



# TIME TO ACT

Kia Rite!

2021 - 2031

**Long Term Plan  
2021-2031**

**Climate  
Crisis**

 Act now to  
protect our future

**HAWKES BAY**  
REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI



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## Part 1 - Introduction

# Wāhanga 1 – Kupu Whakataki

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## Message from our Chair and Chief Executive



Kia ora koutou

This Long Term Plan for 2021-31 enables us, your Regional Council, to accelerate our environmental work programme on behalf of the Hawke's Bay community.

Our region has enormous and pressing environmental issues. For that reason, we've asked you to dig deep for a much stronger response to the challenges we all face with degraded freshwater, threatened biodiversity and the climate crisis. Based on your feedback – from 791 public submissions – we've confirmed a strong course of action that begins immediately.

Balancing this year's rate increase with new operational borrowing means we can continue to grow our regional programmes. We can work at a greater scale to protect the Bay's environment and respond more quickly to our changing climate.

As a result of our planning to leverage the funding for capital projects that followed COVID-19, we can act now to maintain and improve the region's flood and environmental protection – starting in the Heretaunga Plains and Upper Tukituki River areas. We will also introduce new resources into our regional parks and open spaces, and add more support to our work restoring the Karamū Stream and Ahuriri Estuary.

Our plan for 2021 and the years beyond is closely tied to recent law changes and higher community expectations for environmental enhancement.

The Government's focus on essential freshwater and Te Mana o Te Wai – placing the protection of our environment ahead of the needs of the economy – is strongly

supported by, and reflected in, our work plans. We're already preparing our teams for the journey to meet December 2024 national deadlines for water quality and quantity controls of all the region's water bodies. We simply won't get this essential work done unless we collaborate closely with our tāngata whenua partners and the communities in each catchment area of Te Matau-A-Māui.

You will shortly see more resourcing for our Māori partnerships team, biodiversity projects, climate change, catchment planning, regulation and for the administrative functions that support a larger organisation to work effectively across Hawke's Bay.

Please read the message that stands alongside this introduction, from our Māori Committee Co-Chairs Michelle McIlroy and Mike Paku.

We encourage you to read the **Outcome descriptors and measures** we have committed to in Part I, from page 8. Part 2 contains a summary of **Public consultation** undertaken on this plan the community feedback received and the **Key consultation decisions** made by the Regional 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.

Our door is open – we welcome your regular, open engagement with the Council and our Councillors through meetings, phone calls and the range of digital tools at our disposal, including social media and our website.

Ngā mihi nui

Rex Graham  
Chair

James Palmer  
Chief Executive



## Message from our Māori Committee Co-Chairs



**Ko te Amorangi ki mua, ko te hāpai o ki muri**

Let God be your spearhead and achievement will follow

**Whakarongo mai ki te tangi o te manu taiao e korihi nei**

Harken to the shrill and tears of nature's manu

**Huihuia kia kotahi, Huihuia kia Kotahi**

Assemble as one so we might be unified in strength

**E te iti me te rahi o Te Matau a Māui, e ngā mana, e ngā reo**

To the far reaches of Te Matau a Māui, to the meek and the many

**He mahi rangatira tō tātau**

Chiefly work awaits us all

**Tū mai rā ki te kei o te waka, kia pakia mai koe e ngā ngaru o te wā**

Be resolute at the helm in the face of what lies ahead

The Māori Committee of the Regional Council has been engaged with and is committed to this Long Term Plan, its aspirations and challenges. Our Taiao, all that lies between Rangi and Papatūānuku is suffering and pleading for us to amend our ways and take remedial action.

The proposals in this Plan come at a cost but that is an urgent and necessary commitment to clean up and preserve our Wai, save and care for our biodiversity and to slow the advance of climate change.

**Kaore he mahi ki tua atu ki tēnā**

There is no higher goal than that

This is a very heartfelt mihi to all our community in your overwhelming 89% response in support of Māori constituencies. You wrote for equality and effective representation for tāngata whenua. You wrote for our Taiao, you wrote for our Wai – you spoke with your heart and we heard you. It was an honour to read and listen to your words.

“Change does not roll in on the wheels of inevitability, but comes through continuous struggle.” – Martin Luther King Jnr. Change occurred on 19 May 2021 when a unanimous vote for Māori constituencies from 2022 onwards – the 181 year wait is over when it comes to environment.

Kia rite! We are ready – and this Long Term Plan has set the projects that we are hopeful will help our Taiao and Wai. Our Right Tree Right Place programme and its impact on sediment load is vital, and for tāngata whenua it is all about restoration of the mauri and together as one people. In kotahitanga we got this Whānau!

**E hara te toa takitahi, engari he toa takatini**

There is strength in unity

Mauri ora. Ngā mihi nunui.

Michelle McIlroy and Mike Paku  
**Māori Committee Co-Chairs**

## About this plan

The long term plan is a statutory document that describes the community outcomes the Hawke’s Bay 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 reviewed and adopted every three years. The Regional Council’s outcomes match the vision statement from its 2020-25 Strategic Plan, which is a non-statutory document reviewed and adopted at least every five years. It sets out the type of organisation we aspire to be and our focus areas where more attention is needed. An annual plan is prepared in the years between a long term plan. An annual plan 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.





## About Hawke's Bay Regional Council

### Our councillors

### Whakapā atu ki ō kaikaunihera



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## Our committee structure

The 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 the Regional Council's website

[www.hbrc.govt.nz](http://www.hbrc.govt.nz)

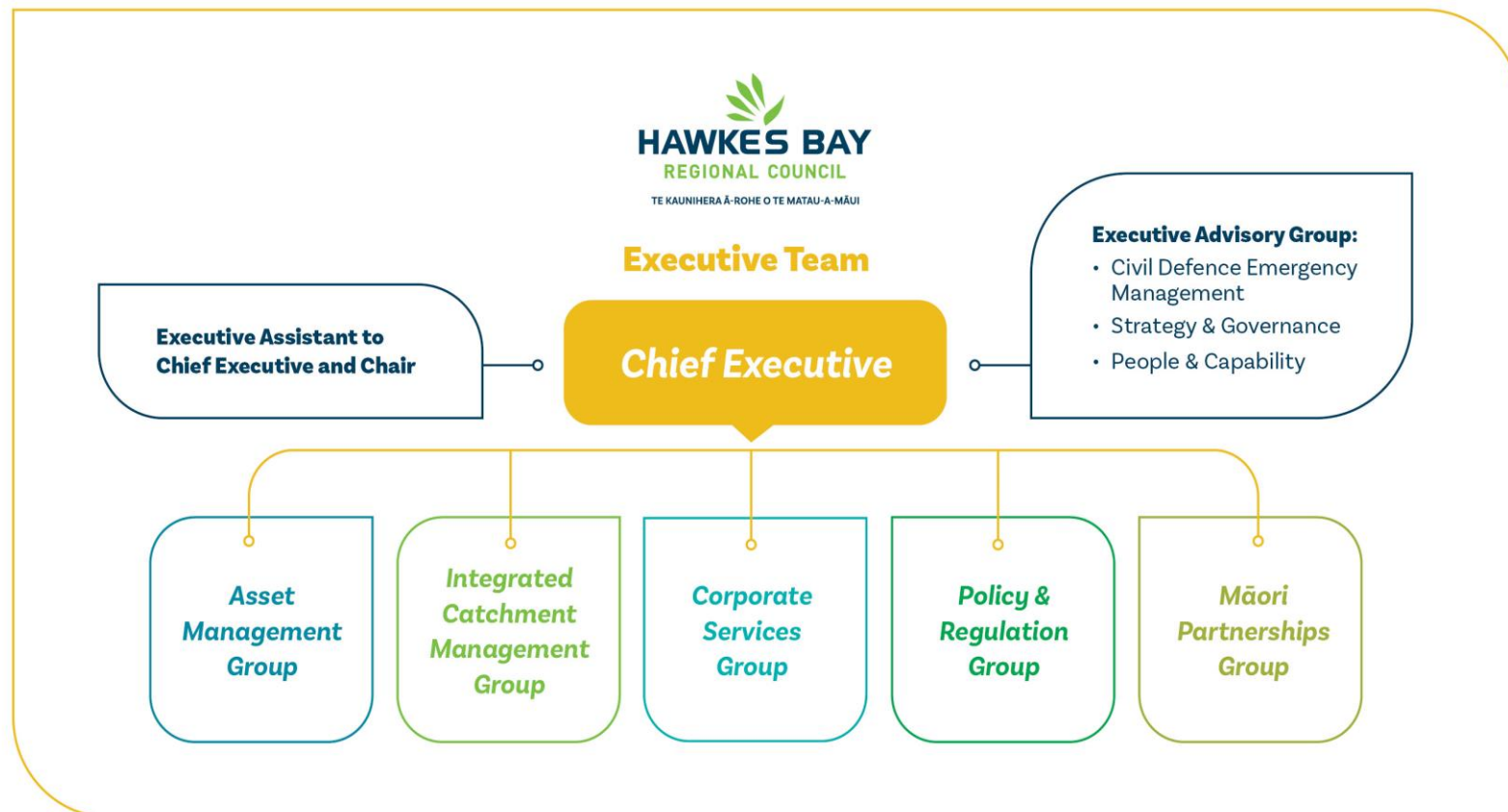
The Regional Council has established the following committees.





## Our organisational structure

Hawke's Bay Regional Council is supported by a professional corporate organisation, led by the Chief Executive. Officers provide the Regional 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 Regional Councils' decisions and policies. The organisation has been structured under five groups, each headed by a member of the Executive Leadership Team. The Executive Leadership 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 Regional Council's goals and objectives in the long term and annual plans.





Enhancing our  
**environment** together

Te whakapakari tahi  
i tō tātau **taiao**



## Our Vision

**We want** a healthy environment and a resilient and prosperous community.

## 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:**

#### **Water quality, safety and climate-resilient security.**

Te kounga o te wai, te haumarutanga me te mārohirohi ā-āhuarangi o te whakamarutanga.

#### **Climate-smart and sustainable land use.**

Kia koi, kia toitū hoki te whakamahinga o te whenua.

#### **Healthy, functioning and climate-resilient biodiversity.**

Kia ora, kia āhei, kia mārohirohi ā-āhuarangi hoki te rerenga rauropi.

#### **Sustainable and climate-resilient services and infrastructure.**

Kia toitū, kia mārohirohi ā-āhuarangi hoki ngā ratonga me ngā hanganga ā-whare.

## Our Values

### **We believe in:**

#### **Partnership and Collaboration**

We work with our community in everything we do.

#### **Accountability**

We hold ourselves accountable 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.





## 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.

Community outcomes are “the outcomes that a local authority aims to achieve in order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future”.

Hawke’s Bay Regional Council’s outcomes match the vision statement from its 2020-25 Strategic Plan, which is:

### OUR VISION

**We want a healthy environment and a resilient and prosperous community**

The Strategic Plan also includes a number of time bound and measurable strategic goals. These have been used here as our outcome measures. These outcome measures are reported against in the annual report.

These demonstrate a desire by the Regional Council to shift from reporting activity or outputs to managing for and reporting on outcomes – the things that matter to the community. Typically, the 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. Refinements were made in 2020 to reset targets to match national targets related to the Essential Freshwater reform package and carbon neutrality. Further work is needed to set milestones for longer term goals and build 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.



Healthy Environment



Resilient Community



Prosperous Community

## Outcome descriptors and measures

- **WATER:** Aquatic ecosystems are protected and enhanced for all to safely enjoy. Water use is prioritised so that all users have sufficient water available to meet their needs within sustainable limits. The kaitiakitanga role of tāngata whenua and their whakapapa and cultural connection with water are recognised and provided for. Groundwater is protected to enable the provision of safe and secure supplies of drinking water.
- **LAND:** Hawke’s Bay farmers and growers are thriving and maximising returns from resilient farming systems through smart, sustainable land use.
- **BIODIVERSITY:** Working together, Hawke’s Bay’s biodiversity is enhanced, healthy and functioning (source: *HB Biodiversity Strategy 2015-2050*). Agricultural and environmental pests are managed and eradicated through the Regional Pest Management Plan.
- **INFRASTRUCTURE & SERVICES:** 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*).

## WATER

### Water quality, safety and climate-resilient security.

Te kounga o te wai, te haumarutanga me te mārohirohi ā-āhuarangi o te whakamarutanga.

- By 2025, plans for all catchments/ waterbodies are notified.
- By 2025, Tāngata Whenua values for all catchments are identified and embedded in the Regional Resource Management Plan.
- By 2025, all aquifers, lakes and rivers have community-agreed quantity and quality limits in force.
- By 2025, cultural monitoring tools are in-use in all catchments.
- By 2030, all popular Hawke's Bay swimming sites are swimmable 80% of the time, and 90% of the time by 2040.
- By 2050, there is an increasing trend in the life-supporting capacity of all of the region's degraded rivers and major streams.
- By 2030, Hawke's Bay has environmentally sustainable, harvestable water identified and stored or plans to be stored if required.

## LAND

### Climate-smart and sustainable land use.

Kia koi, kia toitū hoki te whakamahinga o te whenua.

- By 2025, stock is excluded from all flowing permanent and intermittent rivers/ creeks, lakes and wetlands, and at least 30% are fenced and planted to filter contaminants.
- By 2025, Land Use Suitability information is available to all land owners to inform smarter land use.
- By 2025, all farms, orchards and vineyards operate under a Farm Environment Management Plan or an independently audited industry best-practice framework.
- By 2030, all land-users in critical source areas have phosphorus management plans being implemented, with at least 50% of highly erodible land treated with soil conservation plantings.
- By 2025, catchment management plans are established to target improvements on land that lead to water quality improvements.
- By 2050, all highly erodible land is under tree cover.
- By 2050, there are 50% less contaminants from urban and rural environments into receiving waterbodies.

## BIODIVERSITY

### Healthy, functioning and climate-resilient biodiversity.

Kia ora, kia āhei, kia mārohirohi ā-āhuarangi hoki te rerenga rauropi.

- By 2020, regional priority locations for ecosystem restoration - including in the coastal marine area - have been identified.
- By 2030, key species and habitat (sites) are prioritised and under active restoration. *Source: HB Biodiversity Strategy, 2015-2050 and Action Plan 2017-2020*
- 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. *Source: HB Biodiversity Strategy, 2015-2050 and Action Plan 2017-2020.*
- By 2050, Hawke's Bay is predator free in line with NZ 2050 target. *Source: PF2050*

## INFRASTRUCTURE & SERVICES

### Sustainable and climate-resilient services and infrastructure.

Kia toitū, kia mārohirohi ā-āhuarangi hoki ngā ratonga me ngā hanganga ā-whare.

- By 2025, regional air quality consistently meets World Health Organisation guidelines.
- By 2025, the Coastal Hazards Joint Committee is implementing its strategy to manage coastal hazards in Clifton to Tangoio and by 2040 for the rest of the region to adapt to foreseeable climate change risks to coastal communities out to 2100.
- By 2023, the Napier Port is future-proofed with the addition of a new wharf with supporting land transport infrastructure.
- By 2030, flood risk is being managed to adapt to foreseeable climate change risks out to 2100.
- By 2025, HBRC is carbon zero and plays a leadership role in the region's goal of net zero greenhouse gases by 2050.
- From 2020, unplanned urban development avoids highly productive land.

PRIORITY AREA

STRATEGIC GOAL (outcome measure)

## Statement on fostering contributions to decision-making by Māori

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 processes in place to develop Māori capacity to contribute to decision-making processes of the Hawke's Bay Regional Council (HBRC).

## 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 (RPC). This was formally adopted by HBRC 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 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 Constituencies

On 19 May 2021, the Hawke's Bay Regional Council voted unanimously to establish Māori constituencies for the 2022 and 2025 local elections (to be elected by voters on the Māori roll). This ensures Māori are guaranteed proportional representation on the Regional Council.

This reflects the constitutional status of Māori under Te Tiriti o Waitangi (the Treaty of Waitangi) and provided for in the Local Government and Local Electoral Acts. The dedicated seats add to existing methods to engage with Māori.

The options for Māori constituencies (whether there is one or two, boundaries and names) are key considerations for Council's Representation Review, which will be completed prior to the 2022 election.

## Māori Committee

HBRC has had a representative group of Ngāti 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 members, three from each of the four Taiwhenua within HBRC boundaries plus three councillors.

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

In 1994 a charter was developed which set out the way in which the Māori Committee and HBRC would engage. The Charter includes HBRC's responsiveness to its statutory obligations including policies aligning to the Te Tiriti o Waitangi, resource consents consultation, and communication and engagement. The Charter was last reviewed and adopted in September 2020 along with the Māori Committee's Terms of Reference and Work Plan for the triennium. These documents set out in detail how the Māori Committee will actively participate in and contribute to Council decision-making processes, working in partnership.



## Direct hapū and other involvement

The Council has direct interaction with a number of hapū and marae on issues of concern to them within this takiwa. In addition, bi-lateral hui between HBRC leaders and Treaty settlement entities including the Iwi Chairs, is part of the Council's commitment to developing and strengthening our partnership with tāngata whenua (often beyond the remit of the Regional Planning Committee). Topics are raised and discussed with consideration for the next steps being planned and agreed to by both parties. At three or six month follow-up meetings, the Council provides both updates and feedback of the actions taken on those issues.

## Giving effect to co-governance

In summary, opportunities for Māori to contribute to decision-making include:

- Māori Constituencies
- Regional Planning Committee (RPC)
- Māori Committee
- the Chair/s of the Māori Committee sit in HBRC meetings as non-voting participating members
- a tāngata whenua member from each of the Regional Planning Committee and Māori Committee sits on the following Council committees:
  - Regional Transport Committee
  - Corporate and Strategic Committee
  - Environment and Integrated Catchments Committee
  - Hearings Committee.

## Giving effect to co-management

The Māori Partnerships Group within Council, led by Te Pou Whakarae, is committed to building the cultural competency of all HBRC staff. HBRC's cultural competency framework will 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 is an emerging field in council business and a dedicated new role within the Māori Partnerships Team will be resourced through the 2021-31 Long Term Plan. External engagement of this capability will also be sought when needed.

Figure 1: Atea a Rangi celestial compass, Waitangi Regional Park



## Climate change challenge

The Regional Council declared a climate emergency for the Hawke's Bay region on 26 June 2019. The declaration recognises that the climate crisis is an urgent and pervasive threat to human and ecological wellbeing and that we have a small window of time to act to avoid the most damaging effects of the climate crisis in the longer term. Our climate crisis declaration was one of many declarations from councils across the country, with the Government declaring a climate emergency on 2 December 2020.

Local government has responsibilities for adaptation to and mitigation of the effects of climate change under the Resource Management Act 1991 and Local Government Act 2002, whereas central government leads policy to mitigate (reduce) greenhouse gas emissions.

We have set a goal for Hawke's Bay Regional Council to be carbon neutral by 2025 and will play a leadership role in the region's goal of net zero greenhouse gases by 2050.

Climate change is therefore a focus in all of our planning and decision-making with climate change projections, adaptation and mitigation a key component of this Long Term Plan.

A number of our key consultation topics in the development of this Plan leverage partnership funding to help urgently meet the climate change challenge – Right Tree Right Place, future water use, Upper Tukituki gravel and on-demand public transport. These are outlined in Part 2 – Key Decisions. We discuss these and further projects and work programmes planned or already under way to address climate change in Part 5 – Groups of Activities.

Climate change projections helped inform our Infrastructure Strategy in Part 4 and were a consideration in our Significant forecasting assumptions 2021-31 found in Part 7 – Policies.

We encourage you to check out our Climate Action Hub to find out what you can do to take climate action. Go to [www.hbrc.govt.nz #climateactionhb](http://www.hbrc.govt.nz #climateactionhb)

## Likely climate change impacts for Hawke's Bay



**Annual average temperatures** are projected to go up between 0.5 °C and 1 °C by 2040, and between 1.5 °C and 3 °C by 2090. This comes on top of the 1°C increase over the last century



**Annual rainfall** is projected to drop by up to 5% by 2040, and up to 15% in parts of Hawke's Bay by 2090



**Coastal areas** could have five fewer frosty days and inland areas 20 fewer frosty days by 2040. This could increase to 50 fewer frosty days for inland areas by 2090



**More intense storms**



**Heat waves**, defined as three or more days above 25°C, will become increasingly common, with increases of between 10-20 days by 2040, and 20-60 days by 2090



**Sea level rise** of up to 0.4m in 40 years and worsening coastal erosion (under the extreme worst-case scenario)

Source: Niwa, November 2020, Climate Change projections and impacts for Tairāwhiti and Hawke's Bay

## About Hawke's Bay region

### Our location and climate

Hawke's Bay is a region of New Zealand located in the east of the North Island on the Pacific Ocean coast.

Hawke's Bay has a mild Mediterranean climate. Summer can be sunnier and hotter than the average for New Zealand with long dry periods and droughts occurring regularly. Winters are mild, although frosts and occasional snow do happen.

### Our region

The region's total land area is around 14,200 square kilometres (1.42 million hectares). It includes mountain ranges to the north and west, 350km of diverse coastline (cliffs, estuaries, sand beaches, gravel beaches), and productive plains and hill country. Te Urewera (formerly a national park, now iwi managed) has Lake Waikaremoana on our northwest border, while other natural reserves include White Pine Bush and Ruahine Forest Park.

Hawke's Bay has seven major rivers - (from the north) Wairoa, Mohaka, Esk, Ngaruroro, Tūtaekurī, Tukituki, Waipawa.

As a regional council we have responsibility for managing the use of natural resources (air, water, land, coast, biodiversity) while four local councils manage local services (water supply, sewage, rubbish, roading, and civic amenities such as sports, event and library facilities) – Wairoa District, Hastings District, Central Hawke's Bay District and Napier City councils.

### Our people

There were 166,368 people living in Hawke's Bay at the time of the most recent census (2018). That is an increase of 15,189, or 10.05%, on the previous census count in 2013.

The main cities are located close to each other - Napier on the coast, and Hastings 17km inland. Smaller towns are Wairoa, Waipawa and Waipukurau and other small settlements are found throughout the region.

### Our environment

Hawke's Bay's environment has been highly modified through generations of forestry, farming and development. We want to protect and enhance what remains and ensure our climate resilience as a region. Fortunately there is a public eagerness to restore native bush, improve water quality, and produce crops in keeping with our climate and soil.

### Our economy

Farming, horticulture (apples, stone fruit, vegetables), wine and tourism are key industries.

As major rivers flow across Hawke's Bay, flood protection is an important function of the Regional Council to protect homes, industry, productive land and cultural and environmental values.

Napier Port is a major export and transport hub and is majority-owned by Hawke's Bay Regional Council through its investment company, HBRIC (Hawke's Bay Regional Investment Company Ltd).

Hawke's Bay Regional Council supports the Business Hub in Ahuriri which aims to help transform local businesses to achieve success.



## Future local government reform

On 24 April 2021 the Minister of Local Government announced a Ministerial Inquiry into the Future for Local Government had been established.

The overall purpose of the review is to “*identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership*”.

The review includes, but is not limited to, the following:

- roles, functions, and partnerships
- representation and governance
- funding and financing.

The following are the key steps in the review:

- April 2021: Inquiry begins
- 30 September 2021: An interim report will be presented to the Minister signalling the probable direction of the review and key next steps
- 30 September 2022: Draft report and recommendations to be issued for public consultation
- 30 April 2023: Review presents final report to the Minister and Local Government New Zealand.

While the review could recommend significant change to what local government is and does, there is no information available on the likely direction for the review at this time.

The Regional Council considers it unlikely that any recommendations could take effect before 1 July 2024 – particularly for changes to roles or functions. Any changes that are made will be incorporated in the 2024-34 Long Term Plan.

The Regional Council has prepared this Long Term Plan on the assumption its existing role and functions will continue for the life of the plan (2021-2031).



## Part 2 - Key Decisions

# Wāhanga 2 - Ngā Whakataua Matua

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## Public consultation

Time to Act – Kia Rite! 2021-2031, the consultation document for the 2021-31 Long Term Plan, was available to the public on Thursday 1 April 2021. Notification and subsequent promotion included a public notice, consultation summary mail-out to every ratepayer, newspaper and magazine adverts, editorial features, radio ads and live interviews, media releases, public flyers, social media posts, digital adverts, emails targeted to relevant organisations, three community presentations, the [hbrc.govt.nz](http://hbrc.govt.nz) website and six videos.

During the consultation period, five public meetings drew in over 140 attendees.

Date	Area	Venue	Attendance
Tue 20 April	Waipawa	CHB Municipal Theatre	30
Wed 21 April	HBRC's Facebook Live Q & A session		14 (2918 total views)
Thu 22 April	Hastings	Karamū High School	33
Tues 27 April	Wairoa	War Memorial Hall	35
Wed 28 April	Napier	HBRC Council Chamber	30

We completed location-specific communications for the On-demand public transport consultation topic. This included a flyer drop to all homes in Hastings, a video explaining the concept, pop-up stalls at Hastings supermarkets, a media release published in the local paper and an opinion piece from the Regional Transport Committee Chair.

Consultation closed at 8.00pm on Sunday 2 May 2021. A total of 791 submissions were received (including 30 late submissions). This was an increase of 39% on the number of submissions received for the 2018-28 Long Term Plan consultation.

Submissions were received online, by mail, hand delivered and by email.

## Social media

Overall, the Facebook social media channel sent 29 posts on Time to Act – Kia Rite! 2021-31. Using this channel, we were able to reach 87,143 individuals, including 2,165 post engagements, 1,306 clicked on links and 35,733 viewed videos.

Of the six key topics in the consultation document the following analysis shows the percentage support for our preferred option, in order of popularity:

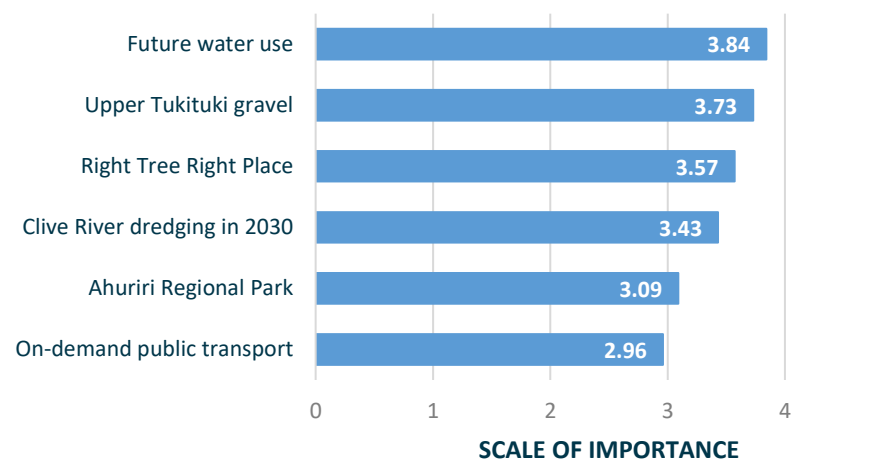
- Future water use: 83.0%
- Right Tree Right Place: 77.0%
- Upper Tukituki gravel: 66.0%
- Clive River dredging: 62.5%
- Ahuriri Regional Park: 56.5%
- On-demand public transport: 51.0%

## Resident's Survey

To supplement the formal consultation, we added additional questions to Council's biennial Resident's Survey specific to the Long Term Plan key consultation topics. The Survey, with a reach of 800 participants, is designed to ascertain Hawke's Bay residents' attitudes to the environment; and to measure their awareness and satisfaction with Hawke's Bay Regional Council relative to its role.

The results are shown below:

Figure 2: Resident's Survey scale of importance for each consultation topic





### Key consultation decisions

The following section summarises the feedback received and the decisions made by the Council on the six key consultation topics consulted on through the Time to Act – Kia Rite! 2021-2031 consultation document.

#### Right Tree Right Place

*This pilot programme aims to transform the region over time by cloaking our eroding hillsides, storing carbon and improving water quality.*

We want to partner with private landowners, investors and forestry companies to offer a tree-planting solution on marginal farmland that also preserves farm viability for the sheep and beef industry. This is to show farmers and other investors an economically viable alternatives to whole farm afforestation.

We proposed to pilot this new programme on three to five farms to fully understand the details involved in set-up costs, partnership and delivery options. Under this trial, we would offer a loan to landowners to plant trees on their erodible land. Mānuka honey and timber are being considered, having the greatest potential to deliver a return and offset loan repayments.

#### Community feedback

A total of 732 submissions were received on the *Right Tree Right Place* consultation topic, with 77% in support of Council's preferred option of funding the development and pilot through reserves with capital funded by the recipients.

Key themes or unique points expressed by submitters included:

- **Essential work of high priority which will benefit our natural environment.** Submitters expressed a wide range of reasons, including mental and emotional health, cultural, financial and environmental benefits.
- **A diverse mix of tree planting with a preference for native trees.** Many submitters expressed a preference for a diverse range of tree species planting rather than a monoculture of *pinus radiata*.
- **A range of operational suggestions.** There were a wide range of operational suggestions for the *Right Tree Right Place* project to consider if the pilot trial is implemented. These included the importance and need for additional plant and

animal pest control, the potential impact on water uptake within catchments, the risks of fire to plantings given the likely increasingly warm and dry Hawke's Bay climate, and biosecurity risks such as insect incursions.

- **Regional Council involvement is not needed or wanted.** Many of these submitters felt that decisions as to what to plant on private farmland were for the private investor or farmer and not Council. A number of submitters who indicated our involvement was not necessary or desirable also expressed concern about whole farm afforestation and the impacts this was having on the community.
- **Funding through rates (rather than reserves) is more sustainable source and reflects the importance of the work.** Part of the concern was that reserves are not sufficiently large to maintain the programme if it was successful to continue beyond the pilot trial phase, or that reserves should be preserved for unforeseen events.
- **Landowners should manage/pay for it themselves.** Alongside this was the freedom for each landowner to decide what they should do with any planting programme on their own property.

#### Decision

Hawke's Bay Regional Council resolved to fund the development and pilot of *Right Tree Right Place* to the value of \$2.14 million (operating) funded by reserves and \$2.62 million (capital) funded by the recipients. The Council also resolved that if the pilot is successful that operational costs paid for by reserves be replenished.

### Future water use

*This proposal aims to improve our resilience to climate change by making better use of the water we have to complement water storage.*

Water is critical in our natural environment. It underpins the health of our people. In Hawke's Bay, we are grappling with the effects of climate change in a dry and drying region as we also face more intense and more frequent storms and floods. We have too much water at times of the year we don't need it, and too little at the times of year that we do.

We also need reliable, climate-resilient supplies of freshwater so that our productive sectors of crops, orchards, vineyards and livestock can prosper. So we need to develop ways to make better use of the water we have. For that reason, we proposed a focus on water conservation and water use efficiency.

### Community feedback

A total of 726 submissions were received on the *Future water use* consultation topic, with 83% in support of Council's preferred option of working with water users to drive more efficient and effective use to complement our focus on water storage.

Key themes or unique points expressed by submitters included:

- **Essential work of high priority.** Many submissions expressed the need for urgency and priority to progress long-term security for our water supplies. Coupled with this sentiment is an acknowledgement that water security will require effort across a wide range of interventions.
- **Allocation frameworks.** Many submissions urged us to review the way that water has been allocated historically and how it should be allocated in the future. Other submitters expressed concern that significant volumes of water sit with a relatively small number of extractive users and questioned the fairness of that outcome. These issues are being addressed by our wider freshwater work programme.
- **Water metering.** Several submitters noted either their preference for domestic water metering as a way reducing demand or their concern that water metering would impose a cost on them when there were other priorities for reducing water demand.

- **Education.** Several submitters supported the use of education as a way of improving our use of water. We have historically delivered education programmes in relation to water use, particularly for irrigators.
- **Strong support for investigations into water storage.** While the Ruataniwha Water Storage Scheme was referenced by several submitters for and against the proposal, the submissions reflected strong support for our investigations into water storage generally. Note that significant investment into water storage investigations forms part of our current water security programme, and this proposal seeks to support investigations into non-storage options.
- **Alternative land use and farming systems.** Many submitters in support were of the view that alternative land use and farming systems should be included in any further analysis and investigation into managing the demand for water.

### Decision

Hawke's Bay Regional Council resolved to put aside \$1.08 million over three years (years 2, 3 and 4) from reserves to work with water users to drive more efficient and effective use to complement water storage.

### Upper Tukituki gravel

*This proposal gets the gravel build-up out of the river system to improve flood protection in Central Hawke's Bay.*

The scheme protects the productive land of Ruataniwha Plains and the towns of Waipawa and Waipukurau from being flooded by the Upper Tukituki River and four of its tributaries – the Waipawa, Makaretu, Mangaonuku and Tukipo rivers.

The flood-carrying capacity of the main rivers were previously balanced with river gravels being extracted at about the same rate the gravel was carried down from the ranges. Over the past five years, less demand for gravel means higher river beds. Removing the gravel from the river beds would help restore the flood carrying capacity of the rivers.

In August 2020, the Government announced funding for four projects in Hawke's Bay, including \$4.51 million for gravel extraction from the Upper Tukituki River to counter the effects of climate change. With Government funding secured, the Regional Council needs to add \$2.54 million to cover the full cost of this work (\$8 million over a three year period) which will make the whole Tukituki River system more resilient to climate change and maintain current levels of protection for our community.

### Community feedback

A total of 727 submissions were received on the *Upper Tukituki gravel* consultation topic, with 67% in support of Council's preferred option to go fast – remove the gravel build-up from the Upper Tukituki River to keep the community safe from floods.

Key themes or unique points expressed by submitters included:

- **Unlocking Government funding is a good opportunity.**
- **Don't go fast.** Some submitters were supportive but concerned about the proposed speed that the work is to be undertaken, and that science and environmental values must be into taken account.
- **Rates are already too high/what are our rates paying for?** Some submitters were against the proposal and of the opinion that rates were already too high. Although the current scheme pays for maintenance activities, such as spraying, mowing stopbanks, planting willow for edge protection; gravel removal is not funded by the scheme maintenance. The gravel extraction is funded through the

extraction industry and only if there is demand. In previous years there has not been enough demand to extract what has been built up often because, given the location, the cost of extraction is becoming more commercially unattractive.

- **Makes sense but do it environmentally sustainable.** A number of submitters expressed support but felt that more planning with environmental and ecological values should be accounted for during the extraction (this includes life in the river and birds). Note that we will engage an ecologist to provide an Ecological Management Plan which will specifically reflect the risk and mitigation to protect wildlife and other ecological values.
- **Flood prevention is a high priority.** A number of submitters were of the opinion that taking gravel out is necessary to minimise future flooding and other issues related to gravel build up.
- **Impact on local amenities.** A small number of submitters, whilst in favour of the proposal, expressed concern about the impact of the process of gravel extraction on local roads, amenities and noise related issues.
- **Work with nature.** Some submitters asked Council to explore the 'leaving room for rivers' approach and allowing the river to take its natural course.
- **The current scheme impacts my land through impacting land drainage.** Some submitters asserted that rather than being 'protected' some land is being 'impacted' through the gravel aggradation impacting drainage.

### Decision

Hawke's Bay Regional Council resolved to invest \$2.54 million in years 1 and 2 to remove the gravel build-up from the Upper Tukituki River and unlock a \$4.51 million grant from Government. Costs will be loan-funded and repaid by ratepayers with the split of 82.5% scheme members and 17.5% general rates.

This split and the six classes of direct beneficiary from A to F, will be reviewed as part of a full rating review following the adoption of the 2021-31 Long Term Plan. This will include the repayment of the loan along with the wider scheme funding.



### Clive River dredging in 2030

*This proposal is about deepening the Clive River to improve river use for cultural, social, amenity and recreational benefits and depositing the silt to land instead of the sea.*

Clive River is a popular place for recreation. It's always busy with cyclists and walkers on the river trails. Waka ama paddlers and rowers train every day in the river, with powered boats in the area between Clive bridge and the sea.

At times of heavy rain in the past, the river would flood on land around Hastings and at Clive. To fix this, a massive engineering project diverted the river to a new channel at Pākōwhai in 1969. Now the river's flow comes solely from the catchments feeding the Karamū and Raupare streams. This river system still needs to be managed for flood control, but often there is only a modest flow of water and not enough to flush out the sediment that washes back from the Ngaruroro River mouth at Waitangi.

About once every 10 years the Regional Council dredges the Clive River channel to remove a build-up of sediment – the sludgy material that creeps in, mostly from the Ngaruroro River. We do this so that river users can continue to enjoy this special place as part of social, recreational and cultural activities. The next dredge is scheduled for 2022. This proposal relates to the dredge after that.

Dredging is a very expensive process requiring people and equipment to come into the region each time we do it. In the past we have vacuumed the sediment using a big tube that takes the dredge materials as far at the coast. We want to shift from ocean disposal to using nearby land as a more sustainable and long-term option. To do this, we need to put aside money each year and purchase the required land in 2025 to prepare for the dredging and disposing of the sediment around 2029.

### Community feedback

A total of 724 submissions were received on the *Clive River dredging in 2030* consultation topic, with 63% in support of Council's preferred option to dredge the river in 10 years as far up as Kohupātiki Marae (currently we dredge up to the rowing club in Clive) and pump the sediment to nearby land.

Key themes or unique points expressed by submitters included:

- **Important for recreation.** A number of submitters were of the opinion that the Clive River is valuable for keeping youth active, is a significant asset for recreational activities and provides an opportunity for kayaking and rowing. Some submitters stated that we should not base our decision on the budget, rather determine the best solution for the environment.
- **High priority for cultural and flood protection.** Many submitters expressed the view that dredging should go upstream all the way to Kohupātiki Marae in order to improve overall health of the river and waterflow. Some submitters had the same view but were concerned about the cost and rates affordability and asked if increasing the frequency of dredging would mitigate cost.
- **No more discharge to sea.** Many submitters were concerned that the silt discharge to sea may have too many contaminants which could have negative effects on the life within the coast. Other submitters voiced the same concern but also highlighted that cost is a key factor to consider.
- **Not a priority for ratepayers.** Some submitters preferred the status quo due to concern about the impact on rates, questioning the science behind the option to dispose sediment to land rather than the sea.

### Decision

Hawke's Bay Regional Council resolved to fund the Clive River dredging up to the rowing club in Clive and pump sediment onto land. Council felt that the additional cost to dredge up to the Kohupātiki Marae, which was the preferred option consulted on, was better spent on preventative measures to reduce the sediment entering the waterway for a longer-term solution. The total cost of \$3.4 million is to be spent in years 5 and 9. The work is to be 70% funded through the targeted Heretaunga Plains Flood Control Scheme and 30% from general rates.

### On-demand public transport

*This proposal is for a virtual bus-stop, technology-enabled service to increase patronage and reduce emissions.*

Public transport provides a needed social, employment, health and recreation link for people, though it has typically focused on people without access to a car.

The next generation of public transport can offer better options, be more customer-focused, convenient, flexible and is more sustainable by reducing reliance on private cars.

Technology use and transport habits have changed a lot recently. The cost, convenience and flexibility of transport solutions now available means that we can pilot these changes to the current way we deliver public transport, currently delivered by Go Bus Transport Ltd who operate goBay buses in Napier and Hastings.

We proposed trialling an 'Uber'-style on-demand public transport model as an alternative to some current bus routes. The trial would start in Hastings first and then extend to Napier.

This new service would mean that everyone in the trial area is close to a bus stop – a maximum of about 200 metres away. The average wait time for a ride is expected to be about eight minutes. Some bus services at peak times would remain to meet peak demand.

### Community feedback

A total of 728 submissions were received on the *On-demand public transport* consultation topic, with 51% in support of Council's preferred option to introduce a virtual bus stop, technology-enabled service.

Key themes or unique points expressed by submitters included:

- **Opportunity to make efficiencies and improve current system.** A large proportion of submitters stated that the current service is not meeting the needs of people and their communities. The fixed timetables and large bus arrangement in suburban areas is resulting in consistently low patronage on some routes.
- **No need to change.** Some submitters were happy with the current bus routes, frequency and certainty of a fixed timetable and don't want to see change.

- **Accessibility to technology.** A number of submitters asked how some existing users, particularly the elderly, or those who didn't have smart phones or ability to use new technology would be able to access the service. It was reassuring that most of the key concerns raised by submitters had already been identified or discussed through our work with Via and goBus.
- **Public transport should be user pays.** A number of submitters didn't support ratepayer funding of any public transport, and several also stated they don't and wouldn't use public transport and therefore did not support paying rates for this service. They sought a more 'user pays' approach to public transport so that their rates would not increase.
- **More detail needed.** A number of submitters asked questions about how it would work or made incorrect assumptions about the intended service. The use of the term 'virtual bus stop' particularly caused confusion. The submissions also indicated a need for a comprehensive engagement strategy in the development of the *On-demand public transport* service to ensure it is suited to the communities' needs, and a comprehensive communication strategy in advance of any roll out of the new service. It has been noted that a well-planned trial delivery will be a critical part of the successful delivery of the new service. Experience and feedback from a similar bus-service in Timaru indicates that a substantial effort is required for this part of the process.

### Decision

Hawke's Bay Regional Council resolved to fund the pilot of *On-demand public transport* to a total of \$6.8 million (100% targeted to Hastings and Napier urban ratepayers) over 10 years assuming the success of the pilot. The pilot proposed to roll out to Hastings at an extra cost of \$361,000 in 2021 and \$249,000 in 2022 replacing current routes 16A, 16B and 17. If successful it would be, introduced to Napier at an extra cost of \$582,000 in 2023 and \$447,000 in 2024 replacing current routes 13, 14 and 15.

### Ahuriri Regional Park

*This proposal kick-starts improvements to the environment in partnership with Napier City Council (NCC) and Mana Ahuriri for recreation, to manage stormwater and improve the Ahuriri Estuary.*

Ahuriri Estuary is a place of great significance. It is well-used by the community but is in a sad state. Known as Te Whanganui-ā-Orotū, this area is particularly significant to Ngā Hapū o Ahuriri. In spite of its current issues the estuary is popular for recreation, is home to many native and migratory birds and acts as a nursery for ocean-going fish.

Untreated stormwater drains feed contaminants directly into the estuary, from nearby urban and industrial areas. A build-up of chemicals in the estuary muds is from decades of industrial contamination, where sewage or chemicals occasionally spill into the estuary. Shellfish gathering here is regularly banned after rainfall, due to contamination. Accidental oil spills from boats in the inner harbour are also a risk to water quality and wildlife.

The Regional Council and NCC are committed to working together with Mana Ahuriri for the long-term to create a step change in the life-force or mauri of the estuary. In addition, both organisations want to establish a park that returns significant biodiversity enhancement and cultural benefits, as well as recreation benefits for the whole community.

### Community feedback

A total of 708 submissions were received on the *Ahuriri Regional Park* consultation topic, with 58% in support of Council's preferred option of developing a regional park with NCC in the upper Ahuriri Estuary.

Key themes or unique points expressed by submitters included:

- **Community and environmental benefits.** It was noted in a number of submissions that there was uncertainty on exactly what a regional park would deliver with comments ranging from a wildlife reserve to a recreational urban park. The presentation of the high-level concept rather than a detailed plan led to questions around the relative priority of conservation, biodiversity, water quality improvement, cultural elements, recreation and the collection of traditional kai.

Consideration could be made to re-brand the project with a more specific title such as "Conservation Reserve".

- **Action is needed.** A number of submitters were clear that the estuary is in a poor state and a regional park could be an instrument to deal with these issues. Improving water quality was seen as the most urgent matter.
- **Support with partnership approach.** There was a good level of support for a partnership approach in delivering this significant project. However, overwhelmingly the feedback indicated that the project participants should be more extensive than just Hawke's Bay Regional Council and NCC and should include mana whenua, Department of Conservation and environmental groups.
- **Not a priority and/or focus on other things.** Some submitters believed the proposal was not a priority as both Napier and Hastings have an abundance of public parks and spaces. A regional park was seen as a 'nice to have' project and not our core work.
- **Support, but who pays?** A number of submitters supported the proposal but were not convinced that the general ratepayer should fund the project. Views ranged from NCC solely funding the project, a targeted rate for residents of the area to leveraging crown funding as an additional funding source.
- **Ratepayer affordability.** Submissions outlined the regional park should not proceed on the grounds of affordability and that there should be more restraint in rates growth.
- **Enforcement.** There was a view from a small number of submitters that the water quality aspirations of a regional park could be delivered through better enforcement practices.

### Decision

Hawke's Bay Regional Council resolved to develop *Ahuriri Regional Park* with NCC in the upper Ahuriri Estuary. The Regional Council will loan-fund \$1.2 million in 2023-24 and \$9 million over the course of years 4-10. NCC has agreed similar funding for a total funding pool of \$20 million+ over 10 years.

### Annual freshwater science charges

We have looked at the way we apportion these charges to consent holders. The new methodology aims to simplify processes and provide transparency and certainty to consent holders.

All affected resource consent holders were contacted and were asked for feedback on proposed changes.

### Community feedback

A total of 60 submissions were received on this topic. Of those submissions, just under half were either neutral on the proposed fees or were commenting on aspects out of scope of the consultation on the freshwater science charges methodology.

Of the remaining submissions, just under a third were supportive of the proposed fee changes, seven were against and eight suggested amendments.

### Decision

After comparison to other councils' annual science and monitoring schedules we agreed with submitters that our proposed four categories for discharge consents were too generalised. A revised scaling for discharge consents was modelled in response to the submissions received and included the introduction of an additional five bands.

Council resolved to move to a single region-wide annual freshwater science charge for water take and discharge consents, to set and publish the schedule of charges in the annual plan each year, to charge a fixed fee per discharge consent based on the scale of activity and the receiving body of the discharge (land versus water), and to charge a variable rate for water takes based on a tiered range volume of take.

### Other fees and charges changes

In addition to changes in freshwater science charges, some other changes to our Fees and Charges schedule are:

- New compliance fees for annual consent administration costs, issuing of abatement notices, and the late submission of data and information returns.
- Increases to some fixed fee deposits for consent applications and applications for regional plan preparation/changes.

- Increases to the annual water meter administration and low flows monitoring charges.
- Separate gravel extraction charges for independent consent holders and those who apply for permissions to extract gravel under Regional Council-held consents.
- An annual fixed charge to Napier Port for a share of the costs of navigational safety management activities.

### Revenue and Financing Policy

Minor changes were made to our Revenue and Financing Policy as consulted on. These included rate funding changes for compliance costs where there is no ability to recover the costs and adjustments to the Groups of Activities structure.

### Significance and Engagement Policy

Our Significance and Engagement Policy must be reviewed every five years and involve community engagement which is why we consulted on it alongside the Long Term Plan. As a result of submissions we have included a Treaty of Waitangi (Te Tiriti o Waitangi) criteria for significance. We also have a new criteria for significance on climate change as consulted on.

### Overall rates impact

The package of initiatives in the Long Term Plan equate to a 19.5% rates increase in year 1 (2021-22), 15.0% in year 2 and 14.5% in year 3. The year 1 total rate increase of 19.5% is the result of deferring last year's rate increase of 7.3%, the cost of borrowing to cover the shortfall in revenue in 2020-21 of 1.2% due to COVID-19 and this year's rate increase of 11%.



# Part 3 - Financial Strategy

## Wāhanga 3 - Rautaki Pūtea

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## 1. Introduction

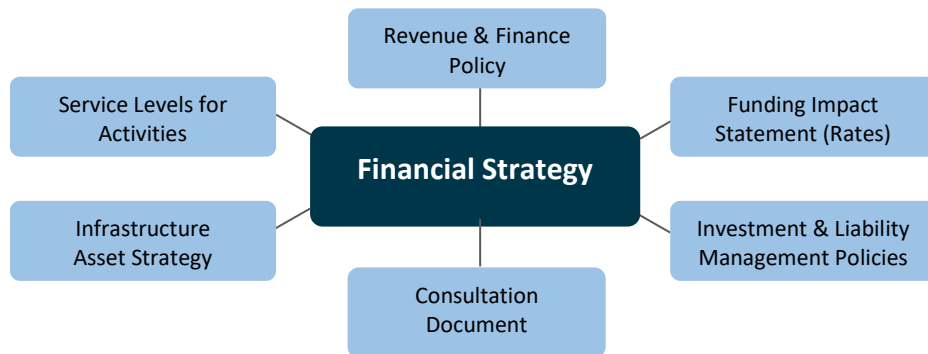
### 1.1 Purpose

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 Hawke’s Bay Regional Council’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 Long Term Plan (LTP). It brings together key aspects of other sections in the LTP to form a coherent strategy as illustrated below.



### Key changes to the 2021-31 Financial Strategy

- An increase in net external debt as a percentage of total revenue from 150% to 175% - in-line with the Local Government Funding Agency’s (LGFA) policy covenants.<sup>1</sup>
- Increase in rates as a % of total revenue from 50% to 60% to reduce reliance on investment income.
- Build an Investment Income Equalisation Reserve of \$10 million by the end of the 2021-31 Long Term Plan.
- Borrowing to fund operational costs in years 1 to 5 to balance the rating impact in order to fund an accelerated work programme.
- Hawkes Bay Regional Investment Company (HBRIC) mandated to grow its investment portfolio.

## 2. Key goals and outcomes

The 2021-31 Long Term Plan consolidates the growth initiated in 2018 and continues to push on multiple fronts, particularly implementation of freshwater reform, increasing biodiversity restoration and increasing the climate resilience of our flood control infrastructure, all to achieve faster results on-the-ground at scale.

The Financial Strategy pulls all levers available to the Council to accelerate and scale-up activity to achieve these goals. Key levers include the Council’s funding mix (i.e. fees and charges, investment income, debt, external grant funding and rates).

It supports the ‘Time to Act’ philosophy of this LTP being an acceleration of delivery in the early years to both capitalise on third-party funding and achieve more, sooner.

The impact of which sees significant pressure on rates and a need to borrow to fund intergenerational and capital projects, and to bridge operating expenses until income from rates and investments increases sufficiently in year 6.

<sup>1</sup> The Regional Council joined the LGFA scheme in 2018 to access favourable interest rates on borrowing.

By 2026-27 rates revenue is at a level where borrowing to offset rates is not required. By 2030-31 this borrowing from the previous four years is repaid.

This LTP includes new borrowing of \$125 million over 10 years with a total outstanding loan balance of \$113 million by the end of 2031 after repayments. External debt peaks in 2026 at \$126 million at 143% of revenue.

The Strategy over 10 years aims to reduce reliance on investment income by lifting the percentage of income from rates from 50% to 60% and to build an investment income equalisation fund. The Council would like to build up investment reserves to increase its resilience to market fluctuations which impacts its ability to fund operating expenditure. This does not discount the need and role of investment income as an important revenue stream to subsidise rates, rather aims to protect the organisation against financial/economic shocks/market volatility.

The Investment Strategy aims to optimise returns and portfolio growth by maintaining real capital value and protecting capital for future generations.

It introduces an overall yield split target for the Council's investment portfolio and a process for recognising capital gains.

The Council's primary objective for its investment company, HBRIC (Hawke's Bay Regional Investment Company Ltd), is to deliver a commercial return to the Council over the long term. HBRIC has a mandate to grow its investment portfolio, particularly where the investment drives regional growth and environmental outcomes.

## 3. Key considerations

### 3.1 Significant forecasting assumptions

Significant forecasting assumptions, in Part 7, sets out the key factors and assumptions used in preparing the 2021-31 LTP. Key assumptions influencing the financial projections and Financial Strategy include interest rates and projected returns on investments, projected inflation rates, environment, climate change, population and land use.

### 3.2 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 Council's assumptions on changes in population are set out in the Significant forecasting assumptions section of this LTP. The Hawke's Bay population is expected to grow by between 0.61% and 0.76% per annum over the 10-year period, from 176,694 in 2021 to 189,672 in 2031.<sup>2</sup>

### 3.3 Change in land use

As a regional council the demand for council services and capital expenditure is not impacted by changes in population and land use to the degree that these factors impact on a city or district council.

HBRC's assumptions on changes in land use are set out in the Significant forecasting assumptions section of this LTP.

Changes in land use are not expected to have a major impact on the cost of council services over the 10 years of this Plan.

### 3.4 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 focused on getting things done on-farm through a mix of incentives and regulatory backstops as needed. It is designed to provide landowners with the knowledge, tools and resources to meet the required changes, ideally before nationally driven deadlines come into effect.

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<sup>2</sup> Combined projections from Hastings District, Napier City, Central Hawke's Bay District and Wairoa District Councils.

## 4. Funding

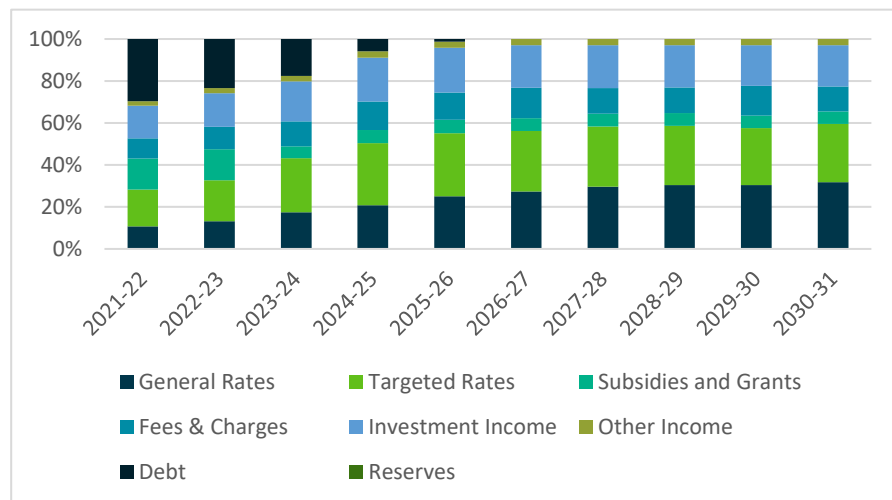
### 4.1 Funding sources

Hawke’s Bay Regional Council activities are funded by a diverse mix of funding sources, including:

- general rates
- targeted rates
- investment income
- fees and charges
- loans
- reserves
- grants
- NZUs (units used to meet obligations in NZ’s Emissions and Trading Scheme).

### Sources of funding

Figure 1: Sources of funding for the 2021-31 Long Term Plan



The challenge for HBRC is to fund its accelerated strategic agenda and reduce its reliance on investment income, and build an investment equalisation fund to provide a more resilient long-term strategy. This funding strategy uses external borrowing particularly in the early years to balance rate increases. It strives to maintain real value and grow returns from the investment portfolio to ensure future both current and future generations of rate-payers benefit.

### 4.2 Fees and charges

Fees and charges provide around 15% of the annual funding requirement of HBRC, reflecting the user pays principle of charging directly to those using our services, where it is practical to do so. Eighty percent of recoverable costs related to consent and compliance activities are charged to consent holders, and following consultation a new charge to Napier Port will be implemented to recover 60% of the costs of the management of navigational safety in the region.

Section 36 of the Resource Management Act allows regional councils to charge consent holders to recover costs related to research, investigation and monitoring of the environment. HBRC has continued with the policy of recovering 35% of the cost of water science activities from relevant consent holders, but following consultation is implementing a change to the methodology used to allocate the annual charges, to simplify the fee schedule to region-wide charges, and to introduce more proportionality of the charge to consented activity and the effects of the consented activity.

### 4.3 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.

A significant portion of investment income is derived from the Regional Council’s investment in HBRIC which owns Napier Port Holdings Limited (NPHL). This ownership was reduced from 100% to 55% in August 2019 by way of an IPO listing 45% of shares on the NZX. The capital released from the IPO was ring-fenced and placed into managed funds. This achieved an objective of greater diversification of the investment



portfolio. Other investment income includes leasehold income, forestry income, and cash on term deposit.

Because of its reliance on investment income, there was the potential for HBRC to be significantly impacted by the volatility of financial markets in the wake of the COVID-19 pandemic. The Investment Strategy aims to reduce reliance on investment income to fund the Council’s day to day operations and to build an investment income equalisation fund to provide resilience and reliability in the future.

## 4.4 Debt

The 2021-31 LTP continues the strategy to leverage the balance sheet set out in the previous LTP (2018-28). Low external debt and historically low interest rates support the Financial Strategy set out in this LTP.

Council will continue to borrow for capital works and for projects and programmes that provide intergenerational benefits, specifically where additional funding can be leveraged from other parties (Government). This LTP includes borrowing in years 1 through 5 to balance the rating impact and fund the accelerated work programme until income from rates and investment income is sufficient to fund the Council’s operations.

Planned new borrowing includes riparian planting and afforestation, sustainable homes, asset management (flood control schemes), system integration software and other 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 planned in this LTP.

A key aspect of this Financial Strategy is an increase in the debt limit of net debt as a percentage to total revenue from 150% to 175% in line with LGFA policy covenants. This provides more headroom and ability to borrow in the LTP.

### Debt security

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

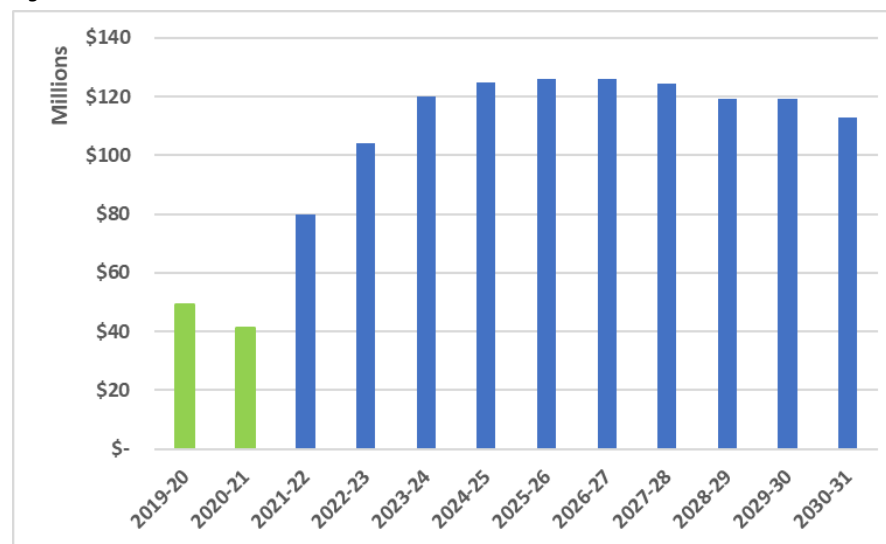
Under the Debenture Trust Deed HBRC’s borrowing is secured by a floating charge over all HBRC rates levied under the Rating Act, excluding any rates collected by HBRC on behalf of any other local authority. In such circumstances, the security offered by HBRC ranks *pari passu* for all stock issues by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

Figure 2: External debt levels



## 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 175%.
- Net interest on external debt as a percentage of annual rates income must be less than 20%.

The graphs below show the proposed limits on debt for this Long Term Plan.

Figure 3: Debt as a percentage of revenue

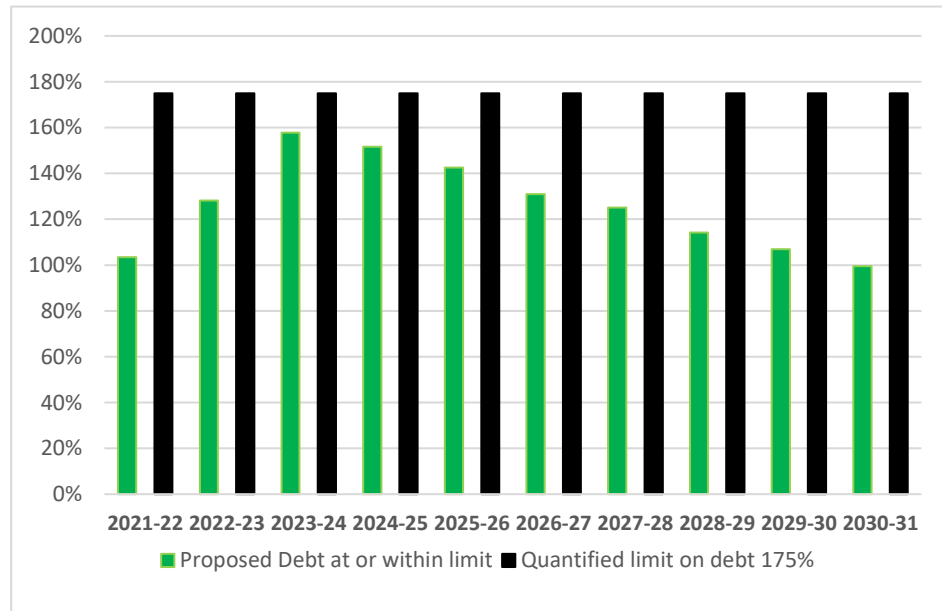
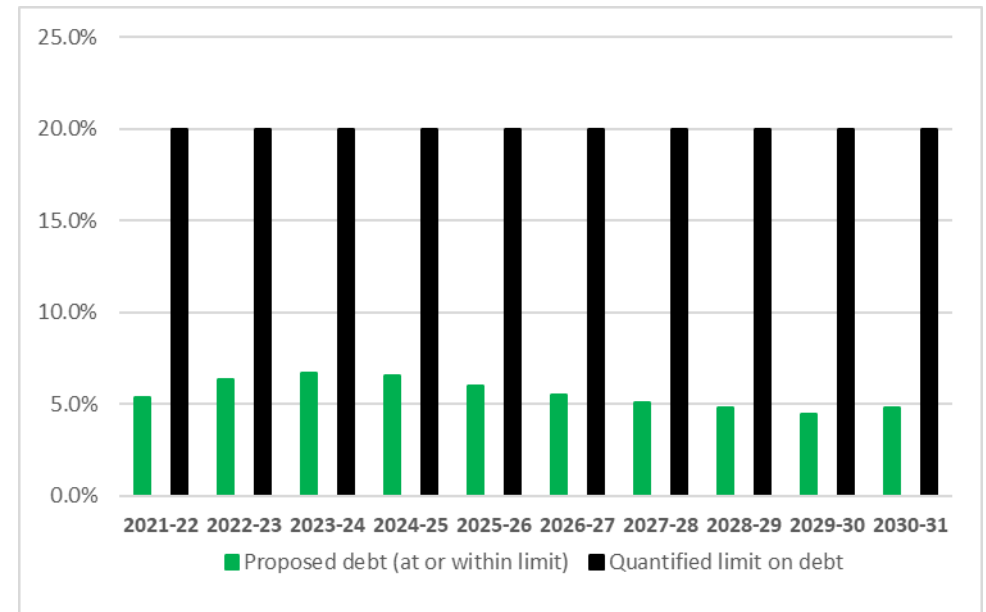


Figure 4: Net interest as a percentage of rates income



## 4.5 Rates

The balance of HBRC’s funding requirements are provided by rates. Rates are always the last alternative for funding operations due to the direct impact on the community, however they are a council’s most reliable source of income. A key aspect of this Financial Strategy is to reduce the reliance on other revenues and move the proportion of rates revenue up to 60% of total income over time. The proportion increases from 38% in 2021-22 to 57% in 2031.

### Limits on rates and rate increases

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

- Total rates revenue will not exceed 60% of HBRC’s annual revenue requirements.
- Increases in the annual rate revenue requirement will not exceed 8% of HBRC’s annual operating expenditure requirements.

Figure 5: Rates revenue as a percentage of total revenue

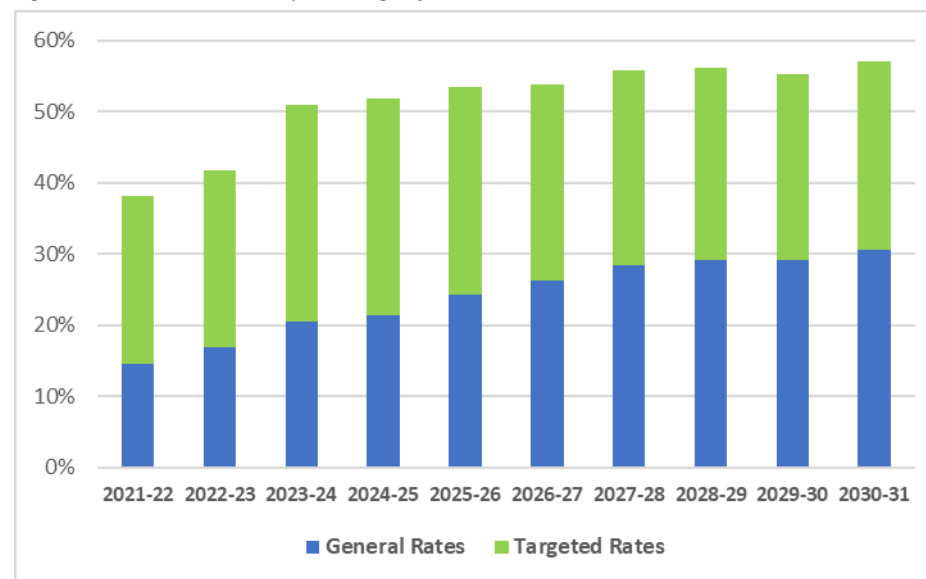


Table 6: Total rates increase from previous year

Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Increase	↑ 19.5%	↑ 15.0%	↑ 14.5%	↑ 10.0%	↑ 10.7%	↑ 9.8%	↑ 7.2%	↑ 5.8%	↑ 4.9%	↑ 4.9%

Table 7: Rates revenue forecast

Rates (\$'000's)	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
General Rates	8,427	11,222	13,697	15,622	17,653	21,450	25,302	28,204	30,499	32,514	34,652
Targeted Rates	16,213	18,226	20,168	23,146	25,002	25,758	26,512	27,365	28,312	29,206	30,116
Total Rates	24,640	29,448	33,865	38,768	42,655	47,208	51,814	55,569	58,811	61,720	64,768

Table 8: Forecast number of rating units

Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Units	71,957	72,525	73,105	73,653	74,213	74,792	75,360	75,918	76,465	77,000

## 4.6 Impact on planned 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.

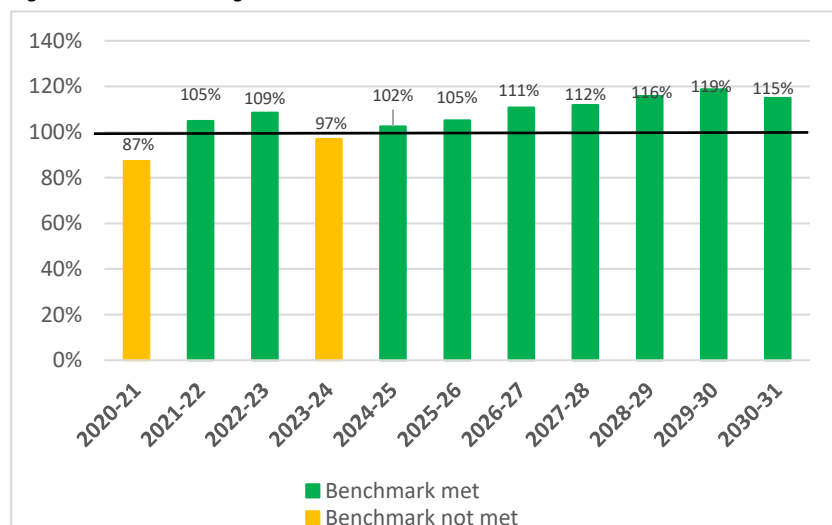
## 4.7 Balanced budget and operating surplus

HBRC has prepared an LTP balanced budget other than in year 3 with a balanced budget benchmark of 97% (-\$2.25m).

