks ($6.7 million) and funding for proposed investment in the Ngaruroro Water Storage Scheme ($24.8 million). HeatSmart/ Solar loans are repaid by homeowners who participate in the programme.

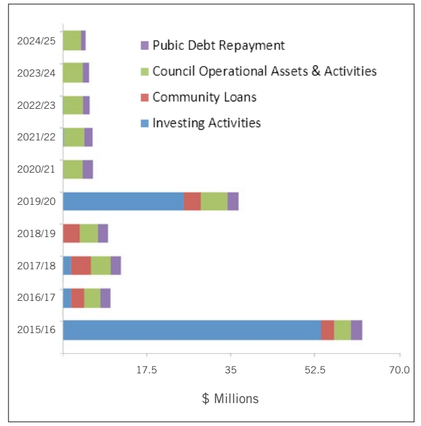
Borrowing to fund our proposed capital spending is considered to be fair in that it spreads the cost over the generations who will use the assets, rather than collecting all the money off one generation of ratepayers.

Take a look at the timing we propose for new borrowings of $50.7 million and the programmes to be funded.

What are the major capital spends we're planning?

We propose to embark on a significant capital programme over the ten years of this plan, mainly due to the proposed investment activities carried out by Hawke's Bay Regional Investment Company Ltd, also known as HBRIC.

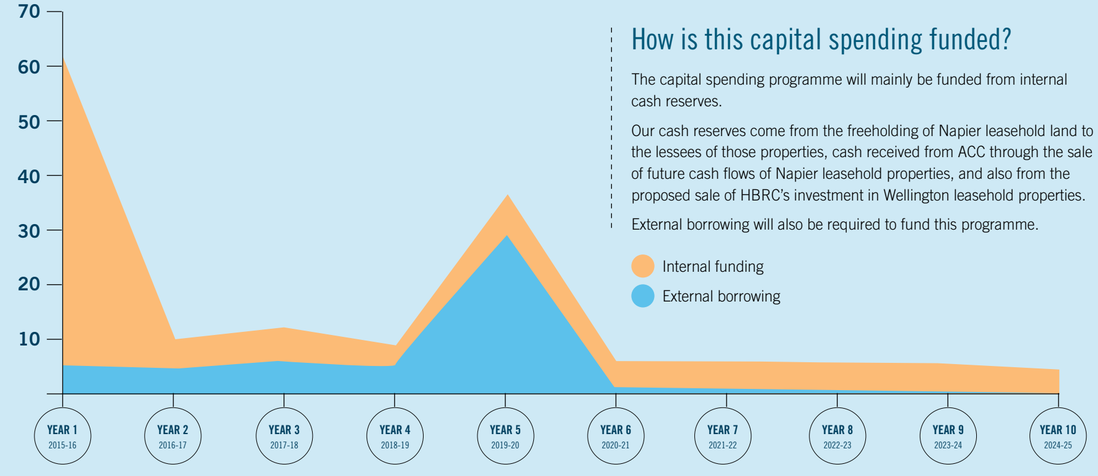
Here is a view of the proposed capital spending activity for each year of our plan.



There are large increases in capital spending in year 1 (mainly Ruataniwha Water Storage Scheme) and in year 5 (investment in the Ngaruroro Water Storage Scheme) of our plan.

HBRC funding strategies over 10 years

FUNDING STRATEGIES	YEAR 1 2015-16	YEAR 2 2016-17	YEAR 3 2017-18	YEAR 4 2018-19	YEAR 5 2019-20	YEAR 6 2020-21	YEAR 7 2021-22	YEAR 8 2022-23	YEAR 9 2023-24	YEAR 10 2024-15
RATES/FEES/CHARGE INCREASES	■	■	■	■	■	■	■	■	■	■
EFFICENCIES	■									
USE OF RESERVES	■				■	■	■	■	■	
TUTIRA FORESTRY NET HARVEST PROCEEDS				■	■	■				
DIVIDENDS FROM INVESTMENT (HBRIC LTD)	■	■	■	■	■	■	■	■	■	■



How is this capital spending funded?