Council achieves a balanced budget other than in year 3 by borrowing to smooth the rates burden in the first five years with additional revenues raised in later years to repay this borrowing. Council believes that this is a prudent approach and that the level of rate increases without borrowing would be unaffordable for ratepayers.

The balanced budget benchmark is not met in 2023-24 (year 3). This reflects the end of the significant partnership funding from central government’s COVID-19 stimulus package for flood protection. Even with borrowing it was decided that the gap was too big to bridge in year 3 so Council resolved to have an unbalanced budget for that year.

Figure 9: Balanced budget benchmark



## 5. Investment Strategy

### 5.1 Financial Strategy for HBRC’s investment portfolio

HBRC’s strategic investment agenda for the 2021-31 LTP is to optimise returns and protect and grow the real value of its investments for the benefit of all ratepayers.

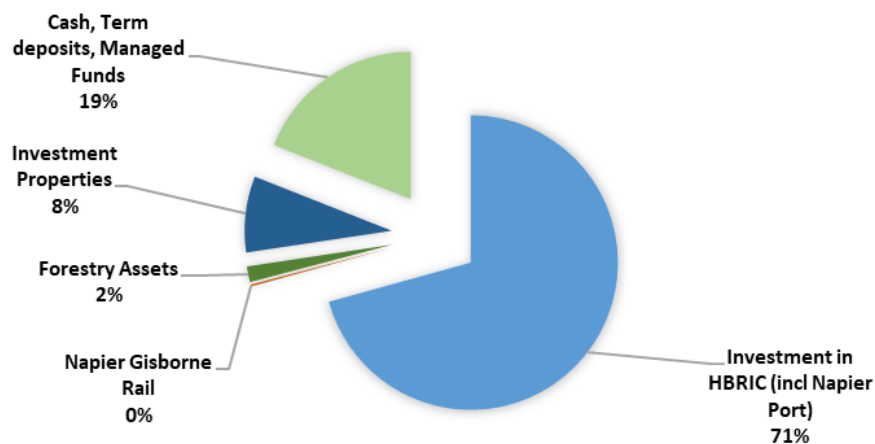
It aims to reduce Council’s reliance on investment income to fund day-to-day operational expenditure and build an Investment Income Equalisation Fund to increase its resilience to market fluctuations impacting its ability to fund operating expenditure. This does not discount the need and role of investment income as a revenue stream to subsidise rates and to help fund an aggressive programme of environmental enhancement projects, rather the aim is to protect the organisation against financial/economic shocks/market volatility.

Following the Napier Port minority IPO which took place during the previous planning cycle, Council’s primary objective for its investment company HBRIC, is to deliver a commercial return to Council over the long term. Council has given HBRIC a mandate to borrow against its assets to grow its investment portfolio, particularly where the investment drives regional growth and environmental outcomes.

The allocation of the current investment portfolio in year 1 of the LTP is shown in the following graph.



Figure 10: Proposed investments 2021-22 year 1 of LTP



## 5.2 Investment strategies/economic drivers/value of investment

### HBRIC Ltd

HBRIC Ltd, the Council’s investment company, commenced activities in February 2012. As signalled in the previous LTP, in August 2019, as part of a capital restructure, HBRIC reduced its ownership in the Port of Napier Limited (PONL) from 100% to 55%. HBRIC maintains majority ownership of PONL through its share (55%) of ownership of the PONL’s holding company, Napier Port Holdings Ltd (NPHL). The capital restructure also saw the successful NZX listing of NPHL in August 2019.

Dividends payable to the Council will be determined by the HBRIC directors after taking into account its profitability, future investment and cash flow requirements and requirements to meet the solvency test under provisions of the Companies Act 1993.

During this LTP HBRIC intends to develop its own Investment Strategy and Statement of Investment Policy and Objectives (SIPO) which will reflect HBRIC’s desire to actively grow its portfolio while meeting the Regional Council’s dividend expectations.

Figure 11: Structure of HBRC subsidiaries

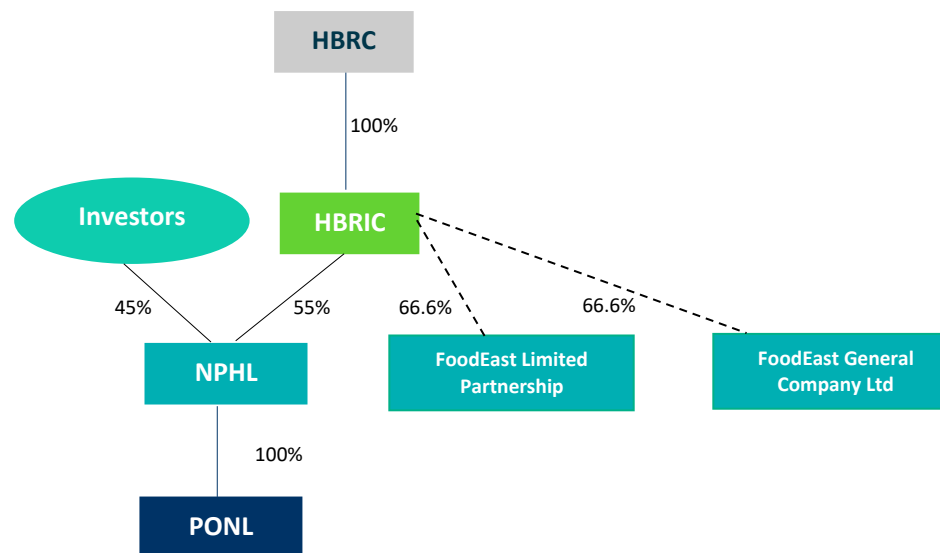


Table 12: Summary of the significant forecasting assumptions in respect of HBRC dividends

Year	\$'000	Year	\$'000
2021-22	10,100	2026-27	12,150
2022-23	10,500	2027-28	12,620
2023-24	10,900	2028-29	13,120
2024-25	11,250	2029-30	13,630
2025-26	11,690	2030-31	14,170

## Leasehold Properties

### Napier

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

In 2013, HBRC sold the annual rentals due from its 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 for the ACC contract and property values being greater than the assumed growth.

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 included in this Investment Strategy 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 inner city Wellington which were purchased from the historic proceeds of the sale of Napier leasehold properties. These leases provide a return of \$841,314 per annum with leases renewed every 14 years.

## Forestry

Table 13: HBRC forestry portfolio

Site Name	Area (ha)	Assumptions
CHB	168	No material investment, maintenance only, no harvesting in LTP period.
Māhia	36	No material investment, maintenance only, no harvesting in LTP period.
Waihapua	213	No material investment, maintenance only, no harvesting in LTP period.
Tūtira	114	Harvesting proposed over the period from 2021 to 2027. Replanting after harvest.
Tūtira Mānuka Honey	90	Maintenance continues with yearly honey income of \$7,000 assumed .
Tangoio	330	Second tranche of harvesting proposed in 2023 (first tranche was in 2020-21). 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.

## Managed funds

### Long Term Investment Fund (LTIF)

Invested since November 2018 with funds divested from the Ruataniwha Water Storage Scheme, this LTP assumes that the LTIF will return 5.16% per annum. Of the 5.16% assumed returned, 2% will be retained within the fund to protect its capital amount from inflation. In LTP years 1 through to 3, 3.16% is allocated towards funding the Council’s operating costs, reducing to 3.00% thereafter. From year 4, the 0.16% will be ring fenced in the Investment Income Equalisation Reserve which will provide Council resilience and flexibility against any future market volatility.

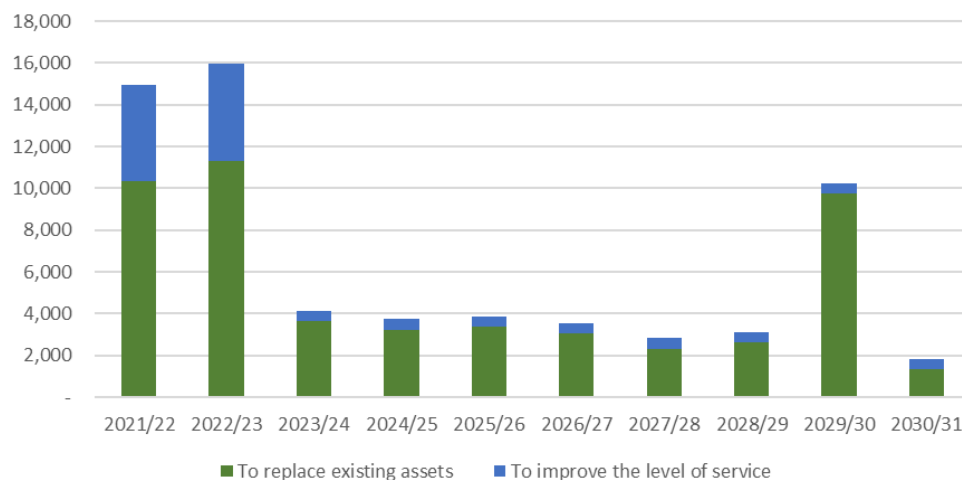
## Future Investment Fund (FIF)

Invested since September 2019, with the funds received from listing 45% of the Napier Port, this LTP assumes that the FIF will return 5.16% per annum. These returns will follow the same allocation as the LTIF mentioned above.

## 6. Infrastructure capital expenditure

HBRC proposes to embark on a significant infrastructure capital programme across the 10 years of the Plan. This has significant co-funding from central government in the first two years as part of the Infrastructure Reference Group funding for Floodplain Risk Management and the increases in levels of service for the Heretaunga Plains stop banks. Full details regarding the infrastructure assets are included in the 30-Year Infrastructure Strategy 2021-2051.

Figure 14: Flood protection and flood control capital expenditure



# Part 4 - Infrastructure Strategy

## Wāhanga 4 - Rautaki Hanganga

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## 1. Executive summary

The Local Government Act 2002 (LGA or the Act) sets out requirements for councils for 30-year 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.

Figure 1: Tukipo-Tukituki confluence, CHB.



Hawke's Bay Regional Council (HBRC) manages a major portfolio of infrastructure assets (Figure 2) as rated flood control and drainage schemes, and publicly accessible regional parks and cycleways throughout the Hawke's Bay region.

The following issues have been identified for HBRC's flood protection, drainage and open spaces infrastructure assets:

- Climate change
- Levels of service (LoS)
- Growth and development
- Land use changes
- Managing risks of natural hazards
- Aging assets
- Economic conditions
- Legislative changes.

Strategies and actions have been identified in relation to these issues some involving the continued development of asset management practice and policy, others requiring specific actions, or new initiatives.

Climate change is a consideration for all activity planning areas and adaptation to scientific forecasts will be an ongoing organisational response. Infrastructure asset planning in the period of the Strategy will incorporate the future level of service requirements based on the climate science as localised forecasts mature and are adopted as performance targets. Our current environmental monitoring will be a key component to assess our asset performance and future requirements.

Our historical infrastructure asset development has given HBRC an inventory of aging assets which are being assessed for future capability and capacity, and economic planning to maintain suitable asset performance as community and legislative requirements change. The need to fairly rate those who benefit from schemes and maintain sustainable levels of service (LoS) is an ongoing challenge with current economic pressures and compliance requirements. Compliance with environmental, consenting and operational health and safety add complexity and funding requirements across the scheme activities HBRC support. Provisions to support this work have been signalled in the Long Term Plan (LTP) in operational, technical staff resources and additional capital programmes.

# Part 4 - Infrastructure Strategy | Rautaki Hanganga

Funding models for sustainable future infrastructure will be investigated as part of a rating review to inform changes to the Revenue and Financing Policy post adoption of this Long Term Plan. HBRC consultation with stakeholders will continue and be reflected in the future infrastructure planning.

Community expectation for public access, recreation, cultural and environmental preservation is increasing, and this is recognised in greater activity planning specifically for Open Spaces management which incorporates regional parks, cycle trails and forestry activities. The traditional flood and drainage asset management remains the core critical activity base but public access is creating growing activity demand with different level of service expectation that requires sustainable future funding. Council recognises the impact of global events like COVID-19 on local economies and has taken on central government funding intended to stimulate regional areas to benefit infrastructure in the 2020-2023 period.

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

Figure 2: 2020 Asset valuation summary

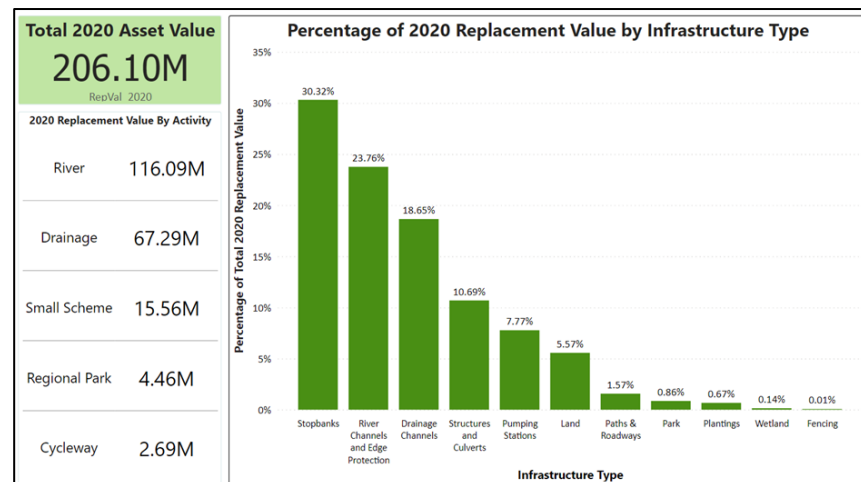


Figure 3: Plantation pump station and flood pump maintenance 2020



## 2. Introduction

The Hawke’s Bay Regional Council (HBRC) Infrastructure Strategy has been prepared as part of the 2021-31 long term planning process.

### 2.1 Organisational context

#### 2.1.1 HBRC mission, vision and purpose

**Mission statement:**

Enhancing our environment together | Te whakapakari tahi i tō tātau taiao

<b>OUR VISION: WE WANT</b>	A healthy environment and a resilient and prosperous community.
<b>OUR PURPOSE: WE WORK</b>	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.
<b>OUR FOCUS: WE PRIORITISE</b>	<ol style="list-style-type: none"> <li>Water quality, safety, and climate-resilient security. <i>Te kounga o te wai, te haumarutanga me te mārohirohi ā-āhuarangi o te whakamarutanga.</i></li> <li>Climate-smart, and sustainable land use. <i>Kia koj, kia toitū hoki te whakamahinga o te whenua.</i></li> <li>Healthy, functioning and climate-resilient biodiversity. <i>Kia ora, kia āhei, kia mārohirohi ā-āhuarangi hoki te rerenga rauropi.</i></li> <li>Sustainable and climate-resilient services and infrastructure. <i>Kia toitū, kia mārohirohi ā-āhuarangi hoki ngā ratonga me ngā hanganga ā-whare.</i></li> </ol>



#### 2.1.2 Asset Management Group

The infrastructure detailed in this strategy is managed and operated by HBRC’s Asset Management Group. The Group operates with HBRC’s strategic vision objectives and community outcomes outlined above.

#### 2.1.3 Contribution to community outcomes

The assets and activities managed by the Asset Management Group primarily contribute to two community outcomes as summarised in the table below:

Figure 4: Asset Management Group contribution to community outcomes

Community outcome	Asset Management Group contribution
 <p>Resilient Community</p>	<ul style="list-style-type: none"> <li>By providing communities protection from frequent flooding through well maintained flood and drainage schemes and regional parks.</li> <li>By providing regional monitoring and flood hazard information.</li> <li>By developing and delivering water storage and management solutions.</li> </ul>
 <p>Prosperous Community</p>	<ul style="list-style-type: none"> <li>By reducing the likelihood of damage from flooding on people, property, productive land, and businesses for long-term benefits to our economy.</li> <li>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.</li> </ul>

## 2.2 Legislative drivers

This 30-Year Infrastructure Strategy has been prepared based on Council's 2021 suite of Asset Management Plans (AMP), asset databases and the 2021 – 2031 Long Term Plan, of which it forms part of. The requirements for an infrastructure strategy are described within section 101B of the Local Government Act 2002. The relevant sections state:

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

And

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

- 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.*

Section 10 of the Local Government Act 2002 - The purpose of Local Government, particularly point (b) has also been taken into consideration when preparing this strategy:

*The purpose of local government is*

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and*
- (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.*

## 2.3 Regional context <sup>3</sup>

### 2.3.1 Location

Hawke's Bay is a region of New Zealand located in the east of the North Island on the Pacific Ocean coast. Hawke's Bay has a mild Mediterranean climate. Summer can be sunnier and hotter than the average for New Zealand with long dry periods and droughts occurring regularly. Winters are mild, although frosts and occasional snow do happen.

### 2.3.2 Extent

The region's total land area is around 14,200 square kilometres (1.42 million hectares). It includes mountain ranges to the north and west, 350km of diverse coastline (cliffs, estuaries, sand beaches, gravel beaches), productive plains and hill country. Te Urewera (formerly a national park, now iwi managed) has Lake Waikaremoana on our northwest border, while other natural reserves include White Pine Bush and Ruahine Forest Park.

Hawke's Bay has seven major rivers - (from the north) Wairoa, Mohaka, Esk, Ngauroro, Tūtaekurī, Tukituki, Waipawa. The Regional Council has responsibility for managing the use of natural resources (air, water, land, coast, biodiversity) while four local councils manage local services (water supply, sewage, rubbish, roading, civic amenities such as sports, event and library facilities) – Wairoa District, Hastings District, Central Hawke's Bay District and Napier City Councils. HBRC flood and drainage schemes are shown in Figure 5 to Figure 10.

<sup>3</sup> Sourced from: <https://www.hbrc.govt.nz/hawkes-bay/about-our-region/>



# Part 4 - Infrastructure Strategy | Rautaki Hanganga

Figure 5: Hawkes Bay Regional Council River and Drainage Schemes

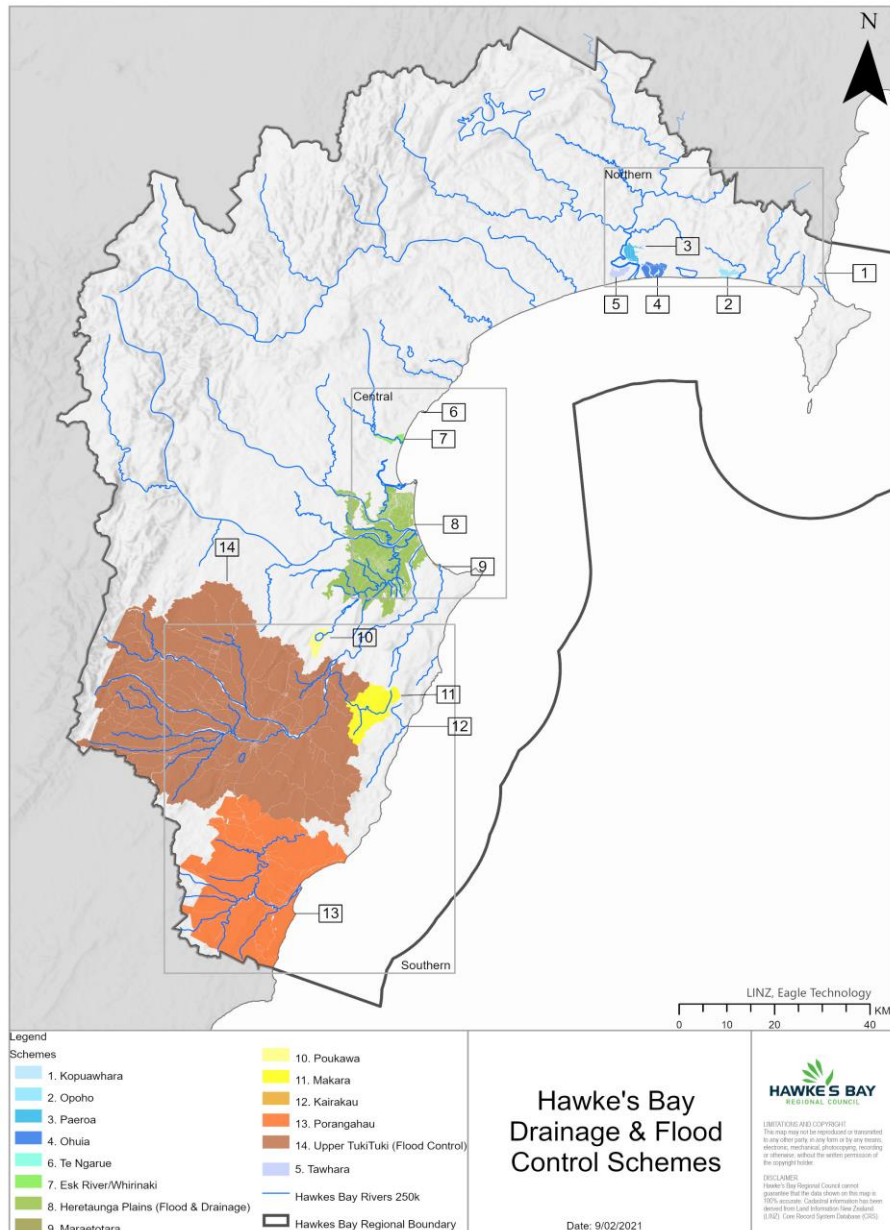
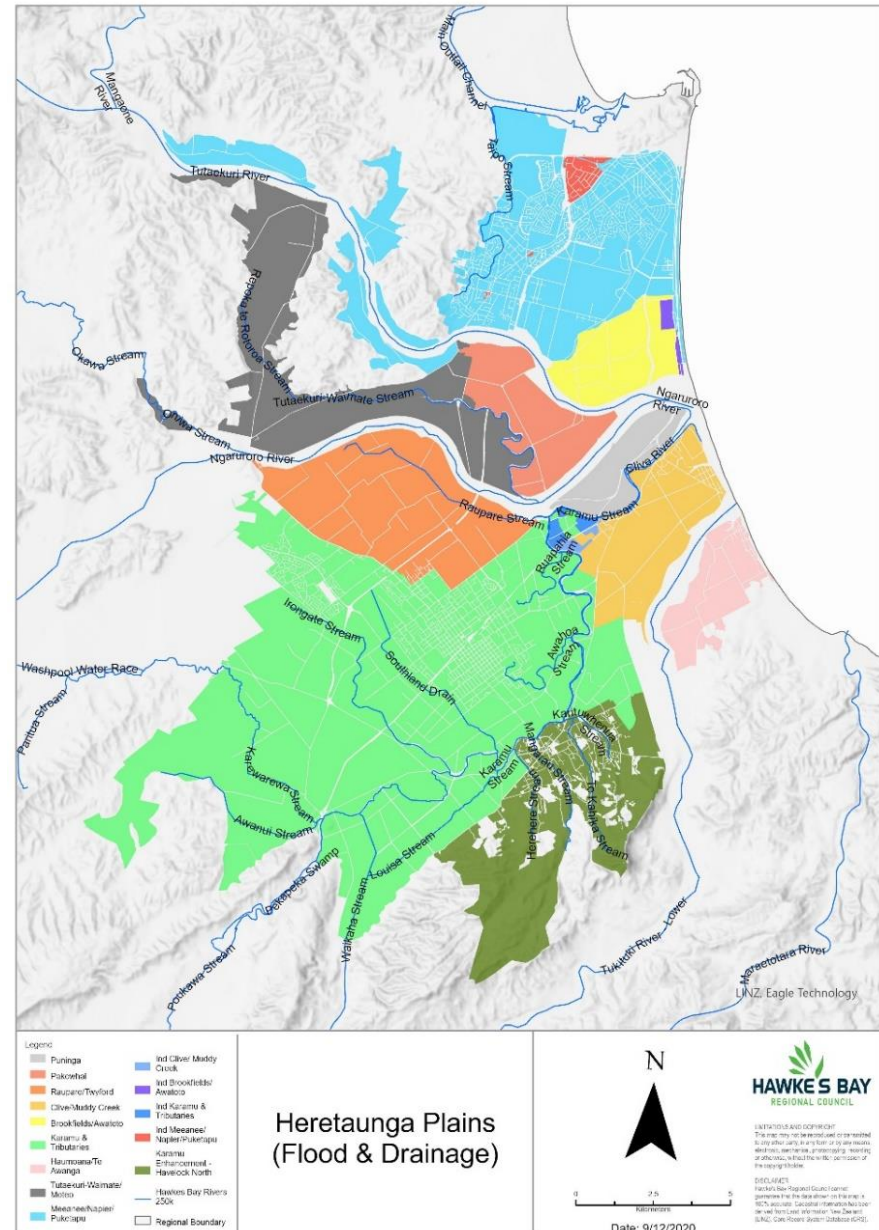


Figure 6: Heretaunga Plains Flood and Drainage Scheme







# Part 4 - Infrastructure Strategy | Rautaki Hanganga

Figure 9: Central Area Small Schemes

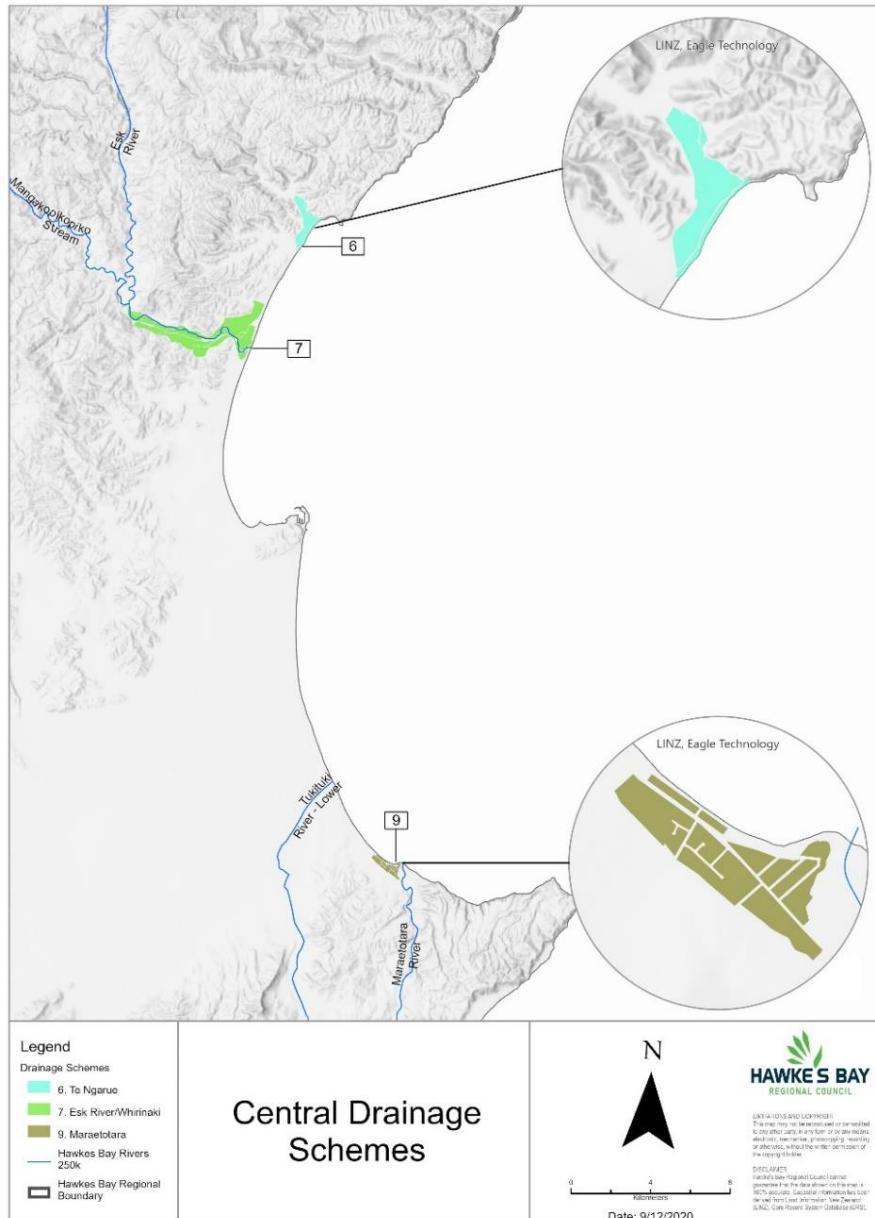
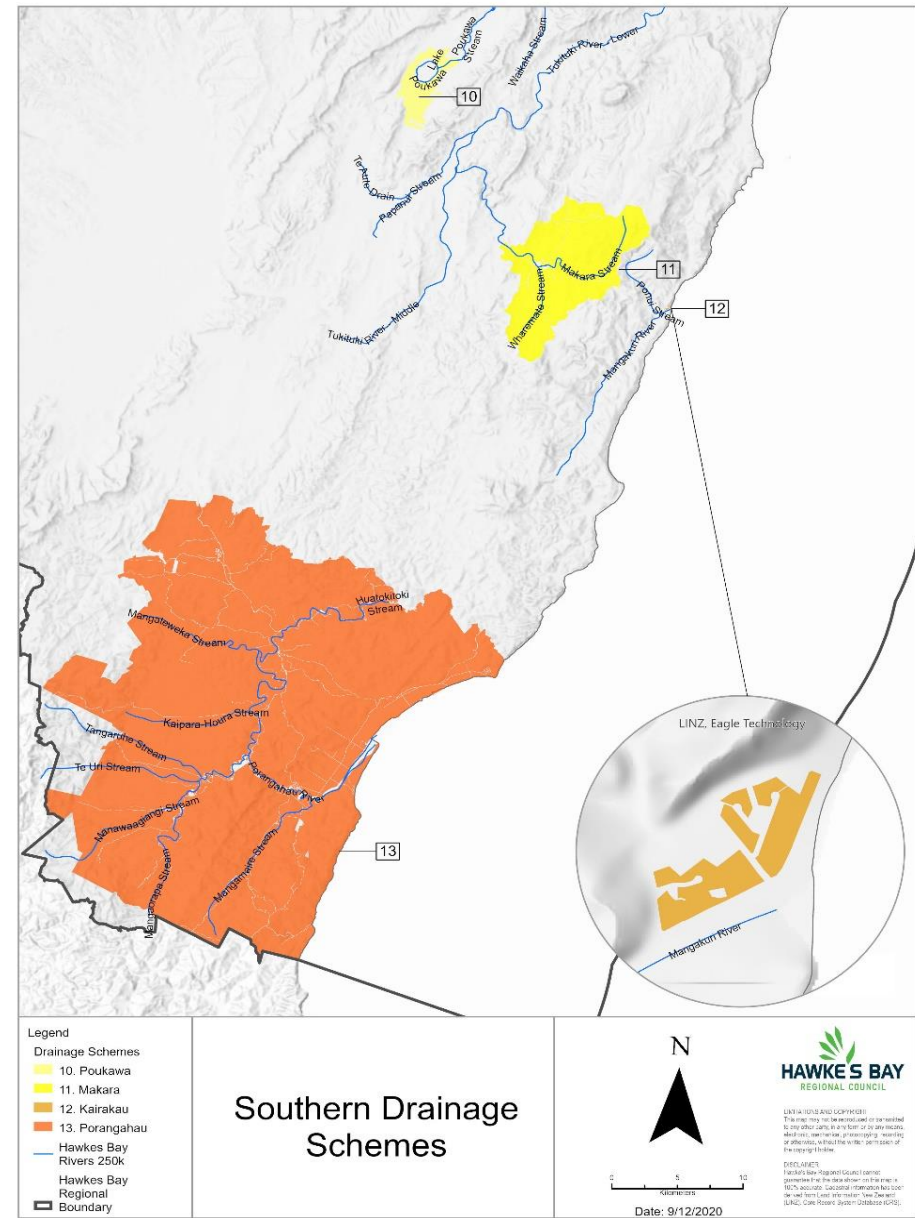


Figure 10: Southern Area Small Schemes



## 2.4 Population

The Council's assumptions on changes in population are set out in the Significant forecasting assumptions section of the 2021-2031 Long Term Plan. The population projections estimate Hawke's Bay's population in 2021 at 176,694. The region's population is expected to increase by 12,978 people (or 7.3%) over the 10-year life of this Long Term Plan.

## 2.5 The environment

Hawke's Bay's environment has been highly modified through generations of forestry, farming and development. We want to protect, enhance and sustain the environment and adapt to the challenges of changing climate conditions. There is a public eagerness to restore and sustain native fauna and flora, improve water quality and productively support economic activity in keeping with our climate and soils.

## 2.6 The economy

Farming, horticulture (apples, stone fruit, vegetables), wine and tourism are key industries.

Napier Port is a major export and transport hub. Hawke's Bay Regional Council derives dividend revenue from the Port through its investment company, HBRIC.

Several major rivers flow across Hawke's Bay so flood protection is an important function of the Regional Council to protect homes, industry, productive land and cultural/environmental values. A 2018 Review by NZ Rivers Group of Hawke's Bay flood and drainage protection schemes, as part of a national review, estimate a net present value benefit of over \$28.8 billion.

## 3. Strategic objectives and context

### 3.1 Strategy purpose and objective



The purpose of the Infrastructure Strategy is to identify significant infrastructure issues arising within the next 30 years in the Hawke’s Bay region, with the objective of describing options for managing them and awareness of the implications associated with applying those options. This is stipulated in section 101B of the Local Government Act 2002 and has links with the Financial Strategy which together are part of the Long Term Plan (Figure 12).

This strategy combines the current level of knowledge, complexity, and challenges within the HBRC infrastructure environment. Considerations associated with water quality and quantity, climate change, environmental degradation and natural hazards are all issues impacting infrastructure management decisions in the period of the Strategy. Infrastructure is an important part in an

integrated approach to catchment and regional environmental management. Regional initiatives relating to afforestation, environmental improvements, land use change and regulation are a critical component to management of the region’s natural resources.

Infrastructure management options taken into consideration by HBRC include:

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

### 3.2 Strategy extent

This Infrastructure Strategy covers the following infrastructure assets:

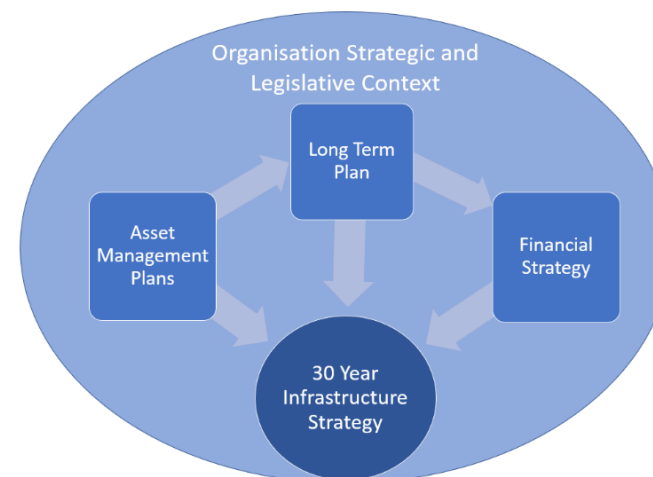
Table 11: Infrastructure assets

Infrastructure asset	Critical asset?
Heretaunga and Upper Tukituki Flood Protection and River Control Schemes (HPFCS and UTTFCS)	Yes
Heretaunga Drainage Schemes	Yes
Small Schemes	No
Coastal Assets (Currently part of HPFCS )	Yes
Cycleways (Open Spaces)	No
Regional Parks (Open Spaces including Forestry)	No

### 3.3 Strategy linkages

The diagram below summarises the key Infrastructure Strategy linkages with other Council strategies and plans.

Figure 12: Infrastructure Strategy linkages





Within the AMP framework there are a suite of documents that support the 30-Year Infrastructure Strategy, including;

- Asset Management Policy
- Scheme Asset Registers
- Scheme Asset Management Plans
- Scheme Annual Maintenance Contracts
- Various Scheme Review reports
- Annual audits.

## 3.4 Strategy review and improvement

The Infrastructure Strategy (IS) is formally reviewed every three years and will see ongoing levels of refinement driven by a clear direction to pursue a higher level of asset management process and maturity. Investment in technical human resources, operational assessment processes and risk-based assessment will better support asset decision making longer term. Planning includes provision for systems support for asset data management for operational and analytical process and delivery improvement.

## 3.5 Key issues and implications

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 the future. Being aware of the potential for change, will allow us to adapt our approach accordingly.

The following key issues impact and influence infrastructure and scheme management.

- 3.5.1 Climate change (Climate Emergency June 2019)
- 3.5.2 COVID-19 economic impact (2020- ongoing)
- 3.5.3 Demographic changes
- 3.5.4 Tāngata whenua representation
- 3.5.5 Economic trends and affordability

### 3.5.6 Natural hazards

#### 3.5.7 Legislation and guidance, including:

- Freshwater reform (Taumata Arowai–the Water Services Regulator Act 2020)
- Resource management reform (including plan changes to our Regional Resource Management Plan (RRMP))

### 3.5.8 Changes in community values

These issues and their infrastructure implications are detailed in the following sections.

#### 3.5.1 Climate change

##### Council position

The Regional Council announced a climate emergency for the Hawke’s Bay region on 26 June 2019 recognising that we have a small window of time to act to avoid the most damaging effects of the climate crisis in the longer term. In declaring a climate emergency, the Regional Council is making climate change a focus in all its decision-making and relevant work programmes.

The climate emergency declaration recognises that the climate crisis is an urgent and pervasive threat to human and ecological wellbeing. A build-up of too many greenhouse gases like carbon dioxide and methane leads to too much heat being trapped in turn causing the climate to change.

Local government has responsibilities for adaptation to climate change under the Resource Management Act and Local Government Act, whereas central government leads policy to mitigate (reduce) greenhouse gas emissions. As such climate change adaptation is a key component of the Regional Council’s proposed work programme in this Long Term Plan.



### Infrastructure implications and responses

The Hawke's Bay region has always experienced some extreme weather, but the increase in greenhouse gases will generate changes in global, national and local climates. In Hawke's Bay the expected climate change effects include:

- a rise in temperature and fewer frosts
- more extreme temperatures, more often
- more frequent and more severe droughts with greater fire risk
- drier in winter and spring, while summer and autumn may get more rainfall
- an increase in extreme rainfall
- stronger wind gusts during storms, including thunderstorms
- sea level rise.

HBRC is developing its infrastructure response to climate change through its planned work programmes, level of service and scheme reviews. Major projects in this LTP period in a direct response to climate change are the increase in flood protection standards (Flood Protection Assessment) in the Heretaunga Plains Flood Control Scheme (HPFCS) and the potential continuance of the Coastal Hazards Strategy 2120 which takes a Joint Committee approach to apply solutions to coastal hazards and sea level rise.

The Coastal Hazard Strategy 2120 is not formally adopted or part of any current schemes in 2020 but remains a potential future regional programme under discussion with other councils in Hawke's Bay with common interests in the climate change related coastal hazards. It awaits programme inter-council governance and funding decisions to move forward from the initial 2014-2017 collaboration by Hastings District Council, Hawke's Bay Regional Council, Napier City Council and groups representing mana whenua and tāngata whenua.

Ongoing HBRC stewardship of critical flood and drainage protection assets for the Hawke's Bay population requires the planned level of service reviews and flood protection assessments, supported by sound environmental monitoring and improved asset management approach. Schemes will be reviewed through the LTP period with upgrade, replacement, renewal, or disposal of current infrastructure possible.

HBRC has a programme of scheme reviews planned over the next 10 years, and then on a continuing cycle as climate change assumptions mature and level of service is reviewed. This will allow the renewals programme to be assessed against the forecast climate needs and identify areas of potential new capital requirement.

There is an expectation that improved climate modelling specific to the Hawke's Bay region will be developed in the next 5-10 years, and level of service and flood modelling will be adapted to reflect the future forecast climate outcomes.

Council's response programme includes:

- **Education, engagement and collaboration:** Late 2020, HBRC launched a climate action awareness campaign which included pop-up community events, opinion pieces, social media, videos and a new website [www.hbrc.govt.nz](http://www.hbrc.govt.nz) [#climateactionhb](https://twitter.com/climateactionhb) followed by a Climate Action Youth Camp in early 2021. HBRC also supports Climate Action Hawke's Bay, an initiative bringing businesses and communities together to be more connected and focused on meeting the challenges and opportunities of climate change.
- **Work programme:** This Long Term Plan includes a number of projects to accelerate our response to the climate crisis. HBRC is already working on several other projects around the region enabled by central government regional recovery investment (HPFCS level of service review).
- **Hazard identification:** HBRC will continue to identify, monitor, and plan for major climate change hazards such as increased storm intensity and flooding, sea level rise and coastal erosion.
- **Monitoring and reporting:** HBRC will continue to monitor and report on climate change trends and indicators. SCADA controls for existing pump systems will be upgraded and cover more stations.
- **Level of services (LoS) reviews:** HBRC will continue to undertake LoS reviews and plan and implement infrastructure upgrades based on findings.

Examples of infrastructure related climate change work HBRC is currently undertaking includes:

- Flood Control Schemes/Drainage Schemes: Level of service reviews, greater investment in modelling, improved asset management of scheme assets, engineering and consenting.
- Development- Coastal Hazards, Heretaunga Plains Urban Development Strategy (HPUDS).
- Catchment management - Right Tree Right Place pilot, managing erosion.
- Continued environmental monitoring – water, air, climate.

### 3.5.2 COVID-19 economic impact

The COVID-19 pandemic that swept the world in 2020 had the potential to have a major impact on the New Zealand and Hawke’s Bay economies. The impact on different sectors of the Hawke’s Bay community has been variable with some impacted by a downturn in tourism for example. The COVID-19 pandemic will have an

enduring impact on the NZ and Hawke’s Bay economies, which in turn will have a bearing on the implementation of the 2021-31 Long Term Plan.

### Infrastructure implications and responses

This issue has potential impacts on the timing and funding of activities in the period of the Infrastructure Strategy. Short-term regional recovery investment is advancing some infrastructure related projects but there may be some longer term impacts on regional economics which need to be reflected in future programme affordability if there are longer term economic impacts.

### 3.5.3 Demographic changes

HBRC has considered forecast changes in population and rateable properties. The regional projection reflects the combined projections from the main territorial authorities in the region (Hastings District, Napier City, Central Hawke’s Bay District and Wairoa District Councils). The basis for these assumptions is set out in 2021-2031 LTP’s Significant forecasting assumptions, as per Table 13.

Table 13: Hawke’s Bay population projections (combined projections from the region’s territorial authorities)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>HB population</b>	176,694	178,042	179,397	180,696	182,001	183,313	184,632	185,938	187,239	188,527	189,672
<b>Change</b>		1,348	1,355	1,299	1,305	1,312	1,319	1,326	1,281	1,288	1,145
<b>Percentage change</b>		0.76%	0.76%	0.72%	0.72%	0.72%	0.72%	0.72%	0.69%	0.69%	0.61%
<b>No of households</b>	66,838	67,367	67,906	68,415	68,934	69,473	70,002	70,521	71,029	71,527	72,065
<b>Change</b>		529	539	509	519	539	529	519	508	498	538
<b>Percentage change</b>		0.79%	0.80%	0.75%	0.76%	0.78%	0.76%	0.74%	0.72%	0.70%	0.75%

Note: Sourced from HBRC Significant forecasting assumptions 2021-31 LTP: HBRC has taken into account forecast changes in population and rateable properties. The regional projection reflects the combined projections from the main territorial authorities in the region (Hastings District, Napier City, Central Hawke’s Bay District and Wairoa District).

## Infrastructure implications

Population growth on the Heretaunga Plains will be incorporated in our LoS and scheme planning with planned resources and investment in modelling tools in the 2021-31 LTP. The intent is to review all schemes over the next 10 years to understand the impact of climate change, assess impact of growth and changes in farming practices (subsurface drainage) and flood protection assessment (FPA) incorporating catchment risk.

There will be ongoing demand for residential land in and around the Hastings and Napier conurbations with greenfield developments in flood and drainage scheme catchments (Te Awa, Parklands/Lagoon Farm, Park Island, Arataki, Lyndhurst Waingākau Village, Williams St). Drainage catchment areas and flood control schemes servicing urban and peri-urban areas need to accommodate this trend. This will be considered in the scheme level of service reviews for these areas. Growth is forecast to peak in 2033 on Statistics NZ data.

HBRC manages four schemes (one flood control and three drainage) in the Wairoa area. It is essential that the schemes remain affordable to their benefiting community. As 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.

The Upper Tukituki Scheme is likely to remain unaffected by any changes in the local population in Central Hawke's Bay, so this position needs to be considered in the levels of service review of the current 1%AEP design standard.

### 3.5.4 Tāngata whenua representation

Tāngata whenua relationships form an important component of Council's responsibilities and obligations. Cultural significance and awareness are paramount to achieving Council's objectives and policies, with relevance to managing water, protecting the land, environmental enhancement and ensuring protection for future generations.

Treaty of Waitangi (Te Tiriti o Waitangi) settlements require increased kaitiakitanga (stewardship) over the rivers and their environs by tāngata whenua.

Hawke's Bay tāngata whenua provide shared input into infrastructure-related activities through the Regional Planning Committee (RPC) which has responsibility to review the Council's Regional Resource Management Plan and Regional Policy Statement prepared under the Resource Management Act 1991; and the Māori Committee for activities likely to require specific consultation (e.g. gravel extraction, open spaces consultation).

The Māori Committee has 12 representatives nominated by each of the four Ngāti Kahungunu Taiwhenua/Executive in the region and provides representation to other HBRC committees e.g. Environment and Integrated Catchments where infrastructure issues are raised.

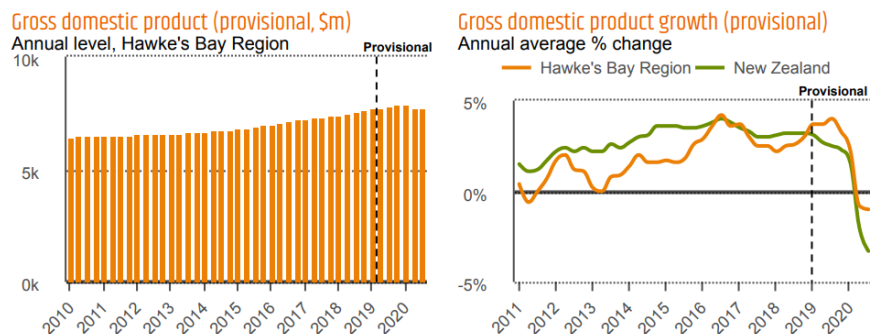
## Infrastructure implications

Cultural values impacted by activities associated with the ongoing operation, maintenance and improvement of flood control and drainage schemes and their environment are considered in planning. HBRC engages with elected and tāngata whenua representatives through the RPC and Māori Committee representation on internal decision making committees, and scheme and open space consultation for specific activities e.g. open spaces, gravel extraction.

### 3.5.5 Economic trends and affordability

Our assets are fundamental to the continuing economic prosperity of our region. In particular, 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 and forms the main part of the Napier-Hastings urban area which is itself the fifth largest urban centre in New Zealand. Figure 14 shows the GDP trend for Hawke's Bay. The September 2019-2020 GDP (Gross Domestic Product) dropped 1% in Hawkes Bay compared to a 3.3% drop for New Zealand which covers the period of the COVID-19 pandemic lockdown. This demonstrates the high degree of uncertainty that is impacting infrastructure planning for things such as residential development.

Figure 14: Infometrics provisional Sept 2020 GDP trend



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 Roy’s Hill on the Ngaruroro River, Taradale and Moteo on the Tūtaekurī River within the Heretaunga Plains.

The table below summarises potential breach economic impacts CPI (Consumer Price Index) adjusted to 2020 dollars:

100-year return flood breach impacts	Direct industry production Losses	Total Hawke’s Bay-wide GDP/value added economic impact losses	Net present value/discounted annualised value of these impacts
Roy’s Hill on the Ngaruroro River	\$546 million	\$613 million	\$46.1 million
Taradale on the Tūtaekurī River within the Heretaunga Plains	\$415.3 million	\$369.8 million	\$27.7 million
Moteo on the Tūtaekurī River within the Heretaunga Plains	\$28.4 million	\$37 million	\$2.8 million

These figures highlight the critical part our flood protection assets play for our economy.

## Infrastructure implications and responses

The HBRC drainage and flood control schemes, in particular the HPFCS, protect a large amount of the Hawke’s Bay region’s residential and business assets and community infrastructure. Further demographic, economic, rural production and other industry growth is forecast over the longer term.

Growth planning, forecasting and infrastructure modelling and planning to meet future demand requirements will continue to be incorporated in reviews. Infrastructure condition monitoring, programmed scheme reviews, risk-based flood protection assessment (FPA), environmental monitoring and asset maintenance programmes will continue to be implemented to ensure appropriate levels of service, risk awareness, and stakeholder requirements are being sustainably and economically maintained.

Investment in more staff for scheme planning and asset management processes will improve the whole-of-life analysis for individual schemes to give better support for scheme review.

### 3.5.6 Natural hazards

Hawke’s Bay experiences several natural hazards which have the potential to impact our critical assets. These include:

- flooding
- earthquakes
- tsunami
- landslides
- coastal erosion and inundation.

The table below details the natural hazard issues and infrastructure implications:

Table 15: Natural hazard issues and infrastructure implications

Hazard	Issues	Infrastructure implications and response
Severe weather and flooding	Severe weather events create many hazards. Potential risk to life and economic disruption by potential for overtopping of stopbanks or lack of timely drainage.	<ul style="list-style-type: none"> <li>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.</li> <li>Floods and the potential impact these can have is well understood by HBRC. Flood forecasting and the potential for overtopping of stopbanks can be assessed quickly and our models are tied into our well maintained monitoring networks which provide real time data to validate our forecasting models.</li> <li>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.</li> <li>Investment in modelling software and training.</li> <li>Staff able to dedicate more time to modelling activity to deliver scheme review analysis, via additional resource allocated to scheme reviews.</li> <li>Adoption of consistent survey datum (NZVD2016).</li> <li>Increased river asset survey activity to support modelling and asset management process improvement.</li> </ul>
Coastal Erosion	Coastal inundation (flooding by the sea), coastal erosion risk to existing communities and infrastructure.  Planning considerations:	<ul style="list-style-type: none"> <li>Coastal erosion maps have been compiled and can be accessed online at <a href="http://www.hbcoast.co.nz">www.hbcoast.co.nz</a>. Layers of probability (likely, possible, very unlikely, and highly unlikely) that coastal erosion will affect land in the present day, in 2065 and in 2120. Similarly, the extent of coastal inundation (flooding by sea</li> </ul>

Hazard	Issues	Infrastructure implications and response
	Endangered areas and future development	<p>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, in 2065 and at 2120 has been mapped and is available on <a href="http://www.hbcoast.co.nz">www.hbcoast.co.nz</a>.</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
Tsunami	Coastal inundation by tsunami causing damage and flooding of coastal areas.  Risk to life.  Economic disruption.	<ul style="list-style-type: none"> <li>Infrastructure resilience planning, design standards, contingency planning and Lifelines help to mitigate potential tsunami impacts on infrastructure.</li> <li>Increased coastal survey and oceanographic information to support climate change adaptation decision making.</li> <li>The impacts of tsunami, including maps identifying evacuation zones are also available and HBRC has 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.</li> </ul>



## 3.5.7 Legislation and guidance

Key legislation includes:

- Local Government Act (2002)
- Resource Management Act (1991)
- Soil Conservation and Rivers Control Act (1941) & (1967)
- National Statement for Freshwater Policy (2014) & (2020)
- New Zealand Coastal Policy Statement (2010)
- Hawke’s Bay Regional Resource Management Plan
- Health and Safety at Work Act (2015)
- National Policy Statement for Urban Development (2020)

Table 16 below summarises local and national plans and programmes related to HBRC infrastructure delivery:

Table 16: Local and national plans and programmes

Plan/programme	Description
TANK Plan	The way land and water resources are managed in the greater Heretaunga and Ahuriri area is under review. The area encompasses the Tūtaekurī, Ahuriri, Ngaruroro and Karamū catchments ('TANK'), plus the Heretaunga Plains aquifer system. The focus is on water quality, quantity, flows and allocations in the four catchments, including for wetlands and estuaries. 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.
Government Three Waters	Over the past three years, central and local government have been considering solutions to challenges facing delivery of three waters services to communities. This has seen the development of new

<sup>4</sup> <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

Plan/programme	Description
Reform Programme <sup>4</sup>	legislation and the creation of Taumata Arowai, the new Water Services Regulator, to oversee and enforce a new drinking water regulatory framework, with an additional oversight role for wastewater and stormwater networks. There is a need for improvements in freshwater outcomes, increased resilience to climate change and natural hazards, and enhanced community wellbeing. In July 2020, the Government announced a funding package of \$761 million to provide immediate post-COVID-19 stimulus to local authorities to maintain and improve three waters (drinking water, wastewater, stormwater) infrastructure, and to support reform of local government water services delivery arrangements. For HBRC, the consenting of existing pump stations and their related discharges may require infrastructure changes to accommodate water quality and stormwater management criteria including provision for fish passage, additional environmental monitoring, and control. This will require co-operation with peer councils in the Heretaunga Plains particularly.
National Policy for Fresh Water <sup>5</sup>	The National Policy Statement for Fresh Water 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 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 which is recognised in plan changes (TANK).

<sup>5</sup> <https://environment.govt.nz/publications/national-policy-statement-for-freshwater-management-2020/>

Plan/programme	Description															
Crown Investment Partners-Shovel Ready Programme <sup>6</sup>	<p>The Government established the Infrastructure Reference Group (IRG) to identify a pipeline of shovel-ready projects to support the economy during the NZ COVID-19 rebuild. The process was supported by Crown Infrastructure Partners.</p> <p>Council have received confirmation from IRG of funding allocation for a total amount of up to \$19.2million (plus GST, if any) which is a 64% contribution to the projects. Council received formal approval for allocated funding from the PDU on 29 September 2020.</p> <p><b>Project 1: Heretaunga Plains Flood Control Scheme (Levels of service) - \$20 million</b></p> <p>This project is programmed over a three-year period and will build upon existing river modelling, condition assessment and property analysis undertaken as part of the Heretaunga Plains Flood Control Scheme (HPFCS) level of service review.</p> <p>HBRC co-funding of \$7.2 million is required to match IRG funds of \$12.8 million.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>IRG contribution</th> <th>HBRC contribution</th> </tr> </thead> <tbody> <tr> <td>20-21</td> <td>\$320,000</td> <td>\$180,000</td> </tr> <tr> <td></td> <td>\$6.24 million</td> <td>\$3.51 million</td> </tr> <tr> <td>22-23</td> <td>\$6.24 million</td> <td>\$3.51 million</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>\$12.8 million</b></td> <td><b>\$7.2 million</b></td> </tr> </tbody> </table> <p><b>Project 2: Upper Tukituki Gravel Extraction Flood Control Scheme - \$8 million</b></p> <p>Removal of over 800,000m<sup>3</sup> gravel is required to maintain existing nameplate capacity of 1:100 level of protection from Upper Tukituki Scheme. Gravel aggradation across this scheme has been an area of concern for the last decade.</p> <p>IRG funding is a major opportunity to subsidise gravel extraction from this region with a focus on competitive tendering and supporting the local economy.</p>	Year	IRG contribution	HBRC contribution	20-21	\$320,000	\$180,000		\$6.24 million	\$3.51 million	22-23	\$6.24 million	\$3.51 million	<b>TOTAL</b>	<b>\$12.8 million</b>	<b>\$7.2 million</b>
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Plan/programme	Description																											
	<p>This project is programmed over a three-year period which requires HBRC co-funding of \$2.88 million to release IRG funding of \$5.12 million. A large portion of HBRC's contribution will be loan funded then paid back via targeted and general rates under the Upper Tukituki Scheme.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>IRG contribution</th> <th>HBRC contribution</th> </tr> </thead> <tbody> <tr> <td>20-21</td> <td>\$604,000</td> <td>\$340,000</td> </tr> <tr> <td>21-22</td> <td>\$1.92 million</td> <td>\$1.08 million</td> </tr> <tr> <td>22-23</td> <td>\$2.594 million</td> <td>\$1.46 million</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>\$5.12 million</b></td> <td><b>\$2.88 million</b></td> </tr> </tbody> </table> <p><b>Project 3: Upper Tukituki Flood Control Scheme SH50/Waipawa Erosion - \$1 million</b></p> <p>This one-year project programme will provide engineered erosion protection works of southern approach to NZTA's SH50 bridge. The left bank of the Waipawa river immediately upstream of SH50 bridge has eroded over the past five years. If left unattended, there is a risk that the southern approach will be compromised, and the river may outflank the bridge.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>IRG contribution</th> <th>HBRC contribution</th> <th>NZTA contribution</th> </tr> </thead> <tbody> <tr> <td>20-21</td> <td>\$640,000</td> <td>\$60,000</td> <td>\$300,000</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>\$640,000</b></td> <td><b>\$60,000</b></td> <td><b>\$300,000</b></td> </tr> </tbody> </table>	Year	IRG contribution	HBRC contribution	20-21	\$604,000	\$340,000	21-22	\$1.92 million	\$1.08 million	22-23	\$2.594 million	\$1.46 million	<b>TOTAL</b>	<b>\$5.12 million</b>	<b>\$2.88 million</b>	Year	IRG contribution	HBRC contribution	NZTA contribution	20-21	\$640,000	\$60,000	\$300,000	<b>TOTAL</b>	<b>\$640,000</b>	<b>\$60,000</b>	<b>\$300,000</b>
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<sup>6</sup> <https://www.crowninfrastructure.govt.nz/irg/>

Plan/programme	Description												
	<p><b>Project 4: River Parade Scour Protection, Wairoa - \$1 million</b>                      This one-year project programme will provide steel sheet piled erosion protection works on left bank of the Wairoa river. Over the last five years the Wairoa River has gradually undermined the embankment immediately south of the Ferry Hotel. This has in turn compromised Wairoa District Council (WDC) water assets and more recently Carroll Street and River Parade</p> <table border="1"> <thead> <tr> <th>Year</th> <th>IRG contribution</th> <th>HBRC contribution</th> <th>WDC contribution</th> </tr> </thead> <tbody> <tr> <td>20-21</td> <td>\$640,000</td> <td>\$180,000</td> <td>\$180,000</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>\$640,000</b></td> <td><b>\$180,000</b></td> <td><b>\$180,000</b></td> </tr> </tbody> </table>	Year	IRG contribution	HBRC contribution	WDC contribution	20-21	\$640,000	\$180,000	\$180,000	<b>TOTAL</b>	<b>\$640,000</b>	<b>\$180,000</b>	<b>\$180,000</b>
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<b>TOTAL</b>	<b>\$640,000</b>	<b>\$180,000</b>	<b>\$180,000</b>										
<b>Provincial Growth Fund</b>	<p>The New Zealand Government has allocated \$3 billion over a three-year term to invest in regional economic development through the Provincial Growth Fund (PGF).                      Through the PGF, the Government seeks to ensure that people living all over New Zealand can reach their full potential by helping build a regional economy that is sustainable, inclusive, and productive.                      The PGF is administered by the Provincial Development Unit, part of the Ministry of Business, Innovation, and Employment.                      The Provincial Growth Fund has funded the following HBRC projects:</p> <table border="1"> <thead> <tr> <th>Project</th> <th>Total funding</th> </tr> </thead> <tbody> <tr> <td>Whakakī Lower Catchment Pilot Project deal</td> <td>\$100,000</td> </tr> <tr> <td>Hawke’s Bay Regional Water Security Programme – Heretaunga Flow Enhancement Scheme (Loan 1)</td> <td>\$1,700,000</td> </tr> <tr> <td>Hawke’s Bay Regional Water Security Programme – Heretaunga Flow Enhancement Scheme (Loan 2)</td> <td>\$11,200,000</td> </tr> <tr> <td>Hawke’s Bay Regional Water Security Programme –Tukituki Water Security Projects (Loan 1)</td> <td>\$2,500,000</td> </tr> </tbody> </table>	Project	Total funding	Whakakī Lower Catchment Pilot Project deal	\$100,000	Hawke’s Bay Regional Water Security Programme – Heretaunga Flow Enhancement Scheme (Loan 1)	\$1,700,000	Hawke’s Bay Regional Water Security Programme – Heretaunga Flow Enhancement Scheme (Loan 2)	\$11,200,000	Hawke’s Bay Regional Water Security Programme –Tukituki Water Security Projects (Loan 1)	\$2,500,000		
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Hawke’s Bay Regional Water Security Programme –Tukituki Water Security Projects (Loan 1)	\$2,500,000												

### 3.5.8 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, watercourse modifications. The community values and climate impacts with respect to the natural environment have changed and continue to change rapidly. 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 Hawke’s Bay.

The public increasingly seek value in addition to the original single purpose of flood protection or drainage scheme. There are opportunities within scheme areas, particularly where they include river and stream corridors, for these multiple values to be enhanced such as aquatic and terrestrial biodiversity, and for public recreation. This has come through scheme management and more recently in the recognition of the “Open Spaces” activity area which cover Regional Parks and Cycle Trails, as well as the management of community activity in scheme areas (dog walking, cycling, fishing, vehicle access).

While not critical to the core function of the flood or drainage schemes, the community amenity and increased demand for recreational space is making it popular with the wider community. Service levels for the supporting infrastructure for Open Space areas will need to be reviewed with stakeholders to determine the levels of service and affordability.

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 major flood occur.

### Infrastructure implications and responses

The construction of flood protection and drainage systems has resulted in substantial changes to the natural hydrology of their associated catchments. These changes have included a reduction in areas frequently flooded, the diversion and straightening of waterway reaches, the removal of streamside vegetation and the use of structures to control flows and erosion.

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 to comply with the Ecological Management and Enhancement Plans for the major rivers. Complementing 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.

HBRC is currently working with tāngata whenua, hapū, and community groups to enhance waterways, although only in limited areas to date. An example is Hawea Historical Park which is under development beside the Karamū Stream in an area rich with cultural value within the Heretaunga Plains. The park has cultural and visual connections with the wider region with views south-east to Te Mata and Kahurānaki and to the west of Kaweka. Hawea Historical Park will be developed and managed by the Hawea Historical Park Whenua Tōpū Trust in equal partnership between local hapū (Kohupātiki, Matahiwi, Ruahāpia, and Waipatu) and HBRC who will collectively be responsible for ongoing development and management of the park. The park is planned to open in 2021.

Waitangi Regional Park links the Tukituki, Ngaruroro and Tūtaekurī Rivers, and Karamū Stream-Clive rivers and coastal reserves. The area was an early arrival site for both Māori and pākehā. The Star Compass, Ātea a Rangī in the Waitangi Regional Park symbolises the navigational skills of early settlers and was developed by the Ātea a Rangī Educational Trust and installed through 2017.

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 are able 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 riverbed. 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.

Community consultation and awareness is dealt with in several 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 plan and annual plan 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 capital works are dealt with through targeted meetings such as Liaison Committees where they are established for the scheme or in focused 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 access to Council <https://www.hbrc.govt.nz/contact-us/>, 0800 108 838 or in person.

Greater levels of community education/communication may be required to sustain scheme function and general hazard awareness.

### **Freshwater reform and regulatory change**

The previous Infrastructure Strategy assumed little to no regulatory impact from plan changes (particularly TANK) on asset management, however this assumption is no longer valid. The following new work tasks have been highlighted for the current Infrastructure Strategy in relation to the regulatory environment:

#### **Fish passage**

- Additional capital funding for fish passage up to \$100,000 per year for 10 years to retrofit fish passages to existing infrastructure.
- Continued R&D investment in fish friendly pumps through Waikato Regional Council.

#### **Consenting of 23 drainage pump stations**

- Additional resources for the management of the pump station consenting requirements in LTP provision.

#### **Ahuriri Estuary**

- Additional Environmental Engineer FTE to address additional consenting and environmental tasking including new tidal gate consent into Ahuriri Estuary. Joint consultation lead by Napier City Council.
- A provision of \$100,000 per annum for 10 years for the Napier Meeanee Drainage scheme to deliver water quality improvement initiatives.



## 3.6 Significant assumptions

Significant assumption	Risk & impact
<p>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.</p>	<p>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 major 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 major event.</p>
<p>Current arrangements for gravel extraction will continue but there is a major change in management approach under consideration to have HBRC Asset Management Group (AMG) manage gravel extraction excluding Esk and Mohaka. The new gravel consent will add more control for longer term gravel allocation.</p>	<p>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. The substantial demand reduction in gravel extraction particularly from the Upper Tukituki (UTT) Scheme rivers has resulted in accretion of the river beds within some areas of the Scheme and a resulting reduction of flood carrying capacity. The Gravel Management Plan has initiatives to address gravel accumulation and will continue to be reviewed. The additional capital included in the 2021-31 LTP for gravel management will reduce UTT flood risk substantially. A major gravel extraction programme in the next three years as part of the central government resilient funding support will maintain the overall UTT flood LoS.</p>
<p>HBRC maintains its current policy with regard to responsibility for funding of existing and new flood protection and drainage works.</p>	<p>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.</p>
<p>There will be changes to legislation that impact on the role of the Regional Council in land drainage and river control.</p>	<p>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.</p> <p>Reinterpretation of current legislation requires HBRC to consent its existing pump stations where previously it was not thought to be specifically required. This has been reviewed and substantial effort is likely to be required to address this requirement. Provision has been made in the current LTP for this specific requirement. Additional technical requirements for items such as fish passage and possible stormwater regulation/water quality will be considered in scheme planning. The LTP includes additional environmental engineering resources to achieve this target.</p>
<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>Community engagement will continue with this type of work to ensure awareness of all values relating to infrastructure asset planning and operation. Failure to do this could generate reputational risk, loss of co-stake holder operation, and potential for programme delays. Additionally, HBRC has the Regional Planning Committee and Māori Committee with both elected and tāngata whenua representatives involved in decision making. This results in better outcomes.</p>

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Significant assumption	Risk & impact
<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 substantial 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 scheme reviews.</p>	<p>Schemes are scheduled to be reviewed over the next 10 years. These reviews may result in changes to the predicted level of capital expenditure included in this Strategy. 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 projects of this scale may proceed is expected to be made prior to levels of service reviews being completed.</p>

### 4. Activity summary

#### 4.1 Background

Hawke's Bay has 24 river catchments comprising seven major rivers (the Wairoa, Mohaka, Esk, Tūtaekurī, 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 the important Hawke's Bay rural economy and horticultural sector.

Historically, frequent flooding or poor drainage have been an issue for local landowners. The Hawke's Bay Regional Council and its predecessor organisation, the Hawke's Bay Catchment Board, have worked with landowners to establish flood control and/or drainage schemes provided that they have been willing to contribute to both the capital and ongoing operations and maintenance and costs. This has enabled landowners to use their land with greater productivity and with reduced risk of flooding.

#### 4.2 Schemes purpose

A substantial portion of HBRC infrastructure assets are associated with flood control and drainage schemes that have been established under the Soil Conservation and Rivers Control Act 1941 to provide benefit to defined areas within the region.

All flood and drainage schemes have the primary purpose of reducing flood risk and/or a reduced time taken to drain stormwater runoff from the land following a major rainstorm event. Open Spaces activity planning aims to provide cost effective asset management while achieving appropriate levels of service to meet community public access outcomes and wellbeing.

The schemes also allow increased land productivity 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 able to support a wider range of productive use.



## 4.3 Schemes overview

HBRC administers 25 flood control and drainage schemes throughout the region shown in Figure 17. It is the assets associated with these schemes that form the substantial infrastructure managed by HBRC.

This Infrastructure Strategy focus on the most critical assets including the two largest schemes - the Heretaunga Plains Flood Control and Drainage Scheme and the Upper Tukituki Scheme, and the Small Schemes (comprising a range of smaller drainage schemes across the region). Figure 17 highlights the location and extent of the schemes:

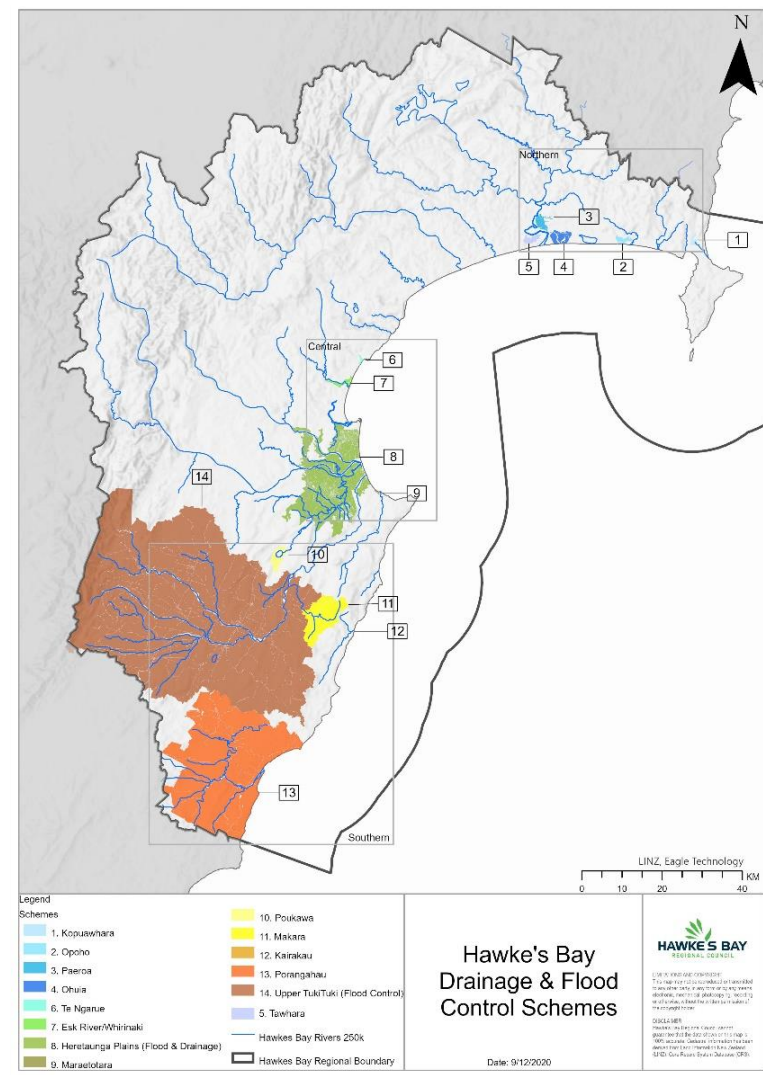
## 4.4 Levels of service and impacts

Levels of service (LoS) describe what the Council is delivering and what customers can expect to receive in terms of quality, reliability, responsiveness, accessibility and cost. Performance measures are specific indicators to demonstrate LoS delivery. The scheme levels of service are based on three key drivers:

1. **Legislative requirements** which set out procedures that HBRC must follow;
2. **Historic levels of service** which dictate the nature and design of assets inherited by the scheme; and,
3. **Community expectation** for the level of service provided and its associated cost.

Community expectation is important; and community engagement and consultation initiatives will continue to be undertaken to inform future levels of service.

Figure 17: Our region's flood protection schemes



### 4.4.1 Current levels of service

The current drainage and flood protection scheme levels of service are summarised in Table 18:

### 4.4.2 Level of service review

The current levels of service are largely based on the legislative requirements and the historic levels of service that the scheme stopbanks were originally built to meet. Climate adaptation is a key driver for undertaking a technical level of service review and consultation process with scheme beneficiaries. The most substantial area of potential risk to life and property in the region is the Heretaunga Plains area with major rivers and significant areas of low lying populated coastal plains with diverse economic activity. Accurate environmental information is critical to understanding the nature of flood hazards and flood risk management.

Supporting environmental information is also crucial to support in planning, design and consenting processes for all schemes HBRC manage.

The Drainage Act 1908, the Soil Conservation and Rivers Control Act 1941, the Resource Management Act 1991 (RMA), the Local Government Act 2002, the Local Government (Rating) Act 2002, the Civil Defence and Emergency Management Act 2002, and the Building Act 2004 are the key Acts for managing flood risk.

An outcome of the current level of service review is a validation of the current Heretaunga Plains flood protection design standard. The target change from the original standard of 1% AEP (1 in 100) to 0.2% AEP (1 in 500) for stopbank overtopping specifically for the Heretaunga Plains flood control scheme (Tūtaekurī and Ngaruroro Rivers only) is being assessed.

The Upper Tukituki Flood Control Scheme remains at 1%AEP for stop bank overtopping.

This review incorporates Flood Protection Assessment (FPA) for the validation of the new standard. FPA code of practice is a methodology developed in New Zealand by river managers to provide an agreed

approach for assessment method and frequency aligned with the risk posed to the community. Any required scheme improvements will require a substantial capital investment programme to upgrade the flood protection infrastructure which has been signalled by targeted Provincial Growth Unit (PGU) support.

Drainage scheme level of service is based on a drainage modulus approach based on the catchment area being able to remove a designated design catchment runoff (not rainfall) in a 24-hour period expressed in mm/24hours.

### 4.4.3 Infrastructure investment to meet future level of service

The LoS review and scheme review will continue to be undertaken in the LTP period. Outcomes and future investment programme recommendations will be included in the next LTP in 2024. Capital investment supported by the IRG capital programme will upgrade the Heretaunga Plains rivers flood protection infrastructure to meet increased design standards, asset risk assessment, and improved resilience (2021-23). HBRC will be using good practice methodology (FPA) to assess the required LoS and community risk profile for river assets.

Additional LTP supported engineering roles (design and environmental) will better resource the formal scheme review process for all schemes to be progressed as a programmed operational task over a 10-year period.

Consenting of existing HBRC pump stations has also been identified as an improvement item requiring capital investment, and co-operation with other council entities.

Additional regulatory changes in the freshwater sector (amended National Policy Statement for Freshwater Management) are likely to require review of existing schemes and water quality impacts which may require capital investment and operational process review to reflect these regulatory requirements. This would be signalled as impacts are assessed.



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Table 18 Level of service summary table

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Flood Protection and Control Works (Rivers, Drainage and Small Schemes)</b>							
<p>A resilient community A prosperous community</p> <p>Outcome measures: By 2030, flood risk is being managed to adapt to foreseeable climate change risks out to 2100.</p>	<p>HBRC will maintain a cost-effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated flood protection schemes in the Heretaunga Plains and Ruataniwha Plains.</p> <p>HBRC administers these schemes: 1) Heretaunga Plains Flood Control Rivers and Drainage Scheme 2) Upper Tukituki Scheme 3) Small Schemes</p>	<p>Major flood protection and control works maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works programme:</p> <p>1. An annual maintenance programme is prepared and delivered. 2. Annual capital programme is prepared and delivered.</p>	<p>Mandatory measure</p> <p>Achieved (2019-20) Achieved (2018-19)</p>	Achieved	Achieved	Achieved	Achieved
		<p>Following a flood event, affected areas are surveyed and repairs are programmed.</p> <p>1. Following a major flood event, a flood report will be compiled within 6 months of the event (major event is defined as material impact to property or productivity). 2. Major event report outcomes incorporated into AMP.</p>	New measure	Achieved	Achieved	Achieved	Achieved
	<p>HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council.</p>	<p>Ecological Management and Enhancement Plans (EMEP) are implemented.</p>	New measure	Achieved	Achieved	Achieved	Achieved

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WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Flood Risk Assessment and Warning</b>							
A resilient community A prosperous community  Outcome measure: By 2030, flood risk is being managed to adapt to foreseeable climate change risks out to 2100.	HBRC provides reliable regional environmental telemetry network monitoring and flood hazard information via a regional web-based platform.	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year.	99.5% (2019-20) 98.06% (2018-19)	98%	98%	98%	98%
<b>Regional Water Security</b>							
A resilient community A prosperous community  Outcome measure: By 2030, Hawke's Bay has environmentally sustainable, harvestable water identified and stored or plans to be stored if required.	HBRC will develop and deliver water storage and management solutions that support resilience in the supply of freshwater needs of communities, particularly in the context of projected climate change impacts.	Actions from the Regional Water Assessment are identified and implementation is progressing according to the approved plan.	New measure	Action plan developed	Implementation on track	Implementation on track	Implementation on track
<b>Open Spaces</b>							
A resilient community A prosperous community  Outcome measure: By 2025, HBRC is carbon zero and plays a leadership role in the region's goal of net zero greenhouse gases by 2050.  By 2050, all highly erodible land is under tree cover.	HBRC will maintain, develop, and provide public access to Council owned regional parks and trails, and investigate affordable new opportunities for multi-purpose benefits.	Regional Parks and HBRC trails are maintained as per Council's Asset Management Plan.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
	HBRC will demonstrate smart sustainable land use in maximising the multi-purpose benefits of its forestry investments and the Tangoio Soil Conservation Reserve.	HBRC Forests and the Tangoio Soil Conservation Reserve are managed to the standards defined in their respective management plans.	New measure	Achieved	Achieved	Achieved	Achieved

## 4.5 Activity management approach

### 4.5.1 Asset Management Group

The Asset Management Group (AMG) is responsible for the management and operation of the flood protection and drainage schemes, and open spaces areas. The maintenance of scheme assets is the direct responsibility of the AMG.

Additional resource for asset management data, process and general quality improvement has been provisioned to support better asset management maturity internally. Practice will be supported by IIMM (International Infrastructure Management Manual (2015) framework and subsequent revisions and aligned with ISO 55000.

The AMG is continuing to develop asset management practice with staff resources and improving asset information to better support decision making and long-term planning. Provision has been made for an improved asset management framework supported by modern asset information tools. Year 1 of the LTP has provision in the IT capital programme for implementation of an enterprise asset management IT solution.

This Long Term Plan projects increased capital expenditure spend across the 10 years, particularly in the first three years. This covers infrastructure renewal and replacement, and our larger projects to increase service levels like the Heretaunga Plains Flood Control Scheme upgrade. There is always an inherent level of risk in delivering a capital programme, particularly one that is substantially increased.

Pressure on the contracting market from a boom in construction and other capital works may provide challenges in procuring the services on time and to budget. Mitigation of risks includes increasing the size of our project management team to enable delivery. The planning for these projects is well advanced. Should there be an issue with delivery, the Council will prioritise its renewal work and critically review the capital work programme including operational solutions to enable deferral.

The schemes are managed and operated via a combination of in-house and contracted services. The key service delivery arrangements are summarised in Table 19.

Table 19: Management tasks and responsibility

Activity/tasks	Who
Asset management planning	Asset Management Group Regional Assets internal Specialist consultants
Operation and maintenance	HBRC Works Group Specialist contractors
Capital works planning and supervision	Asset Management Group:in-house engineering and project delivery Specialist consultants (as required)
Contract management	Asset Management Group Contract resources (as required) HBRC Procurement
Regulations and compliance	Asset Management Group HBRC Compliance

## 4.5.2 Core activities

### Flood Control

The AMG has developed a holistic approach to sustainably manage and enhance waterways for flood protection to protect the life and property of the Hawke's Bay region. Hydraulic modelling based on extensive regional environmental monitoring of river levels and rainfall supports the engineering assessment of LoS for flood control schemes. Schemes are reviewed, assets maintained based on the LoS requirements, and annual contracts developed for scheme maintenance. The Flood Protection Assets Performance Assessment code of practice (FPA) tool is used to provide a nationally recognised risk-based assessment framework (River Managers Forum: 2015) for river and flood assets. Environmental, cultural and biodiversity values are considered as a core part of flood activity management. Additionally, the AMG is involved in the provision of civil defence support for flood event management response, and engineering advice for activity within flood scheme areas for councils and the community.

### Drainage

Drainage schemes have developed to allow the sustainable and productive use of scheme land and the effective management of water table levels. Drainage schemes are managed based on reliable environmental data, and site monitoring with regular annual maintenance planning to maintain capacity and capability to meet defined LoS. Schemes are rated to reflect the community benefiting from the drainage, and scheme reviews engage with stakeholders to ensure that LoS are sustainable. Schemes include detention dams, open drains, piped culverts, pump stations and control gates according to requirement.

The AMG and Works Group maintain a wide array of professional skills and contract support resources in maintaining these schemes. The LTP provides for investment in greater SCADA control rollout for HBRC pump stations in the 2021-31 period. This will improve the management and monitoring of pump station operation generally and in flood conditions. Greater integration with the HydroTel environmental monitoring system is to be developed as part of this programme. Safe and effective maintenance and operation of schemes in co-operation and good communication with other Hawke's Bay councils is a key part of scheme operation.

### Open Spaces

Open spaces incorporates regional parks, cycle ways and forestry, and has been recognised as an area of specialised asset management with growing recognition of the community outcomes including wellbeing, physical activity, economic and tourism development, and environmental outcomes such as biodiversity protection and climate change mitigation.

Open spaces assets are mostly dependent on existing flood or drainage scheme land and the management approach requires different community facing management with a range of different physical assets. Outcomes need to be complementary to the core flood and drainage protection outcomes but also allow wider community beneficial outcomes in scheme areas.

Management of open spaces assets requires collaborative co-operation with peer councils and the wider community (e.g. open spaces CCTV monitoring with Hastings District Council). This is recognised with an Open Spaces Asset Management Plan and increasing operational differentiation in recognition of evolving public access management requirements. This requires management of greater public access in terms of greater service levels (e.g. mowing, signage, rubbish management, security) and demand for amenities (e.g. seating, toilets).

## 4.5.3 Rates review

As part of a review in the Revenue and Financing Policy, HBRC has undertaken a structured review of the allocation of costs for all schemes to confirm the allocation of overheads and labour costs is consistent for all schemes. Forecasting for smaller schemes show an indication of reducing scheme reserves over the next 10 years when this is applied so action is required to be sustainable. HBRC will review and consult on schemes based on this more consistent rating approach in the next two years and a revised rating schedule will apply from year 3 with the new LTP. Small Schemes have not had full labour costs and overheads allocated and so the scheme economics will change, necessitating formal review to determine long-term affordability.

### 4.5.4 Scheme reviews

The AMG will have additional resources for scheme review activity to validate current funding levels for each scheme (opex/capex/renewal). Reviews will validate the maintenance necessary to maintain scheme assets such that they continue to deliver the level of service required based on scheme reviews and stakeholder consultation.

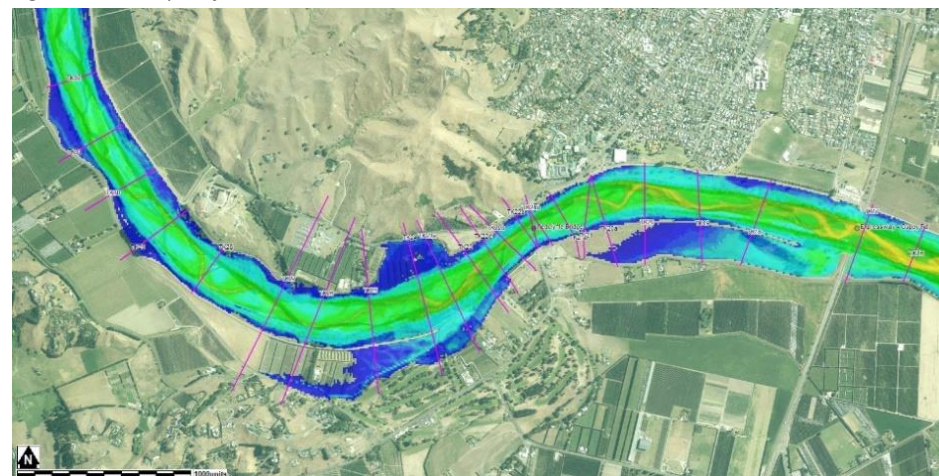
LTP resources have provision for a dedicated scheme review FTE and an environmental engineering FTE to progress the consenting of 23 pump stations, and across the board improvements in asset management process to better support forward planning of any required renewal investment. Work will include fish passage review, additional ranger resources for security and presence, and engineering scheme review resources.

Scheme reviews consider the current levels of service, aging assets, and increasing demand for potential higher levels of protection, resulting from land intensification and climate change predictions. Review findings and outcomes may result in proposals to increase the level of service and maintenance and/or improvement expenditure, which would need to be consulted with scheme ratepayers.

The scheme reviews for some of the small schemes are likely to require consultation on the costs of maintaining and in some cases renewing some scheme assets. Often these schemes have a small ratepayer base and revised costs from scheme reviews are likely to require substantial operational and capital increases to sustain a suitable LoS. Opoho and Ohuia in the Wairoa area are likely to be in this situation.

The largest Scheme is the Heretaunga Plains Flood Control and Drainage Scheme which protects the cities of Napier and Hastings and highly productive land in their vicinity. The 2020 LoS review is focusing on the stopbank network in this scheme to validate stopbank over topping hydraulic model and stopbank risk based on the Flood Protection Assessment (FPA) tool. The FPA is based on a code of practice intended to provide an agreed framework for assessing performance of flood protection assets where the assessment method and frequency is aligned with the risk to the community. Increasing urban intensification and rural land use changes within scheme catchments will be considered in review processes. Effort will be invested in improving asset information and condition assessment in all scheme reviews.

Figure 20: Example of a Flood model scenario on the Tūtaekurī River at Taradale



### 4.5.5 Integrated activity management

In recent years HBRC has acknowledged the substantial 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. Substantial work has been done to quantify those values and several projects are now funded through scheme funds to enhance those biodiversity, environmental, cultural, recreational, and social values.

HBRC manages approximately 105km of pathways that have been constructed on land it owns or administers. These together with other recreational uses of river berm land provide substantial opportunities for public health and wellbeing. A review of the management approach and different levels of service with greater public access is being developed in the Open Spaces Asset Management Plan. This is a recognition of the need to manage service levels required for public access while maintaining essential flood and drainage function in the schemes. It also allows greater strategic and financial understanding for Open Spaces activity for stakeholders.



HBRC is also seeking to reduce eliminate, where possible, 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)
- The Hawke's Bay Riverbed Gravel Management Plan (2017), adopted and approved by HBRC in mid-2017
- The Ecological Management and Enhancement Plans for the main river systems.

Our management approach takes into consideration the entirety of an asset's lifecycle, from build, through to operation, maintenance, renewal and disposal if required. We tailor our asset management to fit the needs of our community and local businesses, providing infrastructure to an agreed level of service with the associated risks being well understood and more importantly well communicated.

Key areas of focus for decision making around key infrastructure investment are:

- maintenance of existing assets (operation and maintenance)
- review or improvement of existing assets (levels of service)
- replacement of existing assets (renewals)
- providing new assets to allow for community growth (capital works).

### 4.5.6 Asset condition and reliability

The current approach to determining scheme asset condition and reliability is detailed in each of the respective Asset Management Plans. Asset condition assessment is included in the annual asset maintenance contract structure.

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 scoring, 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. Review of critical assets will see more risk based asset information and assessment to support effective asset management decision making.

Annual river audits and inspections of critical scheme asset components are undertaken by a professional engineer. The inspection findings are documented in an Annual Inspection Report. The report records the overall asset condition and performance and identifies remedial work required. In the next five years greater focus on risk and condition based assessment will be developed by asset management resources allocated in the LTP. This will build a data supported set of base asset information to improve evidencing of asset life and criticality determinations.

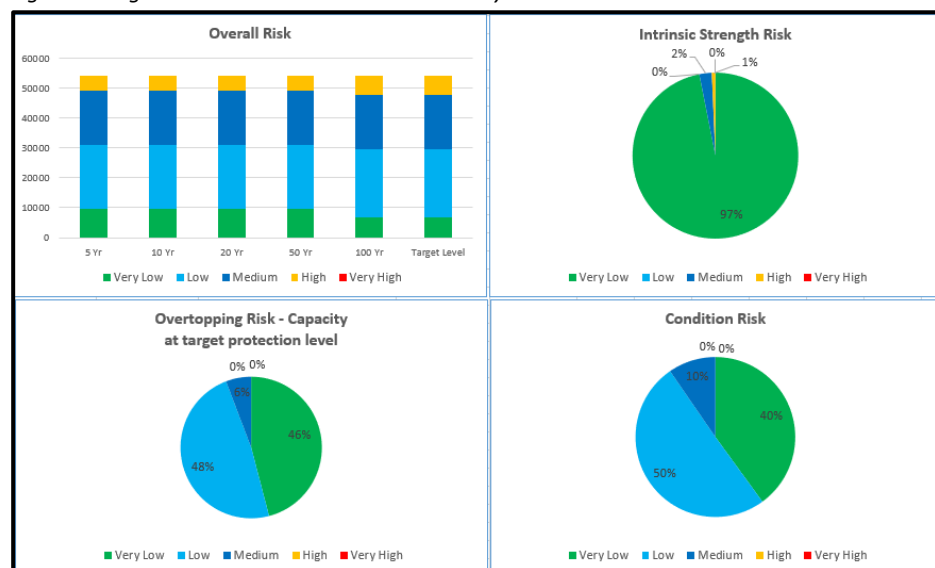
From the scheme review process an updated view on the scheme will be available better determine the risks and criticality of the scheme and its asset base. Outcomes will include:

- validation of future investment requirements and timing
- scheme scope, LoS achievement, benefits, economics, risks and sustainability
- updated operational and capital work programme.

The scheme review processes are expected to assess the aging asset base and may identify additional capital requirements in addition to the current programme. The older drainage assets are starting to show age-related deterioration, which is managed operationally but may require wider review for larger scale replacement, rationalisation or in some cases retirement. Alternatively, assessment of remaining asset life/condition may be revised based on the review process.

Inspection methods for culverts and enclosed spaces have greater health and safety requirements and greater use of remote controlled CCTV inspections will be required in the future to perform these inspections. In the same way there is greater use of remote drone flights for condition inspection for scheme assets, notably stopbanks, vegetation, open spaces and forestry assets.

Figure 21: Ngaruroro River FPA condition summary

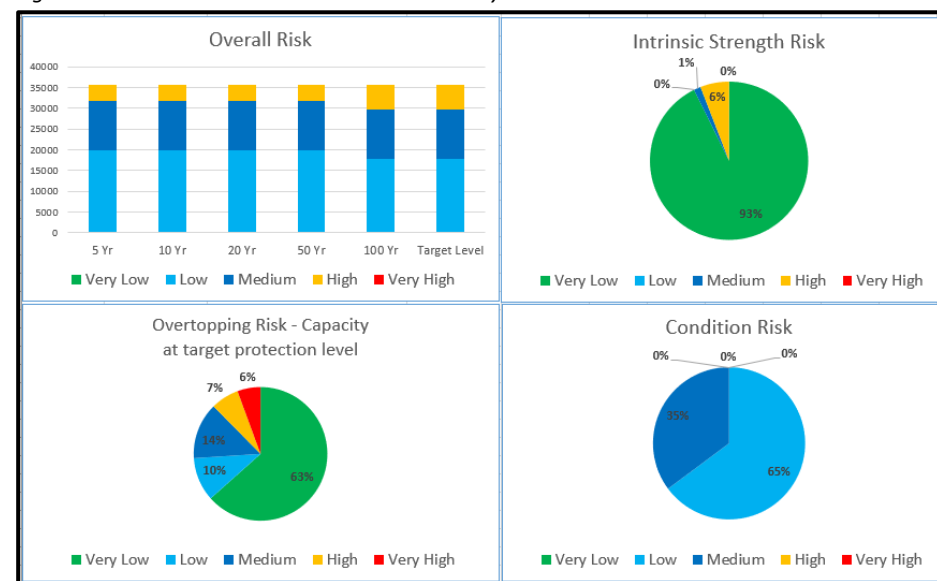


Scheme review and Flood Protection Assessment (FPA) are used to validate performance and stopbank risk criticality based on a recognised New Zealand River Managers Forum assessment method.

All major rivers in the HPFCS will be assessed with this tool as part of LoS reviews. The assessment covers all aspects of river assets and potential community impact with a risk based assessment criteria. This represents a standardised methodology for condition, risk, and service level for river assets. As at January 2021 the Tūtaekurī and Ngaruroro Rivers have had FPA reviews completed which will contribute to the wider Heretaunga Plains River level of service project.

Changing legislative requirements require additional compliance consideration for drainage schemes in terms of resource consenting, fish passage, confined spaces compliance and possibly stormwater management.

Figure 22: Tūtaekurī River FPA condition summary



## 4.5.7 Maintenance activity 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 annual asset maintenance contracts.

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 the required LoS. Where scheme review shows the LoS requires additional investment or maintenance inputs, additional funding will be assessed and if not able to be resourced by the scheme, a formal revision of the LoS will be adopted.

Inspections of sections of representative assets are undertaken as part of the annual programme of works (asset management contract), with all assets inspected over a

five-yearly interval. The annual audit of the schemes is undertaken by a registered engineer with experience in river and drainage control works.

### Cost effective delivery of services

Under the Local Government Act 2002, the purpose and principles of local government require the Council to promote well-being in the present and the future and in performing its role give effect to its identified priorities and desired outcomes in an efficient and effective manner.

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

Table 23: Heretaunga Plains & 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 major flood events

Annual contractual maintenance expenditure (2020-21) is in the order of:

- HPFCS – Rivers \$0.79 million
- HPFCS – Drainage \$1.33 million
- UTTFCS – Rivers \$0.62 million
- Small Schemes (All) \$0.67 million

Figure 25 in the financial summary of this Strategy sets out the assumptions under which these estimates have been developed.

### 4.5.8 Renewal approach

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

Table 24: Asset life table

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 assumption of 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.

There is intent to improve the quality of asset information including more condition assessments to better evidence asset lives and provide greater confidence in programme timing and overall risk assessment as part of asset management process improvement. This is an intent resourced in the current LTP within the AMG.

Depreciation is charged to each scheme based on asset deterioration on a straight-line basis over the estimated asset life. No depreciation is charged on assets that have an infinite life, e.g. stopbanks, on the assumption they are maintained in perpetuity.

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.

The condition of any asset is assessed prior to a decision being made to replace it. Where the assessment determines the asset has a further residual life the replacement date of an 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 substantial 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.

Nominal lives allocated of common asset items produce some peaks in the longer term and refinement of the detailed programme for replacement will validate the timing of assets with some smoothing of renewal expenditure based on condition assessment. Large portions of schemes were constructed during the 1960s and 1970s and therefore a coincident number of assets are nearing the end of their nominal useful lives. The condition of these assets will be reassessed, and the priority confirmed as the time for planned replacement reaches the planning inspection phase, and where appropriate, programmed replacement dates will be revised. Any amendment or revision of renewals dates based on risk and/or condition assessment reviews will also be reflected in subsequent funding and budget reviews.

### 4.5.9 Shared service delivery approach

HBRC has several areas of substantial potential shared operational and regional interest in asset infrastructure areas. Areas of current shared interest include:

- HBRC/NCC: Management of urban pump stations
- HBRC/NCC/HDC: Cycleways management and maintenance
- HBRC/NCC/HDC: Coastal Hazard Strategy

- HBRC/NCC: MOU for Napier Urban Waterways
- HBRC/HDC: MOU for Havelock North Waterways
- HBRC/NCC/HDC/WDC: 3 Waters Reform. Limited HBRC scope.

Co-operation between the component councils in the region happens at a range of levels with HBRC AMG. HBRC provides flood modelling support for regional hazard portals and support for a range of technical flood/drainage and consenting support.

#### 4.5.10 Capital work (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 based on the adaptation to climate change and legislative changes (freshwater reforms, TANK plan changes).

In its 2015-25 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). Analysis to determine what this means in terms of design discharges for the major rivers is in progress. 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. This has been picked up in the 2021-23 IRG supported LoS review for the Heretaunga Plains rivers. The Flood Protection Assessment tool is being used to better risk assess scheme stopbanks and river channels.

Concurrent with this process is also an ongoing review of individual drainage catchment areas within the Heretaunga Plains drainage areas which measures current scheme performance and considers opportunities for scheme enhancements or improvements. This includes waterway capacity, environmental enhancement, and recreational opportunities.

Infrastructure consultation items were:

- Upper Tukituki gravel
- Clive River dredging

- Ahuriri Regional Park (Napier City Council lead)

For more information on the above consultation items see Part 2 – Key decisions of the 2021-31 Long Term Plan.

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 Table 27. 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% AEP in any one year (100 year return period) to 0.2%AEP (500 year return period) for stopbank overtopping.

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 10 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. Along with potential further urban and rural development likely on the Ruataniwha Plains this will provide background to the levels of service review.

These decisions will be substantial 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 27 below.





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Figure 26: Projected new capital and capital renewal expenditure – infrastructure assets



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Table 27: 10-year scheme summary

Scheme	Capital work description	Indicative project value	Timing	Delivery
<b>Heretaunga Plains FCS</b>				
Level of service review - rivers	Increase level of service from current 1 in 100 year protection to 500 year protection	\$19.5 million over 2 years with IRG funding contribution	\$7.02 million funding provision included in the LTP with \$12.48 million of IRG co-funding	2021-2023
Public use of rivers	Development of land within the flood protection for the public use for recreational activity and for planting or productive activity	\$765,000 over 10 years	Provision in the LTP/part of the LoS review	2021-2031
Scheme review and capital work from these reviews	Review of all small schemes to include climate change and performance of the assets to current and future conditions	Only opex budget, but capex to be confirmed in next LTP.	No funding provided in the LTP	2021-2031
Pump station - fish passage	Installation of fish passages where practical across stream barriers e.g. pump stations	\$1 million over 10 years	Provision in the LTP	2021-2031
SCADA system for all pump stations	Installation of the communication system SCADA for all pump stations	\$1 million over 10 years	Provision in the LTP	2021-2031
Capital work for TANK plan change	Plan change related activity and work programme implementation	\$938,000 from year 3 to year 10 (perpetuity)	Provision in the LTP	2023-2031-ongoing
Clive River- land for dredging	Dredging Clive River and discharge of silt to land	\$5.9 million in 2025-26 & 2029-30	Provision in the LTP	2025-26 & 2029-30
River and lagoon opening	Installation of CCTV for better monitoring	\$30,000 in 2021-22 & \$625,000 over the following 10 years	Provision in the LTP	2021-2031
Karamū Scheme- weed harvesting	Investigate and purchase equipment for better operation of weed cutter	\$159,000 in 2023-25	Provision in the LTP	2023-2025
Gravel management- processing and new access to rivers	Building new access to location where gravel needs to be managed for flood protection.	\$1.2 million annually for 10 years	Provision in the LTP	2021-2031
<b>Upper Tukituki FCS</b>				
Public use of rivers	Development of land within the flood protection for the public use for recreational activity and for planting or productive activity	\$328,000 over 10 years	Provision in the LTP	2021-2031
UTT- Gravel extraction	Extraction of gravels for surplus areas	\$7.05 million over 2 years	\$2.54 million provision in the LTP with \$4.51 million of co-funding	2021-2023

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Scheme	Capital work description	Indicative project value	Timing	Delivery
<b>Open Spaces</b>				
Hawea Park - Stage 3	Further development of Hawea Historical Park consistent with original approved 2017 plan	\$939,000 over 3 years	From 2018-28 LTP	2021-2024
Waitangi Regional Park - Stage 3	Final stage of the Waitangi Regional Park	\$250,000 over 3 years	From 2018-28 LTP	2021-2024
Ahuriri Regional Park	Development of the park	\$10.2 million over 10 years	Provision in the LTP	2021-2031
Karamū enhancement	Enhancement of the Karamū stream	\$3.6 million over 10 years	Provision in the LTP	2021-2031
Regional cycling development	Further regional pathway development (contribution to match the funding only)	\$757,000 over 3 years	Provision in the LTP	2021-2025
Wairoa Regional Park development	Park development along Wairoa River as per consent plan completed in 2017	\$580,000 over 3 years	Provision in the LTP. Other funding to be sourced	2023-2025
<b>Small Schemes</b>				
Opoho - new pump station	Upgrade and build of new pump station subject to scheme review	\$261,000 in 2022-23	Provision in the LTP	2022-2023
Ohuia - Whakakī - new pump station	Upgrade and build of new pump station subject to scheme review	\$305,000 in 2021-22	Provision in the LTP	2021-2022

\*Please note there is uncertainty as costs/timings will depend on the outcomes of scheme reviews as well as further community consultation requirements and demand.





## 4.6.2 Scheme extent, operating costs and LoS

The table below summarises the scheme assets, operating costs and levels of service:

Table 29: Heretaunga Plains scheme assets, operating costs and levels of service

Asset description	Physical dimension/ number*	Replacement value (2020)	Average annual operations and maintenance budget (2020-30)	Level of service summary
Stopbanks	157km	\$152 million	\$7.5 million	<p>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.</p> <p>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.</p> <p>A LoS review for the drainage network is underway and scheduled for completion in the next three years.</p>
River channels and edge protection	129km			
Drainage channels	447km			
Pumping stations	18			
Structures and culverts	217			

## 4.6.3 Asset condition

Asset condition is monitored based on a schedule of inspections for major asset types. Stopbank and river channel condition is assessed using the flood performance assessment (FPA) criteria. The current IRG LoS project will further investigate these assets to confirm performance and condition where required.

Drainage assets have regular operational inspections, compliance and maintenance checks as part of the annual asset maintenance contracts. This covers the key pump station assets and drainage network. The age of the pump station structures is generating more operational maintenance typical of aging concrete, mechanical and electrical assets. Drainage scheme culverting is also aging and with greater health and safety regulation will require more remote CCTV inspection to determine condition safely.

## 4.6.4 Scheme operation and management

The scheme is operated and managed within the Asset Management Group's management framework, via a range of inhouse and external resources.

Key issues:

- LoS review
- Aging drainage assets
- Increasing urbanisation in scheme areas/changing land use
- Chilean needle grass and giant aphid incursions.

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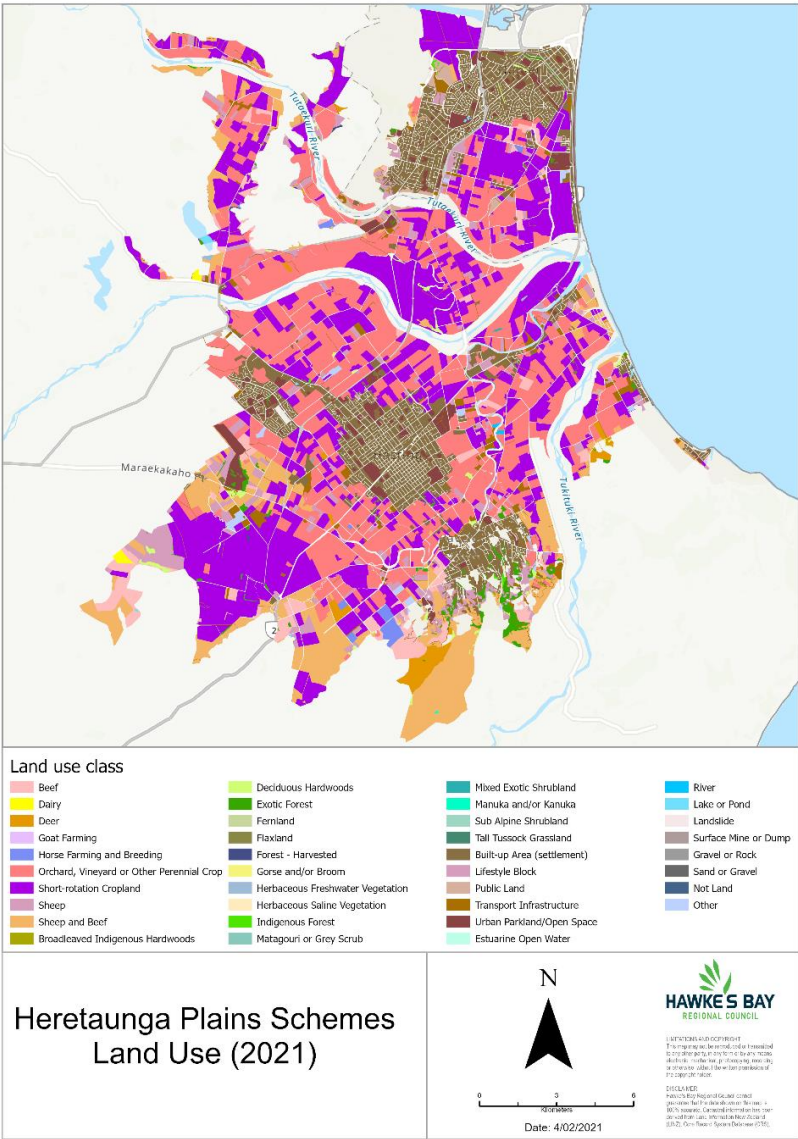


Figure 30: Waipawa River erosion upstream of SH50 Bridge



## 4.7 Upper Tukituki Flood Control Scheme

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

Key issues:

- Gravel management
- Chilean needle grass and giant aphid incursions.

Table 31: Upper Tukituki Scheme assets, operating costs and levels of service

Asset description	Physical dimension/ number	Replacement value (2020)	Average Annual operations & maintenance budget (2020-30)	Level of service summary
Stopbanks	76km	\$34 million	\$1,160,703	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	206km			
Drainage channels	12km			
Structures and culverts	44			

## 4.8 Small Schemes

The remaining schemes cover small catchments with minor infrastructure and are each considered small compared to the above schemes.

Table 32: Small Schemes assets, operating costs and levels of service

Asset description	Physical dimension/ number*	Replacement value	Average annual operations & maintenance budget (2021-31)	Level of service summary
Stopbanks	15km	\$16 million	\$953,789	Current LoS are being achieved across most the smaller schemes. LoS 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	31km			
Drainage channels	85km			
Pumping stations	4			
Structures and culverts	37			

## 4.9 Open spaces assets

### 4.9.1 Pathways/trails

HBRC manages approximately 105km of pathways which have been constructed on land it owns or administers. The majority of the pathways form a portion of the New Zealand Great Rides known as Hawke's Bay Trails, and are constructed along stopbanks and berm areas which are assets of the flood protection schemes.

While Hawke's Bay cycle trails are not critical infrastructure assets, the cost of constructing these has been met in part by the regional ratepayers and in part by central government through its Ngā Haerenga New Zealand 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 Ngā Haerenga New Zealand Cycle Trails, 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 Ngā Haerenga New Zealand Cycle Trails.”*



### 4.9.2. Regional parks

HBRC also manages and administers a regional park network including:

- Pākōwhai Regional Park
- Pekapeka Regional Park
- Waitangi Regional Park
- Tūtira Regional Park
- Waipātiki Motor Camp
- Contribute towards the management of Te Mata Park
- Hawea Regional Park (under development).

Prior to 2014, the narrower term wetlands was used to describe what are now known as regional parks and managed under the Open Spaces activity area. Within these parks are various recreational facilities, pathways, observation points etc.

It is acknowledged that the pathways and these parks are important but not critical 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 2020 replacement value of the regional parks assets is \$4.46million (exclusive of land value).

Figure 33: Regional park and cycle trails locations



The 2021-31 Long Term Plan is resourcing two FTEs for urban catchment co-ordination (Ahuriri and Karamū) to encourage greater community engagement and also improve urban stormwater quality. One additional ranger resource has also been included to manage the increase in public access issues and operational management and security support.

### 4.9.3 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 and is currently progressing the detail and outcomes of the Strategy. Further direction for coastal hazards is dependent on future consultation with the community and other territorial local authorities.

The current coastal strategy work, identified as the Clifton to Tangoio Coastal Hazards Strategy 2120, includes the Hawke's Bay Regional Council, Napier City Council and Hastings District Council as partner contributing councils. The focus of 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 Hawke's Bay District Council to be considered as and when issues arise.

Due to the potential substantial 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.



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## 4.9.4 Coastal Hazard Strategy 2120

The Coastal Hazard Strategy 2120 (Clifton to Tangoio) was completed to stage 3 by NCC, HDC and HBRC and tāngata whenua partners (Maungaharuru-Tangitū Trust, He Toa Takitini, and Mana Ahuriri Trust) between 2014-17.

There are still decisions to be made on public/private benefit and therefore who will be funding the required works. A decision is yet to be made on whether these funds will be managed at the regional or city/district council level. Until these decisions are made, the required works are unfunded, and the Strategy implementation is on hold. It remains a substantial area of potential infrastructure investment when the governance and funding regime is resolved.

The Strategy assesses coastal hazards risks and identifies options for the management of those risks for the next 100 years. The intent of the Strategy is to develop an understanding of the risks along the entire stretch of coastline and to respond to community concern about the effects of coastal hazards in a more coordinated and forward-looking way. An outline of the initial three stages of the Strategy are shown in Figure 34 and Table 35.

Figure 34: Coastal Strategy location map

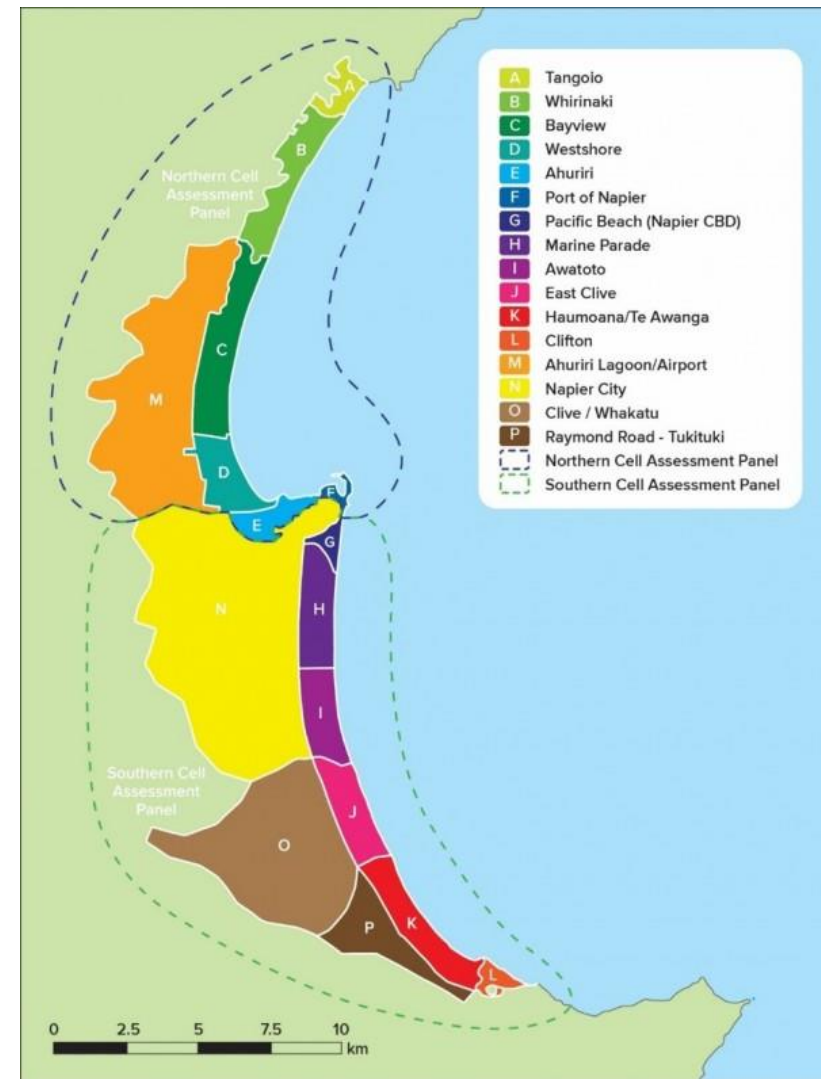


Table 35: Coastal Strategy recommendations and timing

Area	Short term (0-20 yrs)	>	Medium term (20-50 yrs)	>	Long term (50-100 yrs)
<b>Clifton (L)</b>	Sea wall	>	Sea wall	>	Managed retreat
<b>Te Awanga (K2)</b>	Renourishment & control structures	>	Renourishment & control structures	>	Renourishment & control structures
<b>Haumoana (K1)</b>	Renourishment & control structures	>	Renourishment & control structures	>	Managed retreat
<b>Clive (J)</b>	Status quo	>	Renourishment & control structures	>	Retreat the line/managed retreat
<b>Ahuriri (E1)</b>	Status quo	>	Sea wall	>	Sea wall
<b>Pandora (E2)</b>	Inundation Protection	>	Inundation Protection	>	Inundation Protection
<b>Westshore (D)</b>	Renourishment	>	Renourishment & control structures	>	Renourishment & control structures
<b>Bayview (C)</b>	Status quo / Renourishment	>	Renourishment & control structures	>	Renourishment & control structures
<b>Whirinaki (B)</b>	Status quo/ Renourishment	>	Renourishment & control structures	>	Sea wall

The Strategy requires substantial capital investment to support a cross-council approach to identify and respond to these hazards in the future. Governance and asset ownership approach will be assessed, and capital funding required to implement specific initiatives. The Strategy status is summarised in the Case study: Challenges with implementing the Clifton to Tangoio Coastal Hazards Strategy 2120.<sup>7</sup> HBRC is participating in the Coastal Hazards Strategy with the aim of working through a solution, including its funding, as a region.

<sup>7</sup> <https://environment.govt.nz/assets/Publications/Files/challenges-with-implementing-the-Clifton-to-Tangoio-coastal-hazards-strategy-2120-case-study.pdf>

### 4.10 Key schemes issues and options

Section 3.5 has identified several infrastructure issues that are expected to be experienced over the life of this Strategy. Detailed responses to these have been identified in the scheme asset management plans.

A number of these issues impact on future levels of service. Level of service reviews are underway and will continue to be a focus over the first three years of the 2021 LTP period.

The level of service reviews includes a wide range of actions, and active consideration of:

- Climate change including national and international advice on climate change predictions.
- Level of service for Open Spaces as part of a new separate asset management plan (AMP). This will see work over the next iterations of the AMPs to work through the public access and operational management of open spaces assets while schemes AMPs focus on core flood and drainage asset management. This is an area of development for HBRC and will allow greater visibility on the growing open spaces operational and level of service requirements to stakeholders.
- Asset ownership and maintenance responsibility for Open Spaces. The Hawke's Bay Trails assets have a relatively complicated mixed ownership/maintenance model, and the separation of Open Spaces from scheme operational responsibility is being worked through in the new Open Spaces AMP.
- Development of a new Open Spaces adoption criteria to consider whole of life asset management costs, resourcing and consistent proposal assessment criteria for future candidates.
- Government's 3 Waters Reform programme.
- 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.

There are options available to achieve improved 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.

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 Kaikōura earthquakes, and Edgecumbe 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 Hawke's 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 address and educate 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 summary explanation of the most significant issues and options for addressing them are set out below in Table 36.

Table 36: Infrastructure Issues, options, and management implications

Wellbeing driver	Significant issue	Description	Principal management options	Implications of management options
Environmental driver:	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>HBRC declared a climate emergency in June 2019 and indicated a desire to respond actively.</p>	<p><b>Option 1:</b> Retain current design standards that may not cope with potential climate change impact such as 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><b>Option 2: (preferred option)</b> The potential impacts of climate change (flood flows and sea level rise) are being considered as part of levels of service reviews and related management impacts.</p>	<p>The implications on maintaining the status quo 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. This is not a tenable option.</p> <p>LoS reviews will involve public consultation. 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>Investment in increasing scheme capacity and resilience i.e. pump and flood management capacity with effective environmental monitoring. LTP has provision for more additional design and environmental staff resources to address this requirement.</p> <p>The impacts of increased drought risk on environmental and river control plantings will be considered as an operational matter. Investigation of live edge protection plant resilience i.e. drought/pest tolerant species.</p> <p>Expansion of an integrated management approach i.e. improved weed management techniques,</p> <p>Resource consents for the pump stations requirement addressed with environmental engineer resources in LTP.</p>

Wellbeing driver	Significant issue	Description	Principal management options	Implications of management options
<p>Environmental/social/cultural/economic drivers:</p>	<p>Levels of service reviews</p>	<p>Land use change and climate change are predicted to result in increased runoff from the land into the waterways</p> <p>The level of service currently provided by the schemes to the Hawke’s Bay public includes:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The drainage of flood water from the Heretaunga Plains without significant ponding for rainstorm events that have a 20% chance of occurrence in any one year.</li> <li>• A reduction in the frequency of flooding in areas serviced by smaller schemes managed by HBRC to levels defined in their asset management plans.</li> </ul>	<p><b>Option 1 :</b> Retain current LoS</p> <p><b>Option 2: (preferred option)</b> Undertake LOS reviews and investigate options for future LOS.</p>	<p>If no work is undertaken, the level of service will decline over time, with potential increased exposure to flood and drainage hazards to stakeholders and related loss of reputational credibility. This is not tenable.</p> <p>LoS options are being explored through the level of service review process which will include consultation with benefiting communities and/or landowners.</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>If the current levels of service are to be increased, then improvements will be required to the scheme infrastructure.</p> <p>Generally enhanced river environment, biodiversity and recreational opportunities are expected to be required in addition to an increased level of protection against flood risk.</p>



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Wellbeing driver	Significant issue	Description	Principal management options	Implications of management options
Environmental/social drivers:	Land use change	<p>There are several potential changes to land use that can impact on the amount of water running off the land and into waterways during heavy rainfall events.</p> <p>Climate change is predicted to result in increased storminess and increased severity of rainfall events. A 5% 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 in a waterway 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><b>Option 1:</b> Ignore potential land use changes and impacts</p> <p><b>Option 2: (preferred option)</b> Review all schemes 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 five years.</p>	<p>There may several negative impacts if land use changes as well as climate change impacts are ignored i.e. frequency and extent of flooding, failure to correctly identify flood consequence and community impact. These must be accounted for in HBRC planning.</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.</p> <p>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 and NPS for Urban Development (2020).</p>

Wellbeing driver	Significant issue	Description	Principal management options	Implications of management options
Environmental/economic drivers:	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 and erosion will continue to occur in heavy rain events for many centuries even with the best soil conservation efforts in place.</p> <p>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><b>Option 1:</b> Retain current practices including the following range of river management practices are in place to manage this risk. These include:</p> <ul style="list-style-type: none"> <li>• Riverbed beach raking and commercial silt and gravel extraction.</li> <li>• Tree (e.g. unwanted willows and lupin) removal from the braided riverbed within and outside the current scheme areas.</li> </ul> <p><b>Option 2: (preferred option)</b> A significant gravel management review programme (seven years) was completed in 2017 and provides the basis for managing gravel riverbeds in the future.</p> <p>Implementation of revised gravel management cost structure: Options: to increase current extraction rate of \$0.8/m<sup>3</sup> to \$1.20/m<sup>3</sup>. Consideration for regional rating to support for extraction will be considered as part of option analysis.</p>	<p>Retain current practices may lead to flood capacity of waterways being compromised by aggradation of sediment unless appropriate measures are put in place to manage that risk. Current stakeholder feedback confirms this is a community concern in the Upper Tukituki Scheme in particular and requires more active management.</p> <p>The gravel management review process has enabled the establishment of a management regime that will ensure a sustainable and resilient gravel (and 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>

Wellbeing driver	Significant issue	Description	Principal management options	Implications of management options
Environmental driver	Environmental and ecological management and enhancement	<p>Most 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.</p> <p>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.</p>	<p><b>Option 1:</b> Ignore environmental and ecological management and enhancement opportunities</p> <p><b>Option 2: (preferred option)</b> Continue to implement and develop 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 tāngata whenua engagement in improvement initiatives. A number of these initiatives are included in sections of a number of the schemes.</p>	<p>This approach will have potential negative and undesirable environmental and ecological outcomes. 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>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 weed boating once shading efforts take effect.</p> <p>Ratepayer and community involvement can offset the cost of these initiatives.</p> <p>This initiative is also consistent with Councils refocused commitment to improving environmental and ecological outcomes.</p>

Wellbeing driver	Significant issue	Description	Principal management options	Implications of management options
<p>Environmental/social/cultural and economic drivers:</p>	<p>Coastal asset management</p>	<p>Our coast is eroding and in particular the coastal communities from Clifton to Tangoio are at most significant risk. With sea level rise, the northern and southern coastal settlements will face increasing risk of erosion and inundation.</p>	<p><b>Option 1:</b> Ignore coastal erosion hazards and risks.</p> <p><b>Option 2: (preferred option)</b> Continued development and implementation of the Clifton to Tangoio 2120 Strategy 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>The cost of doing nothing is estimated to run into 100s of millions of dollars. Guidance must be provided for long term planning so do nothing is not sustainable.</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 costs in the order of \$150 – 200 million for the 100-year life of the Strategy.</p>

# Part 4 - Infrastructure Strategy | Rautaki Hanganga

Wellbeing driver	Significant issue	Description	Principal management options	Implications of management options
Social driver:	Changing community expectations	In the past the drainage and flood control infrastructure focused on single service delivery objectives. There is now a more integrated approach to infrastructure use and management aimed at meeting community desires and expectations	<p><b>Option 1:</b> Retaining historical traditional single use of drainage infrastructure.</p> <p><b>Option 2: (preferred option)</b> Diversify infrastructure use to meet multiple community expectations/outcomes.</p>	<p>This approach will not meet community and Council aspirations for greater public access.</p> <p>Development of integrated asset management looking at the multiple use of assets such as cycle paths on stop banks. Increase in level of service due to greater public access (e.g. mowing, security, ranger management, fly dumping). Demand for non-drainage assets (e.g. seating, amenity features, signage).</p> <p>Reduction in use of herbicides or change in type. Potential less efficacy and more weed control activity required.</p> <p>Change from grazing of river berms to mechanical mowing; Increase in mowing requirements.</p>
Cultural driver:	Increasing co-management approaches	Council is committed to increasing and prioritising co management approaches	<p><b>Option 1:</b> Status quo management approach.</p> <p><b>Option 2: (preferred option)</b> Identification of co management opportunities and Development of co-management strategies and plans.</p>	<p>This option is not desirable.</p> <p>Potential review and adaptation operations and maintenance techniques in line with co-management objectives.</p>



# Part 4 - Infrastructure Strategy | Rautaki Hanganga

Wellbeing driver	Significant issue	Description	Principal management options	Implications of management options
Environmental/social/cultural and economic drivers:	Asset management capacity and capability development	Council is committed to developing AM capacity and capability to meet the future challenges.	<p><b>Option 1:</b> Maintain the AM status quo.</p> <p><b>Option 2 : (preferred option)</b> Implement the AM Improvement Programme to develop AM capability and capacity to meet the challenges of future asset management, including:</p> <ul style="list-style-type: none"> <li>Human resource planning to overcome engineering resource scarcity regionally and nationally.</li> <li>Need for AM systems upgrade technology advancement.</li> <li>Emerging /increasing regulatory requirements (new consents and their management).</li> </ul>	<p>This option is not desirable.</p> <p>Participate in regional and national engineering skills development initiatives (i.e. cadetships, career path development etc.)</p> <p>Utilisation of consultancy services (creative approaches, Public Private Partnerships) to increase skills and capability in the short to medium term.</p> <p>Core asset management systems development (ADMS, GIS, Finance system) and integration.</p> <p>Development of regulation and compliance systems and skills.</p>
Economic	Affordability issues	Increasing costs to meet the scale and extent of future management requirements.	<p><b>Option 1:</b> Status quo.</p> <p><b>Option 2: (preferred option)</b></p> <ul style="list-style-type: none"> <li>Improved overall asset management maturity with improvement in asset information systems resourced in LTP provisions. Enabling improved decision support and long term forecasting.</li> <li>Improved works planning and innovation.</li> <li>Investigation of funding models (intergenerational view). Identify alternative funding sources.</li> </ul>	

### 4.11 Financial summary

#### 4.11.1 30-year budget forecasts

The 30-year regional assets operational cost forecast is shown in Figure 25: Projected operational expenditure – infrastructure assets.

#### 4.11.2 Funding the activities

The schemes have enabled the areas benefiting from them to improve land productivity, with resulting benefits to the economy and resilience of the region. HBRC sources the majority of funds to meet the ongoing operation, maintenance, and improvement cost of the schemes from targeted rates levied on properties benefiting from the schemes, and a minority portion from general funding sources on a calculated private/public good basis. General funds are sourced from general rates levied on all properties across the region and from dividends and interest from HBRC investments.

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 including more productive land use and greater security to major urban areas and critical infrastructure in flood events. Accordingly a portion of the scheme costs are funded from HBRC's general funding sources, i.e. general rates and interest and dividends from HBRC investments.

In 2020, HBRC undertook a structured review of the allocation of costs for all schemes to confirm the allocation of overheads and labour costs is consistent for all schemes. Forecasting for Smaller Schemes show an indication of reducing scheme reserves over the next 10 years when this is applied so action is required to be sustainable. HBRC will review and consult on schemes based on a more consistent rating approach in the next two years and a revised rating schedule will apply no later than year 1 of the next LTP. Small Schemes in particular have not had full labour costs and overheads allocated so the scheme economics will change, necessitating formal review to determine long-term affordability.

Additionally, Open Spaces has been separated from the traditional schemes recognising the need to identify Open Spaces activities specifically and to manage changed levels of service for greater public access requirements, new activities, and types of assets in the HBRC portfolio.

Economic assessments of the wider benefit to the Hawke's Bay Region have assisted HBRC in establishing the proportion of direct benefit versus 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.
- Cost allocation will be normalised to be consistent with other schemes over a three-year period inclusive of a Revenue and Financing review prior to the 2024-34 Long Term Plan.

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. A review was completed by Sean Bevin of Economic Solutions Ltd in October 2010, and efforts were made in 2020 to make all schemes cover costs consistently.

Information from the Bevin (2010) 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.

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

Table 37: Scheme funding sources

Scheme	Targeted rate portion (Private)	General funding portion (Public)
<b>Heretaunga Plains Flood Control and Drainage Scheme</b>		
Rivers	70%	30%
<b>Drainage Catchment Schemes</b>		
Napier/ Meeanee	90%	10%
Awatoto/ Brookfields	90%	10%
Pākōwhai	90%	10%
Muddy Creek	90%	10%
Haumoana	90%	10%
Karamū and tributaries	90%	10%
Raupare/ Twyford	90%	10%
Tūtaekurī -Waimate	90%	10%
Puninga	90%	10%
<b>Upper Tukituki Scheme</b>	82.5%	17.5%
<b>Small Schemes</b>		
Upper Mākara	90%	10%
Paeroa	87.5%	12.5%
Porangahau	90%	10%
Poukawa	95%	5%
Ohuia – Whakakī	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%

## 5. Hazards, risk and resilience

### 5.1 Risk management

Risk management is the culture, process and structures that are directed towards realising potential opportunities whilst reducing either or both the probability and 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 six-monthly basis and reported to Council every three 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, ratepayer confidence and ability to pay, consideration of recent events (e.g. Edgcumbe stopbank failure event) are considered within the wider HBRC regular review process.

### 5.2 Resilience

Scheme beneficiaries have a high expectation that infrastructure has a high degree of resilience that will ensure scheme functionality and ongoing protection against flooding. The key activities that help ensure infrastructure resilience include:

- Infrastructure design standards reviews
- Levels of service reviews; these reviews will include:
  - risk assessments of the schemes, including climate change considerations
  - scheme performance assessments or enable the level of service to be reinstated more rapidly following a natural hazard event that impacts on the scheme
  - scheme reinstatement options (where the risk exposure is considered too great, e.g. structural works in lieu of live edge protection)

- planned/scheduled operations and monitoring plans
- monitoring and reporting.

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.

### 5.3 Risks to asset performance

The main risks that would affect the performance of the infrastructural assets are listed below in Table 38.

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 major 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 serious damage occur in a major, but infrequent, event.

Table 38: Risks to asset performance

Risk	Description	Treatment
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 to achieve.	Emergency Management incorporating CDEM includes Regional Asset Management and effective environmental monitoring to manage events. Risk based LoS review of critical assets is included in current programmes
Significant biological incursion	<p>An essential part of river control work (and ecological enhancement) is live trees. These include 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 1990s. The response to this incursion involved a \$10 million 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> <p>Chilean needle grass: This grass is a significant issue in the Lower Tukituki River below Stockade Road. There is limited gravel extraction in this area and so there are potential problems with managing gravel accumulations traditionally extracted. Management options are under active consideration, and biosecurity monitoring is in place.</p>	Maintain environmental and biosecurity monitoring, and staff education to identify potential threats. Research management options based on best practice.
Inadequate funding	Ongoing maintenance is essential if the scheme assets are to provide the design level of service. 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.	Develop and maintain scheme LoS assessments and long term asset planning to allow economic assessment of scheme operation and performance. Communicate issues and risks identified to stakeholders.
Management of HBRC's community assets and Infrastructure (Enterprise Risk Register Item 12)	This risk considers the management of HBRC's community (field) assets and infrastructure. Asset management aims to reduce asset related risk events by optimising the value of the asset throughout its lifecycle. This includes development of asset objectives that align to the organisation's strategy then maintaining, upgrading and where appropriate disposing of assets aligned to objectives in a cost-effective way. HBRC's assets and infrastructure includes bridges, boardwalks, stop banks, cycle trails, and forestry.	Identify, agree, and align HBRC's asset management systems to a current external standard.



## Part 5 - Groups of Activities

### Wāhanga 5 - Ngā Whakarōpūtanga Kaupapa

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## 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. We have aggregated the range of activities we do into six groups of activities.

These are:

1. Governance and Partnerships
2. Policy and Regulation
3. Integrated Catchment Management
4. Asset Management
5. Emergency Management
6. 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 order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future. HBRC's community outcomes are derived from the vision statement in its *Strategic Plan 2020-2025*.

The community outcomes are represented by the following icons:



Healthy  
Environment



Resilient  
Community



Prosperous  
Community

### What we are going to do

Describes what we do each year and the Council's key projects over the 10-year life of the plan. It also discusses any key challenges and risks for each group of activities and what Council plans to do to address these.

### Significant negative effects

Outlines any significant negative effects that any activity within the group of activities may have on the social, economic, environmental or cultural well-being of 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. Also shows how the levels of service contributes to community outcomes and regional strategies/plans if relevant.

Any significant changes to level of service or cost have been identified.

There are some new measures that have not been previously reported on, however if Council has the information to determine past results it has been included and the results have been marked with an asterisk\*.

### Funding impact statement

Shows the estimated expenses for each activity and how it will be funded.

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

### Governance and Partnerships Group of Activities

#### What we do

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

- Community Representation and Leadership
- Tāngata Whenua Partnerships
- Community Sustainability
- Regional Development

#### 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.

#### Tāngata Whenua Partnerships

This activity covers our engagement with tāngata whenua as required by the Local Government Act, including the Māori Committee and the Regional Planning Committee, and direct involvement with hapū and marae. The Māori Partnerships team's focus is growing Council-wide cultural capability, enhancing Council's engagement with tāngata whenua and facilitating technical input to meet statutory requirements.

The Māori Partnerships team is part of a network with the region's other councils (Napier, Hastings, Central Hawke's Bay and Wairoa) – Te Kupenga. Te Kupenga musters cultural collateral as and where needed. Whanaungatanga (kinship) and Manaakitanga (care and support) are central to the way Te Kupenga operates.

#### Community Sustainability

The aim of this activity is to work together with the community for a sustainable and resilient future and to also ensure we 'walk the talk' as the lead agency of climate action in the region. A key part of this activity is to develop and lead a coordinated programme to drive climate action to reduce the region's as well as our own corporate carbon footprint.

This activity includes the Sustainable Homes and Heat Smart programmes and environmental education including the Enviroschools programme. The aim of the Sustainable Homes and Heat Smart programmes is to assist ratepayers to make homes healthier, more sustainable and resilient. This includes measures such as the installation of solar electricity systems, water tanks, septic tanks, replacement of non-compliant fires, installing or upgrading insulation and double glazing.

Environmental education and the Enviroschools Programme is another tool in Council's toolkit to drive behaviour change.

#### 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.

HBRC and the region's territorial authorities (Napier, Hastings, Central Hawke's Bay and Wairoa councils) are the primary funders of economic development activities and services in Hawke's Bay. However, work is underway looking at the development of a new regional economic development agency following an independent review. Different operating models are being developed and the community will be formally consulted with on these options.

HBRC currently contributes to the Matariki Regional Economic Development Strategy (REDS) and HBRC-led projects within the strategy. HBRC is also the sole local government funder of Hawke's Bay Tourism by agreement with the region's councils. The central government funded Regional Business Partners programme also currently sits under HBRC control. Regional Business Partners connects local businesses with the right resources and experts to build capability and grow.

Funding for Regional Development is via a regional economic development rate.

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Governance and Partnerships Group of Activities

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### Why we do it

This group of activities contributes to all three community outcomes:



**Healthy  
Environment**



**Resilient  
Community**



**Prosperous  
Community**

- By giving tāngata whenua and the people of Hawke's Bay opportunities to have a meaningful say on the direction of their region.
- By providing environmental education and the Enviroschools programme to inspire people to actively engage in creating a sustainable future.
- By providing the Sustainable Homes and Heat Smart programmes to make homes more sustainable and resilient, reduce energy consumption and greenhouse gases, and improve air quality.
- By developing and leading a coordinated programme to drive climate change action to reduce the region's and HBRC's own corporate carbon footprint.
- By ensuring the natural resource platform which both the economy and community depend on meets the needs of future generations.
- By investing in regional economic development for the benefit of the Hawke's Bay economy.