The capital spending programme will mainly be funded from internal cash reserves.

Our cash reserves come from the freeholding of Napier leasehold land to the lessees of those properties, cash received from ACC through the sale of future cash flows of Napier leasehold properties, and also from the proposed sale of HBRC's investment in Wellington leasehold properties.

External borrowing will also be required to fund this programme.

- Internal funding
- External borrowing

YOUR COUNCIL

Hawke's Bay Regional Council is this region's environmental management and economic development authority.

We are all about the wise use of Hawke's Bay's natural resources, now and for generations to come. We are also all about the people of this region, employing our own passionate team of around 170 people who live all over Hawke's Bay and take pride in the work we do on your behalf.

OUR ROLE

As an organisation, Hawke's Bay Regional Council enables the wise use of the region's natural resources, taking on a leadership role in the areas of:

- Natural resource knowledge and management
- Natural hazard assessment and management
- Regional strategic planning
- Regional scale infrastructure and services, and
- Economic development.

OUR VALUES

Our vision is an important driver for our talented team of people.

Our aspiration is for a connected and vibrant region with resilient communities, a prosperous economy, and a clean and healthy environment.

Our values - developed with our people - are Leadership, Excellence, Integrity, Innovation and Partnerships.

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chairman@hbrc.govt.nz

Christine Scott, Napier - Deputy Chairman
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Alan Dick, QSO, Napier
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Rick Barker, Hastings
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Tom Belford, Hastings
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tom@baybuzz.co.nz

Mike Mohi, Māori Committee Chairman
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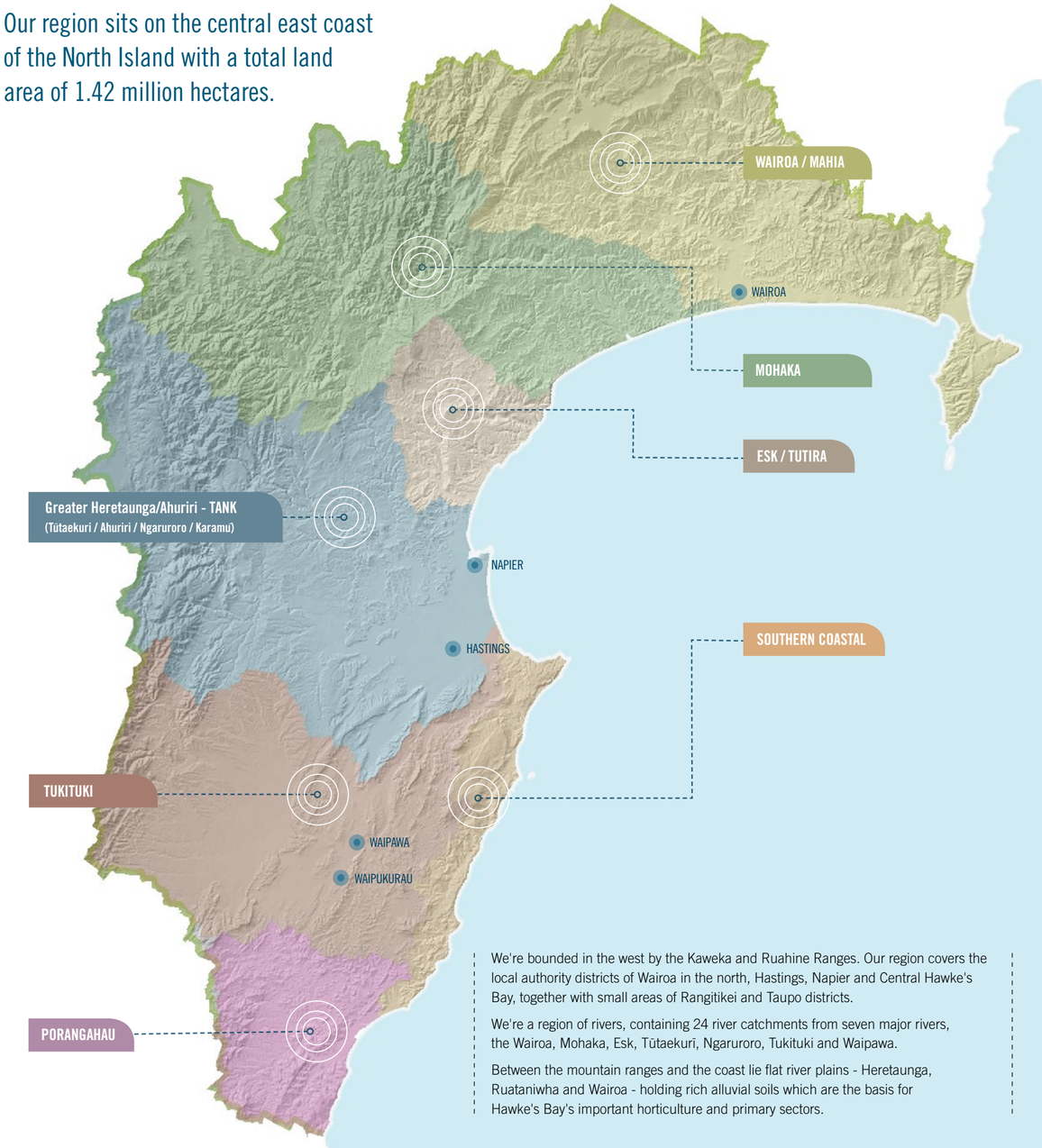
mmohi@doc.govt.nz