Most of what Council does in this group 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.

### What we are going to do

#### Each year we will:

- Support the 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.
- Produce statutory plans and reports to ensure 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.
- Work with the region's councils (Napier, Hastings, Central Hawke's Bay and Wairoa) as part of a network - Te Kupenga - in developing and sharing cultural capability initiatives.
- Measure and report on HBRC's corporate carbon footprint with the aim of decreasing it year on year.
- Deliver Enviroschools to over 60 schools and early childhood centres in Hawke's Bay.
- Assist ratepayers through the Sustainable Homes and Heat Smart programmes to improve the health, sustainability and resilience of their homes. These programmes will be reviewed in 2024.

#### Key projects planned to address challenges and risks:

- Representation Review - Community consultation was undertaken in March-April 2021 with strong support to establish dedicated Māori seats at the Regional Council table in time for the 2022 election. A Representation Review will be conducted to determine the representation arrangements including the boundaries and names of the new Māori constituencies. This will be consulted on in September and October 2021.

- Essential Freshwater reform - One regional plan “Kotahi” is being developed to address the new requirements. Kotahi will combine the freshwater catchment policies with the reviewed Regional Policy Statement, Regional Resource Management Plan and the Regional Coastal Environment Plan. Additional funding has been allocated in this Long Term Plan to actively involve and seek expert advice from tāngata whenua in the development of Kotahi. This includes setting a long-term vision for water, identifying matters of importance to tāngata whenua, how Te Mana o te Wai (the central concept for freshwater management) is to be applied locally and the environmental outcomes sought. Kotahi will be notified by December 2024. HBRC is advocating for central government to provide additional financial support for tāngata whenua participation.
- Mātauranga Māori - A new position has been established to specifically focus on Mātauranga Māori. Mātauranga Māori describes the body of knowledge derived from the Māori world view and perspectives, Māori creativity and cultural practices. This is the first time HBRC has had dedicated resource to embed Mātauranga Māori alongside western science.
- Climate change - We have established a new activity, Community Sustainability, to focus on developing and leading a coordinated community-wide response to reduce the region’s and the Regional Council’s carbon footprint. This includes the establishment of a Climate Change Ambassador role funded from the Council’s carbon credits from existing plantation forests.
- Environmental Education/Enviroschools - a new 0.5 position has been established to improve the reach of Council’s environmental education work into secondary schools. This is off the back of the successful Youth Climate Action Camp held in April 2021 and will complement the work of the Climate Change Ambassador and two new Urban Catchment Co-ordinators.
- Transitioning to a new regional economic development agency - An independent study commissioned by the five Hawke’s Bay councils in 2020 to review current arrangements has recommended the development of a new regional economic development entity. Community consultation is planned to take place in Year 1 of this Plan regarding a new operating model and transition plan, which will be co-designed with regional stakeholders. A new regional economic development agency may require increased investment from HBRC. This change is likely to require an amendment to the Long Term Plan.

### Significant negative effects

Engagement in Council processes requires time and resources and people’s capacity to engage varies so some people may have more opportunity than others to participate. Council engages using a variety of methods to broaden our reach, and also regularly utilises our Māori Committee to support Māori participation in decision-making processes.



# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Governance and Partnerships Group of Activities

### Levels of service

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Community Representation and Leadership</b>							
Demonstrates our values of accountability, transparency, and excellence.	HBRC provides for democratic representation and maintains the integrity of Council processes through transparent and legally compliant practices.	Triennial election processes are undertaken in accordance with the Local Electoral Act 2001.	New measure Achieved (2019-20) * Achieved (2018-19) *	Achieved	Achieved	Achieved	Achieved
		Council meetings are conducted in compliance with statutory requirements and Standing Orders.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
		Percentage of LGOIMA requests responded to within 20 working days	New measure 87.2% (2019-20) * 92.4% (2018-19) *	100%	100%	100%	100%
		Long Term Plans and Annual Reports receive "unmodified" audit opinions.	Partially Achieved (2019-20) Partially Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
<b>Tāngata Whenua Partnerships</b>							
A healthy environment Outcome measures:  By 2025, tāngata whenua values for all catchments are identified and embedded in the Regional Resource Management Plan  By 2025, cultural monitoring tools are in use in all catchments	HBRC actively involves Māori in its decision-making processes, engages in strategic relationships with tāngata whenua and builds internal capability and capacity to engage effectively.	Percentage of tāngata whenua representatives "satisfied or very satisfied" with the Treaty-based partnership approach to engagement and decision making (source: biennial survey of RPC and Māori Committee members).	New measure	Establish baseline	No survey	Increasing trend	Increasing trend
		Percentage of staff who feel confident to engage with relevant iwi, hapū, post settlement governance entities, taiwhenua or their representative agencies (source: annual staff survey).	New measure 52% (2020)*	Increasing trend	Increasing trend	Increasing trend	Increasing trend
		Annual reporting on Mātauranga Māori monitoring and reporting activities.	New measure	Achieved	Achieved	Achieved	Achieved

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Governance and Partnerships Group of Activities

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Community Sustainability (new activity this LTP)</b>							
<p>A healthy environment A resilient community</p> <p>Outcome measures:</p> <p>By 2025, regional air quality consistently meets World Health Organisation guidelines. By 2025, HBRC is carbon zero and plays a leadership role in the region's goal of net zero greenhouse gases by 2050.</p>	<p>HBRC delivers environmental education and the EnviroSchools programme across the region to inspire and empower people of all ages to actively engage in creating a sustainable future.</p>	<p>Number of early childhood centres and schools participating in the EnviroSchools programme.</p>	<p>New measure 67 (2020)* 56 (2019)*</p>	<p>Maintain or increase</p>	<p>Maintain or increase</p>	<p>Maintain or increase</p>	<p>Maintain or increase</p>
	<p>HBRC will promote and facilitate sustainable solutions to reduce energy consumption and regional greenhouse gas emissions and improve air quality for environmental and health benefits.</p>	<p>Number of properties utilising the Sustainable Homes programme including Heatsmart per year.</p>	<p>1,403 (2019-20) incl Sustainable Homes 801 (2018-19) Heatsmart only</p>	<p>Increase</p>	<p>Increase</p>	<p>Increase</p>	<p>Increase</p>
	<p>HBRC develops and leads a coordinated programme to drive climate change action to reduce the region's and its own carbon footprint.</p>	<p>Annual reporting to Council on progress made on coordinated programme of actions.</p>	<p>New measure</p>	<p>Develop programme</p>	<p>Achieved</p>	<p>Achieved</p>	<p>Achieved</p>
		<p>Level of emissions related to HBRC's own corporate carbon footprint (source: ekos, Carbon Inventory Report).</p>	<p>New measure 882.44tCO2 (2019/20)*</p>	<p>Improve</p>	<p>Improve</p>	<p>Improve</p>	<p>Improve</p>
<b>Regional Development</b>							
<p>A prosperous community A resilient community</p>	<p>HBRC will co-invest in regional economic development organisations for the benefit of the Hawke's Bay economy.</p>	<p>Funding agreements with performance targets and reporting requirements are in place.</p>	<p>Achieved (2019-20) Partially Achieved (2018-19)</p>	<p>Achieved</p>	<p>Achieved</p>	<p>Achieved</p>	<p>Achieved</p>

\*These measures have not been previously reported on, however Council has the information to determine past results and has included these as a baseline.





## Policy and Regulation Group of Activities

### What we do

There are four activities within the Policy and Regulation group of activities:

- Policy Planning and Implementation
- Consents
- Compliance and Pollution Response
- Maritime Safety

These activities cover Hawke's Bay Regional Council's planning and regulatory functions for resource use management and safe navigation of the region's navigable waters.

### Policy Planning and Implementation

This activity develops, reviews and evaluates Resource Management Act 1991 (RMA) planning documents. A significant focus of this activity is the development of the Kotahi Plan which will implement the Essential Freshwater policies and regulations that came into force in September 2020, delivering a plan that maintains and improves the state of freshwater in the region. This activity will review the current Regional Policy Statement, Regional Resource Management Plan and Regional Coastal Environmental Plan and combine this with the freshwater catchment policies.

The Policy Planning 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 by Territorial Local Authorities, district plan review documents, central government policy initiatives/national directions and asset management planning work).

This activity also includes Policy Implementation (Regulation) which ensures that HBRC has the necessary internal processes in place to be able to implement the regulation required by the Regional Resource Management Plan, Regional Coastal Environment Plan, National Environment Standards, and section 360 regulations under the RMA, as well as communicating the requirements to external stakeholders.

### Consents

This activity implements HBRC's Regional Resource Management Plan, Regional Coastal Environment Plan, National Environment Standards, and s360 Regulations through the processing and issuing of resource consents.

Resource consents may be issued by the Regional Council for taking, use, damming, diverting water, for discharges to land, water or air, for activities in the coastal environment and for a variety of land activities that are covered by rules in the plans and standards and regulations. Resource consents when issued give the holder significant rights to use a resource or have an impact on the environment. They can have significant impact on the value of land.

In addition to processing consents a part of this activity is to give advice and education on resource management matters.

Regional Councils have responsibility for the processing of building permits for dams. HBRC has transferred the function to Waikato Regional Council to process dam applications under the Building Act. HBRC retains the authority to process resource consents for damming water and waterways under the Resource Management Act.

### Compliance and Pollution Response

This activity involves monitoring resource consents, checking activities comply with regional plan rules or national regulations and standards. Enforcement tools may be used when conditions are breached.

Council provides a 24-hour/7-day-a-week pollution response service and 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

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



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.

### What we are going to do

Each year we will:

#### *Policy Planning and Implementation*

- Make submissions at local and/or national level to advocate for Council's resource management policies and interests including advocating to seek effective changes to the Resource Management Act.
- Ensure that any new processes that are required due to the introduction of any new NES is thoroughly understood and communicated across relevant teams within HBRC as well as being clearly communicated to the affected community.
- Ensure development of plans consistent with RMA and succeeding legislation.
- Engage and consult with tāngata whenua and the community.

#### *Consents*

- 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, improve, establish monitoring and accounting systems to set, record and meet allocation limits.

### *Compliance and Pollution Response*

- 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.
- Manage non-compliance using a graduated compliance model.
- Appoint appropriate staff to maintain a 24-hour duty management/pollution management response system.

### *Maritime Safety*

- 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 planned to address challenges and risks:**

- New Essential Freshwater reform will impact on policy development and implementation – one regional plan “Kotahi” is being developed to address the new policies and regulations that came into force in September 2020. Kotahi will combine the freshwater catchment policies with the revised Regional Policy Statement, Regional Resource Management Plan and the Regional Coastal Environment Plan. Additional funding has been allocated in this Long Term Plan for three more planners (in year one) to deliver Kotahi and funding has also been allocated to actively involve and seek expert advice from tāngata whenua. See the Tāngata Whenua Partnerships activity in the Governance and Partnerships Group of Activities section for more information.
- New Essential Freshwater reform and other National Environmental Standards will require interpretation of new rules and how they interact with existing legislation. Council will need to ensure that internal systems and processes are in place to deal with the increased requirements and that clear communication and

guidance is available to external parties, who are directly impacted by the increased legislation.

- New Essential Freshwater reform and other National Environmental Standards will also impact on regulation - more policies and rules will put increasing pressure on Council’s regulation resources in terms of issuing and monitoring consents. Six new regulation roles in years one and two will be established to enable monitoring, ensure compliance of consents and implement Environmental Standards. HBRC will continue to take a tougher, more pro-active approach to non-compliance. We have markedly increased the number of prosecutions over the past three years.

### **Significant negative effects**

- Policy development under the National Policy Statement for Freshwater Management 2020 (NPSFM) places a significant burden on our community especially tāngata whenua, who have limited resources and capacity to be actively involved in these processes. HBRC acknowledge this and have secured some additional funding to support tāngata whenua, however it is likely that these timeframes and expectations imposed by central government will adversely impact our community, tāngata whenua and organisation.
- There are significant costs associated with developing and implementing plans and National Environmental Standards and other regulations.
- There is a risk with reform of RMA and other legislation affecting current resource consents and resource management arrangements/strategies.
- As resources reach limits there could be conflicts between uses. Traditional uses may be affected, disputes may arise, environmental and cultural values may be ignored, compromised or lost.
- The increase in compliance costs in implementation may add a lot more stress to consent holders, lead to mental health issues or suicides. Council is committed to working closely with resource users and industry organisations to manage change.

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Policy and Regulation Group of Activities

### Levels of service

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Policy Planning and Implementation</b>							
A healthy environment A resilient community A prosperous community  Outcome measures:  By 2025, plans for all catchments/ waterbodies are notified.  By 2025, Tāngata Whenua values for all catchments are identified and embedded in the Regional Resource Management Plan.  By 2025, all aquifers, lakes and rivers have community-agreed quantity and quality limits in force.  By 2030, all popular Hawke’s Bay swimming sites are swimmable 80% of the time, and 90% of the time by 2040.	HBRC establishes and maintains appropriate policies and plans that promote the integrated management of the region's natural and physical resources, protects the community from resource management related risks and assists the Council in carrying out its legislative functions.	Compliance with statutory timeframes as set by legislation.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
	HBRC will regularly submit on national direction, plan and consenting matters.	All matters logged in the Statutory Advocacy Register. All submissions to be posted on HBRC website.	New measure	Achieved	Achieved	Achieved	Achieved
<b>Consents</b>							
	HBRC will efficiently and effectively process resource consent applications under the Resource Management Act 1991 to enable the lawful use and sustainable management of natural and physical resources.	Percentage of resource consents processed within statutory timeframes in the Resource Management Act.	99.8% (2019-20) 100% (2018-19)	100%	100%	100%	100%
		Overall allocation of water from each water resource is allocated up to but not exceeding the allocation limits set in the Regional Plan.	Achieved. 99% for surface water in Tukituki.  53% for groundwater stream depleting takes in Tukituki (2019-20)  Achieved. 100% and 50% (2018-19)	</=100%	</=100%	</=100%	</=100%

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Policy and Regulation Group of Activities

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Compliance and Pollution Response</b>							
By 2050, there is an increasing trend in the life-supporting capacity of all of the region's degraded rivers and major streams.  From 2020, unplanned urban development avoids highly productive land.  By 2025, regional air quality consistently meets World Health Organisation guidelines.	HBRC will monitor consent holders and enforce non-compliance to ensure resource consent conditions are met to protect the environment and human health.	Percentage of consents monitored each year as per the adopted risk-based Compliance Monitoring Strategy.	92.5% (2019-20) 90.9% (2018-19)	95% for high-risk consents  90% for all other consents	95% for high-risk consents  90% for all other consents	95% for high-risk consents  90% for all other consents	95% for high-risk consents  90% for all other consents
		Percentage of monitored consents which receive an overall grade of full compliance.	89.7% (2019-20) 92.17% (2018-19)	90%	90%	90%	90%
		Percentage of significant non-compliance where action is taken in accordance with HBRC's Enforcement Policy within 6 months.	New measure	100%	100%	100%	100%
A prosperous community	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.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
	HBRC will identify and maintain a register of contaminated sites to ensure public health and safety and environmental protection.	A Selected Land Use Register of potentially and confirmed contaminated sites is maintained.	Achieved (2019-20) Achieved (2018-19)	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.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Policy and Regulation Group of Activities

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Maritime Safety</b>							
	HBRC will provide local navigation safety control of shipping and small craft movements through bylaw enforcement, navigation aids, signage and education programmes 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.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
		Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations.	50 (2019-20) 105 (2018-19) 82 (2017-18) 33 (2016-17)	Maintain or decreasing trend*	Maintain or decreasing trend*	Maintain or decreasing trend*	Maintain or decreasing trend*

\*3-yearly rolling average





# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Policy and Regulation Group of Activities

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	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in debt	(20)	(20)	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>(20)</b>	<b>(20)</b>	-	-	-	-	-	-	-	-	-	-
<b>Applications of capital funding</b>												
Capital expenditure:												
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	30	-	-	-	-	-	-	-	-	-
	-	-	30	-	-	-	-	-	-	-	-	-
Increase/(decrease) in reserves	10,093	25	(22)	11	11	11	9	7	7	7	3	-
Increase/(decrease) in investments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>10,093</b>	<b>25</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>9</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>3</b>	-
<b>Surplus/(deficit) of capital funding</b>	<b>(10,113)</b>	<b>(45)</b>	<b>(9)</b>	<b>(11)</b>	<b>(11)</b>	<b>(11)</b>	<b>(9)</b>	<b>(7)</b>	<b>(7)</b>	<b>(7)</b>	<b>(3)</b>	-
<b>Funding balance</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Depreciation for Policy and Regulations Group</b>	<b>4</b>	<b>4</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>9</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>3</b>	-

## Integrated Catchment Management Group of Activities

### What we do

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

- Environmental Information
- Environmental Science
- Catchment Management
- Biodiversity and Biosecurity

#### Environmental Information

This activity involves monitoring the state, condition and use of land, air, water, coast, and marine resources within the region, to provide information for reporting against relevant standards and guidelines. It includes setting the strategic direction, governance and optimisation of processes and systems for Integrated Catchment Management (ICM) governed data and driving ICM towards data driven decision making.

Environmental Information also contains the Water Information Services team who provide the stewardship and management of legal requirements relating to water take, use and measurement and provide timely data to both internal and external customers.

#### Environmental Science

This activity involves interpretation of data and reporting on 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. Regional resource

management plan changes are supported with science, so that plan changes are informed with rigorous evidence.

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

#### Catchment Management

Council works in partnership with landowners to understand and support them in their vision to match their land uses to the land, and to develop sustainable strategies to build resilience to climate change and reduce environmental pressures i.e. including planting the right trees in the right places (shade, shelter, fodder, biodiversity, erosion mitigation), waterway protection actions, and practices promoting vegetation regeneration. Council also supports and facilitates community-led efforts at a sub catchment level to implement sustainable land management practices in line with current regulation and regional rules.

#### 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. 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.

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, water, biosecurity and biodiversity outcomes set in Council's Strategic Plan 2020-2025, the National Policy Statement for Freshwater Management, the Regional Resource Management Plan and the Regional Pest 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.

### What we are going to do

#### Each year we will:

- Collect, monitor, interpret and disseminate environmental information to continue to build our understanding of the state of our environment and identify trends and potential issues for further investigation or action. Data are collected from a wide range of sites including sandy beaches and dunes, rocky reefs, air quality sites, lakes, estuaries, wind erosion sites, nearshore coastal water quality sites, climate stations, sediment sites, river flow sites, swimming sites, wetlands,

stream ecosystems health sites, river water quality sites, soil monitoring sites, groundwater wells and riparian areas.

- Support regional resource management plan changes with science, so that decisions are informed by sound evidence.
- 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.
- Encourage through research, education, advocacy, and subsidy, sustainable land management and afforestation, through the Erosion Control Scheme and Right Tree Right Place project to improve soil conservation and water quality.
- Work with regulatory staff and the forestry industry to align activities promoting good management practices with the HB Forestry Group.
- Host targeted capacity building events to improve understanding and uptake of good practices.
- Ensure that all water consent holders in Hawke's Bay who have to record their water take are doing so and that the records of the water takes are as accurate as possible.
- Encourage efficient and effective water use to maximise the benefits of allocated water.
- Work with partners and stakeholders to support the implementation of the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning.
- Continue to support Biodiversity Hawke's Bay who were established to support conservation efforts across our region.
- Support through advice, and fund where appropriate, site specific restoration or enhancement work on the region's high priority terrestrial habitats.
- Support Predator Free Hawke's Bay and other partners to maintain progress achieved in the Whakatipu Māhia, Cape to City and Poutiri Ao ō Tāne predator free projects.

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Integrated Catchment Management Group of Activities

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- Implement the Regional Pest Management Plan (RPMP). The aim of the RPMP is to limit the adverse effects of unwanted plants, animals, horticultural and marine pests. These invasive species can have wide ranging effects on human health, indigenous flora and fauna, our heritage, and/or the economy.

### Key projects planned to address challenges and risks:

- Erosion control – This plan aims to further accelerate erosion control work with the Right Tree Right Place (RTRP) pilot programme,. Under the RTRP three-year pilot HBRC will offer a loan and other funding mechanisms to landowners to plant trees on their vulnerable, erodible land. Mānuka honey, carbon and timber are being considered, having the greatest potential to deliver a return and offset loan repayments. The programme will be trialled on three to five farms to fully understand the details involved in set-up costs and partnership and delivery options.
- Declining biodiversity – Additional funding (increasing to \$600,000 by year three) has been allocated to protect our most at-risk natural areas. HBRC has mapped the whole region for its biodiversity and prioritised the most threatened sites in a partnership with Biodiversity Hawke’s Bay. A Terrestrial Ecologist will be employed to lead the work required under the pending National Policy Statement on Indigenous Biodiversity. Council is also looking at the way we manage possum control after an independent section 17a review, under the Local Government Act undertaken in 2020, found a lack of adequate resourcing (both staff time and money) is limiting the effective delivery of biosecurity and biodiversity programmes to the point where key objectives are at risk of not being met.
- Essential Freshwater reform – Staff will work with farmers to support them to navigate a path through the new regulations and required actions. The reform means freshwater plans are required sooner for the whole of Hawke’s Bay.

- Shortage of fencing contractors in the region – Staff are already sharing their knowledge and experience with some tāngata whenua, existing contractors and other interested parties who are looking to, or working on, building capacity and capability to meet this demand. Staff will continue to explore options and determine if HBRC should have a role in this space and if so, in what capacity. The shortage of contractors will become more prevalent as we get closer to 2025, when farm plans that are required by the NPSFM become regulated.

### Significant negative effects

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

There are no significant negative regional impacts relating to Catchment Management programmes, 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.

Our pest control activities are led by national best practice. We follow guidelines and rules set by the Environmental Protection Authority and WorkSafe. HBRC staff and contractors are trained experts in pest management and use a range of tools to maximise control outcomes whilst minimising any negative impacts. Also, we use the least toxic chemical that will be effective in any given situation.

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Integrated Catchment Management Group of Activities

### Levels of service

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS)	HOW WE KNOW Level of Service Measure (LOSM)	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4-10 (2024-31)
<p>A healthy environment</p> <p>Outcome measures: By 2025, regional air quality consistently meets World Health Organisation guidelines;</p> <p>By 2030, all popular Hawke's Bay swimming sites are swimmable 80% of the time, and 90% of the time by 2040;</p> <p>By 2050, there is an increasing trend in the life-supporting capacity of all of the region's degraded rivers and major streams.</p>	<b>Environmental Information</b>						
	HBRC will collect, monitor and provide accurate and timely data including a reliable telemetry network.	Council maintains its International Organisation for Standardisation (ISO) 9001-2015 accreditation for data collection, analysis and storage.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
		SOE monitoring programmes are in place and results are published on HBRC and LAWA websites for: - Climate and Air Quality - Freshwater - Land Science - Marine and Coast	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
	<b>Environmental Science</b>						
	HBRC will provide accurate and timely analysis and interpretation to decision makers and the community on the State of the Environment (SOE) for Hawke's Bay.	A 3-yearly State of the Environment Synthesis Report is produced, that meets requirements of NPS-FM 2020. Monthly updates are delivered through digital media.	Revised measure Partially Achieved (2019-20) Partially Achieved (2018-19)	3-yearly SOE Synthesis Report and 11 monthly updates	11 monthly updates	11 monthly updates	3-yearly SOE Synthesis Report produced in 2021,27 & 30 11 monthly updates in other years
	HBRC will undertake targeted science research and investigations on matters relevant to policy development to inform the Council and community.	The Science team develops and implements an annual work programme to support plan change requirements and to inform regulatory implementation of the Regional Resource Management Plan.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved





# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Integrated Catchment Management Group of Activities

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS)	HOW WE KNOW Level of Service Measure (LOSM)	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4-10 (2024-31)
By 2050, there are 50% less contaminants from urban and rural environments into receiving waterbodies.	HBRC will engage and liaise with groups of urban and rural water users to encourage efficient and effective water use to maximise the benefits of the water allocated.	Annual water use efficiency campaign is delivered.	New measure	Achieved	Achieved	Achieved	Achieved
<b>Biodiversity and Biosecurity</b>							
A healthy environment  Outcome measures:  By 2030, key species and habitat (sites) are prioritised and under active restoration.  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.  By 2050, Hawke's Bay is predator free in line with NZ 2050 target.	HBRC will work with partners and stakeholders to implement the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning.  HBRC will manage and limit the risks posed by unwanted pests to protect the health of our community and environment, as prescribed by the Regional Pest Management Plan.	Number of Ecosystem Prioritisation sites protected per annum.	5 (2019-20) 13 (2018-19)	2 new 5 maintained	3 new 7 maintained	4 new 10 maintained	4 new 10 maintained
		Maintain and implement current Regional Pest Management Plan and prepare an Operating Plan and Annual Report in accordance with the Biosecurity Act.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
		Area of predator control per annum	New measure	N/A	10,000ha*	10,000ha	10,000ha

\*This is the first year of the predator control programme



# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Integrated Catchment Management Group of Activities

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	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
Increase/(decrease) in debt	240	2,920	4,086	4,231	3,580	2,446	2,268	2,125	654	(1,566)	(1,619)	(1,659)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>240</b>	<b>5,234</b>	<b>4,086</b>	<b>4,231</b>	<b>3,580</b>	<b>2,446</b>	<b>2,268</b>	<b>2,125</b>	<b>654</b>	<b>(1,566)</b>	<b>(1,619)</b>	<b>(1,659)</b>
<b>Applications of capital funding</b>												
Capital expenditure:												
- to meet additional demand	-	522	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	2,191	-	1,266	640	214	-	-	-	-	-	-	-
- to replace existing assets	-	-	634	634	441	685	530	508	522	536	550	564
	2,191	522	1,900	1,273	655	685	530	508	522	536	550	564
Increase/(decrease) in reserves	5,961	(1,051)	2	(117)	48	1,212	780	632	573	571	499	430
Increase/(decrease) in investments	2,871	3,100	508	1,044	1,071	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>11,023</b>	<b>2,571</b>	<b>2,410</b>	<b>2,201</b>	<b>1,774</b>	<b>1,897</b>	<b>1,310</b>	<b>1,140</b>	<b>1,094</b>	<b>1,107</b>	<b>1,049</b>	<b>995</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(10,783)</b>	<b>2,663</b>	<b>1,677</b>	<b>2,030</b>	<b>1,806</b>	<b>549</b>	<b>958</b>	<b>984</b>	<b>(440)</b>	<b>(2,673)</b>	<b>(2,667)</b>	<b>(2,654)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation for Integrated Catchment Management Group</b>	<b>485</b>	<b>687</b>	<b>1,283</b>	<b>1,406</b>	<b>1,508</b>	<b>1,599</b>	<b>1,198</b>	<b>962</b>	<b>980</b>	<b>1,029</b>	<b>1,063</b>	<b>1,016</b>

## Asset Management Group of Activities

### What we do

There are six activities within the Asset Management group of activities:

- Flood Protection and Control Works<sup>8</sup> (Rivers, Drainage and Small Schemes)
- Flood Risk Assessment and Warning
- Coastal Hazards
- Regional Water Security
- Open Spaces
- Works Group

### Flood Protection and Control Works

HBRC administers 25 flood control and drainage schemes throughout the region to reduce the risk of flood and erosion damage. We maintain networks of stopbanks, hydraulic structures and pump stations and manage the river, stream and drainage channels to ensure they work as expected during floods to help protect life and property. HBRC also take 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 function, water quality and provide open space opportunities.

The flood control and drainage schemes are grouped into the following three major schemes and have a replacement value (RV) of just over \$200M.

Major scheme	Asset	At June 2020
<b>1. Heretaunga Plains Flood Control &amp; Drainage Scheme</b> RV of \$152 million	Stopbanks	157 km
	River channels and edge protection	129 km
	Drainage channels	447 km
	Pumping stations	18
	Structures and culverts	217
<b>2. Upper Tukituki Scheme</b> RV of \$34 million	Stopbanks	76 km
	Channel edge protection	206 km
	Drainage channels	12 km
	Structures and culverts	44
<b>3. Small Schemes</b> RV of \$16 million	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 flood risk, drainage related issues and coastal erosion. 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.

This activity also includes gravel management to maintain flood capacity and management of river mouths to reduce unnecessary flooding. Industry uses allocated gravel and aggregate resources for many activities.

Allocation of resources from riverbeds is undertaken by HBRC in response to demand, balancing the need to maintain the capacity of specific flood protection schemes while taking into account the potential environmental effects of gravel extraction.

<sup>8</sup> 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.

### Flood Risk Assessment and Warning

Flooding is a significant and frequent hazard with extreme, rare rainfall events projected to become more severe with climate change. Council identifies, monitors, and plans for major climate change hazards such as increased storm intensity, flooding, sea level rise and coastal erosion.

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 to support sophisticated computer modelling and has plans to improve monitoring technology to ensure Hawke's Bay maintains an effective flood warning and forecasting system.

This activity also 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 and engages with 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.

### Regional Water Security

With many of Hawke's Bay's freshwater resources already under pressure and with the increasing effects of climate change, this activity aims to develop and identify delivery models for water storage and demand management solutions.

### Open Spaces

HBRC owns and manages Pākōwhai, Pekapeka, Tūtira and Waitangi Regional Parks, and various river berm areas. These have multi-purpose functions including flood control, soil conservation and water quality enhancement, as well as protecting and enhancing biodiversity, cultural and historic values and providing recreational opportunities. HBRC leverages government funding to support these initiatives and partners with landowners with the aim to improve public access to these areas where practicable and sustainable. Hawea Regional Park is co-managed by HBRC in partnership with tāngata whenua. Council also contributes towards the management of Te Mata Park, and manages the the Waipātiki Beach Holiday Park land holding, which is operated through a lease arrangement.

This activity also manages approximately 105km of pathways on land it owns or administers. These pathways are part of the Hawke's Bay Trails, with the Hawke's Bay Trails forming part of Ngā Haerenga New Zealand Cycle Trails.

HBRC also manages a number of forestry blocks including the Tangoio Soil Conservation Reserve and Waihapua forestry block.

### Works Group

The Works Group is a 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 budgets 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 Council's core expertise, skills and equipment 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 flood control and drainage schemes.



### Why we do it

This group of activities primarily contributes to the following community outcomes:



#### Resilient Community

- By providing communities protection from frequent flooding through well maintained flood and drainage schemes and regional parks.
- By providing regional monitoring and flood hazard information.
- By developing and delivering water storage and management solutions.

#### Prosperous Community

- 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.

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
- The Local Government (Rating) Act 2002
- Civil Defence Emergency Management Act 2002
- Resource Management Act 1991
- Building Act 2004.

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 management approach across the region is important. Council works to ensure flood protection infrastructure can meet the challenges of climate change effects to keep our communities safe.

Water is critical in our natural environment and underpins the health of our people. We also need reliable, sustainable and climate-resilient supplies of freshwater so that our productive sectors of crops, orchards, vineyards and livestock can prosper.

### 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.
- Maintain rivers and extract gravel to maintain the channel capacity and integrity of flood protection assets.
- Undertake river surveys every 3-6 years.
- Monitor flood events in accordance with the Flood Manual.
- Audit river assets annually by a chartered professional engineer, and full assessment of each of the major rivers every 12 years.
- Monitor plant pest damage and plant alternative species.
- 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 supply; and make changes to the way rivers are managed resulting from this research where appropriate.
- Inspect river mouths and lagoon outlets regularly and open when required, and when river, sea and weather conditions allow so private land above a specified contour is not flooded by river mouth closure.

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Asset Management Group of Activities

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- Continue to develop and upgrade flood forecast models of flood plain areas.
- Continue to survey rivers to update models every 6 years.
- Calibrate models to significant storm events.
- Collect and distribute flood hazard information for identified high and low risk areas.
- Complete and report against annual coastal monitoring and investigation including: beach profiling; storm monitoring; sediment transport and processes investigation and modelling; hazard prediction including tsunami, inundation, erosion and storm surge.
- Continue to work towards realisation of the Open Spaces Asset Management Plan.

### Key projects

- Future water use - We will work with water users to drive more efficient and effective use of water. This is part of the wider Regional Water Security Programme which focuses on understanding the region's freshwater resources and making decisions as a community on how we protect and manage them, particularly in a changing climate. Council leveraged \$5 million that was allocated in the previous long term plan to secure \$30.6 million from the Government's Provincial Growth Fund to accelerate our Regional Water Security Programme. We have mapped the Heretaunga and Central Hawke's Bay aquifers to give an accurate picture of where the water is and a regional water assessment is under way to understand future demand and supply. The future water use project will enable water conservation and efficiency measures to be undertaken at the same time as work is progressing on initiatives to store water.
- Upper Tukituki gravel – This project will actively manage the gravel build-up in the Upper Tukituki River Flood Control Scheme to improve flood protection in Central Hawke's Bay. Gravel management is a key piece of HBRC's active response to maintain the capacity of the scheme. The Upper Tukituki Scheme is designed to protect productive land in the Ruataniwha Plains and the towns of Waipawa and Waipukurau from being flooded by the Upper Tukituki River and four of its

tributaries – the Waipawa, Makaretu, Mangaonuku and Tukipo Rivers. Council secured \$4.51 million in partnership funding for this work from central government's COVID-19 stimulus package.

- Clive River dredging – Council dredges the Clive River channel about every 10 years to remove a build-up of sediment. The next dredge is scheduled for 2022. Council currently disposes the sediment into the sea, however following community consultation on this long term plan we will deposit the silt to land instead from 2030. Council plan to obtain required land to dewater the sediment prior to utilising it as a beneficial product. We dredge the river to ensure people can continue to use the river for cultural, social, amenity and recreational benefits.
- Ahuriri Regional Park –We will partner with Napier City Council to address water quality issues in the estuary. The regional park will increase the inter-tidal zone to give more habitat back to the estuary and enhance biodiversity, as well as enhance cultural and recreational benefits for the whole community as appropriate.
- Heretaunga Plains Flood Control Scheme upgrade – This project will increase the flood protection in the Tūtaekurī, Ngaruroro and Tukituki Rivers from the current 1 in 100 year protection to 500 year protection. Council secured \$12.48 million partnership funding from central government's COVID-19 stimulus package for this climate change adaptation initiative.
- Clifton to Tangoio Coastal Hazards Strategy 2120 – This strategy is a collaboration between HBRC, Hastings District Council, Maungaharuru-Tangitū Trust, Napier City Council, Mana Ahuriri Incorporated and Heretaunga Tamatea Settlement Trust. It has been in development since 2016 and seeks to ensure the coastal communities, businesses and critical infrastructure from Tangoio to Clifton are resilient to the effects of coastal hazards. Global warming, sea level rise, increases in the intensity of storms and the related waves generated are predicted to impact our coastal areas more severely in the coming decades. The current focus of this strategy is now deciding who will fund the recommended coastal defence works, and how, and who will own them and therefore be required to maintain them.

- 3 Waters Reform – Regional Council is keeping a watching brief on upcoming legislation that will drive changes to the way drinking, waste and storm water services (3 waters) are delivered in New Zealand. The Regional Council will monitor to understand the impact on stormwater and drainage where there is an interface with the region's local authorities.
- Regional cycling development – Additional funding is allocated in this plan over three years for new pathways in Hawke's Bay.
- Wairoa sheetpile wall - This will provide long term erosion and scour protection to Wairoa's businesses, essential services and roading assets along River Parade. The works are comprised of steel sheet piles complete with tie back anchors and native planting to reinforce the bank.
- Wairoa Regional Park – commencing year 3, \$580,000 has been allocated in this Long Term Plan to consult and then develop a regional park in Wairoa in collaboration with the Wairoa District Council and the Matangairau Reserves Board. The park will have river, ecological and recreational benefits.

### Challenges and risks

- Capital expenditure – The capital programme for the Asset Management Group is substantially larger than in previous Long Term Plans, particularly in the first two years. This covers renewals of infrastructure, replacement of old assets with new, and our larger projects to increase service levels like the Heretaunga Plains Rivers Flood Control Scheme upgrade. Pressure on the contracting market from a boom in construction and other capital works may provide challenges in procuring the services on time and to budget. If a project is not able to proceed as planned, the Council will prioritise its renewal work and critically review the capital work programme, including operational solutions, to enable deferral. The Asset Management Group has taken steps to mitigate the risk of not delivering aspects of its capital expenditure by increasing the size of its project management team.
- Water Storage - Projects associated with either above or below ground water storage must clear numerous technical, hydrological and environmental thresholds, all of which are the subject of the proposed investigations. The impact on the programme of widespread resource management and freshwater

reform is uncertain, as is the outcome of litigation initiated by iwi-Māori organisations in respect of indigenous rights and interests in New Zealand's freshwater resource.

### Significant negative effects

- The construction of flood protection and drainage systems has resulted in significant changes to the natural hydrology of their associated catchments including 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 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.
- We aim to minimise potential adverse effects of flood protection projects and maintenance operations on the environment by using a range of methods such as working within our Code of Practice, undertaking riparian planting and integrating land use and water management planning. HBRC has also 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, considered, and communicated to stakeholders 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.
- Stock grazing riparian land administered by HBRC has high impacts on a range of ecosystem services, recreation amenity values and organisational reputation as custodian of parks for the community. HBRC is not renewing grazing leases on river berms and this may add cost to future river management activity as alternative vegetation management is developed.

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Asset Management Group of Activities

### Levels of service

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Flood Protection and Control Works (Rivers, Drainage and Small Schemes)</b>							
<p>A resilient community A prosperous community</p> <p>Outcome measures: By 2030, flood risk is being managed to adapt to foreseeable climate change risks out to 2100.</p>	<p>HBRC will maintain a cost-effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated flood protection schemes in the Heretaunga Plains and Ruataniwha Plains.</p> <p>HBRC administers these schemes: 1) Heretaunga Plains Flood Control Rivers and Drainage Scheme 2) Upper Tukituki Scheme 3) Small Schemes</p>	<p>Major flood protection and control works maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works programme: 1. An annual maintenance programme is prepared and delivered. 2. Annual capital programme is prepared and delivered.</p>	<p>Mandatory measure</p> <p>Achieved (2019-20)</p> <p>Achieved (2018-19)</p>	Achieved	Achieved	Achieved	Achieved
		<p>Following a flood event, affected areas are surveyed and repairs are programmed: 1. Following a major flood event, a flood report will be compiled within 6 months of the event (major event is defined as material impact to property or productivity). 2. Major event report outcomes incorporated into AMP.</p>	New measure	Achieved	Achieved	Achieved	Achieved
	<p>HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council.</p>	<p>Ecological Management and Enhancement Plans (EMEP) are implemented.</p>	New measure	Achieved	Achieved	Achieved	Achieved

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Asset Management Group of Activities

WHY WE DO IT Strategic alignment: HBRC Strategic Plan 2020-25	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4 -10 (2024-31)
<b>Flood Risk Assessment and Warning</b>							
A resilient community A prosperous community  Outcome measure: By 2030, flood risk is being managed to adapt to foreseeable climate change risks out to 2100.	HBRC provides reliable regional environmental telemetry network monitoring and flood hazard information via a regional web-based platform.	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year.	99.5% (2019-20)  98.06% (2018-19)	98%	98%	98%	98%
<b>Regional Water Security (new activity this LTP)</b>							
A resilient community A prosperous community  Outcome measure: By 2030, Hawke's Bay has environmentally sustainable, harvestable water identified and stored or plans to be stored if required.	HBRC will develop and deliver water storage and management solutions that support resilience in the supply of freshwater needs of communities, particularly in the context of projected climate change impacts.	Actions from the Regional Water Assessment are identified and implementation is progressing according to the approved plan.	New measure	Action plan developed	Implementation on track	Implementation on track	Implementation on track
<b>Open Spaces</b>							
A resilient community A prosperous community  By 2025, HBRC is carbon zero and plays a leadership role in the region's goal of net zero greenhouse gases by 2050.	HBRC will maintain, develop, and provide public access to Council owned regional parks and trails, and investigate affordable new opportunities for multi-purpose benefits.	Regional Parks and HBRC trails are maintained as per Council's Asset Management Plan.	Achieved (2019-20)  Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
By 2050, all highly erodible land is under tree cover.	HBRC will demonstrate smart sustainable land use in maximising the multi-purpose benefits of its forestry investments and the Tangoio Soil Conservation Reserve.	HBRC Forests and the Tangoio Soil Conservation Reserve are managed to the standards defined in their respective management plans.	New measure	Achieved	Achieved	Achieved	Achieved





# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Asset Management Group of Activities

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	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
Increase/(decrease) in debt	(424)	(64)	1,999	2,111	1,357	1,350	1,279	1,158	1,339	849	676	674
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>(424)</b>	<b>(64)</b>	<b>10,159</b>	<b>10,945</b>	<b>1,357</b>	<b>1,350</b>	<b>1,279</b>	<b>1,158</b>	<b>1,339</b>	<b>849</b>	<b>676</b>	<b>674</b>
<b>Applications of capital funding</b>												
Capital expenditure:												
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	965	1,855	9,569	8,414	2,569	3,411	2,159	2,213	2,270	2,051	2,043	2,096
- to replace existing assets	236	984	10,768	11,623	3,883	3,498	3,586	3,188	2,581	2,823	6,783	1,657
	<b>1,201</b>	<b>2,839</b>	<b>20,337</b>	<b>20,037</b>	<b>6,452</b>	<b>6,909</b>	<b>5,745</b>	<b>5,401</b>	<b>4,851</b>	<b>4,874</b>	<b>8,826</b>	<b>3,754</b>
Increase/(decrease) in reserves	3,762	(1,064)	(7,874)	(4,721)	(1,177)	(641)	(85)	2,210	726	264	(1,265)	947
Increase/(decrease) in investments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>4,963</b>	<b>1,775</b>	<b>12,462</b>	<b>15,316</b>	<b>5,275</b>	<b>6,268</b>	<b>5,661</b>	<b>7,610</b>	<b>5,578</b>	<b>5,138</b>	<b>7,561</b>	<b>4,701</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(5,387)</b>	<b>(1,839)</b>	<b>(2,303)</b>	<b>(4,371)</b>	<b>(3,918)</b>	<b>(4,917)</b>	<b>(4,381)</b>	<b>(6,452)</b>	<b>(4,239)</b>	<b>(4,289)</b>	<b>(6,885)</b>	<b>(4,027)</b>
<b>Funding balance</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Depreciation for Asset Management Group</b>	<b>687</b>	<b>691</b>	<b>975</b>	<b>1,285</b>	<b>1,526</b>	<b>1,700</b>	<b>1,850</b>	<b>1,993</b>	<b>2,144</b>	<b>2,289</b>	<b>2,456</b>	<b>2,605</b>

## Emergency Management Group of Activities

### What we do

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

- Hawke’s Bay Civil Defence Emergency Management (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

Under the CDEM Act 2002 (the Act), the region’s local authorities must form a CDEM Group which is governed by a combined Joint Committee (the region’s Mayors and Chair) 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.

The Group operates as a shared service across the region’s councils delivering emergency management outcomes across risk reduction, readiness, response and recovery. All civil defence staff work in the same organisation, which is administered by HBRC. This improves the capability in our region to respond to and recover from a disaster.

This activity is funded by a single regional civil defence rate, 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 CDEM Group. It does this by ensuring that staff are trained to help coordinate a response, including management of HBRC assets and ensuring essential business continues despite any disaster. Council also operates a 24-hour CDEM and HBRC Duty Management Service to respond to urgent public enquiries and complaints.

HBRC is also the administering authority for East Coast LAB (Life at the Boundary) – a collaborative programme that brings together scientists, emergency managers, experts and stakeholders across the East Coast to make it easy and exciting to learn more about the natural hazards that can affect us.

### Why we do it

This group of activities primarily contributes to a resilient community. It also contributes to a prosperous community:



#### Resilient Community

- By helping the community build resilience to hazards and potential civil defence emergencies.

#### Prosperous Community

- By reducing the impact of emergency events on people, property, businesses and the economy.

The relevant legislation for this function of Regional Council is:

- Civil Defence Emergency Management Act 2002
- Resource Management Act 1991.

### What we are going to do

#### Each year we will:

##### Hawke's Bay CDEM Group

- Maintain and implement the Hawke's Bay CDEM Group Plan.
- Sponsor ongoing science and research leading to a greater understanding of the hazards and the associated risks and consequences for the region.
- Publicly share hazard and risk information and actively encourage risk reduction for our significant hazards to build community resilience.
- 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 across all councils to improve capability and interoperability including training Group Emergency Coordination Centre staff and undertake continuous improvement processes.
- Work with individual Hawke's Bay communities to improve their resilience to hazards that impact on them and complete and where appropriate review Community Resilience Plans for specific communities.
- Maintain and support the Hawke's Bay CDEM Joint Committee and Coordinating Executives Group.
- Maintain and support the HB Welfare Coordination Group and develop Group wide welfare capability with our welfare partner agencies.
- Support the Hawke's Bay Lifelines Group.
- Maintain a primary Group Emergency Coordination Centre in Hastings, and an alternate which are capable of coordinating a Group response.

- Where CDEM is the lead agency, effectively and efficiently manage the response to any emergency event from initial warning until the transition to recovery occurs (or support the lead agency as requested to achieve their response objectives).

##### 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.
- Ensure 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 Hawke's Bay CDEM Group Plan.

##### Key projects planned to address challenges and risks:

- Climate change – Climate change predictions for Hawke's Bay indicate increased variability in our climate. This means we will have a drier climate, particularly in the north, but an increase in extreme events such as storms, coastal inundation, and intense rainfall. This may increase the overall risk to the community, test the ability of people to be well-prepared for emergencies, and increase risks to economic productivity particularly in primary industries. The Hawke's Bay CDEM Group continues to support the Rural Advisory Group and stakeholders both in readiness and response to drought conditions, particularly in regards to the provision of welfare. Climate change impacts will be built into natural hazard research as appropriate.

- COVID-19 global pandemic – The Hawke’s Bay CDEM Group is the lead agency tasked to coordinate the regional operational response to COVID-19 resurgence in Hawke’s Bay. The Hawke’s Bay District Health Board is the lead for the clinical response. Following the de-escalation of COVID-19 Alert Levels in 2020, the Hawke’s Bay CDEM Group continues to coordinate regional planning for a resurgence event to ensure the efficiency and effectiveness of a future response. This planning is adjusted as more is understood about the threat posed by COVID-19 and as the national vaccination programme continues.
- Ensuring people and communities are informed about and prepared for hazards – Community engagement through the Hawke’s Bay CDEM Group and East Coast LAB (Life at the Boundary) aims to inform Hawke’s Bay communities about natural hazards and how they can prepare to ‘get thru’ the next emergency. Supporting community-led resilience planning, promoting business continuity planning, and implementing public education campaigns, combined with commissioning and communicating the latest natural hazard science all aim to ensure Hawke’s Bay communities are informed and prepared.
- The Hawke’s Bay CDEM Group is aiming to complete its review of the Group Plan by the end of 2021. The review was commenced late 2019 but was interrupted by COVID-19 and a significant flood. The Group Plan is a statutory document under the CDEM Act 2002 which sets the overall direction of Group activities across the four “R’s” (Reduction, Readiness, Response and Recovery) for the next five years.
- The Hawke’s Bay CDEM Group is conducting an independent review of our Operational Framework due for completion in July/August 2021. This review may result in future changes to roles and responsibilities.
- The Hawke’s Bay CDEM Group will continue to strengthen relationships with tāngata whenua with a view to developing partnerships at strategic and operational levels during readiness to enhance community outcomes and provide for the principles of Te Tiriti o Waitangi across the four “Rs” (Reduction, Readiness, Response and Recovery.)
- Building on the shared service consolidation in 2018 and continuous improvement from lessons learnt from the COVID-19 response and Napier flood, we will continue to support a more integrated and enhanced method of operating during the response to an event where all Councils will support each other while providing for local response solutions.
- The National Emergency Management Agency (NEMA)’s Regulatory Framework Review Programme (also known as the “Trifecta”) may result in changes to national and regional roles and responsibilities. The Programme aims to ensure the Act, Plan/Guide, and NDRS Roadmap are aligned in content and outcomes. The review programme includes:
  - amendments to the Civil Defence Emergency Management Act 2002;
  - review of the National Civil Defence Emergency Management Plan Order 2015 and the accompanying Guide to the National CDEM Plan 2015;
  - development of the National Disaster Resilience Strategy Roadmap.

### Significant negative effects

There are no anticipated significant negative effects from the delivery of the Emergency Management group of activities on the environment. As a result of research there are 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.

# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Emergency Management Group of Activities

### Levels of service

WHY WE DO IT Strategic alignment:	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4-10 (2024-31)
<b>Hawke's Bay CDEM Group</b>							
<p>Group Plan 2014-2019 Hawke's Bay Civil Defence Emergency Management:</p> <p>Vision: A resilient Hawke's Bay community</p> <p>Goals: Reduction, Readiness, Response and Recovery</p> <p>HBRC Strategic Plan 2020-25 Community outcomes: A resilient community A prosperous community</p>	<p>The Hawke's Bay CDEM 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.</p>	<p>A 10-yearly Hazard Research Plan is approved by and reported on annually to the CDEM Group Coordinating Executives Group and hazard information is publicly available on the Hawke's Bay Hazard Portal.</p>	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
		<p>Percentage of surveyed residents that can identify 3 of our top 5 hazards; earthquake, tsunami, volcanic, pandemic or flooding (source: 2-yearly SIL Perception Survey).</p>	New measure	>50%	No survey	>50%	>50%
	<p>The Hawke's Bay 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.</p>	<p>An operative Group Plan under the CDEM Act 2002 is in place, reported on annually and reviewed within statutory timeframes by the Joint Committee.</p>	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
		<p>A Group Work Programme implementing the Group Plan objectives is approved and reviewed 6 monthly by the Coordinating Executives Group.</p>	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
		<p>A 5-yearly independent assessment of CDEM Group's capability is completed and shows continuous improvement.</p>	72% (2018-19) 60% (May 2015)	No assessment	No assessment	No assessment	2023/24 & 28/29 Achieved
		<p>Percentage of surveyed residents prepared to cope for at least three days or more on their own (source: 2-yearly SIL Perception Survey).</p>	84% food, 62% water, 82% cooking (2018-19)  90% food, 75% water, 90% cooking (2017)	>50%	No survey	>50%	>50%



# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Emergency Management Group of Activities

WHY WE DO IT Strategic alignment:	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4-10 (2024-31)
<b>HBRC Emergency Management</b>							
HBRC Strategic Plan 2020-25: Community outcomes: A resilient community A prosperous community	As the Hawke’s Bay 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 Hawke’s Bay CDEM Group in accordance with a service level agreement.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved
	HBRC will ensure it has capability and capacity to respond and manage its assets during a civil defence emergency, including a 24-hour duty management system.	Maintain established team, training, procedures including Emergency Operations Centre Manual and Business Continuance Plan.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	Achieved	Achieved



# Part 5 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Emergency Management Group of Activities

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in debt	-	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>												
<b>Applications of capital funding</b>												
Capital expenditure:												
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in reserves	351	38	(388)	(149)	108	298	257	206	130	24	(43)	(126)
Increase/(decrease) in investments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>351</b>	<b>38</b>	<b>(388)</b>	<b>(149)</b>	<b>108</b>	<b>298</b>	<b>257</b>	<b>206</b>	<b>130</b>	<b>24</b>	<b>(43)</b>	<b>(126)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(351)</b>	<b>(38)</b>	<b>388</b>	<b>149</b>	<b>(108)</b>	<b>(298)</b>	<b>(257)</b>	<b>(206)</b>	<b>(130)</b>	<b>(24)</b>	<b>43</b>	<b>126</b>
<b>Funding balance</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Depreciation for Emergency Management Group</b>	<b>1</b>	<b>17</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>

## Transport Group of Activities

### What we do

There are two activities within the Transport group of activities:

- Transport Planning and Road Safety
- Passenger Transport

### Transport Planning and Road Safety

The Regional Council is responsible for regional transport planning under the Land Transport Management Act 2003 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. Through RoadSafe Hawke's Bay, HBRC has taken a leadership role in education and awareness building to help achieve some of the objectives of the Regional Land Transport Plan.

### Passenger Transport

A major part of the Council's transport role is to contract bus and Total Mobility taxi services to provide the community with access to work, education, social and recreational activities. Public bus services are provided in and around Hastings, Flaxmere, Havelock North, Taradale and Napier.

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 across district boundaries. Given this, the Regional Council is the most appropriate authority to deliver passenger transport services.

The Total Mobility Scheme provides subsidised passenger services for those who can't use their own vehicle or use public transport due to a significant, permanent impairment. Services are provided in urban areas in the region and are funded by HBRC and the New Zealand Transport Agency.

### Why we do it

This group of activities contributes to the following community outcomes:



#### Healthy Environment

- By providing sustainable transport options, reducing emissions and creating a healthier environment.

#### Resilient Community

- By providing access for the transport disadvantaged, and access to essential services and amenities.
- By providing road safety education programmes that support good driver decision making.

#### Prosperous Community

- By providing affordable transport solutions that facilitate economic development.
- By increasing resilience of transport infrastructure.
- By advocating to central government to secure funding.

### What we are going to do

#### Each year we will:

- Coordinate the implementation, monitoring, reporting and review of the Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycle Plan through to the relevant governance group.
- Review Road Safety Action Plans annually 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 issues in the region.
- Undertake road safety education activities as outlined in the Road Safe Action Plan, in partnership with the TLAs, Police and other road safety stakeholders to address the key causes of road crashes in our region.
- Continue to regularly market current bus services, increase awareness and investigate and implement cost-effective means of delivering public transport to increase patronage to help locals reduce their carbon footprint and free up our roads.
- 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.
- Deliver the Total Mobility taxi service for residents who can't access public transport to retain access to work, education social and recreational activities.

#### Key projects

- On-demand public transport – HBRC will trial an 'Uber'-style on-demand public transport system as an alternative to some current bus routes. This new service will be more flexible and responsive to people's needs and means that everyone in the trial area is close to a bus stop - a maximum of about 200 meters away. The new system will be trialled on selected bus routes in Hastings in years 1 and 2 (2021-22 and 2022-23) of this Plan and trialled on selected bus routes in Napier in

years 3 and 4 (2023-24 and 2024-25). Prior to the trial commencing Council will work with Environment Canterbury and gain some insights from their successful on-demand public transport service pilot in Timaru which was launched in June 2020. This was the country's first on-demand public transport service.

#### Challenges and risks

- Declining use of public transport – An increase in car ownership and vehicle kilometres travelled, together with higher employment and low fuel cost appear to be linked directly to lower bus use. To help encourage more people to use public transport, a new on-demand system is being trialled, as outlined above. A priority investment area in the Hawke's Bay Regional Land Transport Plan 2021 (RLTP) is to improve public transport attractiveness, frequency and infrastructure.
- Limited transport choices – Existing transport networks and land use development has resulted in communities with poor transport choices and inequitable access to transport; Central Hawke's Bay and Wairoa do not currently have access to public transport. A priority investment area in the Hawke's Bay RLTP is to increase availability of public transport in outlying areas and rural townships. Demand for passenger transport services in Central Hawke's Bay and Wairoa will be monitored and services may be trialled where appropriate.
- An ageing population - An ageing population and consequent development of more retirement villages will require public transport services that are directly targeted to the needs of this sector. The demand for the taxi-based Total Mobility scheme is also likely to increase. The scheme provides subsidised transport for people unable to use public transport services due to a significant, permanent impairment.
- Providing a transport system that contributes to a carbon neutral Hawke's Bay – Road transport is one of the only sectors recording an increase in green house gas emissions. Priority investment areas in the Hawke's Bay RLTP are to decarbonise the public transport and council vehicle fleets, and construct new, and improve existing, transport infrastructure that enhances access and multi-modal connectivity, including for active and public transport options.

- Climate change – Maintaining a resilient network in the face of sea level rise and more frequent extreme weather events will be an ongoing challenge for the region. Climate change may also have a significant effect on primary production, necessitating changes in land use or location of production, along with consequent change in freight demand. Ageing roading assets in the Hastings district, prompted the Hastings District Council to commence a seven-year programme of prioritised bridge strengthening to accommodate high productivity motor vehicles. This targeted investment is also intended to protect lifeline routes and add resilience by providing alternative routes when needed. A priority investment area in the RLTP is to target sections of the road corridor at risk of flooding, inundation and sea level rise.
- Roothing network - Much of our network has the capacity to accommodate medium growth but recent population growth predictions and increasing logging and apple volumes may affect levels of service on the strategic network and some sections of local networks. Increases in heavy vehicle transport near Napier Port could increase conflict with other land uses in the area, although there is sufficient network capacity for growth.
- Diversifying modal choices – Technological advances are changing travel options and ways of transporting goods which provides both opportunities and challenges. Shared mobility will increasingly move away from traditional methods of provision such as buses, and car ownership in high density areas may reduce as car-sharing and on-demand shared shuttle or car services take their place. As their use increases in Hawke’s Bay, infrastructure provision will increasingly need to cater for these alongside more traditional forms of transport. For example, the potential of micro-mobility has broadened with e-scooters and e-bikes, enabling their use over longer distances due to motor assistance.
- Legislative changes – proposals to reduce transport emissions by the government may impact on transport systems. The government is also proposing that regional transport communities be required to prepare Regional Speed Management plans.

### Significant negative effects

Diesel buses negatively impact on the environment through carbon dioxide emissions and diesel fumes. As outlined above priority investment areas in the Hawke’s Bay Regional Land Transport Plan 2021 are to decarbonise public transport subject to further support from national government, decarbonise council vehicle fleets, and construct new, and improve existing, transport infrastructure that enhances access and multi-modal connectivity. Other priority implementation areas are land-use planning integrated with transport planning to minimise the demand for travel, support and encouragement to increase use of low emission vehicles, and promotion and support of rail and coastal shipping for freight.



# Part 5 Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Transport Group of Activities

### Levels of service

WHY WE DO IT Strategic alignment:	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets				
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4-10 2024-31)	
<p>Hawke's Bay Regional Land Transport Plan 2021: Vision: Hawke's Bay's transport network fosters a vibrant, accessible and sustainable Hawke's Bay.</p> <p>Headline targets: Deaths and serious injuries are reduced by at least 40% by 2030.</p> <p>30% of population travelling to work and 65% travelling to education will walk, cycle and use public transport by 2030.</p> <p>Regional Public Transport Plan 2019-2029: Vision: To deliver a public transport system that is safe, increasingly used, integrated with other modes, and contributes to the economic,</p>	<b>Transport Planning and Road Safety</b>							
	HBRC will develop and implement the region's transport planning documents to promote integration, a low carbon future and sustainability of all transport modes and a resilient, efficient and reliable network.	Adopted Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycling Plan in place.	Achieved (2019-20) Achieved (2018-19)	Achieved	Achieved	RLTP & Regional Cycling Plan reviewed	Achieved	
		Percentage of the Hawke's Bay population that use public or active transport for work or education (source: Statistics NZ, bus patronage, cycleway meters).	New measure	Increasing trend	Increasing trend	Increasing trend	Increasing trend	
		HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke's Bay's transport network is safe and accessible, and the emotional and financial costs of road traffic crashes are reduced.	Incidence of deaths and serious injury crashes in our region (per 100,000 people).  NB: Mandatory measure	113 total (2019-20) 344 total (2018-19)	Decreasing trend*	Decreasing trend*	Decreasing trend*	Decreasing trend*
	<b>Passenger Transport</b>							
	HBRC will provide an accessible, integrated public transport service for the people of Hawke's Bay and work with the relevant territorial	Annual patronage on the Hawke's Bay bus services.	512,397 (2019-20) 645,297 (2018-19)	Maintain or increasing trend*	Maintain or increasing trend*	Maintain or increasing trend*	Maintain or increasing trend*	

# Part 5 Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Transport Group of Activities

WHY WE DO IT Strategic alignment:	WHAT WE DO Level of Service Statement (LOSS):	HOW WE KNOW Level of Service Measure (LOSM):	Previous performance	Performance targets			
				Year 1 (2021-22)	Year 2 (2022-23)	Year 3 (2023-24)	Year 4-10 (2024-31)
<p>social, and environmental well-being of the people of Hawke’s Bay.</p> <p>HBRC Strategic Plan 2020-25</p> <p>Community outcomes: A healthy environment A resilient community A prosperous community</p> <p>Outcome measures: By 2025, HBRC is carbon zero and plays a leadership role in the region's goal of net zero greenhouse gases by 2050.</p> <p>By 2025, regional air quality consistently meets World Health Organisation guidelines.</p>	<p>authority to ensure appropriate service infrastructure to meet transport needs and transition to a low carbon economy.</p>	<p>Percentage of urban households within 400m of a regular bus route.</p> <p>NOTE: This LOS is a significant improvement on previous years which will be achieved through the proposed on-demand public transport pilot</p>	<p>New measure</p>	<p>100% Hastings urban area</p>	<p>100% Hastings urban area</p>	<p>100% Hastings and Napier urban areas</p>	<p>100% Hastings and Napier urban areas</p>

\*5 year rolling average



# Part 5 Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Transport Group of Activities

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
Development & financial contributions	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in debt	-	-	(25)	(24)	(24)	(24)	(25)	(25)	(26)	(27)	(27)	(10)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>63</b>	<b>-</b>	<b>(25)</b>	<b>(24)</b>	<b>(24)</b>	<b>(24)</b>	<b>(25)</b>	<b>(25)</b>	<b>(26)</b>	<b>(27)</b>	<b>(27)</b>	<b>(10)</b>
<b>Applications of capital funding</b>												
Capital expenditure:												
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	17	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	-	23	24	25	25	26	27	27	28	29	29
	17	-	23	24	25	25	26	27	27	28	29	29
Increase/(decrease) in reserves	334	(259)	14	76	80	83	87	91	95	98	89	88
Increase/(decrease) in investments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total application of capital funding</b>	<b>351</b>	<b>(259)</b>	<b>38</b>	<b>100</b>	<b>104</b>	<b>109</b>	<b>113</b>	<b>117</b>	<b>122</b>	<b>126</b>	<b>117</b>	<b>118</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(288)</b>	<b>259</b>	<b>(62)</b>	<b>(124)</b>	<b>(128)</b>	<b>(133)</b>	<b>(138)</b>	<b>(143)</b>	<b>(148)</b>	<b>(153)</b>	<b>(145)</b>	<b>(127)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation for Transport Group</b>	<b>22</b>	<b>46</b>	<b>14</b>	<b>18</b>	<b>21</b>	<b>25</b>	<b>28</b>	<b>32</b>	<b>36</b>	<b>40</b>	<b>30</b>	<b>30</b>

# Part 6 - Financials

## Wāhanga 6 - Pūrongo Pūtea

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## 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 Long Term Plan (LTP) by clause 17 of schedule 10 to the LGA are also included.

These financial statements, notes and other financial information comply with PBE FRS (Public Benefit Entity Financial Reporting Standards) 42, “Prospective Financial Statements”.

As required by section 100(1) of the LGA, Hawke’s Bay Regional Council (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 10 consecutive periods beginning on 1 July 2021. 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 30 June 2021.

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 30 June 2021.

Actual financial results have been used for the 2019-20 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 2019-20 do not link to opening positions for 2020-21. This is because the 2020-21 Annual Plan prospective financial statements were finalised before the 2019-20 Annual Report.

The 2020-21 forecast opening positions are based on the 2018-19 Annual Report closing positions after adjusting for the 2019-20 Annual Plan forecast results and cash flows.



# Part 6 - Financials | Pūrongo Pūtea

## Forecast financial statements

### Prospective statement of comprehensive revenue and expense

	Note	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>REVENUE</b>													
Revenue from activities	1	12,363	10,131	8,791	9,488	9,951	11,199	10,525	10,785	11,098	11,521	11,794	12,109
Revenue from rates	2	25,154	24,640	29,448	33,865	38,768	42,655	47,207	51,814	55,569	58,812	61,721	64,769
Revenue from grants		4,796	3,933	15,283	15,321	5,111	5,207	5,385	5,561	5,775	6,027	6,242	6,616
Other revenue	3	49,761	11,933	19,652	20,528	20,132	20,579	21,425	24,064	22,872	23,900	27,370	25,407
Fair value gains on investments		10,945	3,118	3,270	1,156	1,179	1,803	2,900	3,037	3,181	3,332	3,489	3,655
Reduction in ACC leasehold liability		0	917	740	815	831	840	830	888	915	936	964	1,021
<b>Total operating revenue</b>		<b>103,019</b>	<b>54,672</b>	<b>77,184</b>	<b>81,172</b>	<b>75,972</b>	<b>82,282</b>	<b>88,273</b>	<b>96,149</b>	<b>99,411</b>	<b>104,526</b>	<b>111,580</b>	<b>113,576</b>
<b>EXPENDITURE</b>													
Expenditure on activities	1	54,753	52,873	65,369	67,097	69,103	69,685	72,009	74,548	75,957	76,471	79,651	83,340
Finance costs	1	2,120	2,529	1,573	2,136	2,589	2,795	2,838	2,836	2,836	2,817	2,742	3,119
Depreciation & amortisation expense	5	3,333	3,639	3,501	4,462	5,355	6,079	6,344	6,660	7,240	8,042	8,604	9,122
Fair value losses		618	0	0	0	0	0	0	0	0	0	0	0
Other expenditure		1,410	0	0	0	0	0	0	0	0	0	0	0
Impairment		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total operating expenditure</b>		<b>62,234</b>	<b>59,041</b>	<b>70,443</b>	<b>73,695</b>	<b>77,046</b>	<b>78,558</b>	<b>81,191</b>	<b>84,044</b>	<b>86,033</b>	<b>87,330</b>	<b>90,997</b>	<b>95,580</b>
<b>OPERATING SURPLUS</b>													
<b>Operating surplus before income tax</b>		<b>40,785</b>	<b>(4,369)</b>	<b>6,741</b>	<b>7,477</b>	<b>(1,075)</b>	<b>3,724</b>	<b>7,082</b>	<b>12,106</b>	<b>13,378</b>	<b>17,197</b>	<b>20,583</b>	<b>17,995</b>
Income tax expense		0	0	0	0	0	0	0	0	0	0	0	0
<b>Operating surplus after income tax</b>		<b>40,785</b>	<b>(4,369)</b>	<b>6,741</b>	<b>7,477</b>	<b>(1,075)</b>	<b>3,724</b>	<b>7,082</b>	<b>12,106</b>	<b>13,378</b>	<b>17,197</b>	<b>20,583</b>	<b>17,995</b>
<b>OTHER COMPREHENSIVE REVENUE AND EXPENSE</b>													
Gain/(loss) in infrastructure assets		0	0	0	2,344	0	0	7,508	0	0	9,291	0	0
Gain/(loss) in revalued financial & intangible assets		119,255	41,070	23,996	26,352	25,982	28,392	31,197	29,647	33,178	36,042	33,889	38,407
Gain/(loss) in revalued property, plant & equipment assets		11,039	0	2,945	0	0	3,927	0	0	6,988	0	0	4,093
<b>Total other comprehensive revenue and expense</b>		<b>130,294</b>	<b>41,070</b>	<b>26,941</b>	<b>28,697</b>	<b>25,982</b>	<b>32,320</b>	<b>38,704</b>	<b>29,647</b>	<b>40,165</b>	<b>45,334</b>	<b>33,889</b>	<b>42,500</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>													
		<b>171,079</b>	<b>36,701</b>	<b>33,682</b>	<b>36,174</b>	<b>24,908</b>	<b>36,044</b>	<b>45,786</b>	<b>41,753</b>	<b>53,543</b>	<b>62,530</b>	<b>54,472</b>	<b>60,495</b>



# Part 6 - Financials | Pūrongo Pūtea

## Forecast financial statements

### Prospective statement of changes in net assets/equity

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Net assets/equity at the start of the year</b>	665,355	718,442	871,029	904,711	940,885	965,793	1,001,874	1,047,735	1,089,563	1,143,181	1,205,787	1,260,334
Total comprehensive revenue and expense	171,079	36,701	33,682	36,174	24,908	36,081	45,861	41,828	53,618	62,605	54,547	60,570
Adjustments for prior periods	(1,151)	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets/equity at the end of the year</b>	<b>836,434</b>	<b>755,143</b>	<b>904,711</b>	<b>940,885</b>	<b>965,793</b>	<b>1,001,874</b>	<b>1,047,735</b>	<b>1,089,563</b>	<b>1,143,181</b>	<b>1,205,787</b>	<b>1,260,334</b>	<b>1,320,904</b>

# Part 6 - Financials | Pūrongo Pūtea

## Forecast financial statements

### Prospective statement of financial position

Notes	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>ASSETS</b>												
<b>Non current assets</b>												
Property, plant & equipment	28,574	34,324	37,971	39,336	39,369	43,190	41,998	40,973	46,866	44,630	42,070	42,955
Intangible assets	10,096	9,580	12,694	14,605	16,785	19,253	22,022	25,104	28,516	32,277	36,402	40,904
Infrastructure assets	187,387	196,425	209,150	230,204	235,199	240,477	251,929	255,374	258,119	270,033	276,429	277,590
Investment property	57,855	53,286	63,545	64,701	65,879	67,683	70,583	73,620	76,801	80,133	83,622	87,277
Forestry assets	11,087	12,331	10,789	11,145	9,833	9,565	10,669	8,718	8,718	9,924	7,235	7,235
Finance assets	122,308	82,448	132,803	139,801	147,495	146,884	146,423	146,118	146,903	148,439	150,943	156,166
Investment in CCOs	457,260	390,303	519,910	545,905	573,200	601,860	631,953	663,551	696,729	731,565	768,143	806,550
Advances to CCOs	0	0	0	0	0	0	0	0	0	0	0	0
Napier Gisborne rail loan	1,486	236	1,486	1,486	1,486	1,486	0	0	0	0	0	0
<b>Total non current assets</b>	<b>876,053</b>	<b>778,933</b>	<b>988,348</b>	<b>1,047,183</b>	<b>1,089,247</b>	<b>1,130,397</b>	<b>1,175,578</b>	<b>1,213,460</b>	<b>1,262,653</b>	<b>1,317,001</b>	<b>1,364,845</b>	<b>1,418,676</b>
<b>Current assets</b>												
Inventories	452	113	459	472	484	496	509	522	535	550	564	579
Trade & other receivables	11,327	9,352	17,229	13,775	13,594	13,743	13,755	13,994	14,067	14,202	14,403	14,424
Finance assets	2,057	21,239	2,517	2,934	2,956	2,857	2,765	2,668	2,649	2,539	2,073	1,573
Advances to council-controlled organisations	0	0	0	0	0	0	0	0	0	0	0	0
Cash & cash equivalents	6,522	8,279	1,985	5,533	3,491	2,442	3,455	6,437	8,441	10,774	16,928	16,946
<b>Total current assets</b>	<b>20,358</b>	<b>38,983</b>	<b>22,191</b>	<b>22,713</b>	<b>20,525</b>	<b>19,538</b>	<b>20,484</b>	<b>23,621</b>	<b>25,692</b>	<b>28,065</b>	<b>33,969</b>	<b>33,523</b>
<b>TOTAL ASSETS</b>	<b>896,411</b>	<b>817,916</b>	<b>1,010,538</b>	<b>1,069,896</b>	<b>1,109,772</b>	<b>1,149,935</b>	<b>1,196,062</b>	<b>1,237,081</b>	<b>1,288,345</b>	<b>1,345,066</b>	<b>1,398,814</b>	<b>1,452,199</b>
<b>NET ASSETS/EQUITY</b>												
Accumulated funds	8	315,054	277,336	310,431	315,158	313,852	315,822	320,798	327,087	334,703	345,093	354,594
Fair value reserves	8	406,270	300,941	474,476	503,173	529,155	561,475	600,179	629,827	669,992	715,326	749,215
Other reserves	8	113,958	176,865	119,804	122,554	122,786	124,577	126,758	138,486	145,368	156,525	163,539
<b>Total net assets/equity</b>		<b>835,282</b>	<b>755,142</b>	<b>904,711</b>	<b>940,885</b>	<b>965,793</b>	<b>1,001,874</b>	<b>1,047,735</b>	<b>1,089,563</b>	<b>1,143,181</b>	<b>1,205,787</b>	<b>1,260,334</b>
<b>LIABILITIES</b>												
<b>Non current liabilities</b>												
Borrowings		31,238	35,072	73,572	99,208	118,782	124,361	125,861	124,361	119,361	119,361	82,855
ACC leasehold liability		10,783	9,201	11,188	10,316	9,453	8,616	7,745	6,867	5,990	5,108	4,198
Provisions for other liabilities & charges		520	753	520	520	520	520	520	520	520	520	520
<b>Total non current liabilities</b>		<b>42,541</b>	<b>45,026</b>	<b>85,280</b>	<b>110,044</b>	<b>128,755</b>	<b>133,497</b>	<b>134,126</b>	<b>131,748</b>	<b>125,871</b>	<b>124,989</b>	<b>87,573</b>

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## Forecast financial statements

Notes	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Current liabilities</b>												
Trade & other payables	12,313	9,620	12,653	12,466	12,511	12,512	12,567	12,630	12,654	12,645	12,729	12,829
Borrowings	3,650	6,235	6,259	4,867	1,087	453	(0)	1,500	5,000	(0)	36,506	(0)
ACC leasehold liability	0	896	53	52	44	18	52	59	58	63	91	124
Provisions for other liabilities & charges	2,625	997	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582
<b>Total current liabilities</b>	<b>18,588</b>	<b>17,748</b>	<b>20,547</b>	<b>18,967</b>	<b>15,223</b>	<b>14,564</b>	<b>14,200</b>	<b>15,770</b>	<b>19,292</b>	<b>14,290</b>	<b>50,907</b>	<b>14,535</b>
<b>Total liabilities</b>	<b>61,129</b>	<b>62,774</b>	<b>105,827</b>	<b>129,011</b>	<b>143,979</b>	<b>148,061</b>	<b>148,326</b>	<b>147,518</b>	<b>145,164</b>	<b>139,279</b>	<b>138,480</b>	<b>131,295</b>
<b>TOTAL NET ASSETS/EQUITY &amp; LIABILITY</b>	<b>896,411</b>	<b>817,916</b>	<b>1,010,538</b>	<b>1,069,896</b>	<b>1,109,772</b>	<b>1,149,935</b>	<b>1,196,062</b>	<b>1,237,081</b>	<b>1,288,345</b>	<b>1,345,066</b>	<b>1,398,814</b>	<b>1,452,199</b>

# Part 6 - Financials | Pūrongo Pūtea

## Forecast financial statements

### Prospective cash flow statement

Notes	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Cash to be provided from:</b>												
Rates	25,154	24,640	29,285	32,556	38,629	42,544	47,162	51,662	55,442	58,700	61,618	64,661
Receipts from customers	13,257	12,474	19,584	21,543	11,980	13,688	13,757	14,079	14,671	15,431	15,780	16,353
Dividends received	46,474	3,000	10,103	10,497	10,905	11,248	11,689	12,148	12,624	13,119	13,633	14,167
Interest received	404	5,891	6,018	6,139	6,261	6,387	6,656	6,665	6,809	6,956	7,107	7,260
Grants	4,796	3,933	7,123	6,487	5,111	5,207	5,385	5,561	5,775	6,027	6,242	6,616
GST	0	699	(4,376)	4,222	27	(22)	3	(26)	(9)	(22)	(18)	7
<b>Total cash flow provided from operating activities</b>	<b>90,085</b>	<b>50,637</b>	<b>67,736</b>	<b>81,444</b>	<b>72,913</b>	<b>79,050</b>	<b>84,652</b>	<b>90,090</b>	<b>95,313</b>	<b>100,211</b>	<b>104,361</b>	<b>109,064</b>
<b>Cash to be applied to:</b>												
Payments to suppliers	32,045	28,277	40,080	39,480	41,940	42,063	43,905	45,818	46,629	46,521	48,960	51,955
Payments to and behalf of employees	22,355	24,028	25,076	26,657	27,104	27,600	28,034	28,653	29,285	29,934	30,595	31,273
Finance expense	2,120	2,529	1,573	2,136	2,589	2,757	2,763	2,761	2,761	2,742	2,667	3,044
	<b>56,520</b>	<b>54,834</b>	<b>66,728</b>	<b>68,273</b>	<b>71,632</b>	<b>72,421</b>	<b>74,702</b>	<b>77,232</b>	<b>78,675</b>	<b>79,197</b>	<b>82,221</b>	<b>86,272</b>
<b>Net cash flows from operating activities</b>	<b>33,565</b>	<b>(4,197)</b>	<b>1,008</b>	<b>13,171</b>	<b>1,281</b>	<b>6,630</b>	<b>9,949</b>	<b>12,858</b>	<b>16,638</b>	<b>21,014</b>	<b>22,140</b>	<b>22,792</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>Cash to be provided from:</b>												
Disposal of property, plant & equipment	123	454	784	868	722	979	682	807	811	811	811	811
Disposal of investment properties	2,103	0	0	0	0	0	0	0	0	0	0	0
Disposal of financial assets	256	0	2,484	2,944	3,360	3,383	3,284	3,192	3,095	3,076	2,966	2,500
Receipts from sale of investments	0	0	0	0	0	0	0	0	0	0	0	0
Disposal of forestry assets	0	485	761	0	1,313	268	0	1,950	0	0	2,689	0
Disposal of Napier/Gisborne rail loan	0	0	0	0	0	0	1,486	0	0	0	0	0
Repayments from investment company	6,500	0	0	0	0	0	0	0	0	0	0	0
<b>Total cash flows provided from investing activities</b>	<b>8,982</b>	<b>939</b>	<b>4,029</b>	<b>3,812</b>	<b>5,395</b>	<b>4,630</b>	<b>5,452</b>	<b>5,949</b>	<b>3,906</b>	<b>3,887</b>	<b>6,466</b>	<b>3,311</b>



# Part 6 - Financials | Pūrongo Pūtea

## Forecast financial statements

Notes	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Cash to be applied to:</b>												
Purchase of property, plant & equipment	3,431	6,331	4,914	4,112	3,436	3,845	2,856	3,184	3,544	3,059	3,120	2,825
Purchase of intangible assets	2,547	1,680	2,132	2,402	2,676	2,963	3,265	3,577	3,907	4,256	4,621	4,997
Construction of infrastructure assets	2,238	4,640	20,286	19,933	6,452	6,909	5,745	5,401	4,851	4,874	8,826	3,754
Community lending	0	953	5,846	6,935	7,579	0	0	0	0	0	0	0
Purchase of financial assets	50,376	0	2,840	3,424	3,497	2,673	2,731	2,790	3,860	4,503	5,004	7,223
Forestry asset development	0	250	0	0	0	0	0	0	0	0	0	0
Leasehold liability	0	0	819	873	871	863	837	872	878	877	882	910
Advance to Napier Gisborne rail	1,250	0	0	0	0	0	0	0	0	0	0	0
	<b>59,842</b>	<b>13,854</b>	<b>36,837</b>	<b>37,678</b>	<b>24,512</b>	<b>17,254</b>	<b>15,435</b>	<b>15,824</b>	<b>17,040</b>	<b>17,568</b>	<b>22,452</b>	<b>19,709</b>
<b>Net cash flows from investing activities</b>												
	<b>(50,860)</b>	<b>(12,915)</b>	<b>(32,808)</b>	<b>(33,866)</b>	<b>(19,117)</b>	<b>(12,624)</b>	<b>(9,983)</b>	<b>(9,875)</b>	<b>(13,134)</b>	<b>(13,681)</b>	<b>(15,986)</b>	<b>(16,398)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<b>Cash to be provided from:</b>												
Loans drawn	500	19,029	36,506	30,503	20,661	6,032	1,500	0	0	0	0	30,130
	<b>500</b>	<b>19,029</b>	<b>36,506</b>	<b>30,503</b>	<b>20,661</b>	<b>6,032</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,130</b>
<b>Cash to be applied to:</b>												
Loans repaid	3,860	4,883	5,709	6,259	4,867	1,087	453	0	1,500	5,000	0	36,506
Leasehold freeholding proceeds paid to ACC	1,259	1,279	0	0	0	0	0	0	0	0	0	0
	<b>5,119</b>	<b>6,162</b>	<b>5,709</b>	<b>6,259</b>	<b>4,867</b>	<b>1,087</b>	<b>453</b>	<b>0</b>	<b>1,500</b>	<b>5,000</b>	<b>0</b>	<b>36,506</b>
<b>Net cash flows from financing activities</b>												
	<b>(4,619)</b>	<b>12,867</b>	<b>30,797</b>	<b>24,244</b>	<b>15,794</b>	<b>4,945</b>	<b>1,047</b>	<b>0</b>	<b>(1,500)</b>	<b>(5,000)</b>	<b>0</b>	<b>(6,376)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>												
	<b>(21,914)</b>	<b>(4,245)</b>	<b>(1,003)</b>	<b>3,548</b>	<b>(2,042)</b>	<b>(1,049)</b>	<b>1,013</b>	<b>2,983</b>	<b>2,004</b>	<b>2,333</b>	<b>6,154</b>	<b>18</b>
Opening cash & cash equivalents	28,436	12,524	2,988	1,985	5,533	3,491	2,442	3,455	6,438	8,442	10,775	16,929
<b>Closing cash &amp; cash equivalents</b>	<b>6,522</b>	<b>8,279</b>	<b>1,985</b>	<b>5,533</b>	<b>3,491</b>	<b>2,442</b>	<b>3,455</b>	<b>6,438</b>	<b>8,442</b>	<b>10,775</b>	<b>16,929</b>	<b>16,948</b>

## Notes to the financials

### Note 1 – Activity revenue and expenditure

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>REVENUE</b>												
<b>Groups of activities</b>												
Asset Management	2,639	2,744	1,569	1,502	1,430	1,670	1,463	1,527	1,616	1,721	1,798	1,875
Integrated Catchment Management	6,240	4,721	2,976	3,221	3,311	3,621	3,511	3,554	3,714	3,952	4,114	4,294
Policy & Regulation	1,961	2,218	2,755	2,967	3,354	3,531	3,614	3,765	3,969	4,195	4,378	4,580
Emergency Management	1,357	295	0	0	0	0	0	0	0	0	0	0
Transport	83	26	0	0	0	0	0	0	0	0	0	0
Governance & Partnerships	83	127	571	770	1,001	1,247	1,118	977	834	683	529	381
Corporate Overhead	0	0	920	1,028	856	1,130	819	962	966	970	974	978
<b>TOTAL REVENUE FROM ACTIVITIES</b>	<b>12,363</b>	<b>10,131</b>	<b>8,791</b>	<b>9,488</b>	<b>9,951</b>	<b>11,199</b>	<b>10,525</b>	<b>10,785</b>	<b>11,098</b>	<b>11,521</b>	<b>11,794</b>	<b>12,109</b>
<b>EXPENDITURE</b>												
<b>Groups of activities</b>												
Asset Management	12,222	11,896	13,913	14,634	15,646	16,449	17,284	18,163	19,301	20,275	21,320	22,595
Integrated Catchment Management	22,378	23,688	28,831	29,633	29,431	30,537	31,370	32,095	31,653	30,140	31,396	32,723
Policy & Regulation	9,996	10,820	9,690	10,574	11,533	11,386	11,716	12,337	12,796	13,574	14,170	14,831
Emergency Management	4,785	2,660	3,066	3,180	3,327	3,508	3,653	3,807	3,996	4,226	4,413	4,617
Transport	5,647	5,447	6,844	6,938	7,819	7,971	8,253	8,544	8,886	9,288	9,628	9,996
Governance & Partnerships	3,259	2,988	6,744	7,064	7,512	6,915	7,093	7,292	7,560	7,922	8,188	8,498
Corporate Overhead	1,919	1,542	1,356	1,671	1,779	1,793	1,823	1,806	1,839	1,906	1,882	2,319
<b>Total group activities</b>	<b>60,206</b>	<b>59,041</b>	<b>70,443</b>	<b>73,695</b>	<b>77,046</b>	<b>78,558</b>	<b>81,191</b>	<b>84,044</b>	<b>86,033</b>	<b>87,330</b>	<b>90,997</b>	<b>95,580</b>
Less finance costs												
-interest on borrowing	1,051	1,250	1,573	2,136	2,589	2,795	2,838	2,836	2,836	2,817	2,742	3,119
-payments associated with the transfer of Napier leasehold cashflows to ACC	1,069	1279	0	0	0	0	0	0	0	0	0	0
Total finance costs	2,120	2,529	1,573	2,136	2,589	2,795	2,838	2,836	2,836	2,817	2,742	3,119
Less depreciation and amortisation expense	3,333	3,639	3,501	4,462	5,355	6,079	6,344	6,660	7,240	8,042	8,604	9,122
<b>TOTAL EXPENDITURE ON ACTIVITIES</b>	<b>54,753</b>	<b>52,873</b>	<b>65,369</b>	<b>67,097</b>	<b>69,103</b>	<b>69,685</b>	<b>72,009</b>	<b>74,548</b>	<b>75,957</b>	<b>76,471</b>	<b>79,651</b>	<b>83,340</b>

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## Notes to the financials

### Notes 2 and 3 – Rates and other revenue

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Note 2: Rates</b>												
<b>General funding rates</b>												
Uniform Annual General Charge	3,063	2,823	3,759	4,588	5,233	5,914	7,186	8,476	9,448	10,217	10,892	11,609
General Rate on Land Value	5,761	5,604	7,463	9,108	10,388	11,739	14,264	16,826	18,756	20,282	21,622	23,044
<b>Total general funding rates</b>	<b>8,824</b>	<b>8,427</b>	<b>11,222</b>	<b>13,697</b>	<b>15,622</b>	<b>17,653</b>	<b>21,450</b>	<b>25,302</b>	<b>28,204</b>	<b>30,499</b>	<b>32,514</b>	<b>34,652</b>
<b>Targeted rates</b>												
Upper Tukituki catchment Control Scheme	721	722	759	878	1,017	1,141	1,170	1,200	1,231	1,264	1,298	1,332
Separate Flood Control & Drainage Scheme	567	564	329	339	462	474	486	498	511	525	539	553
Wairoa Rivers and Streams Scheme	171	171	179	184	236	242	248	254	261	268	275	282
Central & Southern Areas Rivers & Streams Scheme	246	243	71	73	75	77	79	81	83	85	87	90
Heretaunga Plains Flood Control & Drainage Schemes	5,384	5,370	5,843	6,942	8,079	9,062	9,297	9,530	9,778	10,042	10,313	10,581
Biosecurity Schemes	1,909	1,887	2,101	2,239	2,703	2,817	2,890	2,962	3,039	3,122	3,206	3,289
Subsidised Public Transport	1,678	1,653	2,792	2,877	3,285	3,334	3,449	3,568	3,707	3,869	4,006	4,147
Clean Heat Administration Rate	591	583	592	609	624	640	657	673	690	709	728	747
Sustainable Land Management	856	851	917	963	1,095	1,150	1,204	1,251	1,316	1,382	1,443	1,507
Economic Development Rate	1,888	1,871	2,294	2,379	2,497	2,642	2,763	2,892	3,052	3,250	3,412	3,588
Coastal Erosion Rate	170	169	171	176	180	185	190	194	200	205	210	216
Emergency Management Uniform Annual Charge	2,149	2,129	2,177	2,509	2,892	3,241	3,325	3,408	3,497	3,591	3,688	3,784
<b>Total targeted rates</b>	<b>16,330</b>	<b>16,213</b>	<b>18,226</b>	<b>20,168</b>	<b>23,146</b>	<b>25,002</b>	<b>25,758</b>	<b>26,512</b>	<b>27,365</b>	<b>28,312</b>	<b>29,206</b>	<b>30,116</b>
<b>Total rates</b>	<b>25,154</b>	<b>24,640</b>	<b>29,448</b>	<b>33,865</b>	<b>38,768</b>	<b>42,655</b>	<b>47,207</b>	<b>51,814</b>	<b>55,569</b>	<b>58,812</b>	<b>61,721</b>	<b>64,769</b>
<b>Note 3: Other revenue</b>												
Dividends	46,680	3,000	10,103	10,497	10,905	11,248	11,689	12,148	12,624	13,119	13,633	14,167
Interest	892	5,891	6,018	6,139	6,261	6,387	6,656	6,665	6,809	6,956	7,107	7,260
Leasehold rents	2,534	2,343	1,512	1,510	1,575	1,636	1,786	1,862	1,968	2,216	2,353	2,442
Forestry income	0	532	772	1,324	279	11	11	1,961	11	11	2,700	11
Other income	103	167	1,247	1,059	1,112	1,297	1,282	1,427	1,460	1,598	1,577	1,527
Net gain/(loss) on disposal of assets	(448)	0	0	0	0	0	0	0	0	0	0	0
<b>Total other income</b>	<b>49,761</b>	<b>11,933</b>	<b>19,652</b>	<b>20,528</b>	<b>20,132</b>	<b>20,579</b>	<b>21,425</b>	<b>24,064</b>	<b>22,872</b>	<b>23,900</b>	<b>27,370</b>	<b>25,407</b>

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## Notes to the Financials

### Note 4(a) – External debt and interest expense

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>LOAN REQUIREMENTS</b>												
New borrowings	17,163	19,029	36,506	30,503	20,661	6,032	1,500	0	0	0	0	30,130
Principal repayments	3,860	4,883	5,709	6,259	4,867	1,087	453	0	1,500	5,000	0	36,506
Total loan balance	34,888	41,307	79,831	104,074	119,868	124,814	125,861	125,861	124,361	119,361	119,361	112,985
Interest expense	1,051	1,250	1,573	2,136	2,589	2,795	2,838	2,836	2,836	2,817	2,742	3,119

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## Notes to the Financials

### Note 4(b) – Internal debt and interest expense

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>LOAN REQUIREMENTS</b>												
<b>New borrowings</b>												
Governance & Partnerships	0	3,527	5,846	6,935	7,579	0	0	0	0	0	0	0
Integrated Catchment												
Management	3,451	2,775	4,780	5,164	4,678	3,776	3,623	3,593	2,275	150	154	158
Asset Management	75	230	2,424	2,438	1,759	1,820	1,827	1,740	2,016	1,627	1,539	1,586
Policy & Regulation	0	0	0	0	0	0	0	0	0	0	0	0
Emergency Management	0	0	0	0	0	0	0	0	0	0	0	0
Transport	0	0	0	0	0	0	0	0	0	0	0	0
Corporate Overhead	173	12,497	7,260	7,101	6,693	6,440	3,265	3,577	3,907	4,256	4,621	4,997
<b>Total new borrowings</b>	<b>3,699</b>	<b>19,029</b>	<b>20,311</b>	<b>21,637</b>	<b>20,709</b>	<b>12,036</b>	<b>8,715</b>	<b>8,910</b>	<b>8,199</b>	<b>6,033</b>	<b>6,314</b>	<b>6,741</b>
<b>Principal repayments</b>												
Governance & Partnerships	0	2,573	3,465	3,658	3,652	2,946	2,938	2,746	2,511	2,521	2,209	2,123
Integrated Catchment												
Management	180	693	694	933	1,098	1,330	1,355	1,468	1,621	1,716	1,773	1,817
Asset Management	10	721	425	327	402	469	548	582	677	778	863	912
Policy & Regulation	0	20	0	0	0	0	0	0	0	0	0	0
Emergency Management	0	0	0	0	0	0	0	0	0	0	0	0
Transport	14	0	25	24	24	24	25	25	26	27	27	10
Corporate Overhead	80	876	885	778	964	1,188	989	3,868	5,152	6,671	7,528	6,481
<b>Total principal repayments</b>	<b>284</b>	<b>4,883</b>	<b>5,494</b>	<b>5,720</b>	<b>6,140</b>	<b>5,957</b>	<b>5,854</b>	<b>8,689</b>	<b>9,987</b>	<b>11,713</b>	<b>12,400</b>	<b>11,342</b>
<b>TOTAL LOAN MOVEMENT</b>												
<b>Loan balances</b>												
Governance & Partnerships	0	14,152	14,694	17,971	21,898	18,953	16,015	13,269	10,759	8,238	6,029	3,906
Integrated Catchment												
Management	4,292	8,774	12,069	16,300	19,880	22,327	24,595	26,720	27,374	25,808	24,189	22,530
Asset Management	358	2,022	3,105	5,216	6,573	7,924	9,203	10,361	11,700	12,548	13,224	13,899
Policy & Regulation	0	70	0	0	0	0	0	0	0	0	0	0
Emergency Management	0	0	0	0	0	0	0	0	0	0	0	0
Transport	118	0	211	187	164	140	115	90	64	37	10	(0)

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## Notes to the Financials

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
Corporate overhead	433	16,289	14,643	20,966	26,694	31,946	34,222	33,932	32,687	30,272	27,365	25,881
<b>Total outstanding loan balances</b>	<b>5,201</b>	<b>41,307</b>	<b>44,723</b>	<b>60,641</b>	<b>75,210</b>	<b>81,289</b>	<b>84,150</b>	<b>84,371</b>	<b>82,583</b>	<b>76,903</b>	<b>70,817</b>	<b>66,216</b>
<b>Loan interest expense</b>												
Governance & Partnerships	0	632	229	363	545	548	475	402	333	271	208	153
Integrated Catchment Management	26	249	157	295	468	546	605	661	697	687	648	607
Asset Management	5	123	35	86	152	187	221	252	284	313	333	350
Policy & Regulation	0	5	0	0	0	0	0	0	0	0	0	0
Emergency Management	0	0	0	0	0	0	0	0	0	0	0	0
Transport	4	0	4	4	5	4	3	3	2	2	1	0
Corporate Overhead	8	242	65	114	187	233	534	497	469	471	496	539
<b>Total loan interest expense</b>	<b>43</b>	<b>1,250</b>	<b>489</b>	<b>863</b>	<b>1,357</b>	<b>1,519</b>	<b>1,839</b>	<b>1,815</b>	<b>1,786</b>	<b>1,743</b>	<b>1,686</b>	<b>1,649</b>

## Note 5 – Depreciation and amortisation

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Capital expenditure on property, plant &amp; equipment</b>												
Land and buildings	210	2,223	568	583	773	854	523	531	781	788	834	491
HBRC Recovery Fund	0	1,000	0	0	0	0	0	0	0	0	0	0
Motor vehicle and plant	1,255	1,256	1,538	1,793	1,747	1,897	1,777	2,118	1,799	1,707	1,707	1,741
Science equipment	703	972	1,266	640	214	0	0	0	0	0	0	0
Technical equipment	33	23	1,449	971	626	1,095	556	535	963	564	579	594
Computer equipment	511	733	0	0	0	0	0	0	0	0	0	0
Office furniture and equipment	120	124	91	125	75	0	0	0	0	0	0	0
Intangible assets - other	2,271	1,680	2,132	2,402	2,676	2,963	3,265	3,577	3,907	4,256	4,621	4,997
<b>Total capital expenditure on property, plant &amp; equipment</b>	<b>5,103</b>	<b>8,011</b>	<b>7,045</b>	<b>6,514</b>	<b>6,112</b>	<b>6,808</b>	<b>6,121</b>	<b>6,762</b>	<b>7,451</b>	<b>7,315</b>	<b>7,740</b>	<b>7,822</b>



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## Notes to the Financials

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Proceeds of property, plant &amp; equipment disposals</b>												
Land and buildings	0	0	0	0	0	0	0	0	0	0	0	0
Motor vehicle and plant	123	454	788	891	717	987	672	811	811	811	811	811
Science equipment	0	0	0	0	0	0	0	0	0	0	0	0
Technical equipment	0	0	0	0	0	0	0	0	0	0	0	0
Computer equipment	0	0	0	0	0	0	0	0	0	0	0	0
Office furniture and equipment	0	0	0	0	0	0	0	0	0	0	0	0
Intangible assets - other	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total proceeds from disposal of property, plant &amp; equipment</b>	<b>123</b>	<b>454</b>	<b>788</b>	<b>891</b>	<b>717</b>	<b>987</b>	<b>672</b>	<b>811</b>	<b>811</b>	<b>811</b>	<b>811</b>	<b>811</b>
<b>Depreciation on property, plant &amp; equipment</b>												
Land and buildings	427	601	213	219	225	226	226	226	226	226	226	226
Motor vehicle and plant	607	514	246	373	512	485	524	572	644	720	747	783
Science equipment	470	633	1,257	1,357	1,441	1,513	1,092	852	865	910	952	932
Technical equipment	58	90	51	80	101	125	145	153	161	168	145	116
Computer equipment	350	317	598	718	839	1,026	1,192	1,207	1,168	1,289	1,224	1,179
Office furniture and equipment	79	81	56	97	123	135	135	135	135	135	104	52
Intangible assets - other	686	739	105	333	587	869	1,180	1,523	1,897	2,305	2,749	3,230
<b>Property, plant &amp; equipment asset depreciation</b>	<b>2,677</b>	<b>2,975</b>	<b>2,526</b>	<b>3,177</b>	<b>3,828</b>	<b>4,379</b>	<b>4,494</b>	<b>4,667</b>	<b>5,096</b>	<b>5,753</b>	<b>6,148</b>	<b>6,517</b>
<b>Depreciation on infrastructure assets</b>												
Infrastructure assets	656	664	975	1,285	1,526	1,700	1,850	1,993	2,144	2,289	2,456	2,605
<b>Infrastructure asset depreciation</b>	<b>656</b>	<b>664</b>	<b>975</b>	<b>1,285</b>	<b>1,526</b>	<b>1,700</b>	<b>1,850</b>	<b>1,993</b>	<b>2,144</b>	<b>2,289</b>	<b>2,456</b>	<b>2,605</b>
<b>Total depreciation &amp; amortisation</b>	<b>3,333</b>	<b>3,639</b>	<b>3,501</b>	<b>4,462</b>	<b>5,355</b>	<b>6,079</b>	<b>6,344</b>	<b>6,660</b>	<b>7,240</b>	<b>8,042</b>	<b>8,604</b>	<b>9,122</b>

# Part 6 - Financials | Pūrongo Pūtea

## Notes to the Financials

### Notes 6 and 7 – Reserve movements and fair value gains

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Note 6: Funding from reserves</b>												
Project Scheme Reserves	0	1,348	3,460	2,415	406	(1,512)	(1,383)	(1,205)	(1,758)	(1,444)	(1,768)	(1,111)
Investment Income Equalisation Reserve	0	0	0	0	0	(198)	(205)	(213)	(1,230)	(1,834)	(2,305)	(4,499)
Tangoio Soil Conservation Reserve	319	52	771	647	510	415	427	43	465	397	(2,320)	590
Asset Replacement Reserve	(1,007)	3,839	1,379	453	211	(220)	(732)	(508)	(450)	(1,192)	(1,112)	(1,362)
Infrastructure Asset Renewal Reserve	3,196	894	511	199	(877)	(1,228)	(821)	(1,387)	(1,638)	(1,243)	3,220	(2,258)
Future Investment Fund	(44,497)	1,604	(1,284)	(1,309)	(1,336)	(1,362)	(1,392)	(1,422)	(1,452)	(1,484)	(1,516)	(1,549)
Long-Term Investment Fund	(45,313)	0	3,772	1,811	1,076	327	(549)	(2,190)	(409)	(527)	(539)	(441)
Regional Disaster Damage Reserves	221	(114)	(21)	(22)	(33)	(33)	(34)	(34)	(35)	(35)	(36)	(36)
Scheme Disaster Damage Reserves	(128)	(134)	(149)	(147)	(170)	(172)	(175)	(177)	(180)	(183)	(186)	(188)
Other Reserves	4,626	626	(14,286)	(6,797)	(19)	2,193	2,682	1,202	850	663	(4,597)	3,840
<b>Total net funding from reserves</b>	<b>(82,583)</b>	<b>8,115</b>	<b>(5,847)</b>	<b>(2,750)</b>	<b>(232)</b>	<b>(1,791)</b>	<b>(2,181)</b>	<b>(5,891)</b>	<b>(5,837)</b>	<b>(6,882)</b>	<b>(11,157)</b>	<b>(7,014)</b>
<b>Note 7: Fair value gains from investments</b>												
<b>Investment property at beginning of year</b>												
	<b>48,393</b>	<b>50,866</b>	<b>60,275</b>	<b>63,545</b>	<b>64,701</b>	<b>65,879</b>	<b>67,683</b>	<b>70,583</b>	<b>73,620</b>	<b>76,801</b>	<b>80,133</b>	<b>83,622</b>
Additions	0	0	0	0	0	0	0	0	0	0	0	0
Disposals	(1,260)	0	0	0	0	0	0	0	0	0	0	0
<b>Movement during the year</b>	<b>(1,260)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fair value gains (included in statement of comprehensive revenue and expense)	10,722	2,420	3,270	1,156	1,179	1,803	2,900	3,037	3,181	3,332	3,489	3,655
<b>Investment property at end of year</b>	<b>57,855</b>	<b>53,286</b>	<b>63,545</b>	<b>64,701</b>	<b>65,879</b>	<b>67,683</b>	<b>70,583</b>	<b>73,620</b>	<b>76,801</b>	<b>80,133</b>	<b>83,622</b>	<b>87,277</b>

# Part 6 - Financials | Pūrongo Pūtea

## Notes to the Financials

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Note 7: Fair value gains from forestry assets</b>												
<b>Forestry assets at beginning of year</b>	11,482	11,868	11,550	9,425	10,014	6,452	5,907	7,268	1,440	1,740	3,126	(4,918)
Additions	0	250	76	109	188	127	100	12	150	49	12	190
Disposals	0	(485)	(761)	0	(1,313)	(268)	0	(1,950)	0	0	(2,689)	0
<b>Movement during the year</b>	<b>0</b>	<b>(235)</b>	<b>(685)</b>	<b>109</b>	<b>(1,125)</b>	<b>(140)</b>	<b>100</b>	<b>(1,939)</b>	<b>150</b>	<b>49</b>	<b>(2,677)</b>	<b>190</b>
Fair value gains (included in other comprehensive revenue and expense)	(395)	698	(754)	370	(1,313)	(264)	1,162	(1,950)	0	1,288	(2,689)	0
<b>Forestry assets at the end of the year</b>	<b>11,087</b>	<b>12,331</b>	<b>9,425</b>	<b>10,014</b>	<b>6,452</b>	<b>5,907</b>	<b>7,268</b>	<b>1,440</b>	<b>1,740</b>	<b>3,126</b>	<b>(4,918)</b>	<b>(4,539)</b>
Other fair value gains (included in other comprehensive revenue and expense)	0	0	27,695	28,327	27,295	32,584	37,542	31,598	40,165	44,046	36,578	42,500
<b>Total fair value gains &amp; losses (included in the statement of comprehensive revenue and expense)</b>	<b>10,327</b>	<b>3,118</b>	<b>30,211</b>	<b>29,852</b>	<b>27,161</b>	<b>34,123</b>	<b>41,604</b>	<b>32,685</b>	<b>43,346</b>	<b>48,665</b>	<b>37,378</b>	<b>46,154</b>

# Part 6 - Financials | Pūrongo Pūtea

## Notes to the Financials

### Notes 8 – Council reserve funds

	Accumulated Funds (1) (\$' 000)	Infrastructure Asset Renewal (2) (\$' 000)	Wairoa Rivers & Streams (3) (\$' 000)	Special Scheme (4) (\$' 000)	Investment Income Equalisation (5) (\$' 000)	Asset Replacement (6) (\$' 000)	Regional Disaster Damage (7)	Scheme Disaster Damage (8)	Clive River Dredging (9) (\$' 000)	Tangoio Soil Conservation (10) (\$' 000)	Maungaharuru - Tangitū (11) (\$' 000)	Future Investment Fund (12) (\$' 000)	Long Term Investment Fund (13)	Sale of Land Non-Investment Rabbit (15) (\$' 000)	Ngāti Pāhauwera (16)	Other Reserves (\$' 000)	Total Other Reserves (\$' 000)	Fair Value Reserves (17) (\$' 000)	
<b>ANNUAL PLAN 2020-21</b>																			
<b>At 1 July 2020</b>	<b>243,759</b>	<b>3,082</b>	<b>654</b>	<b>2,430</b>	<b>0</b>	<b>1,055</b>	<b>2,421</b>	<b>3,879</b>	<b>183</b>	<b>2,293</b>	<b>396</b>	<b>107,300</b>	<b>54,913</b>	<b>1,236</b>	<b>72</b>	<b>76</b>	<b>0</b>	<b>179,989</b>	<b>259,871</b>
Deposits in year	36,701	687	1,042	0	0	3,430	123	205	66	56	0	0	0	741	3	0	0	6,353	41,070
Withdrawals in year	(3,123)	(984)	0	(1,185)	0	(4,067)	0	0	0	(108)	0	0	(2,254)	(878)	0	0	0	(9,477)	0
<b>At 30 June 2021</b>	<b>277,336</b>	<b>2,785</b>	<b>1,696</b>	<b>1,245</b>	<b>0</b>	<b>417</b>	<b>2,544</b>	<b>4,084</b>	<b>249</b>	<b>2,241</b>	<b>396</b>	<b>107,300</b>	<b>52,659</b>	<b>1,099</b>	<b>75</b>	<b>76</b>	<b>0</b>	<b>176,866</b>	<b>300,941</b>
<b>LONG TERM PLAN 2021-31</b>																			
<b>At 1 July 2021</b>	<b>309,536</b>	<b>3,913</b>	<b>445</b>	<b>(3,080)</b>	<b>0</b>	<b>2,296</b>	<b>2,129</b>	<b>3,922</b>	<b>970</b>	<b>2,429</b>	<b>505</b>	<b>44,497</b>	<b>54,718</b>	<b>1,058</b>	<b>80</b>	<b>77</b>	<b>0</b>	<b>113,958</b>	<b>447,535</b>
Deposits in year	56,114	19,575	702	44,016	10,483	30,144	317	1,727	3,457	2,708	75	14,105	14,318	0	16	11	32,350	174,007	344,179
Withdrawals in year	0	(14,933)	(321)	(39,073)	0	(26,613)	0	0	(2,577)	(4,652)	(434)	0	(16,649)	0	(131)	0	(19,043)	(105,382)	0
Net movement	56,114	4,642	382	4,942	10,483	3,532	317	1,727	881	(1,945)	(358)	14,105	(2,331)	0	(115)	11	13,307	49,581	344,179
<b>At 30 June 2031</b>	<b>365,651</b>	<b>8,555</b>	<b>827</b>	<b>1,862</b>	<b>10,483</b>	<b>5,828</b>	<b>2,446</b>	<b>5,649</b>	<b>1,850</b>	<b>485</b>	<b>147</b>	<b>58,602</b>	<b>52,387</b>	<b>1,058</b>	<b>(35)</b>	<b>88</b>	<b>13,307</b>	<b>163,539</b>	<b>791,714</b>

### Related activities to reserve funds

Activities ✓ denote related activity	Accumulated Funds (1)	Infrastructure Asset Renewal (2)	Wairoa Rivers & Streams (3)	Special Scheme (4)	Investment Income Equalisation (5)	Asset Replacement (6)	Regional Disaster Damage (7)	Scheme Disaster Damage (8)	Clive River Dredging (9)	Tangoio Soil Conservation (10)	Maungaharuru - Tangitū (11)	Future Investment Fund (12)	Long Term Investment Fund (13)	Sale of Land Non-Investment (14)	Rabbit (15)	Ngāti Pāhauwera (16)	Other Reserves	Fair Value Reserves (17)
Governance & Partnerships	✓			✓		✓									✓			
Policy & Regulation	✓					✓									✓	✓	✓	
Integrated Catchment Management	✓			✓		✓									✓			
Asset Management	✓	✓	✓	✓		✓		✓	✓	✓	✓		✓	✓				✓
Emergency Management	✓			✓		✓												
Transport	✓			✓		✓												
Corporate Overheads	✓				✓	✓	✓					✓	✓					✓

### Purpose of Reserve Funds

Reserve type	Definition
<b>1. Accumulated Funds</b>	Funds required for the operating and capital requirements of Council.
<b>2. Infrastructure Asset Renewal</b>	A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.
<b>3. Wairoa Rivers &amp; Streams Reserve</b>	A reserve established to fund flood mitigation and recovery work within the Wairoa District.
<b>4. Special Scheme Reserves</b>	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.
<b>5. Investment Income Equalisation Reserve</b>	A reserve established to smooth out the investment income from the managed funds and HBRIC dividends so that fluctuations in Council's general funding rates are minimised.
<b>6. Asset Replacement Reserve</b>	A reserve established to fund the replacement of operating property, plant and equipment, which are not scheme based.
<b>7. Regional Disaster Damage Reserve</b>	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.
<b>8. Scheme Disaster Damage Reserve</b>	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.
<b>9. Clive River Dredging Reserve</b>	A reserve established to meet the expenditure of dredging requirements on the Clive River.
<b>10. Tangoio Soil Conservation Reserve</b>	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.
<b>11. Maungaharuru-Tangitū Reserve</b>	A reserve established for the Maungaharuru-Tangitū catchment fund. This is funded from a yearly contribution from the Tangoio soil conservation reserve subject to the agreement between Council and Maungaharuru-Tangitū Trust.
<b>12. Future Investment Fund</b>	A reserve established to hold the proceeds of the Napier Port IPO
<b>13. Long Term Investment Fund</b>	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.
<b>14. Sale of Land Non-investment Fund</b>	A reserve established to hold transfers from the Long-term Investment Fund to be invested in accordance with Council's policy on "Open Space Investment" approved on 25 June 2008 and Council's Investment Policy set out in the 2009-19 LTP.
<b>15. Rabbit Reserve</b>	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.
<b>16. Ngati Pāhauwera Reserve</b>	A reserve established to ring-fence funding for Ngati Pāhauwera Rivers Initiatives. For the clean up of the Mohaka, Waikari and Waihua Rivers and their catchments.
<b>17. Fair Value Reserves</b>	A reserve required by generally accepted accounting practice to account for movements in the value of assets subject to regular fair value assessments.

## Summary of significant accounting policies

### General information

#### Reporting entity

Hawke's Bay Regional 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, the 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 2021 and have been prepared in accordance with sections 93 and 111 of the Local Government Act 2002 and were authorised for issue on 30 June 2021.

#### Basis of preparation

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

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.

#### Statement of compliance

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 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 prospective financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These prospective financial statements comply with PBE Standards.

The prospective financial 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.

#### Presentation and currency

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

#### Changes in accounting standards

Council has decided to early adopt PBE IPSAS 41 from 1 July 2021 for the purposes of these prospective financial statements. The comparative financial information presented for the 19-20 Annual Report and the 20-21 Annual Plan were prepared using different financial instrument accounting policies under PBE IPSAS 29. The Council has chosen not to restate the comparatives to comply with PBE IPSAS 41. Refer to the appropriate documents for the detailed accounting policies used to prepare those financial statements.

PBE IPSAS 41 introduces a simplified model for financial instrument classification and measurement with a standardised impairment model based on expected credit losses. Financial assets are classified into the following categories for the purpose of initial recognition and subsequent measurement:

- amortised cost (AC)
- fair value through other comprehensive revenue and expense (FVOCRE)
- fair value through surplus or deficit (FVSD).



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## Summary of significant accounting policies

Council determines the classification of financial assets at initial recognition. The classification of debt instruments is specified by the Council's business model for holding the financial assets and the nature of their contractual cash flows. Equity instruments are generally classified as at FVSD but the Council can make an irrevocable election on each instrument to designate it as at FVOCRE.

Financial liabilities will be measured at amortised cost unless required by the standard to be measured at FVSD (e.g. those held for trading) or the Council has opted to measure them at FVSD as part of a group of financial liabilities or financial liabilities and assets whose performance is measured at fair value by those charged with governance.

Council has completed a detailed assessment of its financial assets and liabilities as at 30 June 2021 and determined that:

- the Council's accounting policy for financial liabilities is unchanged
- the carrying amount of its financial assets and liabilities will not change from the carrying amount recognised under PBE IPSAS 29
- the following financial assets will be reclassified as FVSD rather than FVOCRE (carrying amount estimates as at 1 July 2021):
  - managed funds (\$100m) (excludes direct holdings in fixed interest instruments which will remain in FVOCRE)
  - publicly listed shares (\$0.8m)
  - civic financial services shares (negligible)
  - and all other financial assets will retain their FVOCRE or AC classification.

The reclassification of financial assets from FVOCRE to FVSD resulting from the transition to PBE IPSAS 41 will result in a one-off reclassification adjustment of the fair value gains and losses previously recognised in other comprehensive revenue and expense to be recognised in surplus or deficit for those financial assets noted above whose classification has changed.

The reclassification adjustment is estimated to be \$3.2m for managed funds and \$0.55m for Publicly Listed & Civic Financial Services shares as at 1 July 2021.

PBE IPSAS 41 prescribes a standardised impairment model based on an expected credit loss (ECL) model. The standard requires the Council to base the measurement of expected credit losses on forward looking information as well as current and historic information. The Council opted to apply the simplified model of lifetime expected credit losses to all receivables that result from exchange transactions (PBE IPSAS 9), non-exchange transactions (PBE IPSAS 23) and lease receivables (PBE IPSAS 13). The cumulative impact of the change is not material and balances have not been adjusted.

### 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 6 - Financials | Pūrongo Pūtea

## Summary of significant accounting policies

### 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 Waka Kotahi NZ Transport Agency (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 prospective 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.

## 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 prospective 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 prospective statement of financial position.

## 6. Receivables

Receivables are reported at their face value less any allowance for lifetime expected credit losses.

## 7. 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 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 has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of initial recognition and subsequent measurement:

- amortised cost
- fair value through other comprehensive revenue and expense
- fair value through surplus or deficit.

# Part 6 - Financials | Pūrongo Pūtea

## Summary of significant accounting policies

The classification of a financial asset depends on the Council's management model for financial assets, the nature of the instrument and the contractual terms of the instrument.

### 7.1 Financial assets at amortised cost

Financial assets at amortised cost are financial assets held within a management model with the purpose of collecting the contractual cash flows and those cash flows solely consist of principal and interest. 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 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.

### 7.2 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:

- equity holdings and have been irrevocably designated into that category at initial recognition
- financial assets held within a management model with the purpose of both selling financial assets and collecting the contractual cash flows where those cash flows solely consist of principal and interest.

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 includes in this category all 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.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

### 7.3 Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit includes all financial assets not classified as at amortised cost or fair value through other comprehensive revenue and expense or those financial assets held for trading.

After initial recognition, financial assets in this category are measured at their fair value with gains or losses on remeasurement recognised in the surplus or deficit.

## 8. Impairment of financial assets

Impairment considerations on financial assets under PBE IPSAS 41 are limited to financial instruments whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a management model whose objective is to hold financial assets in order to either collect contractual cash flows or collect contractual cash flows and sell financial assets.

### 8.1 Financial assets at amortised cost

Council will measure the loss allowances as an amount equal to the lifetime expected credit losses to all receivables that result from exchange transactions (PBE IPSAS 9), non-exchange transactions (PBE IPSAS 23) and lease receivables (PBE IPSAS 13).

Lifetime expected credit losses on receivables recognised from revenue transactions under the Ratings Act will be limited to the historical remission of rates after seven years.

# Part 6 - Financials | Pūrongo Pūtea

## Summary of significant accounting policies

For Trade and other receivables, Council will review the outstanding balances at reporting date and assess the likely default based on the payment history of the debtor and the probability that the debtor will enter bankruptcy, receivership, or liquidation.

For debtors and other receivables, the carrying amount of the asset will be reduced using 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.

### 8.2 Financial assets at fair value through other comprehensive revenue and expense

The management of debt instruments held in managed funds is performed by the fund managers within the guidelines of the Statement of Investment Policy and Objectives (SIPO). The SIPO requirements include:

- limiting Council's exposure to any single issuer
- maintaining a diversified investment portfolio
- investing in high quality issuers
- appropriately hedging all overseas investments
- actively monitoring the performance of all investments
- selling financial instruments to maintain the balance and credit risk of the portfolio.

The fund managers are required to report quarterly on the portfolio performance and compliance with the SIPO. Fund managers are expected to re-balance the portfolio to maintain compliance with the SIPO and any significant changes in the credit rating of an issuer would initiate the sale of any related holdings. Compliance with the SIPO by the fund managers limits Council's exposure to credit risk with these debt instruments.

Council will review the quarterly reporting and assess expected credit losses based on the current market performance and the forward-looking information provided by the fund managers. Any loss allowance will be recognised in other comprehensive revenue and expense.

### 9. Inventory

Inventory is stated at the lower of cost (using the weighted average cost method) and net realisable value.

### 10. 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.

### 11. Plant, property and equipment

#### 11.1 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.

# Part 6 - Financials | Pūrongo Pūtea

## Summary of significant accounting policies

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.

### 11.2 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 experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

### 11.3 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.

### 11.4 Disposals

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.

### 11.5 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 prospective statement of comprehensive revenue and expense during the financial period in which they are incurred.

### 11.6 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 prospective 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.



# Part 6 - Financials | Pūrongo Pūtea

## Summary of significant accounting policies

### 12. Intangible assets

#### 12.1 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.

#### 12.2 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.

#### 12.3 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.

### 13. 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.

Table 1: Major depreciation and amortisation periods

Asset category	Years
Buildings	3 - 60
Site improvements	10 - 50
Hydrology equipment including weirs	5 - 100
Vehicles, plant & equipment	3 - 31
Computer software & licences	3 - 50
Infrastructure assets	5 - 100

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.

### 14. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment is recognised 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.

# Part 6 - Financials | Pūrongo Pūtea

## Summary of significant accounting policies

For revalued assets, an impairment loss is recognised in the prospective statement of comprehensive revenue and expense against the revaluation reserve. Any impairment in excess of the reserve is recognised in surplus or deficit. Subsequent reversals of impairment are recognised in surplus or deficit to the extent initially recognised in surplus or deficit with any further reversals recognised in the prospective statement of comprehensive revenue and expense.

For assets carried at cost, impairment and any reversals are recognised in surplus or deficit.

### 15. 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 prospective statement of comprehensive revenue and expense for the period in which it arises.

### 16. 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 prospective statement of comprehensive revenue and expense for the period in which it arises.

### 17. Payables

Short-term creditors and other payables are recorded at their face value.

### 18. Borrowings

Borrowings are financial liabilities 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.

### 19. Employee entitlements

#### 19.1 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.

#### 19.2 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
- the present value of the estimated future cash flows.

# Part 6 - Financials | Pūrongo Pūtea

## Summary of significant accounting policies

### 20. Provisions

Provisions are recognised when:

- Council has a present legal or constructive obligation due to past events
- it is more likely than not that an outflow of resources will be required to settle the obligation
- 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.

### 21. 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 freeholded property.

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 prospective statement of comprehensive revenue and expenditure.

### 22. 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
- cash flow hedge reserves
- other reserves.

#### 22.1 Fair value reserves

This reserve relates to the revaluation of land, buildings, hydrological assets, infrastructure assets and financial assets measured at fair value through other comprehensive revenue and expense.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them, within 12 months of the end of the reporting period.

#### 22.2 Cash flow hedge reserves

This reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedge instruments, related to hedged transactions that have not yet occurred.

#### 22.3 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 also at the discretion of Council.

# Part 6 - Financials | Pūrongo Pūtea

## Summary of significant accounting policies

### 23. Goods and services tax

All items in the prospective 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 prospective 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 prospective statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### 24. 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
- share of operating expenditure.

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.

### 25. Critical accounting estimates and assumptions

In preparing these prospective 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 prospective financial statements are discussed below.

#### 25.1 Fair value of assets

Various assumptions have been made in determining fair value of assets. These assumptions are set out under the individual asset notes.

#### 25.2 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.

### 26. Implementation of new and amended standards

Two new standards, PBE IPSAS 41 Financial Instruments and PBE IFRS 17 Insurance Contracts, are effective from periods beginning on or after 1 January 2022 with early adoption permitted.

The Council intends to adopt PBE IPSAS 41 from 1 July 2021 and has prepared these prospective financial statements on that basis.

The Council has assessed PBE IFRS 17 and does not consider that the adoption of this standard will have a material impact.

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 prospective financial statements of the Council and, therefore, have not been disclosed.

### 27. Cautionary note

The prospective 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 Plan is to consult the community on the spending priorities outlined within it, and may not be appropriate for any other purpose.

## Financial reporting benchmarks

### Long Term Plan disclosure statement for period commencing 1 July 2021

#### 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

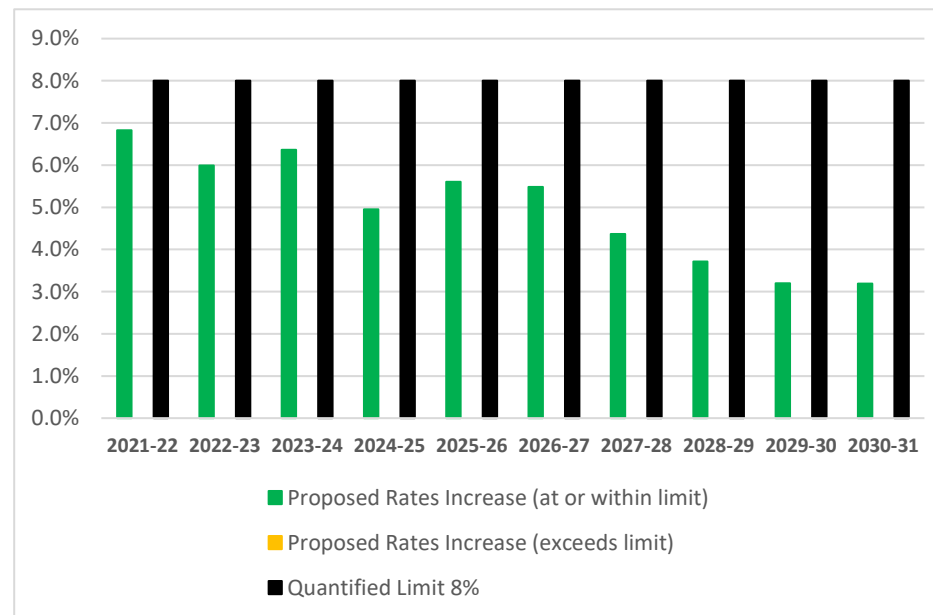
The Council meets the rates affordability benchmark if:

- 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 increase.

#### 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 this Long Term Plan. The quantified limit is that increases in the annual rate revenue requirement will not exceed 8% of HBRC’s annual operating expenditure requirements. The graph uses percentage as unit of measurement.

Figure 2: Limit on rates increases



# Part 6 - Financials | Pūrongo Pūtea

## Financial reporting benchmarks

### 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 175%.
- Net interest on external debt as a percentage of annual rates income must be less than 20%.

Figure 3: Debt as a percentage of revenue

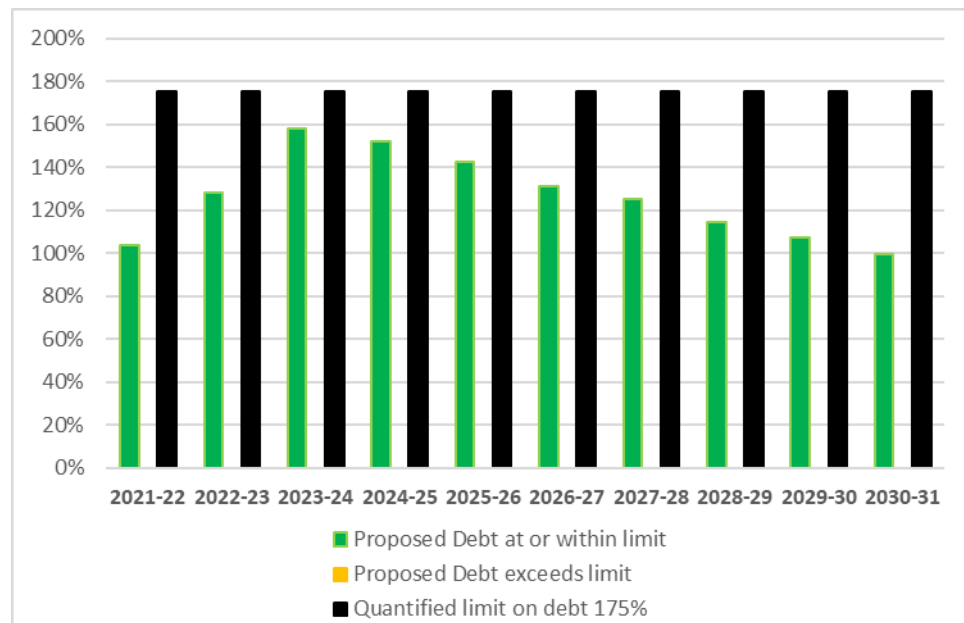
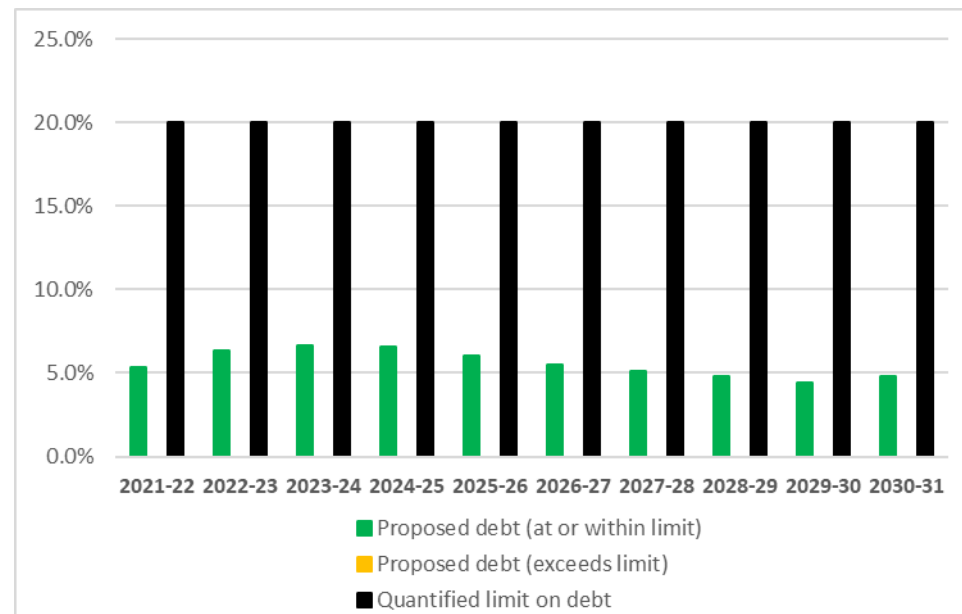


Figure 4: Net interest as a percentage of annual rates income





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## Financial reporting benchmarks

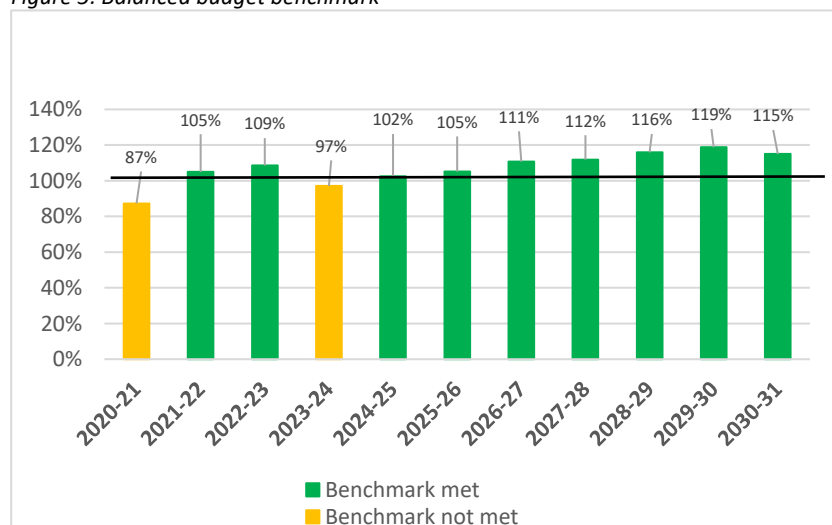
### Balanced budget

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. Council achieves a balanced budget for all but one year of the Plan. This is achieved by borrowing to smooth the rates burden in the first five years with additional revenues raised in later years to repay this borrowing. Council believes that this is a prudent approach and that the level of rate increases without borrowing would be unaffordable for ratepayers.

The balanced budget benchmark is not met in 2023-24 (year 3). This reflects the end of the significant partnership funding from central government’s COVID-19 stimulus package for flood protection. Even with borrowing it was decided that the gap was too big to bridge in year 3 so Council resolved to have an unbalanced budget for that year.

Figure 5: Balanced budget benchmark

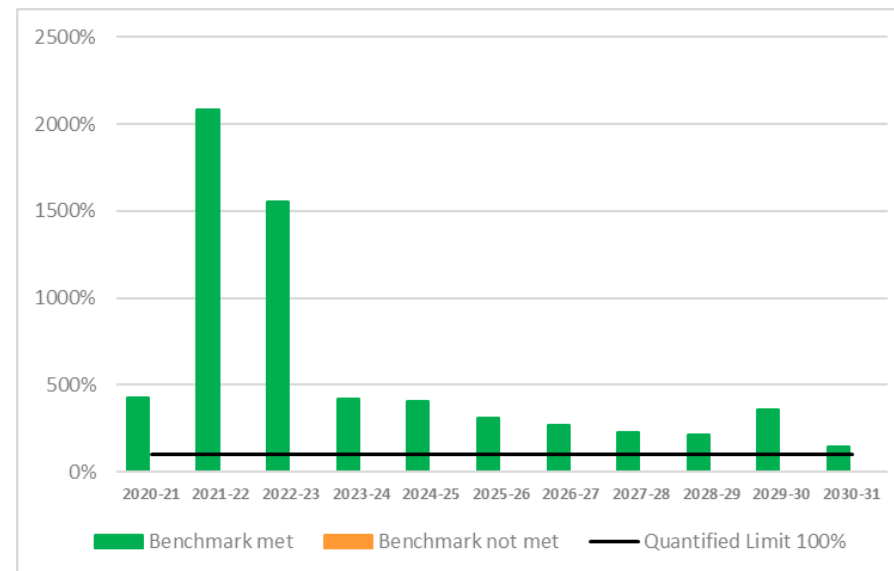


### Essential services

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 which covers the flood and drainage schemes).

Figure 6: Essential services benchmark



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.

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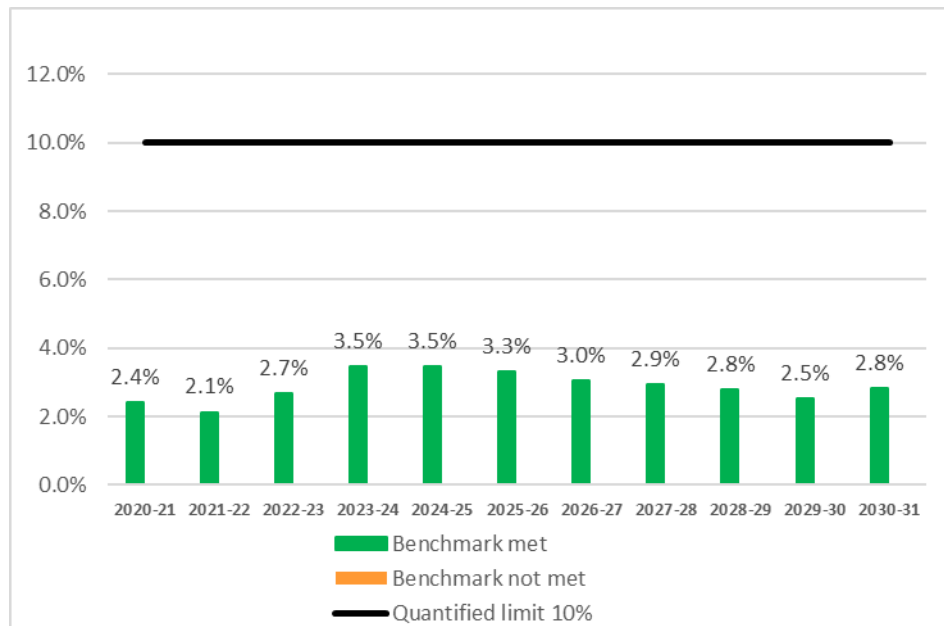
## Financial reporting benchmarks

### 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).

Council meets the debt servicing benchmark if its planned borrowing costs are equal or less than 10% of its planned revenue.

Figure 7: Borrowing costs as a percentage of revenue



## Funding impact statements

### 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 2021-22 financial year are due and payable on 20 September 2021. 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 2022. A further 10% will be charged on total rates, including penalties outstanding on 1 July 2021.

### Sources of funding for the 10-year period

The sources of funding will remain the same over the 10 years of the LTP. No new rates are proposed in this LTP.

HBRC expects to perform a complete, publicly consulted, rating review in the next 12-18 months. The outcome will be implemented within the next LTP (LTP 2024-34).

### Lump sum contributions

HBRC will not be inviting lump sum contributions in respect of any targeted rate.

### 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.

# Part 6 - Financials | Pūrongo Pūtea

## Funding impact statements

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 HBRC for the budgeted year. The rates making up this category amount to just over 20% of Council's total rates in 2021-22 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.