OUR REGION

Our region sits on the central east coast of the North Island with a total land area of 1.42 million hectares.



We're bounded in the west by the Kaweka and Ruahine Ranges. Our region covers 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.

We're a region of rivers, containing 24 river catchments from seven major rivers, the Wairoa, Mohaka, Esk, Tūtaekuri, Ngaruroro, Tukituki and Waipawa.

Between the mountain ranges and the coast lie flat river plains - Heretaunga, Ruataniwha and Wairoa - holding rich alluvial soils which are the basis for Hawke's Bay's important horticulture and primary sectors.

ON THE BOOKS

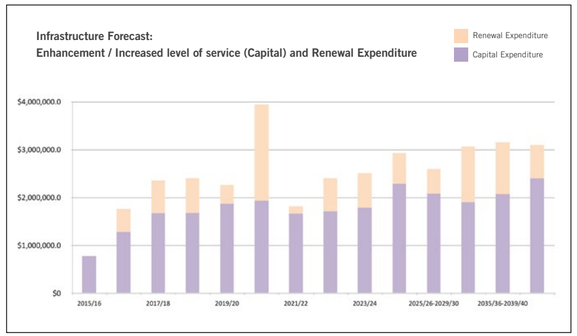
We've recently put together a 30 year infrastructure strategy to identify the key assets we either own or administer.

For many years, where frequent flooding or poor drainage has been an issue for local land owners, we have worked with them to establish flood control and/ or drainage schemes. This has helped owners to use their land with much less risk of flooding and improve drainage. The result has been a dramatic increase in crop certainty for production and with obvious long-term benefits to our economy.

HBRC now administers 25 flood control and drainage schemes in the region, typically created when landowners have been willing to meet a major portion of both the capital and ongoing maintenance and operating costs.

The most significant of these schemes services the Heretaunga Plains, with major stopbank and river control works on the Tūtaekurī, Ngaruroro and Tukituki Rivers. This scheme crosses the plains and includes a network of small streams, drains and pumping stations. It is divided into ten funding and management areas - one covers the rivers; the other nine are separate drainage catchment areas.

The Upper Tukituki scheme includes major stopbanks and river control works on the Waipawa, Tukituki and Tukipo Rivers and some of their tributaries on the Ruataniwha and Takapau Plains. The other 14 schemes are small in comparison.