### 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](http://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.

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## Funding impact statements

### Funding impact statement for 2021-2031 (whole of Council)

	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
<b>Sources of operating funding</b>												
General rates & uniform annual general charges, rates penalties	8,824	8,427	11,222	13,697	15,622	17,653	21,450	25,302	28,204	30,499	32,514	34,652
Targeted rates	16,330	16,213	18,226	20,168	23,146	25,002	25,758	26,512	27,365	28,312	29,206	30,116
Subsidies & grants for operating purposes	4,678	3,933	7,123	6,487	5,111	5,207	5,385	5,561	5,775	6,027	6,242	6,616
Fees & charges	12,363	10,131	10,018	10,974	10,620	11,514	11,141	13,357	11,752	12,312	15,254	12,829
Interest & dividends from investments	47,572	8,891	16,121	16,635	17,167	17,634	18,345	18,813	19,433	20,075	20,739	21,427
Local authorities fuel tax, fines, infringement fees & other receipts	2,637	3,042	1,517	1,515	1,580	1,642	1,792	1,868	1,973	2,222	2,359	2,449
<b>Total operating funding</b>	<b>92,404</b>	<b>50,637</b>	<b>64,226</b>	<b>69,476</b>	<b>73,245</b>	<b>78,652</b>	<b>83,870</b>	<b>91,413</b>	<b>94,503</b>	<b>99,448</b>	<b>106,316</b>	<b>108,089</b>
<b>Applications of operating funding</b>												
Payments to staff & suppliers	54,753	52,873	62,829	64,457	66,202	66,709	68,738	71,190	72,509	72,925	76,006	79,597
Finance costs	2,120	2,529	1,573	2,136	2,589	2,795	2,838	2,836	2,836	2,817	2,742	3,119
Other operating funding applications	0	0	2,521	2,620	2,880	2,955	3,250	3,336	3,426	3,523	3,621	3,719
<b>Total applications of operating funding</b>	<b>56,873</b>	<b>55,402</b>	<b>66,923</b>	<b>69,213</b>	<b>71,671</b>	<b>72,459</b>	<b>74,825</b>	<b>77,362</b>	<b>78,771</b>	<b>79,265</b>	<b>82,369</b>	<b>86,434</b>
<b>Surplus/(deficit) of operating funding</b>	<b>35,531</b>	<b>(4,765)</b>	<b>(2,696)</b>	<b>263</b>	<b>1,574</b>	<b>6,193</b>	<b>9,045</b>	<b>14,051</b>	<b>15,733</b>	<b>20,183</b>	<b>23,947</b>	<b>21,655</b>
<b>Sources of capital funding</b>												
Subsidies & grants for capital expenditure	118	0	8,160	8,834	0	0	0	0	0	0	0	0
Development & financial contributions	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(decrease) in debt	13,307	13,193	30,797	24,244	15,794	4,945	1,047	0	(1,500)	(5,000)	0	(6,376)
Gross proceeds from sale of assets	2,226	454	788	891	717	987	672	811	811	811	811	811

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	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total sources of capital funding</b>	<b>15,651</b>	<b>13,647</b>	<b>39,744</b>	<b>33,969</b>	<b>16,511</b>	<b>5,932</b>	<b>1,719</b>	<b>811</b>	<b>(689)</b>	<b>(4,189)</b>	<b>811</b>	<b>(5,565)</b>
<b>Applications of capital funding</b>												
<b>Capital expenditure:</b>												
- to meet additional demand	400	2,627	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	3,173	2,090	13,321	11,665	5,620	6,374	5,424	5,790	6,177	6,307	6,664	7,093
- to replace existing assets	4,643	7,934	14,010	14,782	6,944	7,343	6,443	6,372	6,125	5,882	9,902	4,483
	8,216	12,651	27,331	26,447	12,564	13,717	11,867	12,163	12,302	12,189	16,566	11,576
Increase/(decrease) in reserves	39,213	(4,004)	5,847	2,750	232	1,791	2,181	5,891	5,837	6,882	11,157	7,014
Increase/(decrease) in investments	3,753	235	3,870	5,035	5,289	(3,383)	(3,284)	(3,192)	(3,095)	(3,076)	(2,966)	(2,500)
<b>Total application of capital funding</b>	<b>51,182</b>	<b>8,882</b>	<b>37,048</b>	<b>34,232</b>	<b>18,085</b>	<b>12,125</b>	<b>10,764</b>	<b>14,862</b>	<b>15,044</b>	<b>15,994</b>	<b>24,758</b>	<b>16,090</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(35,531)</b>	<b>4,765</b>	<b>2,696</b>	<b>(263)</b>	<b>(1,574)</b>	<b>(6,193)</b>	<b>(9,045)</b>	<b>(14,051)</b>	<b>(15,733)</b>	<b>(20,183)</b>	<b>(23,947)</b>	<b>(21,655)</b>
<b>Funding balance</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Reconciliation from funding impact statement to statement of comprehensive revenue and expenditure</b>												
Surplus/(deficit) of operating funding (above)	(35,531)	(4,765)	(2,696)	263	1,574	6,193	9,045	14,051	15,733	20,183	23,947	21,655
Depreciation and amortisation expense	3,333	(3,639)	(3,501)	(4,462)	(5,355)	(6,079)	(6,344)	(6,660)	(7,240)	(8,042)	(8,604)	(9,122)
Reduction in ACC leasehold liability	1,001	917	740	815	831	840	830	888	915	936	964	1,021
Provision for doubtful debts	0	0	(19)	(20)	(20)	(21)	(21)	(22)	(22)	(23)	(23)	(24)



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### Funding impact statements

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	Annual Report 2019/20 (\$'000)	Annual Plan 2020/21 (\$'000)	Year 1 LTP 2021/22 (\$'000)	Year 2 LTP 2022/23 (\$'000)	Year 3 LTP 2023/24 (\$'000)	Year 4 LTP 2024/25 (\$'000)	Year 5 LTP 2025/26 (\$'000)	Year 6 LTP 2026/27 (\$'000)	Year 7 LTP 2027/28 (\$'000)	Year 8 LTP 2028/29 (\$'000)	Year 9 LTP 2029/30 (\$'000)	Year 10 LTP 2030/31 (\$'000)
Fair value gains/losses	(10,327)	3,118	3,270	1,156	1,179	1,803	2,900	3,037	3,181	3,332	3,489	3,655
Add capital grants and subsidies	(118)	0	8,160	8,834	0	0	0	0	0	0	0	0
Gain on sale of assets	(17)	0	788	891	717	987	672	811	811	811	811	811
Other	874	0	0	0	0	0	0	0	0	0	0	0
<b>Operating surplus after income tax per statement of comprehensive revenue and expenditure</b>	<b>(40,785)</b>	<b>(4,370)</b>	<b>6,741</b>	<b>7,477</b>	<b>(1,075)</b>	<b>3,724</b>	<b>7,082</b>	<b>12,106</b>	<b>13,378</b>	<b>17,197</b>	<b>20,583</b>	<b>17,995</b>

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## Funding impact statements

### Comparison of rates on specific commercial properties (GST inclusive)

Description of rates	Rating basis	Napier hotel		Napier retail		Hastings office		Hastings retail		Waipukurau office		Wairoa retail	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
<b>Details for comparison</b>													
Capital Value (\$)	CV	3,300,000	3,550,000	2,060,000	2,440,000	6,570,000	6,570,000	700,000	700,000	210,000	210,000	185,000	185,000
Land Value (\$)	LV	1,200,000	1,630,000	530,000	920,000	1,530,000	1,530,000	600,000	600,000	60,000	60,000	80,000	80,000
Area (Hectares)	Area	0.4011	0.4011	0.0401	0.0401	0.3220	0.3220	0.0941	0.0941	0.0717	0.0717	0.2022	0.2022
General Rate	LV	337.80	448.09	149.20	252.91	354.04	465.89	138.84	182.70	15.54	19.98	21.48	25.81
Uniform Annual General Charge	Fixed	45.07	58.65	90.14	117.30	45.07	58.65	45.07	58.65	45.07	58.65	45.07	58.65
<b>General funded rates (\$)</b>		<b>382.87</b>	<b>506.74</b>	<b>239.34</b>	<b>370.21</b>	<b>399.11</b>	<b>524.54</b>	<b>183.91</b>	<b>241.35</b>	<b>60.61</b>	<b>78.63</b>	<b>66.55</b>	<b>84.46</b>
HPFCS Direct	CV	291.39	235.72			466.47	486.18	49.70	51.80				
HPFCS Indirect	CV	72.60	58.93	45.32	40.50	116.29		12.39	12.95				
Karamū & Tributaries	LV					345.63	356.18	135.54	139.68				
Subsidised Transport	LV	226.68	357.79	100.12	201.94	237.61	371.94	93.18	145.86				
Central Rivers and Streams	CV	22.11	4.97	13.80	3.42	35.48	10.51	3.78	1.12	1.30	0.38		
Sustainable Homes	LV	71.04	69.11	31.38	39.01	74.51	71.76	29.22	28.14				
Economic Development	CV	1,089.33	1,007.49	680.01	692.47	1,743.02	2,076.12	185.71	221.20	64.07	72.87	57.78	66.95
Meeanee Napier Puketapu Drainage	LV	256.32	244.34										
UTTFCS Class D4	LV									2.66	2.78		
Wairoa River & Streams Scheme	CV												
Coastal Hazards	Fixed	3.18	3.18	6.36	6.36	3.18	3.18	3.18	3.18			16.13	16.98
CDEM Emergency Management	Fixed	34.05	33.99	68.09	67.99	34.05	33.99	34.05	33.99	34.05	33.99	34.05	33.99
<b>Targeted rates (\$)</b>		<b>2,066.70</b>	<b>2,015.52</b>	<b>945.08</b>	<b>1,051.69</b>	<b>3,056.24</b>	<b>3,531.41</b>	<b>546.75</b>	<b>637.92</b>	<b>102.08</b>	<b>110.03</b>	<b>107.96</b>	<b>117.93</b>
<b>Total rates (\$)</b>		<b>2,499.57</b>	<b>2,522.25</b>	<b>1,184.42</b>	<b>1,421.90</b>	<b>3,455.35</b>	<b>4,055.95</b>	<b>730.66</b>	<b>879.27</b>	<b>162.69</b>	<b>188.66</b>	<b>174.51</b>	<b>202.39</b>
<b>Dollar increase</b>			<b>72.68</b>		<b>237.48</b>		<b>600.60</b>		<b>148.61</b>		<b>25.97</b>		<b>27.88</b>
<b>Percentage increase</b>			<b>2.97%</b>		<b>20.05%</b>		<b>17.38%</b>		<b>20.34%</b>		<b>15.96%</b>		<b>15.97%</b>

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### Comparison of rates on specific urban properties (GST inclusive)

Description of rates	Rating basis	Napier Hill		Napier South		Flaxmere		Havelock North	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
<b>Details for comparison</b>									
Capital Value (\$)	CV	1,010,000	1,510,000	375,000	520,000	240,000	240,000	1,000,000	1,000,000
Land Value (\$)	LV	375,000	470,000	225,000	325,000	66,000	66,000	450,000	450,000
Area (Hectares)	Area	0.0760	0.0760	0.0650	0.0650	0.000	0.000	0.0777	0.0777
<b>General Rates</b>									
General Rate	LV	105.56	129.20	63.34	89.34	15.27	20.10	104.13	137.03
Uniform Annual General Charge	Fixed	45.07	58.65	45.07	58.65	45.07	58.65	45.07	58.65
<b>General funded rates (\$)</b>		<b>150.63</b>	<b>187.85</b>	<b>108.41</b>	<b>147.99</b>	<b>60.34</b>	<b>78.75</b>	<b>149.20</b>	<b>195.68</b>
<b>Other Rates</b>									
HPFCS Direct	CV			33.11	34.53	17.04	17.76		
HPFCS Indirect	CV	22.22	25.07	8.25	8.63	4.25	4.44	17.70	18.50
Meeanee Puketapu Drainage	LV			48.06	48.72				
Subsidised Transport	LV	70.84	103.17	42.50	71.34	10.25	16.04	69.89	109.40
Central/Sthn Rivers/Streams	CV	6.77	2.11	2.51	0.73	1.30	0.38	5.40	1.60
Karamū & Tributaries	LV					14.91	15.36		
Karamū Dge Havelock D2H	Fixed							12.35	13.47
Karamū Enhance Havelock D2H	Fixed							11.55	12.56
Coastal Hazards	Fixed	3.18	3.18	3.18	3.18	3.18	3.18	3.18	3.18
Sustainable Homes	LV	22.20	19.93	13.32	13.78	3.21	3.10	21.92	21.11
Economic Development	Fixed	9.78	11.69	9.78	11.69	9.78	11.69	9.78	11.69
CDEM Emergency Management	Fixed	34.05	33.99	34.05	33.99	34.05	33.99	34.05	33.99
<b>Targeted rates (\$)</b>		<b>169.04</b>	<b>199.14</b>	<b>194.76</b>	<b>226.59</b>	<b>97.97</b>	<b>105.95</b>	<b>185.82</b>	<b>225.50</b>
<b>Total rates (\$)</b>		<b>319.67</b>	<b>386.99</b>	<b>303.17</b>	<b>374.58</b>	<b>158.31</b>	<b>184.70</b>	<b>335.02</b>	<b>421.17</b>
<b>Summary of Rate Changes</b>									
Dollar increase			67.32		71.41		26.39		86.15
Percentage increase			21.06%		23.55%		16.67%		25.72%

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## Funding impact statements

### Comparison of rates on specific urban properties contd (GST inclusive)

Description of rates	Rating basis	Taradale		Hastings		Wairoa		Central HB	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
<b>Details for comparison</b>									
Capital Value (\$)	CV	580,000	740,000	630,000	630,000	175,000	175,000	485,000	485,000
Land Value (\$)	LV	330,000	430,000	300,000	300,000	60,000	60,000	170,000	170,000
Area (Hectares)	Area	0.1105	0.1105	0.1012	0.1012	0.1832	0.1832	0.1407	0.1407
<b>General Rate</b>									
General Rate	LV	92.90	118.21	69.42	91.35	16.11	19.36	44.03	56.61
Uniform Annual General Charge	Fixed	45.07	58.65	45.07	58.65	45.07	58.65	45.07	58.65
<b>General funded rates (\$)</b>		<b>137.97</b>	<b>176.86</b>	<b>114.49</b>	<b>150.00</b>	<b>61.18</b>	<b>78.01</b>	<b>89.10</b>	<b>115.26</b>
HPFCS Direct	CV	51.21	49.14	44.73	46.62				
HPFCS Indirect	CV	12.76	12.28	11.15	11.66				
HBFCS Drainage	LV	70.49	64.46						
Subsidised Transport	LV	62.34	94.39	46.59	72.93				
Central/Sthn Rivers/Streams	CV	3.89	1.04	3.40	1.01			3.01	0.87
Wairoa River & Streams Schemes	CV					15.26	16.07		
UTTFCS	LV							7.55	7.89
Karamū & Tributaries D2	LV			67.80	69.84				
Sustainable Homes	LV	19.54	18.23	14.58	14.07				
Coastal Hazards	Fixed	3.18	3.18	3.18	3.18				
Economic Development	Fixed	9.78	11.69	9.78	11.69	9.78	11.69	9.78	11.69
CDEM Emergency Management	Fixed	34.05	33.99	34.05	33.99	34.05	33.99	34.05	33.99
<b>Targeted rates (\$)</b>		<b>267.24</b>	<b>288.39</b>	<b>235.26</b>	<b>264.99</b>	<b>59.09</b>	<b>61.75</b>	<b>54.39</b>	<b>54.44</b>
<b>Total rates (\$)</b>		<b>405.21</b>	<b>465.25</b>	<b>349.75</b>	<b>414.99</b>	<b>120.27</b>	<b>139.75</b>	<b>143.49</b>	<b>169.70</b>
<b>Dollar increase</b>									
			60.04		65.24		19.48		26.21
<b>Percentage increase</b>									
			14.82%		18.65%		16.20%		18.27%

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## Funding impact statements

### Comparison of rural rates in three districts (GST inclusive)

Description of rates	Rating basis	Hastings		Hastings		Central HB		Central HB		Wairoa		Wairoa	
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
<b>Details for comparison</b>													
Capital Value (\$)	CV	4,440,000	4,440,000	4,970,000	4,970,000	2,720,000	2,720,000	9,200,000	9,200,000	5,927,000	5,927,000	1,092,000	1,092,000
Land Value (\$)	LV	3,540,000	3,540,000	4,030,000	4,030,000	2,120,000	2,120,000	7,900,000	7,900,000	5,113,000	5,113,000	1,001,000	1,001,000
Area (Hectares)	Area	436.55	436.55	610.86	610.86	282.98	282.98	437.96	437.96	1,293.45	1,293.45	598.00	598.00
General Rate	LV	819.16	1,077.93	932.54	1,227.14	549.08	705.96	<b>2,046.10</b>	<b>2,630.70</b>	<b>1,372.84</b>	<b>1,649.45</b>	<b>268.77</b>	<b>322.92</b>
Uniform Annual General Charge	Fixed	45.07	58.65	45.07	58.65	45.07	58.65	<b>45.07</b>	<b>58.65</b>	<b>90.14</b>	<b>117.30</b>	<b>45.07</b>	<b>58.65</b>
<b>General funded rates (\$)</b>		<b>864.23</b>	<b>1,136.58</b>	<b>977.61</b>	<b>1,285.79</b>	<b>594.15</b>	<b>764.61</b>	<b>2,091.17</b>	<b>2,689.35</b>	<b>1,462.98</b>	<b>1,766.75</b>	<b>313.84</b>	<b>381.57</b>
HPFCS Hastings Indirect	CV	78.59	82.14	87.97	91.95								
Central/Sthn Rivers/Streams	CV	23.98	7.10	26.84	7.95	16.86	4.90	57.35	16.56				
Plant Pest Strategy	Area/Use	247.24	258.12	345.95	361.18	160.26	167.31	248.04	258.95	732.53	764.77	338.67	353.57
Animal Pest Strategy	Area/Use	790.92	911.04	1,106.73	1,274.80	512.68	590.54	793.48	913.98	2,343.42	2,699.30	379.79	428.53
Sustainable Land Management	Area/Use	409.48	458.69	572.98	641.84	265.43	297.33	410.81	460.17	1,213.25	1,359.05	560.92	628.33
Porangahau Flood Control	LV					191.86	200.34						
Wairoa River & Streams Schemes	CV									516.83	544.10	95.22	100.25
Coastal Hazards	Fixed	3.18	3.18	3.18	3.18								
UTTFCs	LV							350.76	366.56				
Economic Development	Fixed	9.78	11.69	9.78	11.69	9.78	11.69	9.78	11.69	19.56	23.38	9.78	11.69
CDEM Emergency Management	Fixed	34.05	33.99	34.05	33.99	34.05	33.99	34.05	33.99	68.09	67.99	34.05	33.99
<b>Targeted rates (\$)</b>		<b>1,597.22</b>	<b>1,765.95</b>	<b>2,187.48</b>	<b>2,426.58</b>	<b>1,190.92</b>	<b>1,306.10</b>	<b>1,904.27</b>	<b>2,061.91</b>	<b>4,893.68</b>	<b>5,458.58</b>	<b>1,418.43</b>	<b>1,556.36</b>
<b>Total rates (\$)</b>		<b>2,461.45</b>	<b>2,902.53</b>	<b>3,165.09</b>	<b>3,712.37</b>	<b>1,785.07</b>	<b>2,070.71</b>	<b>3,995.44</b>	<b>4,751.26</b>	<b>6,356.66</b>	<b>7,225.34</b>	<b>1,732.27</b>	<b>1,937.93</b>
<b>Dollar increase</b>			<b>441.08</b>		<b>547.27</b>		<b>285.64</b>		<b>755.82</b>		<b>868.68</b>		<b>205.66</b>
<b>Percentage increase</b>			<b>17.92%</b>		<b>17.29%</b>		<b>16.00%</b>		<b>18.92%</b>		<b>13.67%</b>		<b>11.87%</b>

# Part 6 - Financials | Pūrongo Pūtea

## Funding impact statements

### Explanation of rating method

General rates	Activities funded	Types of land to be rated (Local Government (Rating) Act, schedule 2)	Basis of rating (Local Govt (Rating) Act, schedule 3)
General rates	General rates fund the remaining cost of Council activities excluding that portion funded by targeted rates and the UAGC. Activities funded include: <ul style="list-style-type: none"> <li>- Consents and Compliance</li> <li>- Integrated Catchment Management</li> <li>- Governance and Partnerships</li> <li>- Catchment works (part)</li> <li>- Erosion Control Scheme</li> </ul>	All rateable rating units within the region.	Land Value using section 131 of the LGRA
Uniform Annual General Charges	The UAGC is set at a level which is approximately 20% of rates, subject to the statutory maximum, are charged on a fixed basis. Activities funded include: <ul style="list-style-type: none"> <li>- Consents and Compliance</li> <li>- Integrated Catchment Management</li> <li>- Governance and Partnerships</li> </ul>	All rateable rating units within the region.	UAGC (Refer Note 1) section 15 (1)

Targeted rates	Activities funded	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	Asset Management – Flood Protection & Control Direct Benefit  Indirect Benefit (see Flood Protection & Control section – Appendix A for further explanation)	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	Asset Management – Flood Protection & Control Direct Benefit  (see Flood Protection & Control section – Appendix A for further explanation)	Rating units receiving direct benefit within one of nine individual drainage catchment areas. For all rating units within the nine drainage catchment areas a differential of four times for properties with an industrial land use. Raupare enhancement agreement and Karamū enhancement.	Land Value/Area/Fixed

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## Funding impact statements

Targeted rates	Activities funded	Types of land to be rated (Local Government (Rating) Act, schedule 2)	Basis of rating (Local Govt (Rating) Act, schedule 3)
Upper Tukituki Catchment Control	Asset Management – Flood Protection & Control  (see Flood Protection & Control section – Appendix A for further explanation)	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	Asset Management – Flood Protection & Control  (see River Control and Drainage section – Appendix A for further explanation)	All rating units in the region excluding Wairoa District.	Equalised Capital Value
Wairoa River & Stream	Asset Management – Flood Protection & Control  (see Flood Protection & Control section – Appendix A for further explanation)	All rating units in the Wairoa District.	Capital Value
Various Stream & Drainage Schemes	Asset Management – Flood Protection & Control  (see Flood Protection & Control section – Appendix A for further explanation)	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.
Animal Pest Strategy	Pest Animal Control	All rateable rural land containing 4.0469 hectares in the region excluding rating units greater than 200 hectares where the land is not 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. Taupō, 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 has 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	Catchment Management – Delivery & Policy Implementation	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	Pest Plant Control	All rateable rural land containing 4.0469 hectares in the region excluding rating units greater than 200 hectares and where the land is not used for productive purposes. Council has defined land covered in more than 90% indigenous vegetation is not productive.	Area/Use



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## Funding impact statements

Targeted rates	Activities funded	Types of land to be rated (Local Government (Rating) Act, schedule 2)	Basis of rating (Local Govt (Rating) Act, schedule 3)
Sustainable Homes	Management of the scheme to encourage the replacement of open fire or wood burners with more efficient forms of heating and where necessary the installation of insulation.	All rating units in Napier and Hastings within the affected air-shed.	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
Erosion Control – 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.	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 Hazards	To fund development of Stage 4 of the Clifton to Tangoio Coastal Hazards Strategy	All rateable units within Napier and Hastings	UTR (Refer Note 1)
Economic Development Rate	Regional Development. 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 yield	Differential Capital Value Differential UTR 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 Taupō districts	UTR (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.

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## Funding impact statements

### Appendix A: Flood Protection & Control Works - explanation of rates

Flood Protection & Control		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 Tūtaekurī 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 Tūtaekurī 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.
Karamū Stream and Tributaries	Land Value	D2	Rateable land situated in the Hastings District within the Karamū Stream catchment area which Council considers receives direct benefit of drain and stream maintenance works.
Karamū Stream and Tributaries Industrial	Land Value	DI2	Rateable land within the D2 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 (1,179 Hectares) which have agreed to contribute to the enhancement of specific streams and drains in the Raupare Catchment.
Twyford Raupare Industrial	Land Value	DI3	Rateable land within D3 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 D4 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.
Tūtaekurī-Waimate & Moteo	Land Value	D5	Rateable land situated in the Hastings District within the Tūtaekurī-Waimate, Moteo drainage area which Council considers receives direct benefit of drain and stream maintenance works.

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## Funding impact statements

Flood Protection & Control			Explanation of rates
Tūtaekurī-Waimate Moteo Industrial	Land Value	D15	Rateable land within the D5 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
Pākōwhai	Land Value	D6	Rateable land situated in the Hastings District within the Pākōwhai, Puninga drainage area which Council considers receives direct benefit of drain and stream maintenance works.
Pākōwhai	Land Value	D16	Rateable land within the D6 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	D17	Rateable land within the D7 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	D18	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.
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	D19	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.

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## Funding impact statements

Flood Protection & Control			Explanation of rates
Central HB 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 HB 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.
Central HB 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 HB 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 HB 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 HB 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 HB 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.

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## Funding impact statements

Flood Protection & Control			Explanation of rates
<b>Upper Mākara Streams Catchment Special Rating Scheme</b>			
Central HB District	Area Basis	A	This rural class of direct benefit extends on the valley floor in the upstream flood plains of the Mākara 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 Mākara 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 Mākara Stream.
Central HB District	Area Basis	C – Mākara	A direct benefit area of the Mākara 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 – Mākara	This rural class of direct benefit covers the flood plain of the Mākara Stream from the Elsthorpe township to the outlet of the catchment. It is an area of low frequency flooding and siltation in the lower Mākara 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 Mākara Stream to the bridge on Kahurānaki 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 Mākara floodplain northward and follows a soil and topography boundary on the eastern side of Kahurānaki 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.
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.
<b>Poukawa Drainage Special Rating Scheme</b>			
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.

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## Funding impact statements

Flood Protection & Control			Explanation of rates
<b>Paeroa Drainage Scheme Special Rating Area</b>			
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 Clydebanks 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.
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.
<b>Ohuia- Whakakī Drainage Scheme</b>			
Wairoa District	Area Basis	A	This Scheme is located only a few kilometres east of Wairoa where it drains a 3,410ha catchment to Hawke Bay. The Scheme uses a combination of detention and gravity drains plus controlled pump discharges to enable landowners to improve production. The cost is apportioned across a land area of just over 1,038ha based on the location. Each category has a proportionate factor applied to determine the amount payable per hectare. Land that without drainage could be inundated up to 12 months of the year.
Wairoa District	Area Basis	B	Land that without drainage could be inundated up to eight months of the year.
Wairoa District	Area Basis	C	Land affected by high water table because of poor outfall, overflow or backing up from lower lands.
Wairoa District	Area Basis	D	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	Hill land and other land benefiting by improved access not available under original conditions.
<b>Opoho Drainage Stream Scheme</b>			
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 six years.
<b>Kopuawhara Stream Flood Control/Maintenance Scheme</b>			
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.

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Flood Protection & Control			Explanation of rates
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.
<b>Te Ngarue Stream Flood Protection Scheme</b>			
Hastings District	Area Basis	TN	The rating system has two 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 Part 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.
Hastings District	Area Basis	TN1	The rating system has two 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.
<b>Esk River and Whirinaki Stream Maintenance Scheme</b>			
<b>Esk River</b>			
Hastings District	Area Basis	E1	The Esk rating system has two categories, namely Esk (E1 and E2) and Rural Industry (R11, R12, R13). Some of the properties are rated for more than one category. The rating catchment area for Esk is approximately 515ha. Rateable land situated in the Esk River Maintenance Scheme area from the confluence with the Mangakopikopiko Stream to the sea is charged this rate. The benefit of the river works has reduced the incidence of flooding on these properties during floods. Properties in area E1 are part of the Esk scheme with costs apportioned based on a percentage of the total scheme costs apportioned to this category.
Hastings District	Area Basis	E2	Properties in area E2 are part of the Esk scheme with costs apportioned based on a percentage of the total scheme costs apportioned to this category.
Hastings District	Area Basis	R11	Properties in area R11 are part of the Esk scheme with costs apportioned based on a percentage of the total scheme costs apportioned to this category.
Hastings District	Area Basis	R12	Properties in area R12 are part of the Esk scheme with costs apportioned based on a percentage of the total scheme costs apportioned to this category.



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Flood Protection & Control			Explanation of rates
Hastings District	Area Basis	R13	Properties in area R13 are part of the Esk scheme with costs apportioned based on a percentage of the total scheme costs apportioned to this category.
Whirinaki Stream			
Hastings District	Area Basis	W1,W2, W3,W4, W5,W6, W7	Costs are separately identified for Whirinaki (W). 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.
Karamū Drainage Maintenance			
Hastings District	UTR		This Scheme covers properties in Havelock North, being properties in the Karamū Catchment, which do not contribute to the Heretaunga Plains Flood Control Scheme-Streams & Drains (Karamū D2). The Scheme involves maintenance of the completed enhancement works in the Karamū Stream.
Karamū Enhancement			
Hastings District	UTR		This Scheme covers properties in Havelock North, being properties in the Karamū Catchment, which do not contribute to the Heretaunga Plains Flood Control Scheme-Streams & Drains (Karamū D2). The Scheme involves funding for one third the cost of new enhancement works in the Karamū 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 Hawke's 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.
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

# Part 6 - Financials | Pūrongo Pūtea

## Funding impact statements

### General and Uniform Annual General rates within each district and city

Rate description	Districts	Rates set on	Differentials	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100,000 applicable LV or CV, fixed amount or specified area basis per property	2021-22 Rate (previous year)
<b>General Rate</b>				<b>Cents in \$</b>			
	Napier City	Land Value		0.02749	\$2,535,043	\$27.49	\$1,794,761
	Hastings District	Land Value		0.03045	\$4,352,615	\$30.45	\$3,323,509
	Wairoa District	Land Value		0.03226	\$469,627	\$32.26	\$394,901
	Central HB District	Land Value		0.03330	\$1,197,655	\$33.30	\$932,336
	Taupō District	Land Value		0.02785	\$18,568	\$27.85	\$13,872
	Rangitikei District	Land Value		0.05187	\$9,226	\$51.87	\$12,871
	<b>TOTAL</b>				<b>\$8,582,734</b>		<b>\$6,472,251</b>
<b>Uniform Annual General Charge</b>			<b>No. of SUIPs</b>	<b>Per SUIP</b>			
	Napier City	Fixed Amount	27,919	58.65	\$1,637,348	\$58.65	\$1,232,015
	Hastings District	Fixed Amount	33,931	58.65	\$1,989,900	\$58.65	\$1,512,551
	Wairoa District	Fixed Amount	6,670	58.65	\$391,142	\$58.65	\$296,354
	Central HB District	Fixed Amount	5,132	58.65	\$300,986	\$58.65	\$230,468
	Taupō District	Fixed Amount	55	58.65	\$3,226	\$58.65	\$2,479
	Rangitikei District	Fixed Amount	2	58.65	\$117	\$58.65	\$225
	<b>TOTAL</b>		<b>73,708</b>		<b>\$4,322,719</b>		<b>\$3,274,093</b>

# Part 6 - Financials | Pūrongo Pūtea

## Funding impact statements

### Details of targeted rates calculated within each district and city

Rate description	Districts	Rates set on	Differentials	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100k LV or CV, fixed amount or specified area basis per property	2020-21 Rate (previous year)
<b>Subsidised Public Transport</b>				<b>Cents in \$</b>			
	Napier City	Land Value		0.02195	\$1,795,951	\$21.95	\$1,049,296
	Hastings District	Land Value		0.02431	\$1,387,089	\$24.31	\$861,557
	Clive	Land Value		0.02431	\$27,544	\$24.31	\$18,258
	<b>TOTAL</b>				<b>\$3,210,583</b>		<b>\$1,929,111</b>
<b>River Control</b>				<b>Cents in \$</b>			
<b>Heretaunga Plains Flood Control Scheme – Appendix A</b>			<b>Benefit</b>	<b>Cents in \$</b>			
	Napier City	Capital Value	Direct	0.00664	\$873,699	\$6.64	\$850,820
	Napier City	Capital Value	Indirect	0.00166	\$321,053	\$1.66	\$313,897
	Hastings District	Capital Value	Direct	0.00740	\$1,054,593	\$7.40	\$1,006,081
	Hastings District	Capital Value	Indirect	0.00185	\$505,358	\$1.85	\$481,918
	<b>TOTAL</b>				<b>\$2,754,703</b>		<b>\$2,652,716</b>
<b>Upper Tukituki Catchment Control Scheme – Appendix A</b>				<b>Cents in \$</b>			
	Central HB District	Land Value	A - F1 100	0.46316	\$151,966	\$463.16	\$145,730
	Central HB District	Land Value	B - F2 75	0.34736	\$221,580	\$347.36	\$212,228
	Central HB District	Land Value	C - F3 50	0.23157	\$110,821	\$231.57	\$100,622
	Central HB District	Land Value	D - F4 25	0.11579	\$135,526	\$115.79	\$129,672
	Central HB District	Land Value	E - F5 10	0.04632	\$82,004	\$46.32	\$78,161
	Central HB District	Land Value	F - F6 1	0.00464	\$93,294	\$4.64	\$89,097
	Central HB District	Land Value	U1 25	0.11579	\$44,616	\$115.79	\$42,552
	Central HB District	Land Value	U2 15	0.06947	\$7,519	\$69.47	\$7,210
	Central HB District	Land Value	U3 10	0.04632	\$11,397	\$46.32	\$10,976
	Central HB District	Land Value	U4 1	0.00464	\$9,676	\$4.64	\$9,232
	Hastings District	Land Value	E - F5 10	0.04235	\$1,728	\$42.35	\$1,619
	Hastings District	Land Value	F - F6 1	0.00424	\$3,270	\$4.24	\$3,066
	<b>TOTAL</b>				<b>\$873,397</b>		<b>\$830,165</b>

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## Funding impact statements

Rate description	Districts	Rates set on	Differentials	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100k LV or CV, fixed amount or specified area basis per property	2020-21 Rate (previous year)
<b>Wairoa River and Streams</b>				<b>Cents in \$</b>			
	Wairoa District	Capital Value		0.00918	\$205,940	\$9.18	\$196,987
	<b>TOTAL</b>				<b>\$205,940</b>		<b>\$196,987</b>
<b>Central &amp; Southern Area Rivers &amp; Streams</b>				<b>Cents in \$</b>			
	Napier City	Capital Value		0.00014	\$27,924	\$0.14	\$98,228
	Hastings District	Capital Value		0.00016	\$43,494	\$0.16	\$145,466
	Central HB District	Capital Value		0.00018	\$10,108	\$0.18	\$34,718
	Taupō District	Capital Value		0.00015	\$137	\$0.15	\$581
	Rangitikei District	Capital Value		0.00023	\$50	\$0.23	\$366
	<b>TOTAL</b>				<b>\$81,713</b>		<b>\$279,359</b>
<b>Streams and Drains – Appendix A</b>							
<b>Napier, Meeanee &amp; Puketapu</b>				<b>Cents in \$</b>			
	Napier City	Land Value	Urban (D1)	0.01499	\$829,507	\$14.99	\$848,021
	Napier City	Land Value	Industrial (DI 1)	0.05997	\$235,353	\$59.97	\$193,336
	Hastings District	Land Value	Rural (D1)	0.01660	\$28,092	\$16.60	\$23,632
	<b>TOTAL</b>				<b>\$1,092,951</b>		<b>\$1,064,989</b>
<b>Karamū &amp; Tributaries</b>				<b>Cents in \$</b>			
	Hastings District	Land Value	Urban (D2)	0.02328	\$1,030,044	\$23.28	\$1,010,619
	Hastings District	Land Value	Industrial (DI 2)	0.09314	\$350,239	\$93.14	\$331,851
	<b>TOTAL</b>				<b>\$1,380,283</b>		<b>\$1,342,470</b>
Raupare Enhancement	Hastings District	Area	1179 hectares	1194.69	\$14,085	\$11.95	\$13,877
Raupare Twyford	Hastings District	Land Value	Rural (D3)	0.02840	\$171,436	\$28.40	\$165,591
Haumoana/Te Awanga	Hastings District	Land Value	Rural (D4)	0.06938	\$162,691	\$69.38	\$157,144
Tūtaekurī Waimate & Moteo	Hastings District	Land Value	Rural (D5)	0.09891	\$280,591	\$98.91	\$255,758
Pākōwhai Brookfields	Hastings District	Land Value	Rural (D6)	0.09565	\$155,813	\$95.65	\$150,501
Puninga	Hastings District	Land Value	Rural (D9)	0.12271	\$85,455	\$122.71	\$82,541

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## Funding impact statements

Rate description	Districts	Rates set on	Differentials	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100k LV or CV, fixed amount or specified area basis per property	2020-21 Rate (previous year)
Brookfields Awatoto	Napier City	Land Value	Urban (D7)	0.07967	\$103,373	\$79.67	\$117,133
	Napier City	Land Value	Industrial (DI 7)	0.31869	\$76,517	\$318.69	\$56,601
	<b>TOTAL Brookfields Awatoto</b>					<b>\$179,890</b>	<b>\$173,734</b>
Clive Muddy Creek	Hastings District	Land Value	Urban (D8)	0.05732	\$219,694	\$57.32	\$231,950
	Hastings District	Land Value	Industrial (DI 8)	0.22929	\$62,529	\$229.29	\$43,490
	<b>TOTAL</b>					<b>\$282,222</b>	<b>\$275,440</b>
			<b>No. of SUIPs</b>	<b>Per SUIP</b>			
Karamū Drainage Maintenance	Hastings District	Fixed Amount	6,073	13.46887	\$82,685	\$13.47	\$74,998
Karamū Enhancement	Hastings District	Fixed Amount	6,073	12.56306	\$77,125	\$12.56	\$70,113
Kairakau Community Scheme	Central HB District	Fixed Amount	84	129.22	\$10,854	\$129.22	\$10,485
					<b>Cents in \$</b>		
Porangahau Flood Control	Central HB District	Land Value		0.00945	\$43,933	\$9.45	\$42,435
Maraetotara Flood Maintenance	Hastings District	Capital Value		0.00641	\$13,490	\$6.41	\$13,030
Poukawa Drainage Special Rating Scheme	Hastings District	Land Value	A - PO1	0.34267	\$37,751	\$342.67	\$36,386
	Hastings District	Land Value	B - PO2	0.05711	\$1,741	\$57.11	\$1,736
	Hastings District	Land Value	C - PO3	0.01142	\$742	\$11.42	\$739
<b>TOTAL</b>					<b>\$40,234</b>		<b>\$38,861</b>
<b>Drainage Schemes – Appendix A</b>							
<b>Paeroa Drainage Scheme Special Rating Area</b>				<b>Cents per hectare</b>			
	Wairoa District	Area Basis	A	7,712.00	\$14,480	\$77.12	\$14,016
	Wairoa District	Area Basis	B	5,012.80	\$5,880	\$50.13	\$5,668
	Wairoa District	Area Basis	C	3,470.40	\$1,817	\$34.70	\$1,746
	Wairoa District	Area Basis	D	2,699.20	\$1,181	\$26.99	\$1,135
	Wairoa District	Area Basis	E	385.60	\$825	\$3.86	\$795
<b>TOTAL</b>					<b>\$24,184</b>		<b>\$23,360</b>

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## Funding impact statements

Rate description	Districts	Rates set on	Differentials	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100k LV or CV, fixed amount or specified area basis per property	2020-21 Rate (previous year)
<b>Ohuia Whakakī Drainage Rating Scheme</b>				<b>Cents per hectare</b>			
	Wairoa District	Area Basis	A	15,251.99	\$45,184	\$152.52	\$43,644
	Wairoa District	Area Basis	B	12,201.59	\$10,543	\$122.02	\$10,183
	Wairoa District	Area Basis	C	9,151.19	\$6,438	\$91.51	\$6,219
	Wairoa District	Area Basis	D	4,575.60	\$16,175	\$45.76	\$15,624
	Wairoa District	Area Basis	E	1,525.20	\$3,537	\$15.25	\$3,416
	<b>TOTAL</b>				<b>\$81,877</b>		<b>\$79,086</b>
<b>Upper Mākara Stream Catchment Special Rating Scheme</b>				<b>Cents per hectare</b>			
	Central HB District	Area Basis	A	15,515.82	\$8,411	\$155.16	\$8,124
	Central HB District	Area Basis	B	12,412.66	\$23,398	\$124.13	\$22,600
	Central HB District	Area Basis	C	10,085.29	\$35,721	\$100.85	\$34,503
	Central HB District	Area Basis	D	5,430.54	\$7,163	\$54.31	\$6,919
	Central HB District	Area Basis	E	775.79	\$17,886	\$7.76	\$17,276
	Central HB District	Area Basis	F	310.32	\$13,852	\$3.10	\$13,380
	<b>TOTAL</b>				<b>\$106,431</b>		<b>\$102,802</b>
<b>Esk River &amp; Whirinaki Stream Maintenance Scheme</b>				<b>Cents per hectare</b>			
Esk River	Hastings District	Area Basis	E1	1,860.13	\$4,815	\$18.60	\$4,397
Maintenance Scheme	Hastings District	Area Basis	E2	744.05	\$1,621	\$7.44	\$1,820
	Hastings District	Area Basis	R11	2,033.30	\$628	\$20.33	\$606
	Hastings District	Area Basis	R12	8,428.95	\$392	\$84.29	\$379
	Hastings District	Area Basis	R13	28,554.65	\$392	\$285.55	\$379
	<b>TOTAL</b>				<b>\$7,849</b>		<b>\$7,581</b>
Whirinaki Stream	Hastings District	Area Basis	W1	21,251.34	\$6,562	\$212.51	\$6,339
Maintenance Scheme	Hastings District	Area Basis	W2	17,939.65	\$835	\$179.40	\$515
	Hastings District	Area Basis	W3	60,773.96	\$835	\$607.74	\$515
	Hastings District	Area Basis	W4	19,627.03	\$2,983	\$196.27	\$3,714
	Hastings District	Area Basis	W5	598.57	\$239	\$5.99	\$147
	Hastings District	Area Basis	W6	7,231.31	\$239	\$72.31	\$147
	Hastings District	Area Basis	W7	2,565.95	\$239	\$25.66	\$147
	<b>TOTAL</b>				<b>\$11,932</b>		<b>\$11,524</b>

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## Funding impact statements

Rate description	Districts	Rates set on	Differentials	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100k LV or CV, fixed amount or specified area basis per property	2020-21 Rate (previous year)
<b>Opoho Drainage/Stream</b>				<b>Per Rating Unit</b>			
	Wairoa District	Fixed Amount	A	15,890.00	\$15,890	\$15,890.00	\$15,348
	Wairoa District	Fixed Amount	B	5,925.00	\$5,925	\$5,925.00	\$5,723
	Wairoa District	Fixed Amount	C	2,370.00	\$2,370	\$2,370.00	\$2,289
	<b>TOTAL</b>				<b>\$24,185</b>		<b>\$23,360</b>
<b>Te Ngarue Stream Flood Protection Scheme</b>				<b>Cents per hectare</b>			
	Hastings District	Area Basis	TN	3,834.57	\$3,185	\$38.35	\$3,076
	Hastings District	Area Basis	TN1	20,729.63	\$175	\$207.30	\$169
	<b>TOTAL</b>				<b>\$3,359</b>		<b>\$11,524</b>
<b>Kopuawhara Stream Flood Control Maintenance</b>				<b>Cents per hectare</b>			
	Wairoa District	Area Basis	K1	17,857.06	\$2,181	\$178.57	\$2,119
	Wairoa District	Area Basis	K2	7,142.82	\$4,425	\$71.43	\$4,299
	Wairoa District	Area Basis	K3	3,571.41	\$2,588	\$35.71	\$2,514
	Wairoa District	Area Basis	K4	892.85	\$898	\$8.93	\$872
	<b>TOTAL</b>				<b>\$10,092</b>		<b>\$9,805</b>
<b>Coastal Hazards Strategy</b>							
<b>Coastal Hazards</b>			<b>No. of SUIPs</b>	<b>Per SUIP</b>	<b>Per SUIP</b>		
	Napier City	Fixed Amount	27,919	3.18042	\$88,794	\$3.18	\$86,967
	Hastings District	Fixed Amount	33,932	3.18042	\$107,916	\$3.18	\$106,837
	<b>TOTAL</b>				<b>\$196,711</b>		<b>\$193,804</b>



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## Funding impact statements

Rate description	Districts	Rates set on	Units of Charge	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100k LV or CV, fixed amount or specified area basis per property	2020-21 Rate (previous year)
<b>Biosecurity</b>							
<b>Plant Pest Strategy</b>			<b>Hectare</b>	<b>Cents per hectare</b>			
	Napier City	Area Basis	4,450	59.12618	\$2,630	\$2.39	\$2,442
	Hastings District	Area Basis	363,076	59.12618	\$214,673	\$2.39	\$209,057
	Wairoa District	Area Basis	271,920	59.12618	\$160,776	\$2.39	\$151,910
	Central HB District	Area Basis	300,792	59.12618	\$177,847	\$2.39	\$174,302
	Taupō District	Area Basis	2,028	59.12618	\$13,025	\$2.39	\$12,934
	Rangitikei District	Area Basis	11,982	59.12618	\$7,084	\$2.39	\$14,092
	<b>TOTAL</b>		<b>974,248</b>		<b>\$576,036</b>		<b>\$564,738</b>
<b>Regional Animal Pest Management Strategy</b>			<b>Hectare</b>	<b>Cents per hectare</b>			
	Napier City	Area Basis	4,450	208.68988	\$9,288	\$8.45	\$7,830
	Hastings District	Area Basis	298,874	208.68988	\$623,719	\$8.45	\$556,885
	Wairoa District	Area Basis	216,162	208.68988	\$451,107	\$8.45	\$381,858
	Central HB District	Area Basis	293,485	208.68988	\$612,474	\$8.45	\$543,074
	Taupō District	Area Basis	8,125	208.68988	\$16,956	\$8.45	\$15,903
	Rangitikei District	Area Basis	11,982	208.68988	\$25,005	\$8.45	\$43,259
	<b>TOTAL</b>		<b>833,078</b>		<b>\$1,738,549</b>		<b>\$1,548,810</b>
<b>Animal Pest - Forestry</b>			<b>Hectare</b>	<b>Cents per hectare</b>			
	Hastings District	Area Basis	64,234	71.65984	\$46,030	\$2.90	\$40,600
	Wairoa District	Area Basis	55,758	71.65984	\$39,956	\$2.90	\$35,403
	Central HB District	Area Basis	7,306	71.65984	\$5,236	\$2.90	\$4,640
	Taupō District	Area Basis	13,903	71.65984	\$9,963	\$2.90	\$8,831
	<b>TOTAL</b>		<b>141,202</b>		<b>\$101,185</b>		<b>\$89,473</b>
<b>Sustainable Land Management Strategy</b>			<b>Hectare</b>	<b>Cents per hectare</b>			
	Napier City	Area Basis	4,492	105.07200	\$4,720	\$4.25	\$3,922
	Hastings District	Area Basis	377,079	105.07200	\$396,205	\$4.25	\$381,410
	Wairoa District	Area Basis	272,775	105.07200	\$286,611	\$4.25	\$260,535
	Central HB District	Area Basis	300,786	105.07200	\$316,041	\$4.25	\$284,612
	Taupō District	Area Basis	38,288	105.07200	\$40,230	\$4.25	\$33,377
	Rangitikei District	Area Basis	10,192	105.07200	\$10,709	\$4.25	\$20,976
	<b>TOTAL</b>		<b>1,003,612</b>		<b>\$1,054,515</b>		<b>\$984,832</b>

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## Funding impact statements

Rate description	Districts	Rates set on	Differentials	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100k LV or CV, fixed amount or specified area basis per property	2020-21 Rate (previous year)
<b>Sustainable Homes Scheme</b>							
<b>Sustainable Homes</b>	Napier City (Airzone 1 & 2)	Land Value		0.004240	\$356,334	\$4.24	\$374,869
(Healthy homes – clean heat)	Hastings District (Airzone 1 & 2)	Land Value		0.004690	\$324,364	\$4.69	\$304,364
	<b>TOTAL</b>				<b>\$680,698</b>		<b>\$679,233</b>
<b>Sustainable Homes Financial Assistance</b>							
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		<b>10.00000</b>			
<b>Erosion Control Scheme - Riparian and Afforestation</b>							
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		<b>10.00000</b>			
<b>Economic Development</b>							
			<b>No. of Rating Units</b>	<b>Per Rating Unit</b>			
Residential	Napier City	Fixed Amount	25,261	11.69000	\$295,295	\$11.69	\$240,510
	Hastings District	Fixed Amount	31,145	11.69000	\$364,079	\$11.69	\$301,840
	Wairoa District	Fixed Amount	4,886	11.69000	\$57,120	\$11.69	\$47,704
	Central HB District	Fixed Amount	6,351	11.69000	\$74,237	\$11.69	\$61,154
	Taupō District	Fixed Amount	55	11.69000	\$643	\$11.69	\$538
	Rangitikei District	Fixed Amount	2	11.69000	\$23	\$11.69	\$49
	<b>TOTAL</b>		<b>67,699</b>			<b>\$791,398</b>	
<b>Commercial</b>							
				<b>Cents in \$</b>			
Commercial	Napier City	Capital Value		0.02838	\$811,200		\$28.38
	Hastings District	Capital Value		0.03160	\$963,992	\$31.60	\$778,460
	Wairoa District	Capital Value		0.03619	\$20,145	\$36.19	\$17,381
	Central HB District	Capital Value		0.03470	\$51,427	\$34.70	\$45,348
	<b>TOTAL</b>				<b>\$1,846,764</b>		<b>\$1,520,137</b>

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## Funding impact statements

Rate description	Districts	Rates set on	Differentials	Calculation factor	Estimated rates revenue 2021-22	Estimated amount of \$100k LV or CV, fixed amount or specified area basis per property	2020-21 Rate (previous year)
<b>CDEM Emergency Management</b>			<b>No. of SUIPs</b>	<b>Per SUIP</b>			
	Napier City	Fixed Amount	27,919	33.99333	\$949,060	\$33.99	\$929,617
	Hastings District	Fixed Amount	33,932	33.99333	\$1,153,445	\$33.99	\$1,143,492
	Wairoa District	Fixed Amount	5,132	33.99333	\$174,461	\$33.99	\$174,382
	Central HB District	Fixed Amount	6,670	33.99333	\$226,719	\$33.99	\$223,748
	<b>TOTAL</b>		<b>73,652</b>		<b>\$2,503,685</b>		<b>\$2,471,239</b>

## Fees and charges

### 1. 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 be either specific amounts or determined by charging scales.

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

- consent applications
- compliance monitoring
- freshwater science research and monitoring
- contaminated sites.

There is also a charging regime for gravel that is taken under the HBRC global resource consents that apply to the Tūtaekurī, Ngaruroro and Tukituki river catchments. This is not a resource management charge but is established to identify how the Asset Management Group will recover the costs of managing the abstraction of gravel resources from these rivers while maintaining and managing the river and flood control schemes.

These charges will reflect actual and reasonable costs agreed and adopted in the 2021-31 Long Term Plan following consultation, and applied in the year 2021-22.

### 1.1 Charges relating to resource consent 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 an initial fixed fee 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.

#### Initial fixed fees for processing resource consent applications

Table 8 and Table 9 set out the initial 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 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.

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## Fees and charges

Table 8: Charges payable for processing resource consent applications 2021-22

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)	\$1,000	
- Land use consent for gravel extraction	\$1,000	
- Other consent applications	\$2,000	
Other changes or cancellations of consent conditions	\$750	
Review of conditions as per RMA s128 1a, 1c or 2.	\$1,500	Based on actual and reasonable costs
Transfer a consent to another site	\$1,000	Based on actual and reasonable costs
Extensions to lapse dates	\$1,000	Based on actual and reasonable costs
Transfer of resource consent (1 only, with transfer form completed and signed) to a new owner/occupier	\$200	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	\$250	Based on actual and reasonable costs for non-standard process
<b>Certificate of compliance/ deemed permitted activity:</b>		
Bore sealing	no charge	N/A
Confirmation of domestic on-site wastewater Permitted Activity status	\$750	Based on actual & reasonable costs <sup>1</sup>
Issuing a notice under s87BA or BB stating whether an activity is a permitted activity	\$1,500	Based on actual and reasonable (likely to be lodged as a consent)
Other	\$1,500	Based on actual & reasonable costs

**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 22); and adding any hearing costs and any costs of consultants and commissioned reports; and then subtracting the fixed charge that was 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 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 8.

Table 9: Charges for resource consent applications requiring notification or a hearing 2021-22

Application type	Type of fixed fee (excl GST)			Additional charge – payable subsequent to processing
	Initial fixed fee: payable upon application	Fixed fee: payable upon notification	Fixed fee: payable 5 days before hearing	
Individual resource consent application (including applications for ancillary activities)	(per table 8)	\$5,000	\$7,500	Based on actual and reasonable costs <sup>1</sup>
Application processed as part of a catchment wide replacement process	(per table 8)	\$1,500	\$2,000	Based on actual and reasonable costs <sup>2</sup>
Request for independent commissioner under section 100A	Fixed fee payable on requesting a commissioner (excl GST)			Additional charge - payable subsequent to processing
Fixed fee payable on requesting an independent commissioner	\$3,000 per commissioner			Based on actual and reasonable costs <sup>1</sup> of additional cost incurred as a result of using an independent commissioner

### 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, a portion of the charge as set out in Table 8 and Table 9 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. Also, they may appoint independent commissioners if there is a need to ensure that areas of expertise are covered, to avoid conflicts of interest or to expedite the process. 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 section 100A of the RMA.

- Actual meeting fee allowances at the rate approved for elected members by the Remuneration Authority, which is currently \$80 an hour for each hearing panel member other than the chairperson who is paid \$100 an hour.
- Actual mileage for hearing panel members travelling to and from the hearing at the rate approved by the Remuneration Authority which is currently 79¢ a kilometre.
- Actual accommodation costs for a hearing panel member to stay overnight rather than return home.
- Actual meeting fee allowances for each of the hearing panel 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 policy and regulation).
- The costs associated with the use of an independent hearing commissioner where the use of a commissioner has been occasioned 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 (section 100A)

Applicants and/or submitters have the ability to request that independent commissioners hear and decide publicly on 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 section 36 (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 \$3,000 per 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.

### Hearing decision writers

The following charges shall be payable by the applicant except for those costs incurred under section 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 are 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)

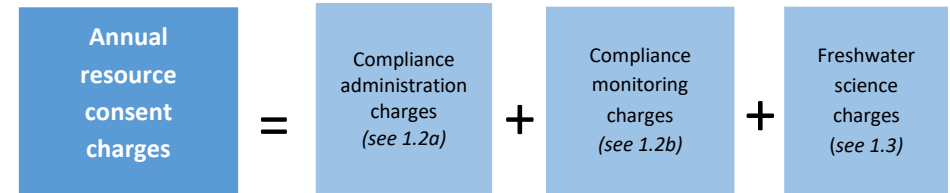
HBRC from time to time may commission reports in accordance with section 92(2) of the RMA to determine the cumulative effects of an activity or activities. Where the activity meets the following criteria, HBRC may contribute to the costs of preparing the report to a maximum of 25%, up to a maximum of \$5,000.

HBRC's contribution is at the discretion of the group manager, policy and regulation and the following criteria must be met for a discount to be considered:

- The commissioned report must directly inform a plan change that HBRC has committed to in the applicable long term 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.

## 1.2 Charges to holders of resource consents for administration, compliance and impact monitoring

Annual consent monitoring and admin charges are made up of the following:



Not all the charges in the diagram above are applicable to all resource consents. Refer to the relevant section below for further detail.

### 1.2a Compliance administration charges

#### Annual consent administration fee

Holders of consents that require ongoing monitoring will be charged a new annual administration fee (as set out in table 10). This annual charge covers routine administration costs such as consent database and file system maintenance, compiling and monitoring accounts, correspondence to consent holders (e.g. around expiring consents) and general administration and enquiries.

Exemptions to the annual compliance administration charge include the following consent types; water takes, residential domestic effluent systems (permitted activity and accredited/non-accredited systems), bore permits, forestry permitted activities, land use permitted activities, and consents that no longer require monitoring.

#### Water measuring device administration charge

Holders of resource consents to take water which require a water measuring device, will be charged an annual administration fee for:

- administration and checking of the records for the installation and verification of the water meters; and
- the retrieval, checking and processing of water meter data.



The fixed charges are set according to the number of meters required per consent, as outlined in Table 10. 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 on an actual and reasonable basis.

### 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). Consent holders will be charged an annual fixed charge (as set out in Table 10). Should the fixed charges not cover the actual and reasonable costs associated with the low flow monitoring programme, an additional charge shall be made against all consents subject to the low flow condition monitoring, to recover the actual and reasonable costs incurred.

Table 10: Charges for compliance administration 2021-22

	Annual charge (excl GST)
Annual consent administration fee	\$ 75
Annual water measuring device admin charge (for first meter) PLUS, each additional water measuring device	\$210 \$ 40
Annual water measuring device admin charge - non exercised consent	\$ 40
Low flows annual monitoring fee	\$250

### 1.2b Compliance monitoring charges

Consent holders whose consents require annual inspection, and/or information return, and/or a sampling undertaken by HBRC staff will be charged based on the actual and reasonable costs to undertake the total annual monitoring activity. 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 Table 22). 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.

These charges are invoiced after inspections or invoiced quarterly for the consents that either have more than one inspection or ongoing monitoring throughout the year.

Consent holders should check the conditions of the consent to determine whether sampling, water use or other information is required. For new consents, the consent holder will be advised of the likely annual monitoring requirements when the consent is issued; thereafter the previous year’s monitoring costs will act as an indication of monitoring costs.

### Monitoring of National Environmental Standards for Plantation Forestry (NES-PF) permitted activities

Charges for monitoring of NES-PF permitted activities will be for actual and reasonable costs as permitted by the regulations, including:

- site inspection (where required)
- reporting
- associated administration; and
- non-compliance follow ups.

Monitoring of all other permitted activities will be undertaken in accordance with the relevant National Environment Standards or relevant legislation for the activity. Those undertaking the activity may be charged based on the actual and reasonable costs to Council for monitoring the activity, where charges are permitted to be made by the relevant regulations.

### Monitoring of domestic on-site wastewater treatment systems charges

Consent holders with a domestic on-site wastewater treatment system type that is not on 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 as set out in Table 11.

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

### Charges for non-compliance

Additional monitoring charges will be made to consent holders 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. The additional charge will be based on actual and reasonable costs to undertake the monitoring.

Consent holders will be charged an additional administration fee for late submission of records and monitoring reports required to be supplied under the conditions of the consent. Anyone who is issued an abatement notice will be charged an administration fee to recover the costs associated with issuing that notice. These fees are set out in Table 11.

Table 11: Charges for compliance monitoring 2021-22

	Charge (excl GST)
On-site wastewater treatment - non-accredited - annual monitoring fee	\$385
Issuing of abatement notice	\$180
Late submission of data and information returns	\$180
Monitoring of consents which require annual inspection, and/or information return, and/or sampling undertaken	Actual and reasonable costs of staff time incurred
Monitoring of National Environmental Standards for Plantation Forestry permitted activities	Actual and reasonable costs of staff time incurred
Additional monitoring as a result of non-compliance with consent conditions	Actual and reasonable costs of staff time incurred

### 1.3 Charges to holders of resource consents for freshwater management research/investigations and monitoring (annual freshwater science charges)

Discharges to water or land and water take consent holders are charged for the costs of performing science investigations and monitoring to manage and inform on effects, or potential effects, on the region's freshwater resources. These charges are authorised by section 36 of the RMA. Benefits to consent holders of this science and monitoring include the protection of the resource through its management on a sustainable basis and early warning of changes in resources. Consent holders pay for only a part of the costs of this science. The regional community pays for the rest via the general rate, as the wider community also benefits from the information gained. The proportion of the freshwater science costs recovered from consent holders is set in the Revenue and Finance Policy.

As part of the 2021-31 Long Term Plan development, HBRC consulted with all current consent holders of water take, discharge to water, and discharge to land resource consents on the change to the methodology for freshwater science charges.

#### Allocation of charges

Costs related to water quantity science and monitoring are allocated to water take consent holders. Costs related to water quality science and monitoring are allocated to consent holders of discharge to water consents and discharge to land consents in a manner that may enter water.

#### Water take consents – basis for charges

Charges are levied against consented weekly volume of take (m<sup>3</sup>/week), with a tiered charged rate for different volume ranges, and a minimum charge as set out in Table 12. Charges for ground water, surface water and stream depleter takes are calculated using the same charge rate structure. Charges are levied against consented volumes, not actual use. Non-exercised/partially exercised consents are not discounted.

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## Fees and charges

Consents that share a defined volume of water will cumulatively attract a freshwater science charge that recognises (but does not duplicate) this total entitlement.

Where a maximum weekly take condition is not specified in the consent, a deemed weekly volume will be calculated by conversion of the consented maximum daily/28 day/monthly take rate or maximum annual take.

Charges for water take consents for dam fill for irrigation with low flow conditions will be levied against consented weekly volume (m<sup>3</sup>/week), modified by a differential reduction of 25%, due to these activities occurring for short periods during the year, at times where water resources are less stressed.

Charges for water take consents for shingle washing will be levied against consented volume (m<sup>3</sup>/week), modified by a differential reduction of 80% due to the non-consumptive nature of this activity.

Charges for water take consents for hydro power generation will be levied against consented weekly volume (m<sup>3</sup>/week), modified by a differential reduction of 99.25% due to the large volumes and non-consumptive nature of this activity.

Table 12: Charges to consent holders for Freshwater Science: WATER TAKES

	Annual variable charge rate 21-22 (excl GST)	
	\$	Units
Minimum charge	\$205	Per consent
Volume up to 100,000 m <sup>3</sup>	\$0.065	Per m <sup>3</sup> deemed weekly volume
Volume from 100,000 to 1,000,000 m <sup>3</sup>	\$0.045	Per m <sup>3</sup> deemed weekly volume
Volume from 1 million to 2 million m <sup>3</sup>	\$0.022	Per m <sup>3</sup> deemed weekly volume
Volume above 2 million m <sup>3</sup>	\$0.006	Per m <sup>3</sup> deemed weekly volume

For example, if your consented weekly take is 110,000m<sup>3</sup> your charge will be calculated as follows: 100,000m<sup>3</sup>@\$0.065 per m<sup>3</sup> = \$6,500, plus 10,000m<sup>3</sup> @ \$0.045 per m<sup>3</sup> = \$450. Total charge (excluding GST) = \$6,950.

### Discharges to land or water consents – basis for charges

Consents to discharge to freshwater, or to discharge to land in a manner that may enter water, are included in the annual water science charges, as set out in Table 13. Charges are levied against each consent based on:

- the receiving body of the discharge (land or water), and
- the scale of activity as defined in Table 14.

Some activities are not scaled, though HBRC may apply a scale factor to charges if outliers become apparent. Non-exercised/partially exercised consents are not discounted.

Table 13: Charges to consent holders for Freshwater Science: DISCHARGE CONSENTS

Annual fixed charge 21-22 (excl GST)			
Primary purpose: Drainage, sewage, stormwater & wastewater			
Discharge to:		Water	Land
Small	1	\$ 877	\$ 438
	2	\$1,754	\$ 877
	3	\$2,631	\$1,315
Medium	4	\$3,508	\$1,754
	5	\$4,385	\$2,192
	6	\$5,262	\$2,631
Large	7	\$6,138	\$3,069
	8	\$7,015	\$3,508
	9	\$7,892	\$3,946
Activities not scaled:			
Discharge to:		Water	Land
Solid waste		\$3,508	\$1,752
Other		\$1,754	\$ 877

### Invoicing

Invoices will be raised during the third quarter (Feb/Mar) of each financial year for an annual charge amount, with due date for payment by the 20th of the following month. In June, any new eligible consents issued since the first invoice round of the year will be invoiced. New consents issued during the year will only be charged for the portion of the year beginning from the date the consent was granted.

During the financial year, if a consent is surrendered or expires and is not replaced by a subsequent consent, then the water science charges only apply to the period that the consent was current. The consent holder can request a refund of freshwater science charges for the period from the date of the surrender/expiry to the end of the financial year. HBRC may not accept a surrender of consent unless the freshwater science charges owed have been paid. Consents that have expired but are able to be exercised due to section 124 protection, will not qualify for this refund, and will be charged as if the consent is still current.

Charges are levied against current consent holders at the time of invoicing. If a consent has not been transferred prior to invoicing, or if the consent is transferred partway through the year (after the invoice has been issued), the annual charge will stand with the consent holder at the time of invoicing. Any apportionment of freshwater science charges after a consent transfer has taken place remains the responsibility of the respective owners.

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 freshwater science charging regime upon the surrender of the latter consent.

### Exemptions

The following consent activities are excluded from the freshwater science charges:

- Discharges to land or water, or water takes exercised once or intermittently for a short period (less than six months), and which have a negligible environmental impact.
- Discharges or water takes exercised for activities with the primary objective of improving the environment, as assessed by Council consents staff.
- Discharges to water for the primary purpose of generating hydroelectricity (due to this being a consequential activity of a water take consent, which will still attract a freshwater science charge).
- Discharge to land consents for domestic effluent from a single domestic dwelling, or where the maximum daily discharge is less than or equal to 2m<sup>3</sup> (excluded based on the minor nature of this activity).
- Discharges to coastal waters are exempt from freshwater science charges, as Council has determined under the Revenue and Financing policy that Marine Science costs are funded 100% from general rates. The majority of consent holders discharging to coastal water are mandated under their consent conditions to undertake considerable environment monitoring in the location around their discharges and submit these results to the Regional Council annually.
- Water take consents for the purpose of frost protection only are exempt, based on the short period of use, and that typically the consent holder also has another water take consent at the same location for irrigation purposes. Note that if frost protection activities are included in a water take consent for irrigation or other purposes, the charges will be calculated on the main purpose water take volume conditions.
- Where there are two or more discharge to land consents relating to the same activity at the same location, only the largest scaled discharge consent will attract the freshwater science charge.
- Where there are two or more discharge to water consents relating to the same activity at the same location, only the largest scaled discharge consent will attract the freshwater science charge.

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Table 14: Definition of discharge consent scale of activity

Primary purpose of discharge	Small			Medium			Large		
	1	2	3	4	5	6	7	8	9
Drainage	Max discharge rate: < 10 l/s	Max discharge rate: 10 - 25 l/s	Max discharge rate: 26 - 75 l/s	Max discharge rate: 76 - 200 l/s	Max discharge rate: 201 - 1,000 l/s	Max discharge rate: 1,001 - 5,000 l/s	Max discharge rate: 5,001 - 10,000 l/s	Max discharge rate: 10,001-20,000 l/s	Max discharge rate: > 20,000 l/s
Sewage	Max discharge: 2-5 m3/day	Max discharge: 6-10 m3/day	Max discharge: 11-50 m3/day	Max discharge: 51-100 m3/day	Max discharge: 101-200 m3/day	Max discharge: 201-500 m3/day	Max discharge: 501-1,000m3/day	Max discharge: 1,001-2,000 m3/day	Max discharge: > 2,000 m3/day
Stormwater	Catchment area: < 1 Ha	Catchment area: 1 to 5 Ha	Catchment area: 6 to 10 Ha	Catchment area: 11 to 20 Ha	Catchment area: 21 to 40 Ha	Catchment area: 41 to 60 Ha	Catchment area: 61 to 80 Ha	Catchment area: 81 to 100 Ha	Catchment area: > 100 Ha
Wastewater	<i>Dairy &amp; Piggery operations:</i> Herd size < 100 cow equiv. <i>All other operations:</i> Max discharge < 15 m3/day	<i>Dairy &amp; Piggery operations:</i> Herd size 100-400 cow equiv. <i>All other operations:</i> Max discharge 16-50 m3/day	<i>Dairy &amp; Piggery operations:</i> Herd size 401-700 cow equiv. <i>All other operations:</i> Max discharge 51-250 m3/day	<i>Dairy &amp; Piggery operations:</i> Herd size 701-1,000 cow equiv. <i>All other operations:</i> Max discharge 251-1,000 m3/day	<i>Dairy &amp; Piggery operations:</i> Herd size 1,001-1,300 cow equiv. <i>All other operations:</i> Max discharge 1,001-2,000 m3/day	<i>Dairy &amp; Piggery operations:</i> Herd size 1,301-1,600 cow equiv. <i>All other operations:</i> Max discharge 2,001-5,000 m3/day	<i>Dairy &amp; Piggery operations:</i> Herd size 1,601-2,000 cow equiv. <i>All other operations:</i> Max discharge 5,001-10,001 m3/day	<i>Dairy &amp; Piggery operations:</i> Herd size 2,001 to 3,000 cow equiv. <i>All other operations:</i> Max discharge 10,001-20,000 m3/day	<i>Dairy &amp; Piggery operations:</i> Herd size >3,000 cow equiv. <i>All other operations:</i> Max discharge > 20,000 m3/day
Solid waste and other	No scale applied. HBRC may apply scale factor to "non-scaled" discharge consents if outliers become apparent.								

**Note:** Sheep, goats and pigs are converted to cow equivalents using the following conversions; 6.5 sheep = 1 cow equiv, 8.13 goats = 1 cow equiv, 3.75 pigs = 1 cow equiv.

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## Fees and charges

### 1.4 Charges relating to contaminated site management

These charges outlined in Table 15, are set in accordance with section 150 of the Local Government Act 2002. Actual and reasonable costs of staff time will be calculated using the relevant hourly rate for the staff involved (Table 22).

Table 15: Charges relating to contaminated site management

	Charge (excl GST)
Where a party requests information about the 'contaminated site' status of a property	Actual and reasonable costs of staff time incurred
Where a party requests HBRC review and comment on contaminated site investigation and remediation reports	Actual and reasonable costs of staff time incurred
Where a party requests more extensive involvement of HBRC staff	Actual and reasonable costs of staff time incurred

### 1.5 Charges for gravel extraction

#### 1.5a Charges for gravel taken under HBRC resource consents

Charges will be levied for gravel taken under the HBRC resource consents AUTH-123467-01, AUTH-123469-01 (Ngaruroro River), AUTH-123447-01, AUTH-123453-01 (Tukituki River) and AUTH-123452-01, AUTH-123458-01 (Tūtaekurī River).

#### Permissions, compliance monitoring and administration charges

The Regional Council is required to monitor each river to determine gravel availability and the effects of gravel abstraction on flood carrying capacity and on the integrity of flood control schemes, on the environment and on the community. It is also required to ensure that parties taking gravel under the HBRC global consents are compliant with the conditions of those resource consents. Each party taking gravel under the HBRC consent will be required to obtain a permission from the Asset Management Group and pay compliance monitoring and administration charges based on the volume of gravel extracted, the source of the gravel, and its quality, as set out in Table 16. The charges include the provision of infrastructure to access the resource (i.e. roading and stock pile areas).

The categories are:

- 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)
- material from Heretaunga Plains Flood Control Scheme (HPFCS) rivers including lower & middle Tukituki.

Charges for receiving, processing, and issuing permissions to extract gravel under the HBRC resource consents, are payable to HBRC in advance. Charges for gravel extraction are due and payable to HBRC monthly, on the same day as extraction declarations.

Table 16: Charges for gravel extraction under HBRC resource consents 2021-22

Permissions to extract gravel under HBRC resource consents:	Charge (excl GST)
0-50 cubic metres	\$80
Greater than 50 cubic metres	\$120
Extraction charge for compliance monitoring, environmental mitigation and administration:	Charge per cubic metre extracted (excl GST)
Upper Tukituki	\$0.80
HPFCS rivers including lower & middle Tukituki	\$1.20
Inferior grade	\$0.40

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## Fees and charges

### 1.5b Charges for gravel extraction taken via individual resource consents

#### Resource Consent applications

The charge for receiving and processing a consent application for extraction of gravel from rivers are as set out in Table 16. Additional costs may be charged if the processing costs exceed the initial fixed fee (deposit).

#### Compliance monitoring, administration charges and financial contributions for gravel extraction

The Regional Council is required to monitor each river to determine gravel availability and the effects of gravel abstraction on flood carrying capacity, on the environment and on the community, and to ensure that parties taking gravel are compliant with the conditions of the resource consents. Each party taking gravel will be required to pay compliance monitoring and administration charges based on the volume of gravel extracted, the source of the gravel, and its quality, as set out in Table 17. The categories include:

- inferior grade material (as determined by HBRC staff)
- all other material, other than that extracted from Tukituki, Ngaruroro, Tūtaekurī Rivers and their tributaries.

Charges for gravel extraction are due and payable monthly on the same day as extraction declarations.

Table 17: Charges for gravel extraction via individual resource consents based on \$ per cubic metre extracted per annum 2021-22

	State of Environment monitoring charge (s35 of RMA)	Compliance / allocation charge (s36 of RMA)	Financial contribution (s108 of RMA)	Total (excl GST)
All rivers (other than Tukituki, Ngaruroro, Tūtaekurī Rivers, and their tributaries)	\$0.20	\$0.60	\$0.08	\$0.80
Inferior grade	\$0.20	NA	\$0.08	\$0.20



### 2. Building Act charges for dams

The processing of building consents for dams, issuing of project information memoranda (PIMs) for dams and administering dam safety regulations are 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.

Note that PIMS can be requested from Local Authorities under the Building Act for any property (other than dams). HBRC will recover costs of providing information on a property to the local authority requesting that information, based on actual costs.

#### Building consent costs

The function for consenting dams under the Building Act (2004) 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 as 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 8 under Resource Management charges.

#### PIM costs

A fixed charge (deposit) listed in Table 18 is payable in advance and an additional charge may be payable once the PIM has been provided, based on actual costs.

#### 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 18.

#### Ministry of Building, Innovation & Employment and Building Research Authority of New Zealand levies

Ministry of Building, Innovation & Employment (MBIE) and Building Research Authority of New Zealand (BRANZ) levies are required by the Building (Levy) Regulations 2019, and the Building Research Levy Act 1969. These levies may change in accordance with amendments made to regulations. HBRC is required to collect and pay MBIE 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 \$20,444:

- MBIE levy – \$1.75 inc GST for every \$1,000 (or part of \$1,000) of the estimated value of the building work.
- BRANZ levy – 0.1% of the contract value (above \$20,000) of the estimated value of the building work.

#### 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 22).

An additional charge will apply to:

- all PIMs, applications for a Certificate of Acceptance, and applications for an Amendment to a Compliance Schedule, when the fixed charge (deposit) 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.

# Part 6 - Financials | Pūrongo Pūtea

## Fees and charges

Table 18: Charges for Building Act applications 2021-22

Activity	Deposit (excl GST)
Building consent for dams - Project Information Memorandum (PIM)	\$500
Certificate of acceptance - Dam valued up to \$20,000 - Dam valued between \$20,000 and \$100,000 - Dam valued over \$100,000	\$500 \$2,000 \$4,000
Amendment to compliance schedule	\$1,000

### 3. Maritime Transport, Navigation & Safety 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.

Approval of contingency plans, 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 Table 19.

Table 19: Tier 1 Marine Oil Response charges 2021-22

	Charge (excl GST)
Review or approval of a Tier 1 marine oil spill response plan, including an initial audit.	\$130 per hour
Attendance at Tier 1 plan site visit, exercise, or audit	\$130 per hour

#### Charges for Napier Port

An annual fixed charge will be levied to Napier Port, based on 60% of the budgeted annual costs for navigational safety management activities.

#### Navigation and Safety By-law charges

The Local Government Act enables HBRC to charge for various functions it undertakes in accordance with the Navigation and Safety By-laws. 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 to the master, owner or person who caused the cost to be incurred.

Other navigation and safety charges are as outlined in Table 20.

Table 20: Navigation and Safety charges 2021-22

	Charge (excl GST)
<b>Passenger Vessel Licence (annual)</b>	
– Passenger Vessel Owner’s Licence	\$70
– Passenger Vessel Licence (per vessel)	\$40
<b>Hire boat Licence (annual)</b>	
– Hire boat Owner’s licence	\$70
<b>Hire boat Licence (annual per craft)</b>	
– Kayak	\$6
– Windsurfer	\$7
– Rowing boat	\$10
– Sailboat	\$20
– Jet ski	\$20
– Powerboat	\$40
<b>Pilot-exemption Recommendations/Revalidation</b>	\$300
<b>Pilotage assessment fee</b>	\$250
<b>Fee for issuing hot work permit</b>	\$145
<b>Applications for Suspension or Exemptions under Bylaw 5.1</b>	
– Public Notification	\$100 plus Actual Advertising Costs
<b>Jet Ski licensing and registration (per craft)</b>	
- Individual licensing	\$43.47
- Registration sticker	\$17.39

### 4. Charges for the preparation of, or change to a regional plan

Applications for the preparation of, or change to, any regional plan will be subject to a fixed charge deposit, payable in advance as set out in Table 21.

Table 21: Charges for preparation or changes to a regional plan 2021-22

	Deposit (excl GST)
Application for the preparation of, or change to, a regional plan	\$40,000

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 22) 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.

### 5. Charges for the provision of information

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 22. 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 more than 20, then the rates set out in Table 22 will apply.

Table 22: Charge rates for the purpose of calculating actual costs (2021-22)

Item	Per hour (excl GST)
Executive	\$170
Corporate Services	\$ 70
Emergency Management	\$ 93
Transport	\$ 79
Governance & Partnerships	\$ 87
Policy & Planning	\$ 94
Asset Management	\$140
<b>Integrated Catchment Management</b>	
- Environmental Science	\$140
- Environmental Information	\$ 78
- Water Information Services	\$ 76
- Catchment Management	\$ 84
- Biodiversity & biosecurity	\$ 86
<b>Consents and Compliance</b>	
- Resource consent processing	\$155
- Resource consent administration	\$ 90
- Compliance/impact monitoring of consents	\$130
- Harbourmaster	\$106
<b>Disbursement costs shall be charged at the rates set out below:</b>	
- Accommodation	- Actual cost but not exceeding \$200 per night
- Public notification	- Actual advertising costs
- Photocopying	- 20c per A4 page B&W
	- 40c per A4 page colour
	- 30c per A3 page B&W
	- 70c per A2 page B&W
- External laboratory testing	- Actual cost
- Consultant fees	- Actual cost

### 6. 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 Fees and charges section shall be borne as a debt by the party whose actions caused the initial charge.

# Part 7 Policies

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## Introduction

The following pages cover the policies and assumptions that guide Council decision-making, most of which must be included in the Long Term Plan under schedule 10 of the Local Government Act 2002 (LGA). A statement on Council-Controlled Organisations, as required by clause 7 of schedule 10 of the LGA, is also included.

## Investment Strategy

The Investment Strategy sets out the Council's objectives and target returns from its investment portfolio, which is an important element of its Financial Strategy, both as a mechanism for protecting and maintaining intergenerational equity and as a funding source to reduce rates. It also sets out a process to recognise capital gains. The Investment Strategy provides the broad outline and general direction for how expectations will be met. The strategy is then implemented through the Council's Statement of Investment Policy and Objectives (SIPO), Hawke's Bay Regional Investment Company Ltd (HBRIC) Letter of Expectation and in HBRIC's Statement of Intent and the Treasury Policy.

## Treasury Policy

Under section 102 of the LGA, the Council must adopt (amongst other financial policies) a liability management policy and an investment policy. The Treasury Policy incorporates both these policies. The objective of the Treasury Policy is to control and manage borrowing costs and investment returns that can influence operational budgets, public equity and the setting of debt levels. It implements the Investment Strategy.

## Policies on rates remission and postponement

Under section 102 of the LGA, the Council may adopt either a rates remission policy or a rates postponement policy and in doing so must consult on the draft policy prior to adoption or amendment.

## Revenue and Financing Policy

A long term plan must include the Council's revenue and financing policy already adopted under section 102 of the LGA. The policy provides predictability and certainty about sources and levels of funding.

## Significance and Engagement Policy

A long term plan must contain a summary or full description of the Council's significance and engagement policy adopted under section 76AA of the LGA. The policy must set out:

- the general approach to determining the significance of proposals and decisions in relation to issues, assets, and other matters
- any criteria or procedures that are to be used in assessing the extent to which issues, proposals, assets, decisions, or activities are significant or may have significant consequences
- how the Council will respond to community preferences about engagement on decisions relating to specific issues, assets, or other matters, including the form of consultation that may be desirable
- how the local authority will engage with communities on other matters.

## Statement on council-controlled organisations

A long term plan must, in relation to each council-controlled organisation (CCO) in which the Council is a shareholder, name the CCO and any subsidiary, identify the significant policies and objectives in relation to ownership and control of the CCO, identify the nature and scope of the activities to be provided by the CCO and key performance targets and other measures by which performance is to be judged.

## Significant forecasting assumptions

A long term plan must clearly identify all the significant assumptions and risks underlying the financial estimates including the assumptions concerning the life cycle of significant assets, and sources of funds for the future replacement of significant assets. In any case where significant forecasting assumptions involve a high level of uncertainty, the fact of that uncertainty, and an estimate of the potential effects of that uncertainty on the financial estimates must be provided.

Standalone copies of these documents can also be found online at [www.hbric.govt.nz](http://www.hbric.govt.nz)



## Investment Strategy

### 1. Purpose and background

#### 1.1 Introduction

Section 101A of the Local Government Act 2002 requires local authorities to prepare and adopt a financial strategy as part of its long-term plan (LTP).

The purpose of the financial strategy is to facilitate prudent financial management by providing a guide to consider proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt and investments.

Council's (i.e. HBRC and HBRIC) investments are an important aspect of its financial strategy, both as a mechanism for protecting and maintaining intergenerational equity, and as a funding source to reduce rates.

Council investments are managed as per the following guiding principles:

- Council is a custodian of its investments on ratepayers' behalf.
- By default, generally commercial investments will be considered by HBRIC whereas HBRC will operate as a passive investor.

#### 1.2 Background

As a result of the August 2019 initial public offering of Napier Port on the NZX, in which HBRIC sold a 45% shareholding, Council has an increasingly diverse range of investments. This growth has meant Council's investment holdings are becoming an increasingly important enabler for Council to achieve its wider LTP objectives.

Both HBRC and HBRIC own and manage investments on Council's behalf. HBRC has a number of forestry, property and managed fund holdings which are held for a range of reasons (both commercial and non-commercial).

HBRIC (a CCTO) is responsible for owning and managing Council's direct commercial investments. For instance, Napier Port Holdings Limited (Council's largest direct

investment) is held by HBRIC. In the future it is Council's intention for HBRIC to be the vehicle through which commercial investments are made.

HBRC benefits from HBRIC's investments through regular dividend payments which are used to meet wider Council objectives.

#### 1.3 Purpose

The purpose of this Investment Strategy is to outline Council's approach to managing its investment assets. The Investment Strategy reflects the principles agreed upon with Councillors as part of the 2021-31 LTP process. It builds on this work by providing detail regarding the operational elements required to implement the Investment Strategy.

This Investment Strategy covers Council's investment assets. This includes:

- Council's shareholding in Napier Port Holdings Limited
- Council's forestry holdings
- Council's externally managed funds
- Council's Wellington property holdings.

Council's endowment leasehold land holdings have been excluded from this Investment Strategy. This is because the cash flow from this land was sold for 50 years to ACC in the financial year ending June 2014. There is also limited saleability associated with this holding given existing contractual arrangements. However, from time to time properties will be sold and profits over and above the amount owing to ACC will be transferred to the long term investment fund.

The rest of this Investment Strategy document provides an overview of the Investment Strategy along with the mechanisms required to implement it.

### 2. Hierarchy of documents

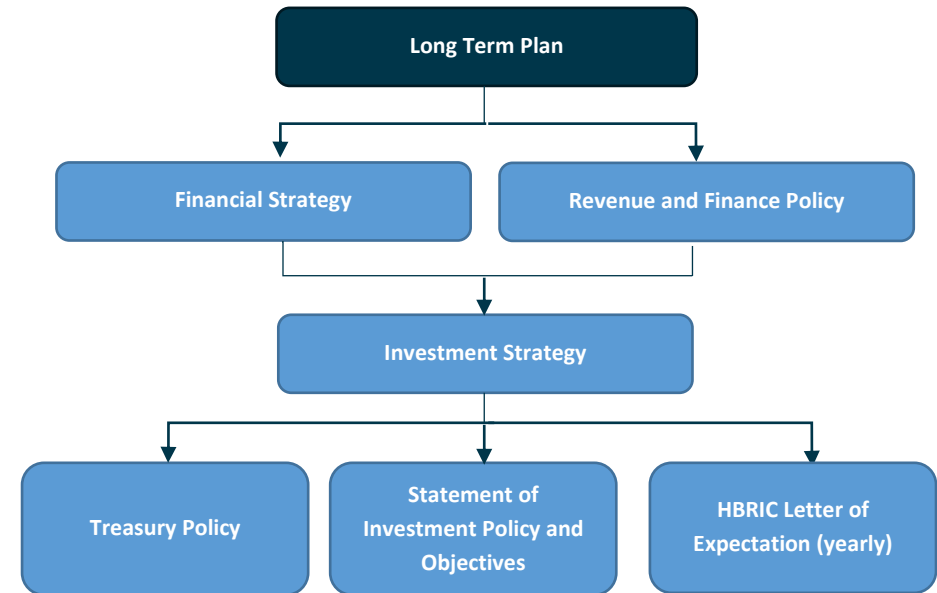
Council’s Investment Strategy cannot be read in isolation and interacts with many other Council documents.

It is established based on the principles in Council’s LTP, Financial Strategy and Revenue and Financing Policy. These documents also outline Council’s investment expectations.

The Investment Strategy provides the broad outline and general direction for how these expectations will be met. The Strategy is then implemented in the following documents that sit below it:

- Council’s Statement of Investment Policies and Objectives (SIPO) details the approach to managing specific externally managed funds under the Investment Strategy.
- The HBRIC Letter of Expectation outlines Council’s dividend expectations. The substance of this is then reflected in HBRIC’s Statement of Intent.
- Finally, the Treasury Policy provides greater detail on items for which Council approval is required. This includes items relating to:
  - ethical/responsible investing
  - permitted delegations
  - counterparty risk
  - investment reporting.

Figure 1: Hierarchy of documents



### 3. Definitions

**Cash return:** The income received from Council’s investments (e.g. Napier Port dividends, managed fund income and rental income) after fees and taxes.

**Napier Port income:** Dividends received from Napier Port Holdings Limited after taxes.

**Gross return:** The cash return received and unrealised capital gains from Council’s investments after fees and taxes.

**Investment income:** Includes managed funds income, dividends and property income after fees and taxes.

**Managed fund income:** Dividend, interest payments and distributed realised capital gains received from Council’s managed funds after fees and taxes.

**Property income:** Rental income received from Council’s property investments.

# Part 7 – Policies | Ngā Kaupapa Here

## Investment Strategy

**Realised capital gains:** Profit from the sale of some (or all) of Council’s investment holdings.

**Strategic asset:** An asset Council owns which is considered to have particular importance to the community and/or Council’s ability to promote outcomes within the community. The Significance and Engagement Policy must be applied to any Council consideration to change a strategic asset.

**Target return:** Council’s gross return requirement.

**Unrealised capital gains:** Appreciation in the value of Council’s investments that has not been realised. An example is an increase in the share price of HBRIC’s holdings in Napier Port Holdings Limited.

### 4. Investment holdings

Both HBRC and HBRIC own portions of Council’s investment assets. This is a legacy of previous decisions made by Council and due to commercial implications which have meant some of the proceeds from the Napier Port IPO have remained with HBRIC and been invested.

The following table details the investment assets covered by the Investment Strategy and whom they are owned by. It also indicates whether the investment holding is strategic or not. These distinctions are important because it has implications regarding return expectations and the realisation of capital gains (refer Section 6 of this Investment Strategy). Portions of some investment holdings are strategic whereas other portions are not; where this occurs two entries have been presented within the table.

Table 2: Investment assets covered by the Investment Strategy

Investment asset	Owner	Current manager	Strategic/non-strategic
Napier Port Holdings Ltd	HBRIC	HBRIC	Strategic
Future Investment Fund (Managed Fund)	HBRIC	Jarden/Mercer	Strategic
Future Investment Fund (Managed Fund)	HBRC	Jarden/Mercer	Strategic
Long Term Investment Fund (Managed Fund)	HBRC	Jarden/Mercer	Non-Strategic
Forestry	HBRC	HBRC	Non-Strategic
Wellington Leasehold Property	HBRC	HBRC	Non- Strategic

A description of each investment asset is provided below.

**Napier Port Holdings Limited:** Council has a 100% ownership of HBRIC and HBRIC has a 55% ownership stake in Napier Port Holdings Limited (NPHL). As Council’s objective is to maintain an ownership proportion of no less than 51%, the majority of the stake is considered Strategic.

**Managed funds:** There are two funds that collectively form Council’s managed fund investments:

- **The Long Term Investment Fund** is held by HBRC and was established using money set aside for discontinued projects. Council investments in this fund are considered Non-Strategic.
- **The Future Investment Fund** is held by HBRC and HBRIC. It was formed using proceeds raised from the Napier Port IPO. These investments are Strategic Assets.

**Forestry:** HBRC owns a range of forestry assets that consist of forestry crop for logging and mānuka plantings for honey.

**Wellington leasehold property:** HBRC owns various residential and commercial leasehold properties in Wellington.

### 5. Investment requirements

#### 5.1 Investment objectives

Council has three principal investment objectives. These are outlined as follows:

1. To increase the region's wealth and prosperity through the investment portfolio.
2. To increase asset values within the investment portfolio.
3. To protect asset values so future generations can also benefit from the investment portfolio.

Underneath these objectives sit a range of sub-objectives that ensure Council can achieve these outcomes. These sub-objectives are detailed below.

#### ***Objective 1: To increase the region's wealth and prosperity through the investment portfolio***

- To generate a cash return from the investment portfolio to assist with the affordability of rates while maintaining the community's desired levels of service and to fund intergenerational or transformational projects.
- To enable HBRIC to use a portion of the cash return generated from its investment holdings to support and stimulate regional growth by making strategic commercial investments.
- To maintain a controlling stake in NPHL.

#### ***Objective 2: To increase asset values within the investment portfolio***

- To receive a target return from HBRIC on an annual basis (as detailed in Council's Letter of Expectation) whilst otherwise allowing HBRIC to operate independently and actively investing directly within the region.
- To generate capital growth in the investment portfolio to maintain at least the real capital value and to benefit future ratepayer generations.
- To use a portion of the cash return generated from the investment holdings to build up an investment reserve to manage volatility of investment returns and distributions. Further details on this reserve are provided in Section 6 of this Investment Strategy.

#### ***Objective 3: To protect asset values so future generations can also benefit from the investment portfolio***

- To realise capital gains when appropriate to ensure intergenerational equity is maintained.
- To ensure investments align with Council's responsible and ethical investment requirements as detailed within Council's Treasury Policy.
- To prudently manage the investment holdings as Council is a custodian of current and future ratepayers assets.
- To manage investment risks and optimise returns.
- To establish the controls needed to enable Council management to efficiently manage the investments.

#### 5.2 Return targets

Investment assets held by both HBRC and HBRIC are currently expected to provide a cash return of 4% per annum and a gross return of 6% per annum. The higher gross return target reflects the need for the investment portfolio to maintain its real capital value to ensure intergenerational equity is maintained.

The return requirements will be computed into a numerical value at the start of each LTP period for each investment asset for the following three years. This ensures the cash expectation is understood and enables the effective management of the investment assets. Further, the setting of a numerical target based on a three year average rather than a percentage helps to normalise for volatility throughout the forecast period and provides clarity of requirements.

For some investment assets, the return expectations may be lower than required. For instance, Council's property holdings may only reasonably be able to provide a cash return of 2%. Where this occurs, it is expected the return requirement from Council's managed funds and other investments would adjust. This may require re-aligning the investments within the fund. Further detail is provided in Council's SIPO.

# Part 7 – Policies | Ngā Kaupapa Here

## Investment Strategy

### Return target example (illustrative only)

The following example indicates how the return targets will be set. As part of this example, we have illustrated how the managed fund return requirement would be expected to adjust to reflect a lower return elsewhere (i.e. in property).

Council Investment Assets: \$560 million

Cash Return Required: \$22.4 million (560 x 4%)

Gross Return Required: \$33.6 million (560 x 6%)

Table 3: Return targets

Investment asset	Value (\$m)	Cash return expectation p.a.	Gross return expectation p.a.	Cash return requirement (\$m)	Gross return requirement (\$m)
Napier Port	385	4%	6%	15.4 <sup>1</sup>	23.1 <sup>1</sup>
Property	18	2%	4%	0.4 <sup>2</sup>	0.7 <sup>2</sup>
Forestry	10	4%	6%	0.4 <sup>3</sup>	0.6 <sup>3</sup>
Managed Funds	147	4.2% <sup>5</sup>	6.3% <sup>5</sup>	6.2 <sup>4</sup>	9.2 <sup>4</sup>
<b>Total</b>	<b>560</b>	<b>4%</b>	<b>6%</b>	<b>22.4</b>	<b>33.6</b>

<sup>1</sup>Cash return = 385 x 4% = 15.4; Gross return = 385 x 6% = 23.1

<sup>2</sup>Cash return = 18 x 2% = 0.4; Gross return = 18x 4% = 0.7

<sup>3</sup>Cash return = 10 x 4% = 0.4; Gross return = 10 x 6% = 0.6

<sup>4</sup>Cash return = 22.4 – 15.4 – 0.4 – 0.4 = 6.2; Gross return = 33.6 – 23.1 – 0.7 – 0.6 = 9.2

<sup>5</sup>Cash return expectation = 6.2 / 147 = 4.2%; Gross return = 9.2 / 147 = 6.3%

### 5.3 Reviewing return targets

The return targets will be evaluated every three years in-line with the LTP process. To determine these targets, Council will consider its numerical cash return requirement (by dollar amount) over the following three years. This will then be converted into a percentage-based annual return target as a sense check.

This approach is preferable as it ensures the targets align with Council’s funding and investment reserve requirements and has been ‘normalised’ to reflect changes in asset values. It also ensures a robust forecast process, allowing performance Key Performance Indicators (KPI’s) to be set. These targets will form part of the LTP process and align with plans on significant assumptions.

The capital gain target (i.e. to inform the gross return) will be set with reference to inflation expectations to ensure the real value of the portfolio is maintained.

### 5.4 Use of investment proceeds

A cash return will be provided to Council typically on a semi-annual basis (i.e. in two lump sums) or otherwise when received. This income received will be used for a range of purposes including:

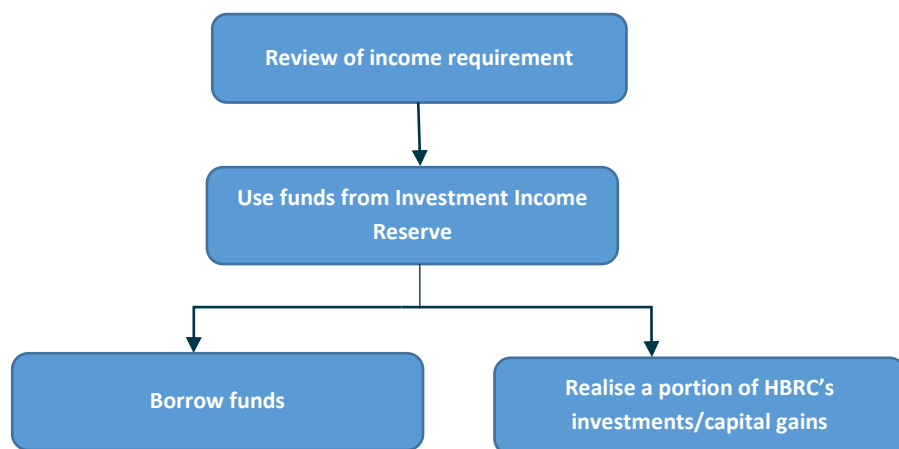
- to subsidise general rates
- to grow an investment reserve
- to fund regional growth initiatives.

Of these items, Council will first ensure the cash return received is sufficient to meet its rates subsidisation objectives. After this the remaining proceeds will be applied towards the other items outlined.

### 5.5 Lower cash returns than anticipated

On occasion Council may receive lower cash returns than anticipated. The protocols for dealing with these if the lower returns come from HBRIC are detailed within HBRIC's Investment Strategy. However, if these lower returns come from the HBRC portion of Council's investment portfolio, then the process detailed below should be undertaken to determine the response required (if any).

Figure 4: Process waterfall when cash returns are lower than anticipated



As per the above diagram, Council should first review its income requirement before taking any action. Accessing any available funds in the investment income reserve would then occur prior to selling a portion of HBRC's investment holdings or increasing Council borrowing.

### 5.6 Realising a portion of HBRC's assets when cash returns are lower than anticipated

When realising investment assets, only returns in excess of the net capital gains target (i.e. 2% after transaction costs has been met) can be realised. This ensures the real capital value objectives are achieved and intergenerational equity is maintained.

Council may realise either its Strategic or Non-Strategic assets. Consultation will however be required if realising strategic assets.

Prior to making a decision on whether to sell investment assets, Council should consider the underlying liquidity and divisibility of its assets. For instance, this could mean realising externally managed funds before Wellington Leasehold Property.

Before proceeding with the sale of any investment assets when cash returns are lower than anticipated, Councillors must first agree to the proposed transaction.

## 6. Capital Gains Policy

Council must ensure both current and future ratepayers benefit from the investment portfolio. This means consideration must be given to whether it is appropriate to realise capital gains.

### 6.1 Eligible assets

Council's Capital Gains Policy applies to both its Strategic and Non-Strategic assets. Selling strategic assets will require consultation.

### 6.2 Evaluation

The most appropriate time to complete the capital gains evaluation is following the end of each financial year. At this date, Council will review the performance of its investment portfolio and each specific investment asset. If the total gross return for both has on average exceeded 10% over the previous three years, then Council will proceed with its evaluation of whether to realise some of its capital gains. When realising capital gains Council must ensure its return targets are still met after the transaction (i.e. it still achieves a 6% gross return).

In evaluating whether to realise capital gains, Council's Investment Strategy should consider the following:

- The use of the proceeds raised and whether this aligns with Council's objective of maintaining current and future intergenerational equity.

- The importance of the item for which proceeds raised would be applied to and the impact on Council from alternative funding solutions (i.e. if capital gains aren't realised).
- The size of the net proceeds realised.
- Transaction costs.
- The investment outlook generally and for the asset class.
- Any relevant environmental, social and governance impacts.
- The impact on Council's wider investment holdings and asset allocation.
- Any investment reserve requirements.

Ahead of making a final decision, an assessment of these considerations will be provided to Council and discussed. Once evaluated a final capital gains decision would then be made.

### 6.3 Process

Council management will be responsible for realising any capital gains (following Councillors' approval). The process for realising capital gains will vary by asset class.

Council management will be expected to engage with relevant counterparties to ensure the funds are received in the quarter after the Councillors' decision is made. This will provide management with sufficient time to ensure they are minimising any transaction costs and to avoid any short-term market risk.

Once the transaction has occurred, management will be required to present proof to Councillors along with proof the funds have been applied towards the relevant Council activity. In the absence of a specific requirement agreed with Councillors, any funds raised will be put in to HBRC's LTIF until a decision is made regarding future use. This is because the LTIF is a readily existing vehicle to earn immediate returns on any funds until any investment is made.

### 6.4 Unsolicited offers

On occasion Council may receive unsolicited offers to purchase some of its investment holdings. In these instances, the following process is to be undertaken:

1. An office assessment of how the asset fits into the overall strategic objectives of the total (HBRC and HBRIC) portfolio asset allocation and risk appetite.
2. An assessment of the offer – with an up-to-date valuation.

Once this has been undertaken, Council management is then required to take the offer along with the completed assessment to Councillors who will decide how to proceed.

## 7. Reserving

An investment income reserve will be established to help smooth volatility in Council's investment portfolio. This means Council will not need to raise funding from other sources (such as rates) should investment returns be lower than required. This will ensure continuity of investment income and increases capital protection within the investment portfolio.

As per Section 5.4 of this Investment Strategy the investment income reserve will be created using proceeds received from Council's investment assets. The establishment of an investment income reserve still means Council's other reserves are required.

### 7.1 Requirement

Proceeds received that are used to establish the investment income reserve may vary over time. The intention should however be to grow the investment income reserve such that it can replace 6 to 12 months of cash return. As capital growth in the portfolio is expected, ongoing contributions to the investment income reserve will be required.

The funds received would be invested in low-risk treasury investments such as bank, call and term deposits to ensure the funds are available when they were needed. The reserve has been sized to reflect the opportunity cost associated with these investments (i.e. lower expected returns compared to the investment portfolio).

### 7.2 Ownership and management

HBRC will be responsible for owning and managing the investment reserve.



### 8. Investment opportunities

From time to time Council may be presented with new investment opportunities. These may be either Non-Strategic or Strategic assets (provided they generate a commercial return).

All new commercial investments will be considered by default by HBRIC. The investment evaluation criteria for these opportunities is reflected in HBRIC's Investment Strategy. Should HBRIC not wish to proceed with an investment, HBRC retains the option to invest directly.

As HBRC will generally be a passive owner of commercial investments, only managed fund investments are likely to be evaluated by HBRC in the future.

It is expected HBRC may also evaluate investments which are held for non-commercial reasons (e.g. forestry) but these are excluded from this Investment Strategy.

#### 8.1 Evaluation process

Prior to making any investment decision, HBRC must undertake or receive a robust evaluation of the proposed investment.

Where the proposed transaction exceeds \$5 million this evaluation must be presented to Councillors who will be responsible for approving the final investment decision. It is expected the investment evaluation will be presented to Council in the form of a scoping report.

The investment scoping report will need to justify why the investment is suitable and should be added to the long term investment portfolio. Amongst other items, the investment scoping report must cover the following items:

- How the investment opportunity arose.
- Historical investment returns and volatility.
- Examples of other peer Councils with such an investment.
- Expected returns (over a 5 year period).
- How the investment aligns with Council's risk profile.
- Any impacts on the wider investment portfolio from making the investment.

- Any impacts on Council's overall returns from making the investment.
- How the investment will be made and how the funds will be raised.
- The investments liquidity.
- How the investment aligns with Council's objectives.
- Key investment risks and mitigations.
- The proposed approach to performance and return monitoring.
- Upfront and ongoing costs from making the investment.

### 9. Role of HBRIC

#### 9.1 Background

HBRIC Limited is a council-controlled organisation and is a wholly owned subsidiary of HBRC. It was established in 2012 to manage and own various Council assets. This remit has changed over time as its investment holdings have.

#### 9.2 Scope

The 2021-31 Long Term Plan defined HBRIC's role in Council's Investment Strategy as being an enabler of regional growth and environmental outcomes. This means HBRIC will invest in the region as a commercial investor. The return target for these investments will reflect their risk profile. These investments are to be made using the excess returns generated by HBRIC's investment holdings. Excess returns are those exceeding the return HBRIC is required to provide to HBRC.

HBRIC's investment controls and procedures are outlined in its Treasury Policy and Letter of Expectation. HBRIC is expected to manage its investment holdings in accordance with these documents and report to Council on its compliance. Provided this occurs, HBRIC can manage its investment portfolio and determine how it meets Council's return requirements. This may include the use of borrowings (which HBRIC is permitted to do).

### 9.3 Dividends to Council

HBRIC is expected to provide Council with its contribution towards the overall return target. This will be provided to Council through regular dividend payments.

The annual numeric dividend expectation will be outlined to HBRIC in the Letter of Expectation. It will be calculated based on HBRIC's proportionate holding of the overall investment assets.

To the extent HBRIC's investment assets do not meet their cash return target, HBRIC has the capacity to borrow. This would supplement the cash return received and ensure the overall target is met.

## 10. Use of borrowings

Any proposed borrowings by HBRC that are linked to the investment portfolio will require the approval of Councillors.

However, in fulfilling its mandate, HBRIC may borrow. This aligns with its wider objectives related to increasing the size of its in-region investments. When borrowing there will be a range of parameters and debt limits which HBRIC must comply with. These will be outlined in HBRIC's Treasury Policy. This will ensure the level of leverage is appropriate and doesn't put various Council assets (such as the shareholding in NPHL) at risk.

## 11. Asset benchmarks

Asset class performance will be benchmarked against appropriate industry benchmarks with support provided from our advisors.

## 12. Review of Investment Strategy

Council's Investment Strategy will be reviewed no less than every three years. Reviews should coincide with the setting of Council's long term plan.

## Treasury Policy

### 1. General policy context

Hawke's Bay Regional Council's (HBRC) Treasury Policy is consistent with its objectives, Long Term Plan (LTP), Investment Strategy and Annual Plan. 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 (the Act) and incorporate the Liability Management Policy and Investment Policy. The policy is established in accordance with the following relevant legislation:

- Local Government Act 2002, 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 it considers 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.
- Trusts Act 2019 - when acting as a trustee or investing money on behalf of others, the Trusts 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 Trusts Act 2019 Part 4 Investments.
- Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Part 2 governing financial prudence.
- The definition of Strategic and Non-Strategic assets is outlined in the Significance and Engagement Policy.

### 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
- balance the mix of financial investments and blended investments
- obtain an acceptable ongoing annual cash return 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 and non-strategic benefits as well as for the financial benefits to the region
- 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 (if and when appropriate), the Local Government Funding Agency (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 borrowing 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
- ensure adequate internal controls exist to protect HBRC's financial assets and to prevent unauthorised transactions.

### 3. Investment Policy - purpose

As set out in the Investment Strategy, Council has three principal investment objectives as follows;

- to increase the region's wealth and prosperity through the investment portfolio
- to increase asset values within the investment portfolio
- to protect asset values so future generations can also benefit from the investment portfolio.

The purpose of the Investment Policy is to present HBRC's 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 consumer price index (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 and protect the real capital value of financial investments over time.
- **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 benefits. The return from blended investments will be taken into consideration as part of the total investment portfolio return requirements as part of the return targets.

### 5. Investment Policy - responsible investment

Investments will be made with judgment and care, under circumstances prevailing at the time that people of prudence, discretion and intelligence exercise in the professional management of financial assets.

HBRC does not make speculative investments (such as when there is not a legitimate underlying cashflow or asset) or any other investments not detailed within this Policy or Council's Statement of Investment Policy and Objectives (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. Council's 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, amount 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.

### 7. Investment Policy - externally managed funds

Where Council funds are to be managed externally by suitably qualified Investment Managers, investment funds (Funds) are managed in line with a separate SIPO document. Any 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 and approving the SIPO annually, including the investment strategy, policies and manager configuration, and instructions to the investment managers.

- Formally fundamentally reviewing and approving the SIPO every three years. The review includes the investment strategy, return objectives, policies and manager configuration, and instructions to the investment managers.
- Ensuring that the level of redemptions from the Fund is consistent with the Fund's objectives to maintain equity, in terms of amounts available for distribution, between present and future ratepayer generations.
- Providing cash flow information to the investment managers with respect to future deposits to, and redemptions from the Fund.

The General Manager Corporate Services (GMCS) approves the amount and the timing of the funds available for divestment, that can be withdrawn from the externally managed funds. The funds that are available for divestment will be based on Council's cash flow requirements and the financial investment strategy. The amount will be retrospectively reported to Council.

The strategic asset allocation and tactical ranges of the externally managed funds is outlined in the approved SIPO document.

### 8. Investment Policy - mix of investments

#### Equity investments

##### HBRIC Ltd

Since its establishment on 1 February 2012, HBRC beneficially owns 100% of the shares in HBRIC Ltd, a company established to manage the Regional Council's corporate investments. The Regional Council's intention is for HBRIC (Hawke's Bay Regional Investment Company) to be the vehicle through which commercial investments are made.

HBRIC Ltd is classified as a strategic asset in terms of section 97 of the Local Government Act 2002.

A key requirement of the Regional Council is that HBRIC adopt an Investment Policy for the management of the investments that is consistent with, and reflects the purpose, objectives and requirements of Council's Investment Policy and Strategy. This will remain the overriding policy document for all HBRIC's investments, including

any investment assets and externally managed funds. HBRIC will have its own board-approved SIPO document that governs the externally managed funds.

HBRC sets a series of performance and strategic targets for HBRIC in a Letter of Expectation, which in turn is reflected in the HBRIC Annual Statement of Intent (SOI). These performance targets may change from year to year as a result of HBRC's annual review of its Letter of Expectation, the company's Statement of Intent and changing economic, market and financial circumstances.

As controlling shareholder HBRC appoints the directors of HBRIC and, as controlling shareholder, HBRC will have an expectation that the company's policies will support its strategic objectives.

In its role as a council-controlled organisation (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 and investment strategy
- significantly varies performance targets agreed through the Letter of Expectation
- 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.

### **Napier Port Holdings Limited**

HBRC beneficially owns 55% of the shares in Napier Port Holdings Limited (NPHL) through HBRIC. NPHL is considered a strategic asset. HBRC's strategic objective is to continue to beneficially hold a majority of the shares of NPHL 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 NPHL 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. 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. The leasehold properties are considered non-strategic assets. 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 or use a limited amount of funds from the proceeds of the disposal for purposes other than reinvestment in the investment types of this Policy, where appropriate as outlined in section 11.

#### **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:

Table 5: Forestry Portfolio

Site Name	Area (ha)	Assumptions
CHB	168	No material investment, maintenance only, no harvesting in LTP period
Māhia	36	No material investment, maintenance only, no harvesting in LTP period
Waihapua	213	No material investment, maintenance only, no harvesting in LTP period
Tūtira	114	Harvesting proposed over the period from 2018-19 to 2022-23. Replanting after harvest
Tūtira Mānuka 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
Carbon Credits	n/a	Council holds 105,640 post-1989 NZU, and 14,907 pre 1990 NZU

Returns on the forestry investments other than carbon credits 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.

Carbon credits are accumulated from Council's forestry portfolio and are considered a non-strategic asset. The carbon credits are valued annually. Council management has the delegation to sell the carbon credits with the sale proceeds included in the revenue account and used for the general purposes of HBRC.

### NZ LGFA limited investments

Council may invest in shares and financial instruments issued by the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

Council's objective in making any such an investment will be to:

- obtain a return on the investment
- 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 and new debt amounts
- investing surplus cash, to be used for operational and capital expenditure requirements
- investing proceeds from asset sales.

Treasury investments, that are not externally managed, will be managed within Council by the chief financial officer (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 and debt 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 will have a maturity term of 12 months or less. The only exception relates to term deposits that are linked to an upcoming pre-funded debt maturity.
- Treasury investments must be compliant with the Approved financial instruments and Counterparty credit sections of this Policy.

### Term deposits

HBRC currently holds both treasury investment and reserve funds on term deposit with approved banking institutions for a term of 12 months or less. Funds may be deposited through a broker/investment manager arrangement only where the counterparty risk is with an approved banking institution.

## 9. Investment Policy - acquisition of investments

New non-strategic and strategic investments will be acquired from time to time within the investment types specified in accordance with the policies and objectives recorded in the Investment Strategy and this Policy.

New non-commercial investments will be made by HBRC and its officers in accordance with the management authorities and delegations summarised below. New commercial investments will be considered by HBRIC by default in accordance with the Investment Strategy.

Acquisition of new investments will be made after assessment of their benefits, alignment with strategic objectives, costs and risks in accordance with the assessment criteria set out in the Investment Strategy approved by HBRC.

## 10. Investment Policy - disposal of investments

Any disposal of non-strategic investment assets requires the approval of Council, other than those made within delegated authority granted by HBRC.

HBRC regards Napier Port Holdings Limited as a strategic asset and will retain beneficial control either directly, indirectly, or through HBRIC of not less than 51%. In any event Council 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. The Significance and Engagement Policy would apply to any consideration of Council for the sale of a strategic asset.

On occasion Council may receive unsolicited offers to purchase some of its investment holdings. In these instances, the following process is to be undertaken:

1. An officer assessment of how the asset fits into the overall strategic objectives of the total (HBRC and HBRIC) portfolio asset allocation and risk appetite.
2. An assessment of the offer – with an up-to-date valuation.

Once this has been undertaken, Council management is then required to take the offer along with the assessment completed to Councillors who will decide how to proceed.

HBRC wishes to retain the right to use a limited amount of funds from the proceeds of the disposals of Wellington 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.

Any disposal of investments needs to be consistent with the approved Investment Strategy and the Significance and Engagement Policy.

### 11. 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.

### 12. 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 or non-commercial returns, except where it has identified potential advantages to the Hawke’s Bay economy in pursuit of its economic development, environmental, social and community 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.
- 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 NPHL and Napier endowment property and the investment company established by HBRC.
- HBRC may use financial derivatives to “hedge” against fluctuations in interest rates and foreign currency. 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 Holdings will from time to time use interest-rate swaps and forward exchange contracts to manage interest rate and foreign currency risk, consistent with prudent treasury and risk management practices. These instruments will be approved instruments within the respective entities’ Treasury Policy.

## 13. Investment Policy - investment types

HBRC can invest in the following investment types.

### 13.1 Investment instruments

Investment instruments include senior unsecured and secured bonds (floating and fixed rate), cash, bills, commercial paper, LGFA borrower notes and term deposits.

International and other investments are managed within the external Investment Fund and set out in the SIPO.

### 13.2 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.

### 13.3 Forestry

This includes physical assets including trees and land for forestry and forest development. Carbon credits are an approved investment instrument.

### 13.4 Equities

This excludes the Port of Napier, and includes shares in publicly listed New Zealand and International Companies. Equities are managed through the external Investment Fund by appointed investment managers.

### 13.5 Related equity investments

Equity investments in HBRIC, NPHL, CCOs, CCTOs (council-controlled trading organisations), and other subsidiary companies established in accordance with this policy, including those established by HBRIC.

### 13.6 Equity investments: joint ventures

Equity investments in, investment companies not considered subsidiaries and joint ventures with external partners.

### 13.7 Investment portfolios

Both professionally managed (external to HBRC) and internally managed investment portfolios of asset classes itemised in this section, either by direct investment or indirect investments through unit trusts, pooled structures, collective investment vehicles or other structures.

### 13.8 Internal loans

Internal loans are provided for all of Council’s activities and are funded from either external borrowing, cash operating balances or available unrestricted reserves.

Interest is charged on internal loans. Interest amounts received are credited to the unrestricted reserves for investment revenue lost and otherwise used as revenue or for debt reduction. The interest rate for internal loans is set annually during the budget process and checked for its appropriateness at financial year end.

## 14. 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, treasury investment and interest/foreign exchange risk management related transactions would only be entered into with organisations specifically approved by Council. Risks within the external Investment Fund are managed within the SIPO.

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.

Treasury investments are only made in alignment with the following parameters:

- Investments (such as bank deposits) – Transaction Notional × Weighting 100%
- Interest Rate Risk Management (such as swaps, FRAs) – Transaction Notional × Maturity (years) × 3%.
- Foreign Exchange Risk Management (such as FECs) – Transaction Notional × the square root of the Maturity (years) × 15%.

Table 6: Counterparty credit risk

Issuer / counterparty	Instrument	Minimum short term credit rating	Minimum long term credit rating	Maximum exposure per counterparty (% of rates revenue <sup>9</sup> )
<b>New Zealand Government</b>	Treasury bills, NZ government bonds, debt issued by entities explicitly guaranteed by the NZ Government	n/a	n/a	unlimited
<b>RBNZ registered banks*</b>	Cash, call and term deposits, bank bills, bonds	A-1	A	\$15 million
	Interest rate and foreign exchange instruments	A-1	A	\$5 million
<b>LGFA</b>	Borrower notes, commercial paper, bonds	A-1	AA-	Unlimited

\*Cash deposits arranged through the Jarden Cash Management Facility are approved and included within the ANZ counterparty limit.

Individual counterparty limits are kept on a register and updated on a day to day basis with specific approvals made by the General Manager Corporate Services(GMCS). Credit ratings should be reviewed by the accountant(s) on an ongoing basis and in the event of material credit downgrades; should be immediately reported to the GMCS and assessed against exposure limits. Counterparties exceeding limits should be reported to the Council.

<sup>9</sup> Rates revenue is defined as general rates, targeted rates and uniform annual general charges. It also includes late payment penalties when rates become overdue but excludes rate remissions where they satisfy the Council’s Rates Remission Policy. Rates revenue was \$25.15 million in the 2020 Annual Report.

### 14.1 Disaster Damage Reserve

The Disaster Damage Reserve requirements are met through both the liquidity buffer amount held under section 19 of this Policy and through liquid assets available for disposition within the externally managed fund portfolio.

### 14.2 Reserves

HBRC holds a number of reserves for asset replacement provisions, disaster damage management, land drainage and flood control schemes along with other reserves for specific purposes. Treasury investments are not required to be held against reserve funds. HBRC may internally borrow or utilise these funds where possible.

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.

## 15. 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 intergenerational 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 two years.
- Funds for specific one-off projects and capital expenditures.
- 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.
- The pre-funding of upcoming debt maturities or capital expenditure requirements.
- Fund the balance sheet as a whole, including working capital requirements.
- Raise specific debt for on-lending to CCO/CCTOs.

In approving new borrowing, 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 Annual Plan and Long Term Plan.

In evaluating the 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 any credit rating considerations.
- The market and HBRC's outlook on future credit margin and interest rate movements.

### 16. Local Government Funding Agency

HBRC is a guaranteeing borrower member of the LGFA 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.

### 17. 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 general and specific reserve 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 (CCTOs) under section 62 of the Local Government Act.

#### On-lending to council-controlled organisations (CCO and CCTO)

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs. Indirect debt funding relates to the CCO/CCTO becoming a member of the LGFA.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Council does not lend money, or provide any other financial accommodation, to a CCTO on terms and conditions that are more favourable to the CCTO than those that would apply if Council were borrowing the money or obtaining the financial accommodation without providing rates as security.

Any direct or indirect debt funding arrangement to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the GMCS considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing, lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All on-lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed and approved by Council's independent legal counsel.

### Loan advances

Council may provide advances to charitable trusts and community organisations that are consistent with Council’s objectives. Advances do not need to be on a fully commercial basis. Council does not provide guarantees.

Council will assess the risk and consider the following criteria;

- Consistency with Council’s objectives
- Credit risk profile of the borrowing entity and the ability to repay interest and principal amounts outstanding
- Wherever practical, advances will be secured
- The impact on Council’s credit profile and the current and future borrowing capacity with the LGFA

All loan arrangements must be executed under legal documentation reviewed and approved by Council’s independent legal counsel.

No individual advance will be greater than \$500,000 and the aggregate of all advances to be no greater than \$2,000,000. Any new loan advances beyond \$2,000,000 in aggregate are approved by Council. The term will not exceed three years.

Interest income is included as general revenue. Outstanding advances will be reported to Council and compliance reviewed at least annually.

## 18. Specific borrowing limits

The following table summarises the specific borrowing limits that HBRC adheres to, in conjunction with the LGFA’s lending covenants.

Table 7: HBRC specific borrowing limits

	HBRC	LGFA
Net external debt as a percentage of total revenue	<175%	<175%
Net interest on external debt as a percentage of annual rates income	<20%	<25%
Net interest on external debt as a percentage of total revenue	<15%	<20%
Liquidity buffer amount comprising liquid assets and available committed debt facility amounts relative to existing total external debt	>10%	N/A
Liquidity ratio comprising external debt plus available committed loan facilities plus liquid investments to existing total external debt	N/A	At least 110%

The first three borrowing limits are used by HBRC as the quantified limits on borrowing for the debt affordability benchmarks.

- Revenue is defined as cash earnings from rates, 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 financial assets and investments.
- 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 bonds as per approved investment instruments
  - term deposits linked to debt pre-funding activity are excluded from the liquidity ratio.

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 renegotiated as and when appropriate.

Borrowing limits are measured on Council only, not a consolidated group basis.

Disaster recovery requirements will be met through the liquidity ratio and contingency reserves.

### 19. 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 a liquidity buffer amount of greater than 10% that comprises liquid assets and available committed debt facility amounts relative to existing total external debt
- having the ability to pre-fund up to 18 months of forecast debt requirements including new and re-financed debt. Debt refinancings that have been pre-funded, will remain included within the funding maturity profile until their maturity date.

Funding risk management centres on the ability to refinance or raise new debt at a future time at acceptable pricing (fees and borrowing margins) and maturity terms.

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.

Table 8: Risk control limits

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	0%	60%

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.

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.

### 20. 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 Local Government (Rating) Act 2002. The security offered by HBRC ranks equally or pari passu with all 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 Council's prior approval.

### 21. 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 forecast external core debt (as approved by the GMCS).



Table 9: Interest rate risk control limits

Debt interest rate policy parameters (calculated on a rolling monthly basis)		
Debt period ending	Minimum fixed	Maximum fixed
Current	40%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	20%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	50%
Year 9	0%	50%
Year 10	0%	50%
Year 11	0%	25%
Year 12	0%	25%
Year 13	0%	25%
Year 14	0%	25%
Year 15	0%	25%

- “Fixed Rate” is defined as all known interest rate obligations on forecast external core debt, including where hedging instruments have fixed movements in the applicable reset rate. “Floating Rate” is defined as any interest rate obligation subject to movements in the applicable reset rate.
- Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast external core debt amounts for the given period (as defined in the table above). For interest rate calculation purposes pre-funded debt amounts are excluded from the forecast external core debt amounts.
- Core debt is the amount of forecast external debt for a given period that is expected to remain outstanding for a period of greater than one year. 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, but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile that is outside the above limits for greater than 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.

## 22. 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.

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## Treasury Policy

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.

### 23. Approved financial instruments

Table 10: Approved financial instruments

Category	Instrument
<b>Cash management and external borrowings</b>	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 Committed standby facilities offered by the LGFA Commercial paper (CP)
<b>Interest rate risk management (for borrowing activity only)</b>	Forward rate agreements ('FRAs') on bank bills Interest rate swaps including: <ul style="list-style-type: none"> <li>- Forward start swaps (start date &lt;36 months, unless linked to existing maturing swap/collar with notional amount amounts not exceeding maturing swap/collar)</li> <li>- Amortising swaps (whereby notional principal amount reduces)</li> <li>- Swap extensions, deferrals and shortenings</li> </ul> Interest rate options on: <ul style="list-style-type: none"> <li>- Bank bills (purchased caps and one for one collars)</li> <li>- Interest rate swaptions (purchased swaptions and one for one collars with matching notionals only)</li> </ul>
<b>Foreign exchange risk management</b>	Spot foreign exchange Forward exchange contracts (including par forwards)
<b>Treasury investments</b>	Bank term deposits (senior unsecured) Treasury bills (senior unsecured) Bank bills, bank certificates of deposit (RCDs) (senior unsecured) Government bonds (senior unsecured) LGFA borrower notes Note: bonds are either fixed rate or floating rate.

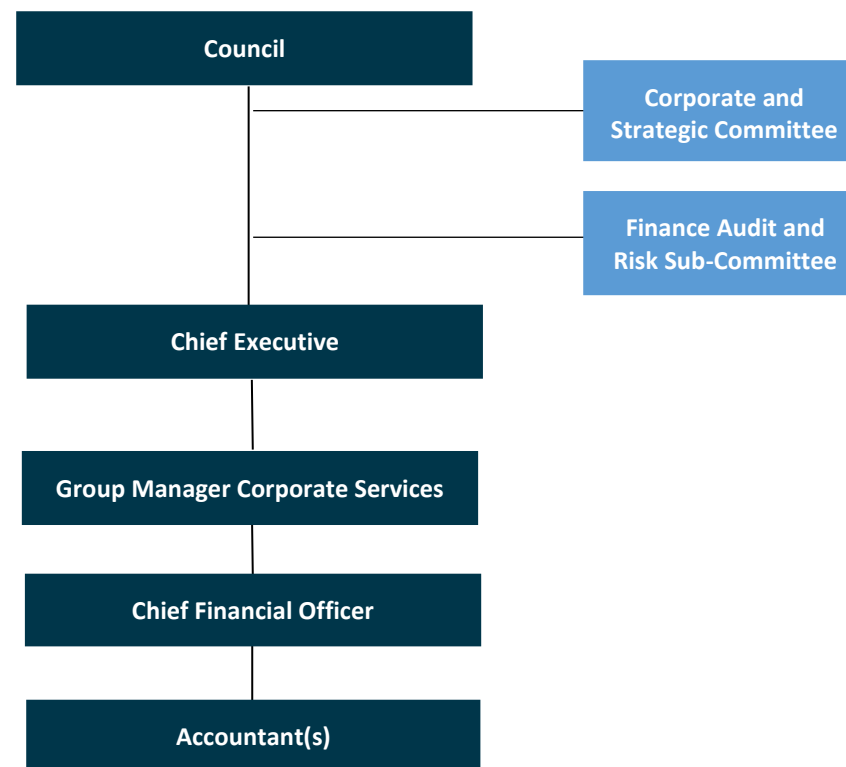
### 24. Review of Policy

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.

### 25. Management responsibilities

All of the Council's treasury management activities are undertaken by the finance function. The following diagram illustrates those individuals and bodies who have treasury responsibilities.

Figure 11: 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.

The Council is responsible for approving these Liability Management and Investment Policies (Treasury Policy) 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 Treasury Policy, incorporating the following delegated authorities:
  - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive (CE), Group 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 Treasury Policy 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.

### 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 HBRIC, NPHL, CCO and any 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 HBRIC, NPHL, CCO 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 (FARS)

The FARS 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 FARS 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 FARS will discuss treasury matters on a quarterly basis.

Responsibilities are:

- recommending the Treasury 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

- reviewing all matters concerning the SIPO as well as providing guidance and leadership on the appointment, management, monitoring and review of the appropriate investment manager(s)
- monitoring quarterly performance of externally managed funds and borrowing activity against benchmarks
- completing 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
- to exercise delegated authority to make and implement treasury decisions in accordance with authority delegated by HBRC
- to monitor financial market conditions and treasury performance and recommend initiatives and changes to HBRC as circumstances require
- to grant delegated authority to implement treasury 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.

### 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 refinancing 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 refinance existing debt on acceptable 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 FARS 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 borrowing requirements falling outside the Annual Plan and LTP to the FARS 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 FARS as appropriate
- reviewing and making recommendations on all aspects of the Treasury Policy to the FARS including dealing limits, approved instruments, counterparties, and general guidelines for the use of financial instruments
- negotiating bank funding facilities

- managing bank, LGFA, investment manager(s), trustee, custodial and other financial institution relationships
- overseeing a triennial review of the Treasury 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.

### Accountant(s)

The CFO formally delegates the following responsibilities to the accountant(s):

- executing treasury transactions in accordance with approved limits. In the absence of the CFO, the GMCS will execute treasury transactions
- completing documentation for all treasury transactions
- 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, trustee, custodial 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 Treasury Policy, treasury procedures and all dealing and counterparty limits
- updating treasury spreadsheets for all new, renegotiated and maturing transactions
- checking all treasury deal confirmations against internal deal documentation and reporting any irregularities immediately to the GMCS (ensuring the separation between the deal executor and deal checker)
- 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.

### 26. 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 | Ngā Kaupapa Here

## Treasury Policy

Activity	Delegated authority	Limited
Approving and changing policy	Council	Unlimited
Borrowing new debt	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	Council	Unlimited
Approving charging assets as security over borrowing	Council	Subject to terms of the Debenture Trust Deed
Approving Council guarantees	Council	Unlimited (subject to legislative limitations)
Approving of Council guarantees or uncalled capital relating to CCO/CCTO indebtedness	Council	Unlimited (subject to legislative and other regulatory limitations)
Approving new and refinanced lending activity with CCO/CCTOs	Council	Unlimited
Overall day-to-day treasury management	GMCS (delegated by Council) CFO (delegated by Council)	Subject to policy
Refinancing existing debt	GMCS (delegated by Council)	Subject to policy
Approving transactions outside policy	Council	Unlimited
Adjusting debt risk profile	GMCS (delegated by Council) CFO (delegated by Council)	Per risk control limits
Negotiation of lending arrangements to CCO/CCTOs	GMCS (delegated by Council)	Per approval/per risk control limits
Ongoing management of lending arrangements to CCO/CCTOs	CFO (delegated by Council)	Per approval/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.	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)*	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)	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 Treasury Policy every three years	FARS	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.



### 27. 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 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 Accountant 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.
- 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, weekly (four weeks forward) and monthly (12 months forward) basis
- electronically download all Council bank account information daily
- coordinate 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 forecast.

### Treasury procedures – financial instrument accounting treatment

Council uses incidental 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 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) changes in the fair value of financial instruments go through surplus or deficit unless the financial instruments have been irrevocably designated at initial recognition as at fair value through comprehensive revenue and expense.

Council's principal objective is to proactively manage the Council's interest rate risks within approved limits and chooses not to hedge. 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) are responsible for advising the CFO of any changes to relevant accounting standards, which may result in a change to the accounting treatment of any financial instruments.

### Treasury procedures – reporting

Table 12: Treasure reporting procedures

Report name	Frequency	Prepared by	Recipient
Daily Cash Position	Daily	Accountant(s)	CFO
Treasury Investments	Quarterly	Accountant(s)	CFO
Treasury Report*	Quarterly	Accountant(s)	CFO, GMCS, CE, FARS, and Council
Counterparty Credit Limits Report	Daily for exceptions / Quarterly	Accountant(s)	CFO, GMCS, and FARS
Debt Maturity Profile	Quarterly	CFO	FARS and Council
Revaluation of financial instrument and review of guarantees	Quarterly	Accountant(s)	CFO

\*The 'Treasury Report' includes:

- Treasury exceptions report
- Policy compliance
- Borrowing limit report
- Funding and liquidity report
- Debt maturity profile
- Interest rate report
- Investment management report (see below)
- Treasury investments
- Cost of funds report
- Cash flow and debt forecast report
- Debt and Interest rate strategy and commentary
- Counterparty credit report.
- Loan advances.

### 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, NPHL, 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
  - Compliance reporting (including approved exceptions)
  - Performance summary for the Fund and by asset class
  - Performance against benchmarks
  - Income and capital return
  - 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 Council 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, NPHL, 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.

## 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 wāhi 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

- 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.
- 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. HBRC will review the appropriateness of remissions on occasion.
- 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.
- Relief and the extent thereof, is at the sole discretion of Council and may be cancelled or reduced at any time.
- 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 wāhi tapu (sacred areas) that may affect the use of the land for other purposes

## Part 7 – Policies | Ngā Kaupapa Here

### Policies on rates remission and postponement

- 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.
- 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 three years to ensure that the conditions and criteria on which the Policy is based continue to be relevant and appropriate.

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## Policies on rates remission and postponement

### Remission in special circumstances

#### Introduction

In order to allow rate relief where it is considered fair and reasonable to do so, 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 in the 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

- 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.
- The approval of the remission must not set a precedent that unfairly disadvantages other ratepayers.
- A remission under this policy will apply for one year only. Applicants must reapply annually.
- 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.

- 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.
- The application for a rates remission must be made before seven days of the due date of payment.

##### Delegated authority

Decisions relating to the remission of rates in special circumstances are delegated to the Group Manager Corporate Services or the Chief Executive.

##### Review of policy

This Policy will be reviewed at least every three years, to ensure that the conditions and criteria on which the Policy is based, continue to be relevant and appropriate.

#### 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.

- 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.
- 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.
- 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.
- The late payment was caused by matters outside of the ratepayer's control.



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## Policies on rates remission and postponement

- It is demonstrated that the penalty has been levied because of an error by Council.
- 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:

- the ratepayer's payment history
- the ratepayer entering into an agreement with Council for the payment of rates
- matters controlled by the ratepayer may include: electronic payment errors, late posting of payment, failure to update mailing or direct debit arrangement
- 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.

### Delegated authority

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 three 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

- 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.

- HBRC may, at its discretion, remit all or part of any rate assessed on any rating unit so affected by natural calamity.
- 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.
- HBRC may require financial or other records to be provided as part of the remission approval process.
- 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.

### Delegated authority

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 three years, to ensure that the conditions and criteria under which the Policy is based, continue to be relevant and appropriate.

# Part 7 – Policies | Ngā Kaupapa Here

## Policies on rates remission and postponement

### Remission for uniform annual general charges (UAGC)

#### Introduction

In order to allow rate relief where it is considered fair and reasonable to do so, 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

- 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.

**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.

**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.

- **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.
- The application is to be made in writing 30 days before the due date of payment.
- 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 | Ngā Kaupapa Here

### Policies on rates remission and postponement

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#### Delegated authority

Decisions relating to the remission of uniform annual general charges are delegated to the Group Manager Corporate Services or Chief Financial Officer.

#### Review of policy

This Policy will be reviewed at least every three years to ensure the conditions and criteria on which the Policy is based, continue to be relevant and appropriate.

# Part 7 – Policies | Ngā Kaupapa Here

## Policies on rates remission and postponement

### 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

- The applicant can illustrate a postponement of rates will help them overcome their short term extreme financial hardship.
- 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

- 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.

#### Delegated authority

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 three years, to ensure that the conditions and criteria on which the Policy is based, continue to be relevant and appropriate.

## 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 2021.

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 six HBRC groups of activities.

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## Revenue and Financing Policy

### Revenue and Financing Policy by Group of Activities

#### Step one - allocations

Details of funding by each activity are provided in the tables that follow. The Council has used the following key in assessing each of the considerations listed above and to assist with the allocation of public and private funding for each activity.