Other Assets

HBRC manages 105 kilometres of off-road pathways, constructed on land we either own or administer. Some of these form part of a New Zealand Cycle Trail 'Great Ride' known as Hawke's Bay Trails. We also manage and administer a Regional Parks Network of popular public assets, including Tūtira Regional Park, Pekapeka Regional Park and Pākōwhai Regional Park.

Issues over the next 30 years

Over the next 30 years, we expect to adapt this strategy to respond to influences such as climate change. The height and capacity of our stopbank network will need to be increased if they are to provide the same level of flood protection they do now.

Emerging issues

Demographic changes may affect our infrastructure decisions, as well as the potential for water storage in Central Hawke's Bay and changes in community values. Treaty of Waitangi settlements will have an influence as Māori come to play a greater role in natural resource co-management.

INFRASTRUCTURE ASSETS

Heretaunga Plains Flood Control and Drainage Scheme: $111,708,000

Stopbanks	156 km
River channels and edge protection	96 km
Drainage channels	473 km
Pumping stations	18
Structures and culverts	2,440

Upper Tukituki Scheme: $28,292,000

Stopbanks	76 km
River channels and edge protection	130 km
Drainage channels	12 km
Structures and culverts	1,274

Small Schemes: $13,382,000

Stopbanks	15 km
River channels and edge protection	8 km
Drainage channels	85 km
Pumping stations	4
Structures and culverts	288

Total Replacement Value: $153,382,000

MAJOR CAPITAL WORKS IN THE PIPELINE

Heretaunga Plains Flood Control and Drainage Scheme: Rivers	Improve scheme from '1 in 100 year' to '1 in 500 year' level of protection	$15M estimate	Commence 2016 (budget provision for a 20 year project)
Heretaunga Plains Flood Control and Drainage Scheme: Drains	• Enhance Napier-Meeanee urban drains • Enhance Karamu Stream and tributaries • Major capital works as a result of river protection reviews	$15M to $25M estimate	Commence 2017 (estimated start time)
Upper Tukituki Scheme	Major capital works as a result of river protection reviews	$10M estimate	Commence 2016 (estimated start time)

The Heretaunga Plains river scheme was consulted on as part of HBRC's 2012-22 planning cycle. An enhanced 1-in-500 year level of service has been agreed with scheme beneficiaries and physical work is due to start in the next calendar year. Consultation on the Heretaunga Plains drain and Upper Tukituki schemes will take place over the next 6 years and involve direct conversations with the beneficiaries of these schemes. If the costs escalate outside of the estimated values, the capital works required will be programmed over a longer period of time to ensure no impact on rating.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent auditor's report on the Hawke's Bay Regional Council's Consultation Document for its proposed 2015-25 LongTerm Plan

I am the Auditor-General's appointed auditor for the Hawke's Bay Regional Council (the Council). Section 93C of the Local Government Act 2002 (the Act) requires an audit report on the Council's consultation document. I have carried out this audit using the staff and resources of Audit New Zealand. We completed this audit on 25 March 2015.

Opinion

In my opinion:

- the consultation document provides an effective basis for public participation in the Council's decisions about the proposed content of its 2015-25 long term plan, because it:
    - fairly represents the matters proposed for inclusion in the long term plan; and
    - identifies and explains the main issues and choices facing the Council and region and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

Basis of Opinion

We carried out our work in accordance with the Auditor-General's Auditing Standards, relevant international standards and the ethical requirements in those standards.[1]

We assessed the evidence the Council has to support the information and disclosures in the consultation document. To select appropriate audit procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long term plan that meet the purposes set out in the Act; and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

I am responsible for reporting on the consultation document, as required by section 93C of the Act. I do not express an opinion on the merits of any policy content of the consultation document.

Independence

We have followed the independence requirements of the Auditor-General, which incorporate those of the External Reporting Board. Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.

S B Lucy

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

[1] The International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and The International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information.*

OUR PLACE

OUR PLACE

OUR PLACE