Table 13: Allocation of funding key

Key for the allocation of funding	
Low	10% to 20%
Low to Medium	20% to 40%

Key for the allocation of funding	
Medium	40% to 60%
Medium to High	60% to 80%
High	80% to 100%

The following table reflects 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. General funding refers to investment income including dividend income from HBRIC Ltd and general funded rates.

Table 14: Revenue and Financing Policy by group of activities

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
<b>1. Governance and Partnerships</b>								
1.1 Community Representation and Leadership	Healthy Environment/ Resilient Community/ Prosperous Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
1.2 Tāngata Whenua Partnerships		100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
1.3 Community Sustainability		100% Public	Low	Low	Low to Medium	All ratepayers benefit from this activity	General funding/ Targeted Rate/Asset Sale	Nil

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## Revenue and Financing Policy

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
1.4 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
<b>2. Integrated Catchment Management</b>								
2.1 Environmental Science	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
2.2 Environmental Information		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
2.3 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, loan funding and General Funding	Loan funding
2.4 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



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## Revenue and Financing Policy

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
<b>3 Asset Management</b>								
3.1 Flood Protection and Control Works	Resilient Community/ Prosperous 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
3.2 Flood Risk Assessment and Warning		High public good	Low	Nil	Nil	Generally all ratepayers benefit from this activity	General funding	Nil
3.3 Coastal Hazards		Medium public good and medium private good	Medium	Low	Medium	Generally all ratepayers benefit from this activity	General and grants funding and targeted rates based on location	General funding and targeted rates based on location
3.4 Regional Water Security		High public good and medium private good	High	Low	Medium	Generally all ratepayers benefit from this activity	General Rates/ Reserve Funding	Loan Funding/ Reserve funding
3.5 Open 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
3.6 Works Group		High private good	Low	Low	Nil		Fees and charges	Use of reserves and loans
<b>4. Policy and Regulation</b>								
4.1 Policy Planning & Implementation	Healthy Environment/	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil

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## Revenue and Financing Policy

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
4.2 Consents	Resilient Community/ Prosperous Community	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
4.3 Compliance and 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
4.4 Maritime Safety		Medium public good and medium private good	Nil	Medium	Medium	There is a benefit to the region by having maritime safety however those who benefit will be charges where possible	General funding and fees and charges	Nil
<b>5. Emergency Management</b>								
5.1 Hawke's Bay CDEM Group	Resilient Community/	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil

# Part 7 – Policies | Ngā Kaupapa Here

## Revenue and Financing Policy

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
5.2 HBRC Emergency Management	Prosperous Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding	Nil
<b>6. Transport</b>								
6.1 Transport Planning and Road Safety	Healthy Environment/ Resilient Community/ Prosperous Community	100% Public	Nil	Low	Nil	All ratepayers benefit from this activity	General funding, local territorial authority and central government contribution and grants	Nil
6.2 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

### 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). The UAGC must fairly reflect the services being delivered to the community.

Any move from land to capital value requires investigation and further discussion with the community as this may impact on the overall allocation of liability on the community.

### 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.

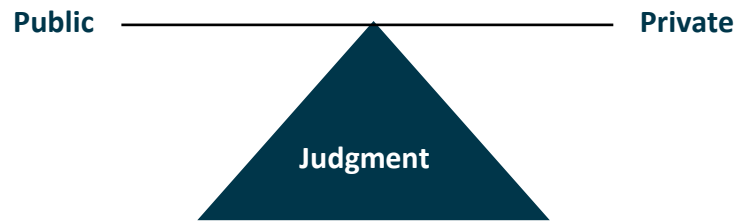
At the other end of the continuum are 'private goods' which are both rival and excludable. Most daily consumables are private goods.

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.

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 or intergenerational environmental projects 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, e.g. 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.

### 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.

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## Revenue and Financing Policy

### 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 six 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.

### 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.

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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 three 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 2021-31 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 publicly 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 (HBRIC) (HBRIC owns 55% of Napier Port Holding 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.

### Proceeds from asset sales

The proceeds from any property investment sales, with the exception of Napier leasehold properties, are credited to the Long Term Investment Fund. 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.



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## Revenue and Financing Policy

### 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, major building project or intergenerational environmental projects. 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. Waka Kotahi NZ 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 Council's 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.

#### 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.

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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.

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.
- 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.

## Appendix to the Revenue and Financing Policy

Revenue and Financing Policy – Group of activities: Asset Management						
Sub-activity	Further analysis	Public/private allocation		Funding tools		Notes
		Public	Private	Public	Private	
Heretaunga Plains Schemes	Drainage	10%	90%	General Funds	Differential Targeted Rate	1
	Flood Control	30%	70%	General Funds	Differential Targeted Rate	2
Upper Tukituki Scheme		18%	83%	General Funds	Differential Targeted Rate	3
Other Schemes	Paeroa	13%	88%	General Funds	Differential Targeted Rate	3
	Mākara	10%	90%	General Funds	Differential Targeted Rate	3
	Porangahau	10%	90%	General Funds	Differential Targeted Rate	3
	Poukawa	5%	95%	General Funds	Differential Targeted Rate	3
	Ohuia- Whakakī	5%	95%	General Funds	Differential Targeted Rate	3
	Esk	13%	88%	General Funds	Differential Targeted Rate	3
	Whirinaki	13%	88%	General Funds	Differential Targeted Rate	3
	Wairoa	13%	88%	General Funds	Differential Targeted Rate	3
	Te Awanga	10%	90%	General Funds	Differential Targeted Rate	3
	Kopuawhara	10%	90%	General Funds	Differential Targeted Rate	3
	Opoho	10%	90%	General Funds	Differential Targeted Rate	3
	Kairakau	10%	90%	General Funds	Differential Targeted Rate	3
	Te Ngarue	10%	90%	General Funds	Differential Targeted Rate	3
Central & Southern	13%	88%	General Funds	Differential Targeted Rate	3	
Investigations & Enquiries	Investigations and Enquiries	100%	Nil	General Funds	Nil	4
	Subsidised Work	30%	70%	General Funds	Fees/Charges	5
	Consultancy Services	Nil	100%	Nil	Fees/Charges	6
River and Lagoon Openings	River and Lagoon Openings	100%	Nil	General Funds	Nil	7
Gravel Management	Gravel Management	Nil	100%	Nil	Fees/Charges	8
Flood Assessment and Warning	Flood Risk Assessment	100%	Nil	General Funds	Nil	9
	Flood Forecasting & Hydrological Flow Management	100%	Nil	General Funds	Nil	10
	Flood Warning System	100%	Nil	General Funds	Nil	11
Coastal Hazards	Westshore	50%	50%	General Funds	Contribution from Napier City Council	11
	Coastal Processes	18%	82%	General Funds	Contribution from Napier City & Hastings District Council and Targeted Rate	12
Regional Water Security		100%	Nil	General Funds/Reserve Funding	Nil	13
Open Spaces	Regional Park Networks	98%	2%	General Funds / Reserve Funds	Fees/Charges	14

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## Appendix to the Revenue and Financing Policy

Revenue and Financing Policy – Group of activities: Asset Management						
Sub-activity	Further analysis	Public/private allocation		Funding tools		Notes
		Public	Private	Public	Private	
	Public Access to Rivers	100%	Nil	General Funds	Nil	15
	Regional Pathways	100%	Nil	General Funds/Loan Funding	Nil	16
	Regional Cycling Activity	33-50%	67-50%	General Funds	Territorial Authority Grants	17
Forestry	Forestry	0%	100%	Asset Sales/Reserves	Reserves	18

1. 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.
2. 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.
3. 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%.
  - 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.
4. 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.
5. 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).
6. 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.
7. 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.

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## Appendix to the Revenue and Financing Policy

8. 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.
9. 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.
10. 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.
11. 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.
12. 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 tsunamis. 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 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.
13. There is a region wide benefit from being able to progress water security through the development an intergenerational action plan. The information gathered from the water assessment and other work to develop the plan benefits the whole region. The public benefit has been assessed at 100% and funded through the use of general funds and reserves.
14. HBRC maintains, develops, and provides public access to regional parks. 2% of the funding is provided by lease and rental income with the residual 98% public benefit costs are met by general funds.
15. 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.
16. This activity maintains the Hawke’s Bay Regional Council’s assets of the wider Hawke’s Bay trails network. The public benefit has been assessed at 100% and funded through the use of general funds.
17. 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.
18. This activity is self-funding via reserves which are utilised to manage the forestry assets and sale of timber from harvesting.

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## Appendix to the Revenue and Financing Policy

Revenue and Financing Policy – Group of activities: Integrated Catchment Management						
Sub-activity	Further analysis	Public/private allocation		Funding tools		Notes
		Public	Private	Public	Private	
Environmental Science	State of the Environment Reporting	83%	18%	General Funds	Fees/Charges	19
	Research and Grants	100%	Nil	General Funds	Nil	20
	Water Science	65%	35%	General Funds	Fees/Charges	21
	Land Monitoring	75%	25%	General Funds	Targeted Rate	22
	Land Research & Investigations	65%	35%	General Funds	Fees/Charges	23
	Air Quality	100%	Nil	General Funds	Nil	24
	Marine & Coast	100%	Nil	General Funds	Nil	25
Environmental Information	Water Science	65%	35%	General Funds	Fees/Charges	21
	Land Monitoring	75%	25%	General Funds	Targeted Rate	22
	Air Quality	100%	Nil	General Funds	Nil	24
	Marine & Coast	100%	Nil	General Funds	Nil	25
	Water Information Services	Nil	100%	Nil	Fees/Charges	26
Catchment Management	Environmental Enhancement Projects	100%	Nil	General Funds	Nil	27
	Future Farming Trust	100%	Nil	General Funds	Nil	28
	Integrated Catchment Activities – Afforestation/Riparian	100%	Nil	General Funds/Loan Funding	Fees/Charges	29
	Integrated Catchment Activities – FEMP	100%	Nil	General Funds	Nil	30
	Catchment Management Delivery	75%	25%	General Funds	Differential Targeted Rate	31
	Catchment Management Policy Implementation	75%	25%	General Funds	Differential Targeted Rate	31
	Soil Conservation Nursery	Nil	100%	Nil	Fees/Charges	32
Pest Animal Control	Rabbit Control	30%	70%	General Funds	Differential Targeted Rate	33
	Possum Control	30%	70%	General Funds	Differential Targeted Rate	34
	Rook Control	30%	70%	General Funds	Differential Targeted Rate	35
	Site Specific Pest Animal Control	30%	70%	General Funds	Differential Targeted Rate	36
	Predator Free Hawke’s Bay	40%	60%	General Funds	Differential Targeted Rate	37
	Marine Pests	100%	Nil	General Funds	Nil	38
	Research	30%	70%	General Funds	Differential Targeted Rate	39
	General Advice	30%	70%	General Funds	Differential Targeted Rate	39
Pest Plant Control	Incentive Scheme	100%	Nil	General Funds	Nil	40

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### Appendix to the Revenue and Financing Policy

Revenue and Financing Policy – Group of activities: Integrated Catchment Management						
Sub-activity	Further analysis	Public/private allocation		Funding tools		Notes
		Public	Private	Public	Private	
	Primary Production Pest Plants	40%	60%	General Funds	Differential Targeted Rate	41
	Environmental/Human Health Pest Plants	100%	Nil	General Funds	Nil	42
	Biological Control	100%	Nil	General Funds	Nil	43
Pest Management Strategies		100%	Nil	General Funds	Nil	44
Biodiversity		100%	Nil	General Funds	Nil	45

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.
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 general rates.



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### Appendix to the Revenue and Financing Policy

25. Marine Coast activity provides information on the effects of land based activities on our marine and coast water quality, ecosystems and habitats. It is 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 sediment and nutrient impacts. Consequently HBRC treats this as a public cost and funds it through the use of general rates.
26. The Water Information Services activity provides infrastructure and services to support the collection and management of water use data and was 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 Tūtira, Ahuriri Estuary, Whakakī Lake and Waioira River, Lake Whatuma and Tukituki Catchment, Karamū 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 relates to funding for a governance trust of regional farming leaders established to provide guidance, knowledge, leadership and research into farming best practice. HBRC treated this as 100% public cost funded through the use of general funds.
29. Integrated Catchment Activities are a set of activities intended to reform the Land Catchment 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. Integrated Catchment Activities – Afforestation/Riparian 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 public funding with the directly private funded level to be determined as part of the ongoing policy review. The public benefit is driven from improved water quality, instream ecological health and forest habitats and will be funded by general funds.
30. Integrated Catchment Activities - FEMP incorporates a Farm Environment Management Plans (FEMPs) business unit to manage and monitor the FEMP programme across the region. The public benefit of the programme is driven from improved water quality and instream ecological health from the reduction of contaminants entering surface and ground water and will be 100% funded by general funds. The cost of the FEMP is paid for by the landowner.
31. For Sustainable Land Catchment 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 Catchment 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 Catchment 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.
32. 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.

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### Appendix to the Revenue and Financing Policy

33. 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.
34. 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.
35. 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.
36. This programme focuses 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.
37. 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.
38. 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% publicly funded through the use of general funds.
39. 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.
40. 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.
41. 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 an advisory, inspectorial, and compliance regime. The primary beneficiaries of this programme are land occupiers, resulting in a 60% private, 40% public funding policy.
42. Environmental/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 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% publicly funded through the use of general funds.
43. 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.

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### Appendix to the Revenue and Financing Policy

44. 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% publicly funded through the use of general funds.
45. Biodiversity activity includes the delivery of the ecosystem prioritisation programme and has benefits to the overall region. The benefits of this programme are a public good rather than a private good, therefore this activity is 100% publicly funded through the use of general funds.

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## Appendix to the Revenue and Financing Policy

Revenue and Financing Policy – Group of activities: Policy and Regulation						
Sub-activity	Further analysis	Public/private allocation		Funding tools		Notes
		Public	Private	Public	Private	
Policy Planning & Implementation	Policy Planning	100%	Nil	General Funds	Nil	46
	Policy Implementation	100%	Nil	General Funds	Nil	47
Consents	Resource Consents	20%	80%	General Funds	Fees/Charges	48
	Appeals & Objectives	100%	Nil	General Funds	Nil	49
Compliance Monitoring	Compliance Recoverable	20%	80%	General Funds	Fees/Charges	50
	Compliance Non Recoverable	100%	Nil	General Funds	Nil	51
	Environmental Incident Response	100%	Nil	General Funds	Nil	52
	Building Act Implementation	100%	Nil	General Funds	Nil	53
	Hazardous Waste/ Substance Management	100%	Nil	General Funds	Nil	54
	Marine Oil Spill	Nil	100%	Nil	Govt. Grants	55
Maritime Safety	Coastal Use Management	40%	60%	General Funds	Nil	56

46. 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.
47. This activity coordinates the implementation the Resource Management Act 1991 (RMA) planning documents including the National and Planning Documents. HBRC treats these costs as a public cost and funds them through the use of general funds.
48. 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.
49. 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.
50. 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.
51. The Compliance Non Recoverable activity monitors any permitted activities that, although may be attributable to a specific property or location, does not require a resource consent and therefore is not able to be recovered via any fees or charges through the RMA. Therefore this activity is 100% public funded through the use of general funds.
52. 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.

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### Appendix to the Revenue and Financing Policy

53. 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.
54. 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
55. 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
56. The private benefit of this activity is estimated to be 60% incurred by Napier Port for the maintenance of a Maritime New Zealand accredited risk and safety management system for the Napier Pilotage area. The 40% attributed as public benefit is for the provision of navigation aids for the region's other navigable waters and for the education of the public on safe maritime activities.

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### Appendix to the Revenue and Financing Policy

Revenue and Financing Policy – Group of activities: Emergency Management						
Sub -activity	Further analysis	Public/private allocation		Funding tools		Notes
		Public	Private	Public	Private	
Hazard Assessment and Response	Response Management	100%	Nil	General Funds	Nil	57
HB Civil Defence Emergency Management Group	Reduction – Hazard Identification and Mitigation	Nil	100%	Nil	Targeted Rate as a fixed annual charge	58
	Operational Readiness	Nil	100%	Nil	Targeted Rate as a fixed annual charge	58
	Group Leadership and Governance	Nil	100%	Nil	Targeted Rate as a fixed annual charge	58
	Community Engagement and Resilience	Nil	100%	Nil	Targeted Rate as a fixed annual charge	58

57. 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.
58. The Hawke’s Bay Civil Defence Emergency Management Group (CDEMG) is responsible for providing effective civil defence and emergency management for natural disasters within its area under the Civil Defence Emergency Management Act 2002. The CDEMG 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 CDEMG area is reflective of the boundaries of the member TLA Councils. The Hawke’s Bay Regional Council is the administrating authority for the Group. The CDEMG has established a Group Office as a shared service arrangement to manage the reduction, readiness, response and recovery functions of emergency management across the region. The benefits of the work of the Group Office are therefore 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 CDEMG area. As of the 2018-19 financial year the local TLAs no longer individually rate for Local Emergency Management and this funding is brought together and included in the HBRC targeted rate. Individual councils remain responsible for maintaining and delivering their Lifeline functions and other services during an emergency

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### Appendix to the Revenue and Financing Policy

Revenue and Financing Policy – Group of activities: Transport						
Sub-activity	Further analysis	Public/private allocation		Funding tools		Notes
		Public	Private	Public	Private	
Regional Road Safety		9-12%	91-88%	General Funds	Govt. Grants and Territorial Authority Grants	59
Regional Land Transport Strategy		48%-51%	52%-49%	General Funds	Govt. Grants	60
Subsidised Passenger Transport		Nil	100%	Nil	Govt. Grants/Differential Rate & Fees/Charges	61

59. 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 Waka Kotahi NZ 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.
60. The benefits of this activity is the development of an integrated approach to transport to meet economic, social and safety needs of the public. Waka Kotahi NZ 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.
61. 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 Waka Kotahi NZ 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.



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## Appendix to the Revenue and Financing Policy

Revenue and Financing Policy – Group of activities: Governance and Partnerships						
Sub -activity	Further analysis	Public/private allocation		Funding tools		Notes
		Public	Private	Public	Private	
Tāngata Whenua Partnerships		100%	Nil	General Funds	Nil	62
Community Representation and Leadership		100%	Nil	General Funds	Nil	63
Investment Company Support		Nil	100%	Nil	Fees/Charges	64
Community Sustainability	Enviroschools	82% -78%	18% - 22%	General Funds	Grants	65
	Sustainable Homes	Nil	100%	Nil	Targeted Rate & Fees/Charges	66
	Corporate Sustainability	100%	Nil	General Funds/Asset Sale	Nil	67
	Climate Change Engagement	100%	Nil	General Funds/Asset Sale	Nil	68
Regional Development		Nil	100%	Nil	Differential Targeted Rate	69

62. This activity covers our engagement with tāngata whenua as required by the Local Government Act, including the Māori Committee and the Regional Planning Committee, and direct involvement with hapū and marae. It is assessed as a 100% public benefit recovered through the use of general funds.
63. This function relates to the costs of elected political representation as well as the costs of reporting to the community, and is assessed 100% as a public benefit and met by general funds.
64. 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.
65. Enviroschools is HBRC’s in school environmental education programme. This is partially funded through grants with the residual funded by use of regional funds.
66. Sustainable Homes has grown 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 air sheds 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 air sheds, 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.
67. This activity delivers on the strategic objective of HBRC’s footprint being Carbon Neutral by 2025. This includes changes to our corporate operations e.g. fuel, energy, office consumables to be an example to other organisations in the region. The public benefit has been assessed at 100% and will be primarily funded by carbon credits available for sale.
68. In 2019, HBRC declared a Climate Emergency and to further the development and implementation of Climate Change across the Region, this new activity looks to strengthen the Council’s position as the leading local authority on climate change in the region; build meaningful and strong partnerships and relationships with tāngata whenua, the community and key stakeholders; and build awareness of what the Council is doing to mitigate and adapt to climate change. The public benefit has been assessed at 100% and will be primarily funded by carbon credits available for sale.

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### Appendix to the Revenue and Financing Policy

69. This activity promotes economic development for the region through contributions to regional economic development organisations, such as Hawke's Bay Tourism and Regional Business Partners. 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 Regional Development activity is fully funded through the use of an Economic Development Rate across the region. 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 collected from residential and rural properties as a Fixed Annual Charge. Wairoa District ratepayers' contribution is limited to 5% of the total Economic Development rate.

## Significance and Engagement Policy

### Purpose and scope

Hawke's Bay Regional Council has developed this Policy to:

1. enable the 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 the Council
3. inform the 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 the Council when making decisions. With this in mind, the Council 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, the Council will consider the degree of significance and the most appropriate level of engagement.

The Council will refer to the *criteria for significance* when assessing matters, issues or proposals that require a Council decision. Advice on significance and options will come from a Regional Council officer or other professional. The Council will consider and make decisions, taking into account the degree of significance of the issue and referring to the *engagement spectrum* to identify the appropriate level and type of engagement.

Advice from Regional Council 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, the Regional Council's stated levels of service as set out in the current Long Term Plan
- the capacity of the Regional Council 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.

The Council will exercise its judgement when assessing the degree of significance for each decision to be made by the Council.

**Significant** means that the issue, proposal, decision or other matter is judged by the 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, the Council will take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga. The Council will also take into account the values of the whole community.

When making decisions, the 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, the Council will ask people in the region their engagement preferences and will review those preferences each three-year term via the Regional Resident Survey.

The 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:

1. the likely level of community interest
2. the likely impact or consequences for affected individuals and groups in the region
3. how much a decision or action impacts on the rights and interests of tāngata whenua under the Treaty of Waitangi
4. how much a decision or action promotes community outcomes or other Council priorities
5. the impact on levels of service identified in the current Long Term Plan
6. the likely impact of climate change factors in the region
7. the impact on rates or debt levels
8. the cost and financial implications of the decision to ratepayers
9. the involvement of a strategic asset.

### Strategic assets

Strategic assets are owned by the 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 the Council. Regionally significant natural resources are served by the Resource Management Act and Regional Resource Management Plan.

Hawke’s Bay Regional Council considers the following to be strategic assets:

- Napier Port Holdings Limited (NPHL)
- Future Investment Fund (inflation adjusted capital base retention of net proceeds from partial sell-down of 45% ownership of Napier Port following Initial Public Offering)
- Hawke’s Bay Regional Investment Company Limited
- 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

The Regional Council 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.

### 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 the Regional Council 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 recognise the constitutional status of Māori under the Treaty of Waitangi (Te Tiriti o Waitangi) and provide opportunities for Māori to contribute to our decision-making processes, guided by the Māori Partnerships Team's advice and methodology.

The Council seeks authentic engagement with our community. 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.

The Regional Council will prepare a communications or engagement plan for each major decision or group of inter-related 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.

A communications or 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.

### Engagement spectrum

Community engagement is a process. It involves all or some of the public and is focused on decision-making or problem-solving. The Council considers the significance of a decision to be made and uses an engagement spectrum to assess the approach we might take to engage the community.

In some circumstances the Regional Council is required to use the special consultative procedure, set out in section 83 of the Act and described in a separate section below.

The spectrum ranges from "inform" to "empower". The level of engagement will be "inform" 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 the 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.

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## Significance and Engagement Policy

### Engagement spectrum<sup>10</sup> – our approach

Levels of Engagement <sup>11</sup>	1. Inform Whakamōhio	1. Consult Whakauiuia	2. Involve Whakaura	3. Collaborate Mahi ngātahi	4. Empower Whakamanahia
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 Treaty partners and 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 - Freshwater plan	- Te Mana o Te Wai	- 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
When the community can expect to be involved	Council will generally advise the community when a decision is made	Council will advise the community of a proposal 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	The community will vote at a well publicised date

The Regional Council engages with communities in many ways, from face-to-face to meetings, forums and surveys. Preferences for community engagement are periodically evaluated through regional surveys<sup>12</sup>.

<sup>10</sup> Using the International Association of Public Participation (IAP2) Spectrum of Engagement

<sup>11</sup> Level of engagement also determined with reference to the Māori Partnerships Team’s guidance and methodology on engagement

<sup>12</sup> [2019 Regional Resident Survey](#), SIL Research

### Special consultative procedure

In some cases, and as required under the Act, the Regional Council 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 the Council, i.e. published online, in the newspaper and/ or in the Council'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 the Council'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 the Council 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.

The Council may also request advice or comment from a Council officer or any other person.

Where the Regional Council 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 the Regional Council 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 amended and adopted on 30 June 2021.



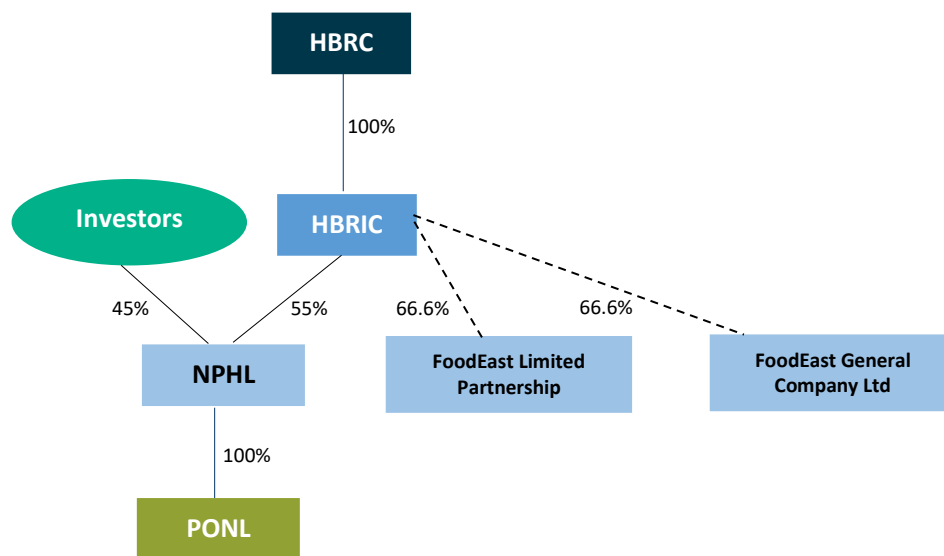
## Statement on council-controlled organisations

### Introduction

In February 2012 Hawke’s Bay Regional Council (HBRC) established a Council Controlled Trading Organisation called the Hawke’s Bay Regional Investment Company Ltd (HBRIC). HBRC has a 100% shareholding in HBRIC which has 55% shareholding in Napier Port Holdings Ltd (NPHL). Napier Port Holdings Ltd was listed on the NZX in August 2019 and has 100% ownership of PONL.

In April 2021, after a public consultation process, HBRC approved the creation of two new Council Controlled Trading Organisations (CCTOs) to operate a proposed new regional food hub called FoodEast. The CCTOs will take the form of a Limited Partnership and a Limited Company (General Partner), of which HBRIC Ltd will have 66.6% ownership. The other parties, being Hastings District Council (HDC) and Progressive Meats Limited (PML), will have 16.7% ownership each.

Figure 15: Structure of HBRC subsidiaries



## Hawke’s Bay Regional Investment Company Limited

### Policy and objectives in relation to ownership and control

HBRC will retain majority ownership of NPHL/PONL through its wholly owned investment company. HBRIC, NPHL and PONL are strategic assets of HBRC and will therefore require a special consultative process if there was to be any dilution of the shareholding below 51%.

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 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’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
- Invest in equity investments providing long term commercial returns and where possible also provide a regional benefit
- Invest in real assets providing long term commercial returns and where possible also provide a regional benefit

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## Statement on council-controlled organisations

- Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC'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 Council 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 Council which may include:
  - Enabling diversification of the Region's income streams for the benefit of ratepayers
  - Enhancing Council's capability to manage an active investment policy
- Comply with the LGA provisions requiring a special consultative process, and with Council policies, in regard to any disposal or part-disposal of shares in any Strategic Asset
- Advise Council of any material capital expenditure projects by HBRIC or via its subsidiaries.

### Key performance targets

HBRIC 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 HBRIC's regional strategic development objectives
- Maintain a majority ownership of NPHL

- Generate commercial returns across the managed funds portfolio, sufficient to protect and grow the capital base and contribute towards funding Council's operating costs
- Invest in equity investments providing long term commercial returns and where possible provide a regional benefit
- Invest in real assets providing long term commercial returns and where possible provide a regional benefit.

## Napier Port Holdings Limited (NPHL)

### Policy and objectives in relation to ownership and control

HBRIC's and HBRIC's objectives in setting up NPHL are to:

- Create a NZX listed entity which is the sole entity to offer new shares to the public
- Create a corporate and governance structure accountable to all shareholders. The constitution of NPHL will require its board to mirror the board of PONL.

### Nature and scope of the activities

The nature and scope of NPHL activities are to:

- Own and oversee the successful operation of PONL
- Meet NZX regulatory requirements and be the listed entity which is subject to the NZX listing rules and other financial markets legislation
- Ensure that best practice governance procedures are applied to NPHL and PONL.

### Key performance targets

The key performance targets of NPHL are:

- Encourage and oversee growth in long term shareholder value
- Encourage and oversee increased financial and strategic returns
- Ensure investments in PONL are secure and sustainable over the long term
- Ensure socially responsible operation of PONL
- Support ongoing growth of the regional economy.

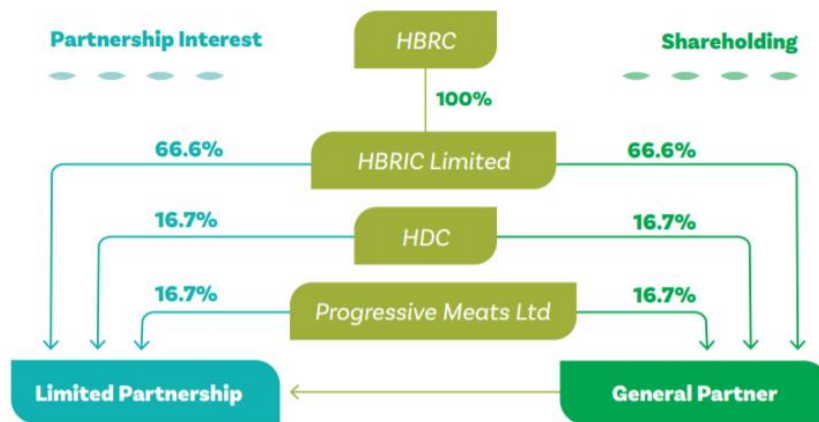
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## Statement on council-controlled organisations

### FoodEast

The proposed structure of the FoodEast investment, including the CCTOs is shown in the diagram below.

Figure 16: Proposed Structure of FoodEast



### Policy and objectives in relation to ownership and control

HBRC's and HBRIC's objectives in setting up FoodEast are to:

- Establish an organisation that will contribute positively toward the region's economic development
- Have a physical presence that will be designed to be an innovation centre to promote more cost-effective food and beverage product innovation
- Facilitate innovation and collaboration in the Hawke's Bay food and beverage, agritech, horticulture industries and related activities

- Provide a base for clustering food technology firms, improving co-operation and bringing in scientific and technical expertise in all areas relating to food innovation (including research activity).

### Nature and scope of the activities

The nature and scope of the two new CCTOs' activities are to:

- Own and oversee the successful operation of FoodEast
- Ensure that best practice governance procedures are applied in the operation of FoodEast.

### Key performance targets

The two new CCTOs were in the process of being established during the preparation of this Long Term Plan. Key performance targets and other performance indicators are being developed as part of the formation process and will be made available to the public upon the establishment of the two new entities.

## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk																																																																																				
<p><b>Financial presentation</b></p> <p>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 any Council subsidiary entities such as HBRIC, which manages Council’s 55% shareholding in the NPHL, except to the extent that Council obtains distributions from, or further invests in, those subsidiaries. Council has not presented group prospective financial statements because it believes that parent prospective financial statements are more relevant to users.</p>	The presentation of financial statements for the parent entity only will not provide readers with a sufficient level of information.	Low	Parent only financial statements are more meaningful for most ratepayers. In addition, neither Council nor HBRIC is able to access detailed 10-year financial projections for NPHL as the company is listed on the stock exchange.																																																																																				
<p><b>Population</b></p> <p>HBRC has taken into account forecast changes in population and rateable properties. The regional projection reflects the combined projections from the main territorial authorities in the region (Hastings District, Napier City, Central Hawke’s Bay District and Wairoa District). The projections, for growth in population and households, are set out in the following table:</p> <p><i>Table 17: Hawkes Bay population projections</i></p> <table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> <th>2023</th> <th>2024</th> <th>2025</th> <th>2026</th> <th>2027</th> <th>2028</th> <th>2029</th> <th>2030</th> <th>2031</th> </tr> </thead> <tbody> <tr> <td><b>HB population</b></td> <td>176,694</td> <td>178,042</td> <td>179,397</td> <td>180,696</td> <td>182,001</td> <td>183,313</td> <td>184,632</td> <td>185,938</td> <td>187,239</td> <td>188,527</td> <td>189,672</td> </tr> <tr> <td><b>Change</b></td> <td></td> <td>1,348</td> <td>1,355</td> <td>1,299</td> <td>1,305</td> <td>1,312</td> <td>1,319</td> <td>1,326</td> <td>1,281</td> <td>1,288</td> <td>1,145</td> </tr> <tr> <td><b>Percentage change</b></td> <td></td> <td>0.76%</td> <td>0.76%</td> <td>0.72%</td> <td>0.72%</td> <td>0.72%</td> <td>0.72%</td> <td>0.72%</td> <td>0.69%</td> <td>0.69%</td> <td>0.61%</td> </tr> <tr> <td><b>No of households</b></td> <td>66,838</td> <td>67,367</td> <td>67,906</td> <td>68,415</td> <td>68,934</td> <td>69,473</td> <td>70,002</td> <td>70,521</td> <td>71,029</td> <td>71,527</td> <td>72,065</td> </tr> <tr> <td><b>Change</b></td> <td></td> <td>529</td> <td>539</td> <td>509</td> <td>519</td> <td>539</td> <td>529</td> <td>519</td> <td>508</td> <td>498</td> <td>538</td> </tr> <tr> <td><b>Percentage change</b></td> <td></td> <td>0.79%</td> <td>0.80%</td> <td>0.75%</td> <td>0.76%</td> <td>0.78%</td> <td>0.76%</td> <td>0.74%</td> <td>0.72%</td> <td>0.70%</td> <td>0.75%</td> </tr> </tbody> </table>		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	<b>HB population</b>	176,694	178,042	179,397	180,696	182,001	183,313	184,632	185,938	187,239	188,527	189,672	<b>Change</b>		1,348	1,355	1,299	1,305	1,312	1,319	1,326	1,281	1,288	1,145	<b>Percentage change</b>		0.76%	0.76%	0.72%	0.72%	0.72%	0.72%	0.72%	0.69%	0.69%	0.61%	<b>No of households</b>	66,838	67,367	67,906	68,415	68,934	69,473	70,002	70,521	71,029	71,527	72,065	<b>Change</b>		529	539	509	519	539	529	519	508	498	538	<b>Percentage change</b>		0.79%	0.80%	0.75%	0.76%	0.78%	0.76%	0.74%	0.72%	0.70%	0.75%	The forecast change in the HB population will be greater or lower than forecast.	Low	No significant programmes, expenditure or revenue changes are being driven by changes in population.
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031																																																																												
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<p><b>COVID-19 economic impact</b></p> <p>The COVID-19 pandemic that swept the world in 2020 had the potential to have a major impact on the New Zealand and Hawke’s Bay economies. The impact on different sectors of the Hawke’s Bay community has been variable with some impacted by a downturn in tourism for example. Council responded quickly to the pandemic by deferring the proposed rate increase for 2020-21. As well as the HB community, HBRC has been directly impacted through a reduction in the amount of investment income it has to offset the amount required from rates. A combination of the deferral of the proposed rate increase and reduced income from other sources meant that Council used its strong</p>	HBRC will underestimate the extent of the economic impact of COVID-19.	Medium	If the impact on the HB economy is greater than anticipated HBRC’s forecast financial position may be worse and the forecast revenues may be lower than those forecast in this plan. In addition, if the ability of the ratepayers in the region to absorb increases in HBRC rates is affected to a greater degree than anticipated Council may respond by modifying its revenue and expenditure																																																																																				

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## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk
<p>financial position to borrow \$7.5 million in 2020-21 to bridge the funding gap. The COVID-19 pandemic will have an enduring impact on the NZ and Hawke’s Bay economies, which in turn will have a bearing on the implementation of the 2021-31 Long Term Plan.</p>			<p>plans during the period of this LTP. Any significant change will be consulted on as part of an annual plan or LTP amendment.</p>
<p><b>Environment</b>            Increased expectations for better environmental outcomes, particularly related to freshwater, are bringing a stronger focus and attention on Council’s functions. The Government’s Essential Freshwater package introduced new rules and regulations to:</p> <ul style="list-style-type: none"> <li>• stop further degradation of New Zealand’s freshwater resources and improve water quality within five years</li> <li>• reverse past damage and bring New Zealand’s freshwater resources, waterways and ecosystems to a healthy state within a generation.</li> </ul> <p>Adequate resources to implement the Essential Freshwater policies and regulations that came into force on 3 September 2020 are difficult to estimate. The NPSFM 2020 requires Regional Councils to give effect to Te Mana o te Wai. In doing so the Council must develop a plan for maintaining and improving the state of freshwater in the region.</p> <p>Te Mana o Te Wai is the fundamental concept which underpins the NPSFM 2020 and the Council must:</p> <ul style="list-style-type: none"> <li>• set a long term vision for water informed by the aspirations of tāngata whenua and communities,</li> <li>• actively involve tāngata whenua in freshwater management such as the preparation of policy statements and plans; and</li> <li>• investigate options for tāngata whenua involvement in other RMA processes.</li> </ul> <p>By 31 December 2024 Councils must notify changes to policy statements and plans to give effect to the NPSFM 2020.</p> <p>Alongside the development of the freshwater catchment plans both the Hawkes Bay Regional Resource Management Plan and the Regional Coastal Environment Plan are due for review (commencing in 2021). In order to deliver on all of these elements of the Policy &amp; Planning work programme it is proposed to combine the RRMP and RCEP, as well as the NPSFM freshwater catchment polices into one plan ‘Kotahi’.</p> <p>Increased funding has been included in the Policy and Planning and Māori Partnerships teams project planning to ensure that Kotahi will meet the statutory obligations. However, it is unclear what, if any financial assistance will be provided to Council by Central Government to meet these new and challenging timeframes. Nor is it clear what funding or resourcing will be made available to tāngata whenua to support their active involvement in these planning processes.</p>	<p>There could be new environmental or resource management issues requiring work that cannot be resourced and funded out of normal budgetary provisions.</p>	<p>Low</p>	<p>The potential effect of any new environmental or resource management issues is dependent on the scale, type, location, and impact on the environment. Each issue will be addressed on its merits and any resourcing or funding requirement will be addressed and if necessary, consulted on as part of an annual plan or LTP amendment.</p>

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## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk
<p><b>Land use changes</b>            HBRC assumes that the current use of land will not change significantly over the course of this LTP. 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 are 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 continuing to invest 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 a year. This initiative will have positive impacts on water quality, carbon sequestration and soil health.</p>	<p>Changes in land use impact on HBRC’s programmes and on the environment.</p>	<p>Low</p>	<p>We would expect that any changes in land use will be gradual with any significant changes being very obvious giving Council time to review and alter programmes and consult with the community if required.</p>
<p><b>Natural disasters</b>            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 predicted 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.</p>	<p>A significant natural disaster occurs during the period covered by this LTP.</p>	<p>Low</p>	<p>A major event is unlikely however the potential impact if one does occur could be significant.</p>
<p><b>Climate change</b>            The Regional Council announced a climate emergency for the Hawke’s Bay region on 26 June 2019, recognising that we have a small window of time to act to avoid the most damaging effects of the climate crisis in the longer term. In declaring a climate emergency, the Regional Council is making climate change a focus in all its decision-making and relevant work programmes.            The climate emergency declaration recognises that the climate crisis is an urgent and pervasive threat to human and ecological wellbeing. A build-up of too many greenhouse gases like carbon dioxide and methane leads to too much heat being trapped in turn causing the climate to change.            Local government has responsibilities for adaptation to and mitigation of the effects of climate change under the Resource Management Act and Local Government Act, whereas central government leads policy to mitigate (reduce) greenhouse gas emissions. As such climate change adaptation and mitigation is a key component of the Regional Council’s planned work programme in this LTP. HBRC has allowed for a response to climate change throughout its work programmes and levels of service.            In November 2020, the most comprehensive and wide-ranging assessment of climate change impacts on the region to date was released. The report was commissioned by HBRC, Gisborne District Council and Envirolink, and conducted by the National Institute for Water and Atmosphere (NIWA). NIWA used modelling from the Intergovernmental Panel on Climate Change (IPCC), including a mid-range emission and high emission scenario, to describe changes that could occur over the 21st Century. This report provides the best information to hand and the findings justify our approach to managing for climate change impacts.</p>	<p>Climate change causes impacts on land, sea and/or the environment.</p>	<p>Low</p>	<p>Most of Council’s proposed actions around climate change are linked to possible impacts on land and water rather than on Council assets.</p> <p>We do not anticipate any significant impacts from climate change on key Council assets over the next 10 years.</p> <p>If events occur that require any significant change to Council’s response Council will consult with the community through an annual plan or LTP amendment process.</p>

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## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk
<p>The report projects direct impacts of:</p> <ul style="list-style-type: none"> <li>• annual average temperatures are projected to go up between 0.5°C and 1°C by 2040, and between 1.5°C and 3°C by 2090. This comes on top of the 1°C increase over the last century.</li> <li>• coastal areas could have five fewer frosty days and inland areas 20 fewer frosty days by 2040. This could increase to 50 fewer frosty days for inland areas by 2090.</li> <li>• heat waves, defined as three or more days above 25°C, will become increasingly common, with increases of between 10-20 days by 2040, and 20-60 days by 2090.</li> <li>• annual rainfall is projected to drop up to 5% by 2040, and up to 15% in parts of Hawke’s Bay by 2090.</li> <li>• more intense storms.</li> <li>• sea level rise of up to 0.4m in 40 years and worsening coastal erosion (under the extreme worst-case scenario).</li> </ul> <p>Broader impacts on the community include:</p> <ul style="list-style-type: none"> <li>• increasing temperatures will impact the primary sector through a growth in pests and diseases, which will impact the quality and quantity of fruit and vegetable crops, as well as the productivity of forestry and pasture.</li> <li>• more droughts will likely decrease our agricultural production and the health of our rivers, which will also affect our drinking water supplies.</li> <li>• less rainfall will impact rivers in the region, resulting in a projected 20% decrease in flow by 2090.</li> <li>• sea level rise plus storm surges will inundate orchards, vineyards and other crops, roads, buildings with a significant financial impact.</li> <li>• positive impacts including increased pasture and plant productivity of select plants, less frost damage, and longer summers for tourists.</li> </ul> <p>Several projects in this LTP support climate change adaptation, including accelerating upgrades to the Heretaunga Plains Flood Protection Scheme and gravel extraction in the Upper Tukituki to keep communities safe from floods, the continuance of the Coastal Hazards Strategy 2120 which takes a Joint Committee approach to apply solutions to coastal hazards and sea level rise and the Regional Water Security Programme.</p> <p>The Council’s Regional Water Security Programme has an ambition to deliver freshwater supply and demand solutions/interventions to ensure the sustainable management of this most critical resource. Council is also working to mitigate climate change through its regional planting programme and on-demand transport.</p>			



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## Significant forecasting assumptions

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<p><b>Cost adjusters</b>                      All expenditure projections in the financial statements for year 1 (2021-22) of the Long Term Plan are stated without cost adjusters. From year 2 (2022-23) cost adjusters have been used to allow for the effect of inflationary pressures. These cost adjuster assumptions are set out in Table 18 below: The rates have been provided by BERL economic forecasts in September 2020.                      Table 18: Cost adjusters</p> <table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Salary related costs</th> <th colspan="2">External expenditure</th> </tr> <tr> <th>Annual (%)</th> <th>Cumulative (%)</th> <th>Annual (%)</th> <th>Cumulative (%)</th> </tr> </thead> <tbody> <tr><td>2021-22</td><td>1.60</td><td>1.60</td><td>1.50</td><td>1.50</td></tr> <tr><td>2022-23</td><td>2.50</td><td>4.14</td><td>2.90</td><td>4.44</td></tr> <tr><td>2023-24</td><td>2.30</td><td>6.54</td><td>2.50</td><td>7.05</td></tr> <tr><td>2024-25</td><td>2.20</td><td>8.88</td><td>2.50</td><td>9.73</td></tr> <tr><td>2025-26</td><td>2.20</td><td>11.27</td><td>2.50</td><td>12.47</td></tr> <tr><td>2026-27</td><td>2.20</td><td>13.72</td><td>2.50</td><td>15.29</td></tr> <tr><td>2027-28</td><td>2.20</td><td>16.22</td><td>2.60</td><td>18.28</td></tr> <tr><td>2028-29</td><td>2.20</td><td>18.78</td><td>2.70</td><td>21.48</td></tr> <tr><td>2029-30</td><td>2.20</td><td>21.39</td><td>2.70</td><td>24.76</td></tr> <tr><td>2030-31</td><td>2.20</td><td>24.07</td><td>2.60</td><td>28.00</td></tr> </tbody> </table>					Year	Salary related costs		External expenditure		Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)	2021-22	1.60	1.60	1.50	1.50	2022-23	2.50	4.14	2.90	4.44	2023-24	2.30	6.54	2.50	7.05	2024-25	2.20	8.88	2.50	9.73	2025-26	2.20	11.27	2.50	12.47	2026-27	2.20	13.72	2.50	15.29	2027-28	2.20	16.22	2.60	18.28	2028-29	2.20	18.78	2.70	21.48	2029-30	2.20	21.39	2.70	24.76	2030-31	2.20	24.07	2.60	28.00	Changes in HBRC costs are greater or less than predicted.	Medium	<p>Changes to the cost adjusters (inflation) will impact on Council’s costs and revenues and on the projected future rate increases.</p> <p>The difference between the assumptions in the three BERL scenarios would result in cumulative cost increases being 5.6% lower over 10 years under the “Stalled Recovery” scenario or 3.3% higher under the “Faster Recovery” scenario.</p> <p>Based on the total external expenditure of \$93m in 2021-22 the potential impact, for every 0.1% movement in the cost index is \$93,000.</p> <p>Budgets are modified each year as part of the annual plan and any significant changes will result in consultation with the community on the proposed budget and rates requirement.</p>
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<p><b>Asset value adjusters</b>                      All applicable assets are revalued at various stages during the LTP. Table 19 below sets out the asset value adjusters used in the Long Term Plan.</p>					The changes in HBRC asset values are greater or lower than anticipated.	Low	<p>Changes to the cost adjusters (inflation) will impact on the replacement cost or market value of Council’s assets.</p> <p>Valuation changes do not result in a significant change to Council’s operating costs and revenues. An increase in the value of assets such as land and buildings and infrastructure assets will result in an increase in the depreciation expense that forms part of the annual budget.</p> <p>An increase in the value of investment assets does not result in a change in the budgeted revenue from the investments as the revenue, used for budgeting purpose, reflects the expected dividends received or actual rentals or proceeds from forest harvesting that are received each year.</p>																																																											

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<p><i>Table 19: Asset value adjusters</i></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Land &amp; Buildings (%)</th> <th>Forestry Assets (%)</th> <th>Investment Property (%)</th> <th>Infrastructure Assets (%)</th> <th>Hydro Assets (%)</th> <th>HBRIC Shares (%)</th> </tr> </thead> <tbody> <tr><td>2021-22</td><td>6.00</td><td>3.00</td><td>6.00</td><td>4.00</td><td>6.00</td><td>5.00</td></tr> <tr><td>2022-23</td><td>2.00</td><td>3.00</td><td>2.00</td><td>3.00</td><td>3.50</td><td>5.00</td></tr> <tr><td>2023-24</td><td>2.00</td><td>3.00</td><td>2.00</td><td>2.60</td><td>2.60</td><td>5.00</td></tr> <tr><td>2024-25</td><td>3.00</td><td>3.00</td><td>3.00</td><td>2.60</td><td>2.70</td><td>5.00</td></tr> <tr><td>2025-26</td><td>5.00</td><td>3.00</td><td>4.50</td><td>2.70</td><td>2.90</td><td>5.00</td></tr> <tr><td>2026-27</td><td>5.00</td><td>3.00</td><td>4.50</td><td>2.60</td><td>2.80</td><td>5.00</td></tr> <tr><td>2027-28</td><td>5.00</td><td>3.00</td><td>4.50</td><td>2.80</td><td>3.20</td><td>5.00</td></tr> <tr><td>2028-29</td><td>5.00</td><td>3.00</td><td>4.50</td><td>2.80</td><td>3.30</td><td>5.00</td></tr> <tr><td>2029-30</td><td>5.00</td><td>3.00</td><td>4.50</td><td>2.90</td><td>3.40</td><td>5.00</td></tr> <tr><td>2030-31</td><td>5.00</td><td>3.00</td><td>4.50</td><td>2.70</td><td>3.10</td><td>5.00</td></tr> </tbody> </table> <p>The above rates for Infrastructure Assets and Hydrological Assets are based on the capex inflation indices provided by BERL economic forecasts in September 2020.</p> <p>The rates used for Land &amp; Buildings, Investment Property and HBRIC Ltd Shares were provided by Council's investment advisors (PWC).</p> <p>The rate for forestry assets is a conservative estimate of an average growth in value which is similar to the growth in Hydro and Infrastructure assets.</p> <ul style="list-style-type: none"> <li>Property and Forestry Crops are revalued every year.</li> <li>HBRIC shares are revalued every year (market to market).</li> <li>Operational Land and Buildings and Hydrological Assets are revalued every three years starting in the 2021-22 year.</li> <li>Infrastructure Assets are revalued every three years starting in the 2022-23 year.</li> </ul>							Year	Land & Buildings (%)	Forestry Assets (%)	Investment Property (%)	Infrastructure Assets (%)	Hydro Assets (%)	HBRIC Shares (%)	2021-22	6.00	3.00	6.00	4.00	6.00	5.00	2022-23	2.00	3.00	2.00	3.00	3.50	5.00	2023-24	2.00	3.00	2.00	2.60	2.60	5.00	2024-25	3.00	3.00	3.00	2.60	2.70	5.00	2025-26	5.00	3.00	4.50	2.70	2.90	5.00	2026-27	5.00	3.00	4.50	2.60	2.80	5.00	2027-28	5.00	3.00	4.50	2.80	3.20	5.00	2028-29	5.00	3.00	4.50	2.80	3.30	5.00	2029-30	5.00	3.00	4.50	2.90	3.40	5.00	2030-31	5.00	3.00	4.50	2.70	3.10	5.00			
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2029-30	5.00	3.00	4.50	2.90	3.40	5.00																																																																																
2030-31	5.00	3.00	4.50	2.70	3.10	5.00																																																																																
<p><b>Capital programme delivery</b></p> <p>Programmes and projects are assumed to be delivered within budget and on time.</p> <p>The Plan includes a significant increase in capital expenditure, particularly in the first two years as this is supported by the availability of government funding.</p>							<p>The risk is that the capital programme is not able to be delivered on time and within the budget available.</p>	<p>Medium</p>	<p>Council will be working proactively to plan for the delivery of major projects proposed in the plan. A greater lead time will improve the chances of delivery on time and on budget. Council does have an in-house civil works capability that will be utilised to deliver projects wherever possible.</p>																																																																													

## Part 7 – Policies | Ngā Kaupapa Here

### Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk
			<p>Where projects are not able to be completed as scheduled within any given year Council will carry forward the budget and funding. The implication of any shortfall in project delivery are:</p> <ul style="list-style-type: none"> <li>• projects may cost more than planned due to inflation</li> <li>• less funds will need to be borrowed in the short term</li> <li>• delaying new borrowing will impact on the timing of financing costs</li> <li>• delays in proposed improvements to services.</li> </ul>
<p><b>Contractor availability</b> That Council will be able to find skilled contractors to undertake the work programme in this plan. Currently there is very little surplus capacity in the contracting market due to the housing boom and the increased level of capital works proposed by many local authorities. This may provide Council with challenges in procuring services to deliver on time and to budget.</p>	<p>The risk is that there is not sufficient contractor capacity to deliver the capital programme on time or that contract prices increase significantly so that works cannot be delivered within the budget available.</p>	<p>Medium</p>	<p>Council will proactively work with the local contractor community to procure major works. Where projects are not able to be completed as scheduled within any given year Council will carry forward the budget and funding. The implication of any shortfall in project delivery are:</p> <ul style="list-style-type: none"> <li>• projects may cost more than planned due to inflation</li> <li>• less funds will need to be borrowed in the short term</li> <li>• delaying new borrowing will impact on the timing of financing costs</li> <li>• delays in proposed improvements to services.</li> </ul>

# Part 7 – Policies | Ngā Kaupapa Here

## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk
<p><b>Interest rates</b> We are currently experiencing historic lows in the financial markets due to the impact of COVID-19 on world economies. These low interest rates are expected to continue for some time.</p> <p><b>External borrowing</b> The interest rate assumptions for external borrowing for inclusion in the plan are set out below:</p> <ul style="list-style-type: none"> <li>• For the 2021-22 financial year 1.5%</li> <li>• For the 2022-23 financial year 2.0%</li> <li>• For the 2023-24 financial year 2.5%</li> <li>• For the remainder of the plan until 30 June 2031 2.5%</li> </ul> <p><b>Interest on deposits</b> The interest rate assumptions for interest on deposits for inclusion in the plan are set out below:</p> <ul style="list-style-type: none"> <li>• For the 2021-22 financial year 1.0%</li> <li>• For the 2022-23 financial year 1.0%</li> <li>• For the 2023-24 financial year 1.5%</li> <li>• For the remainder of the plan until 30 June 2031 1.5%</li> </ul>	<p>Borrowing costs are higher than expected.</p> <p>Interest received on deposits is lower than expected.</p>	<p>Low</p> <p>Low</p>	<p>Council’s external borrowings are managed in accordance with Council’s Treasury Policy. This ensures that only a portion of existing debt will need to be refinanced in any one year.</p> <p>Each 1% change in interest rates could add \$10,000 to HBRC costs for every \$1 million borrowed. This could potentially add \$1.2 million to costs when external debt is expected to peak at \$122 million in 2025/26.</p> <p>Only a small proportion of investment revenues is driven by returns on cash deposits. Most revenue is linked to returns on managed funds which are discussed separately.</p>
<p><b>Managed funds</b> Council has allocated funds from the proceeds of the sell down of the HBRIC shareholding in the Napier Port and funds previously set aside for investment in RWSS to be placed into managed funds so that these assets should work harder and provide more returns.</p> <p>The total estimated managed funds are \$165 million as at June 2021. These are held by HBRIC (\$48 million) and HBRC (\$117 million).</p> <p>Based on advice from Council’s advisors this LTP assumes an average annual return of 5.16%. This is based on averaging the historical returns and the future 20 years projected returns provided by the fund managers. On average 2% of the total returns will be added to the funds balance to ensure that the funds, and the annual revenues available to offset rates grow in line with forecast growth in costs. Each year a budget assumption of 3.16% on the funds balance will be used to offset the general rates requirement.</p> <p>Any income over the combined revenue projections for managed funds and HBRIC dividends are to be transferred to an Investment Income Equalisation reserve and will earn interest in line with interest on deposits stated above to cover market fluctuation risks.</p> <p>These investments may include any of the investment classes included in the Investment Policy.</p>	<p>Returns from Council’s investments in managed funds are lower than expected.</p>	<p>High</p>	<p>HBRC has traditionally relied on combined investment income of at least \$13m per annum for the portfolio of managed funds and HBRIC dividends to subsidise the cost of its activities and reduce the amount required to be collected from rates.</p> <p>Each 0.6% reduction or increase in the projected return on managed funds equates to \$1 million in revenue that would be lost or gained.</p> <p>Council is able to use its borrowing facilities or the Investment Equalisation reserve to smooth the impact of any short-term shortfall in revenues.</p> <p>If the average return, over time, is lower than projected each 0.6% change in the average return will represent \$10 million in additional or reduced income over the life of this LTP.</p> <p>Every \$260,000 in reduced income from investments would result in a 1% increase in the amount needed from rates or other sources.</p>

# Part 7 – Policies | Ngā Kaupapa Here

## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk								
<p><b>HBRIC</b>                      HBRIC, the Council’s investment company, commenced activities in February 2012. Its principal investment is 55% ownership of Napier Port Holdings Ltd (NPHL) which in turn owns Port of Napier Limited (PONL), which owns and operates Napier Port. In addition HBRIC maintains a portfolio of managed funds (estimated to be \$48 million as at June 2021).                      Dividends payable to HBRC will derive from a combination of NPHL dividends plus returns on managed funds.                      The annual HBRIC dividend comprises the dividends from HBRIC’s 55% share of NPHL after costs of administering HBRIC. Based on advice from Council’s investment advisors, PWC, the projected dividend revenues from NPHL to HBRIC will grow by between 4% and 5% per annum.                      For the LTP budgets we have assumed growth of 4% per annum.</p> <p><i>Table 20: Estimated NPHL dividends to HBRIC</i></p> <table border="1" data-bbox="152 711 456 855"> <thead> <tr> <th>Year</th> <th>\$’000</th> </tr> </thead> <tbody> <tr> <td>2021-22</td> <td>9,100</td> </tr> <tr> <td>2022-23</td> <td>9,464</td> </tr> <tr> <td>2023-24</td> <td>9,843</td> </tr> </tbody> </table> <p>From 2024-2031 dividends grow by 4% per annum                      Any income over the combined revenue projections for managed funds and HBRIC dividends is to be transferred to an Investment Income Equalisation reserve and this will earn interest in line with interest on deposits stated above to cover market fluctuation risks associated with the investment portfolio.</p>	Year	\$’000	2021-22	9,100	2022-23	9,464	2023-24	9,843	<p>Returns from Council’s investment in HBRIC (Napier Port) are lower than expected.</p>	<p>High</p>	<p>HBRC has traditionally relied on combined investment income of at least \$13 million per annum for the portfolio of managed funds and HBRIC dividends to subsidise the cost of its activities and reduce the amount required to be collected from rates.                      Every \$260,000 in reduced income from investments would result in a 1% increase in the amount needed from rates or other sources.</p>
Year	\$’000										
2021-22	9,100										
2022-23	9,464										
2023-24	9,843										
<p><b>Leasehold properties Napier</b>                      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.</p>	<p>Returns from Council’s investments in leasehold properties are lower than expected.</p>	<p>Low</p>	<p>The annual value of budgeted revenues from leasehold property is \$1,400,000. Leasehold revenues are primarily linked to long-term leases, so the revenue streams are reasonably stable.</p>								

# Part 7 – Policies | Ngā Kaupapa Here

## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk																					
<p><b>Wellington</b> 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 currently provide a return of \$840,000 per annum with leases renewed every 14 years.</p>																								
<p><b>Forestry</b> <i>Table 21: HBRC forestry portfolio</i></p> <table border="1" data-bbox="147 528 1095 924"> <thead> <tr> <th>Site Name</th> <th>Area (ha)</th> <th>Assumptions</th> </tr> </thead> <tbody> <tr> <td><b>CHB</b></td> <td>168</td> <td>No material investment, maintenance only, no harvesting in LTP period</td> </tr> <tr> <td><b>Māhia</b></td> <td>36</td> <td>No material investment, maintenance only, no harvesting in LTP period</td> </tr> <tr> <td><b>Waihapua</b></td> <td>213</td> <td>No material investment, maintenance only, no harvesting in LTP period</td> </tr> <tr> <td><b>Tūtira</b></td> <td>114</td> <td>Harvesting proposed over the period from 2021 to 2027. Replanting after harvest</td> </tr> <tr> <td><b>Tūtira Mānuka Honey</b></td> <td>90</td> <td>Maintenance continues with yearly honey income of \$7,000 assumed</td> </tr> <tr> <td><b>Tangoio</b></td> <td>330</td> <td>Second tranche of harvesting proposed in 2023 (first tranche was in 2020-21). Replanting after harvest</td> </tr> </tbody> </table> <p>Return 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 in a reserve to fund the continuing maintenance programme and is not available for the funding of general HBRC operations.</p>	Site Name	Area (ha)	Assumptions	<b>CHB</b>	168	No material investment, maintenance only, no harvesting in LTP period	<b>Māhia</b>	36	No material investment, maintenance only, no harvesting in LTP period	<b>Waihapua</b>	213	No material investment, maintenance only, no harvesting in LTP period	<b>Tūtira</b>	114	Harvesting proposed over the period from 2021 to 2027. Replanting after harvest	<b>Tūtira Mānuka Honey</b>	90	Maintenance continues with yearly honey income of \$7,000 assumed	<b>Tangoio</b>	330	Second tranche of harvesting proposed in 2023 (first tranche was in 2020-21). Replanting after harvest	<p>Returns from Council’s investments in forestry are lower than expected or the harvesting dates are later than expected.</p>	<p>Medium</p>	<p>Forestry returns are subject to market fluctuations driven by international demand for wood products. The actual impacts from any market fluctuations will not be known until such time as Council’s areas of forest are harvested. Harvest can be delayed to some extent in an attempt to align with high log prices, but particularly in the COVID-19 environment doing so is very speculative and not sure to be successful, and there are limits in the ability to delay due to the need to stage harvest over time to manage environmental risk.</p>
Site Name	Area (ha)	Assumptions																						
<b>CHB</b>	168	No material investment, maintenance only, no harvesting in LTP period																						
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<p><b>Carbon</b> Carbon credits accrued on areas of Council forestry will continue to have a value based on an active market. Prices are expected to continue to hold at similar levels to the June 2020 value of \$31.90 per tonne.</p>	<p>That the pricing of carbon changes significantly or the market disappears entirely.</p>	<p>Low</p>	<p>It is probable that the value of carbon will continue to be strong as the government and the community continue to put an increasing emphasis on the environment and climate change. The total value of carbon held was \$3.7 million on 30 June 2020.</p>																					

# Part 7 – Policies | Ngā Kaupapa Here

## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk
<p><b>Assets</b>  <b>Infrastructure assets</b>            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.</p>	<p>That the funding in the LTP is not sufficient to adequately maintain Council's infrastructure assets.</p>	<p>Low</p>	<p>The budgets are based on the funding requirements set out in the various asset management plans (AMPs).            If additional funding is needed this will impact on balance of reserves held and potentially on the level of the various targeted rates charged for Council's flood control schemes.</p>
<p><b>Plant, property and equipment including intangible assets</b>            It is assumed that HBRC's other fixed assets continue to be provided at the level required to carry out its activities.            The useful life of each category of asset is shown in the Statement of Significant Accounting Policies included in this Plan.            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.</p>	<p>That Council does not set aside or expend the funds required to maintain or improve Councils plant, property and equipment to the level needed for Council to fulfil its functions.</p>	<p>Low</p>	<p>The budgets are based on the estimated costs to maintain and improve assets. If necessary some assets may be able to be operated longer or on a reduced scale without an immediate impact on the organisation's ability to deliver services.</p>



# Part 7 – Policies | Ngā Kaupapa Here

## Significant forecasting assumptions

Forecasting assumption/issue for 2021-31 Long Term Plan	Risk	Level of risk	Comment on the potential impact of any uncertainty/risk
<p><b>Insurance of infrastructure assets</b>            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 base on a total claim amount of up to \$65 million, with an excess of \$1.5 million. This means HBRC would receive up to \$26 million (40%) with an excess of \$0.6 million from an insurer with the balance (60%) expected to be paid by the Government. The insurance will cover up to two 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 has been set up to provide “last resort” funding for:</p> <ul style="list-style-type: none"> <li>• Cost of responding to and managing an event</li> <li>• Any difference between the deductible (excess on insurance) and the threshold for eligibility for Central Government assistance</li> <li>• Cost of reinstatement of any uninsured assets (e.g. pathways on top of stopbanks)</li> <li>• Contribution towards the cost of reinstatement of infrastructure assets to an equivalent standard to that in place before the damage was incurred</li> <li>• 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.</li> </ul> <p>The Regional Disaster Reserve has a target of maintaining a balance of between \$2.75 million and \$3.75 million of investments.</p>	<p>That Council does not have sufficient insurance or reserves to recover/rebuild after a major adverse event.</p>	<p>Low</p>	<p>Council believes it has sufficient insurance cover to fund the costs of any major event.</p> <p>In addition, Council does have the ability to call upon its significant investment portfolio if required. There would be an impact on future rate funding requirements if Council needs funds beyond what it can recover from insurance or the Regional Disaster Reserve.</p>
<p><b>Subsidy rates</b>            Funding assistance will be provided by Crown agencies, primarily the Waka Kotahi NZ Transport Agency  <b>NZTA - Operations funding assistance rates</b>            NZTA provide various subsidies for the following services:</p> <ul style="list-style-type: none"> <li>• Bus services 51% of costs</li> <li>• Total Mobility scheme 60% of costs</li> <li>• Road Safe Community Programmes 74% of costs</li> <li>• Regional Land Transport Planning 74% of costs</li> <li>• Super Gold Cards Up to \$240,000 per year</li> </ul>	<p>NZTA changes the subsidy rate applicable to HBRC.</p>	<p>Medium</p>	<p>If any significant change is made to the NZTA subsidy rate HBRC may need to review the level of service for this activity. This would be consulted on as part of an annual plan or LTP amendment.</p>

**Part 8 – Audit Report**  
**Wāhanga 8 - Te Pūrongo a te**  
**Kaitātari Kaute**





## To the reader:

### Independent Auditor's report on Hawke's Bay Regional Council's 2021-31 long-term plan

I am the Auditor-General's appointed auditor for Hawke's Bay Regional Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 30 June 2021.

## Opinion

In our opinion:

- the plan provides a reasonable basis for:
  - long-term, integrated decision-making and co-ordination of the Council's resources; and
  - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 176 to 179 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

## Emphasis of Matter – Uncertainty over the delivery of the capital programme

Without modifying our opinion, we draw attention to the disclosure on page 183, which outlines that the Council is proposing to spend \$156 million over the next 10 years. Although the Council is taking steps to deliver its planned capital programme, as outlined on page 304, there is uncertainty over the delivery of the programme due to a number of factors, including the significant constraints in the construction market. If the Council is unable to deliver on a planned project, it could affect intended levels of service.

## Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;

- the Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the assets' condition and performance;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

### Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;

- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

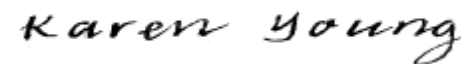
We are responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. We do not express an opinion on the merits of the plan's policy content.

### Independence and quality control

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than our work in carrying out all legally required external audits, we have carried out an agreed upon procedures engagement relating to a contract between the Council and the Accident Compensation Corporation, which is compatible with those independence requirements. Other than the audits and this engagement, we have no relationship with or interests in the Council or its subsidiaries and controlled entities.



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





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TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI