



Meeting of the Hawke's Bay Regional Council

Date: Wednesday 26 March 2014
Time: 9.00 am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Attachments Excluded From Agenda

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RUATANIWHA WATER STORAGE SCHEME

BUSINESS CASE TO HAWKE'S BAY REGIONAL COUNCIL

HAWKE'S BAY REGIONAL
INVESTMENT COMPANY LTD

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1. Executive Summary

The Ruataniwha Water Storage Scheme (“RWSS” or “Scheme”) is a proposed long-term sustainable water storage solution for the Tukituki Catchment, this being one of the larger catchments in Hawke’s Bay. Through the construction of a dam on the upper Makaroro River and associated distribution system, the Scheme will store high winter flows for irrigation use during summer when pressure on water resource in the Tukituki Catchment is the greatest, as well as generating renewable electricity. In doing so, RWSS will help mitigate environmental degradation of the Tukituki Catchment, while unlocking a significant regional economic opportunity through the provision of water through irrigation for more productive and higher value farming on the Ruataniwha Plains.

As sponsor and promoter of the RWSS, the Hawke’s Bay Regional Investment Company Limited (“HBRIC Ltd”) is looking to invest up to \$80 million in the Scheme. As the investment arm of the Hawke’s Bay Regional Council (“Council”), HBRIC Ltd is now seeking Council approval to release funds for investment in the Scheme thereby enabling HBRIC Ltd to take a significant equity stake. As is customary, sponsor approval is one of the key steps for other investor parties in finalising their respective approval processes to invest in the RWSS.

The RWSS provides a compelling investment proposition for HBRIC Ltd and the Council. It aligns with HBRIC Ltd’s strategic objectives, which focus on active investment management incorporating both financial and strategic returns from investment decisions. Furthermore, the Scheme fits within Council’s strategic agenda, targeting sustainable natural resource management where the Scheme is part of an integrated approach to managing the Tukituki Catchment. Importantly, RWSS will achieve commercial viability¹, will build shareholder value, and in time distribute increased dividends to the Council. Through a combination of returns from the Scheme and from Napier Port, HBRIC Ltd will sustain, and ultimately improve the Council’s financial position. It is, therefore, HBRIC Ltd’s recommendation that the Council approve the investment proposal (subject to conditions precedent).

If the Board of Inquiry does grant consent for the RWSS to proceed, the terms and conditions of that consent must be favourable from an investor point of view. The BOI is due to release their draft decision on 15 April 2014.

RWSS is intended to be a key component of the integrated management of the Tukituki Catchment

The current environmental issues associated with the Tukituki Catchment occur during the summer months when river flows are lowest. Generally there is a nutrient imbalance in the system with excessive phosphorus generating slime and algae growth. In addition, current water allocation exceeds Regional Plan limits contributing to frequent very low flows during summer. This, combined with the braided nature of the river bed, leads to the warming of river water, accelerating slime and algae growth. The low flows reduce habitat for trout and various taonga species (longfin eel, koaro, and bluegill bully), and the slime and algae growth impacts on the recreational value of the river.

Increasing minimum flows and setting appropriate nutrient levels will improve environmental and cultural outcomes. Tukituki Plan Change 6 (a land and water management plan) has been developed to achieve these benefits, and is currently subject to a decision through a Board of Inquiry (“BOI”) process under the management of the Environmental Protection Authority

¹ For the purposes of this document, ‘Commercial Viability’ refers to satisfying a private investors risk-adjusted return requirements at a water price that farmers are able to afford.

("EPA"). However, to improve flows, water user allocation limits will need to be adjusted resulting in existing irrigators having significantly reduced security of supply, with resulting economic impact. Furthermore, given water allocation and quality issues, there is little or no prospect of substantial additional irrigation development in the Tukituki Catchment through groundwater abstraction or surface water takes.

Working in tandem with Plan Change 6, the RWSS will allow the Council to improve water quality and minimum flows, while off-setting the economic impacts of Plan Change 6. Furthermore, the RWSS will actually unlock the significant agriculture potential of the Tukituki Catchment through providing high reliability water for irrigation, allowing further economic development. This is particularly important for the future of the Hawke's Bay economy where the temperate climate and high sunshine hours offer a key competitive advantage for the Region through primary production and processing of food for export. While the Region contributes 3.4% of national gross domestic product ("GDP"), primary production and processing is more than double this at over 7%. Additionally, the RWSS will, to the extent of its area of influence, assist in buffering the regional economy from the predicted impacts of climate change, with forecasts suggesting a drying trend with more droughts.

HBRIC Ltd notes that should the RWSS not proceed a decision on Plan Change 6 will proceed with the detail to be determined by the BOI. It is reasonable to assume that the environmental requirements will be more stringent than those prevailing today.

The potential environmental and economic benefits attributable to the RWSS are significant

The motivation behind the development of the RWSS has been firmly focused on capturing environmental, economic, and social value. The Scheme has the potential to increase farm productivity and allow higher value farming through irrigating c. 25,000 hectares (and an additional 17,000 hectare direct area of influence) on the Ruataniwha Plains and further down the Tukituki Catchment. The RWSS will also introduce 'environmental flows' into the Tukituki Catchment with associated environmental value.

The net present value of the ongoing regional economic impacts attributable to the Scheme is estimated to be c. \$4 billion and with the creation of 2,520 full-time equivalent jobs. While farming and farm-support industries make up a large contribution to economic value, processing and processing support industries make an almost equal contribution. Just over half of the ongoing employment and value added (GDP) impacts (excluding processing) occur within agriculture. The balance is spread across rural contracting, wholesale and retail trade, transport and storage, and services (for example, vet services, repair services and local government). Furthermore, the increase in farming production and processed product is expected to go almost entirely to export, increasing shipping through the Napier Port, and associated returns.

In addition, ancillary environmental and economic benefits associated with the Scheme are estimated to be \$51 million to \$78 million. These ancillary benefits fall into two groups:

- The direct environmental benefits brought about by proposed flushing flows which 'flush' part of the river removing slime and algae, and increased river flows in summer, resulting from irrigation return flows; and
- The ability for the Scheme to offset the economic cost to the Hawke's Bay economy that would occur through the implementation of the new minimum flow regime in Tukituki Plan Change 6 which has been proposed for environmental reasons.

In addition to quantifiable benefits, other benefits include the potential ability of the Scheme to offset the economic costs associated with the implementation of seasonal limits in Plan Change 6 which have been proposed for environmental reasons; the improvement of the extreme low

flows in the Waipawa and lower Tukituki Rivers; and greater ability to introduce and align farm management practices with good environmental stewardship through the implementation of farm environmental management plans for all landowners that receive Scheme water.

The access to water is transparently priced

There has been much debate over the affordability of Scheme water and the volumetric charge through a take-or-pay pricing mechanism. However, the pricing structure is necessary for determining affordability of construction, the required blend of private and public funding, and the assessment of a viable level of water uptake. Furthermore, the RWSS water price is comparable to new and or upgraded schemes in New Zealand. The price also internalizes both the environmental benefits and costs of the Scheme.

There has also been some public comment that the water price range of 25 – 27 cents per cubic metre (c/m³) will only make water affordable for dairy farming. Conversely, other opponents of the RWSS have stated that the water price renders dairy unaffordable. Based on Expressions of Interest from farmers who are interested in contracting Scheme water, neither view is accurate: indications suggest a blend of land uses including arable, mixed arable, red meat, and dairy will result. In time HBRIC Ltd is also of the view that horticultural land use options are likely to emerge as the Scheme will be able to move additional water down the Tukituki main stem. The water price has a Consumer Price Index (CPI) inflator mechanism to ensure the capital investment at the outset achieves real returns over time.

A mix of public and private investment forms the optimal capital structure

Developments of large-scale water storage similar to the RWSS have been a rare occurrence over the past 30 years (with many previous schemes Government-funded and built through the former Ministry of Works). However, irrigation expansion through groundwater abstraction and surface water takes has continued at pace throughout New Zealand, but there has been both an environmental cost and now clear limits to water availability from these water sources. Consequently, large-scale storage is required to continue irrigation expansion, but it is comparatively expensive to build in the short or medium term and beyond the means of most irrigator cooperatives or the private sector alone from a complexity, timing, value, and capital raising perspective.

To accelerate new water storage developments central Government initiated a series of measures to develop and fund regional schemes and in doing so encourage third-party investment. The Government's motivation to invest in irrigation schemes is in order to realise the economic benefits, including national GDP growth and employment. A major issue with the initiation of new schemes is achieving a level of water uptake that justifies the infrastructure build. This water uptake hurdle (demand risk) is often proving insurmountable for promoters. The New Zealand Government has established Crown Irrigation Investments Limited ("CIIL") as an investment vehicle to make bridging investments in water infrastructure development. HBRIC LTD investment, combined with potential investment from CIIL,² private sector, regional, and potentially iwi investment creates an opportunity to drive a number of benefits: environmental, economic, and community resilience. At this point no party has committed to invest in the RWSS and any commitment will be subject to parties' respective approval channels.

The optimal capital structure for the RWSS is therefore a blend of public and private capital with each investor's value proposition identified where relevant, in economic, environmental,

² See below for further discussion of the status of discussions with CIIL as to a potential investment in the RWSS. Note that the RWSS has not satisfied CIIL's investment requirements and CIIL has not yet made any commitment to invest in the RWSS.

financial, and risk allocation terms. A modified Build Own Operate Transfer project structure allows for this, including transfer back to public and regional ownership in the long term. HBRIC Ltd believes this structure rewards the public sector for the initial development risk and initial sub-commercial returns. It is a new investment model for this type of infrastructure but may be applicable more broadly in New Zealand for Greenfield (new) developments, particularly where locally sourced public funds are utilised.

Next Steps

This Business Case is written with the purpose of highlighting the value for Council and the community whilst identifying the risks and risk mitigation strategies of a large-scale investment. HBRIC Ltd notes that the final investment decision by Council will be subject to further community consultation before the decision is made to proceed. Other investors will also need to seek their shareholder approvals, as required, in tandem with HBRIC Ltd.

HBRIC Ltd notes that the following conditions precedent must be met before Council agrees to release any funds:

- Granting of resource consent for the RWSS, which in turn is recommended as being workable by all investors;
- Subscription of a minimum of 40 million cubic metres (m³) of water contracts (Water User Agreements);
- Securing the funding required to build Scheme infrastructure;
- A bankable construction contract with construction risk allocation adequately addressed through a fixed-time, fixed-cost arrangement; and
- The Scheme is deemed to be environmentally, and economically feasible.

HBRIC Ltd recommends that Council investment approval is obtained no later than the end of June 2014.

In the meantime, HBRIC Ltd will continue to develop the RWSS, including:

- Receipt of the resource consent application draft outcome in mid-April;
- Continuing discussions with CIIL with regard to a potential investment in RWSS, with a view to seeking to satisfy CIIL's investment requirements;
- Continuing negotiations with private investors to ensure good alignment
- Finalising the construction agreement;
- Securing Water User Agreements with farmers;
- Refining and implementing the limited partnership capital structure;
- Establishing an appropriate operating structure for the construction phase should this proceed;
- Securing conditional land purchase agreements, for the dam, reservoir and canal headrace land and easement agreements for the piped headrace.



Andrew Newman
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Hawke's Bay Regional Investment Company Ltd

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2. Introduction

The Tukituki River Catchment has undergone significant modification due to historical vegetation clearance, land drainage, and land development. Coupled with over allocation of the water resource, this has resulted in the Catchment's current environmental issues, where nutrient imbalances and warming of river water has led to accelerated periphyton (slime and algae) growth. Low summer flows reduce the habitat for river species, while the nuisance slime and algae affects the recreational and amenity values of the Tukituki River.

The RWSS is a cornerstone of the integrated environmental management strategy developed and adopted by the Council to solve water quality and allocation issues in the Tukituki Catchment. In addition, the RWSS will unlock the significant agriculture capacity of the Ruataniwha Plains, boosting regional economic growth.

As part of the adoption of Council's 2012 to 2022 Long Term Plan, the Council resolved to make provision for an equity stake of up to \$80 million in the RWSS. The investment reflects the significant regional environmental, economic, social, and cultural value attributable to the Scheme.

The purpose of this document is to provide up-to-date information on the RWSS, informing Councillors such that a decision can be made on releasing the investment capital requested by HBRIC Ltd. Importantly, the final decision by Council will be subject to the following requirements:

- Signed Water User Agreements of at least 40 million m³;
- Council's environmental objectives are clearly met;
- The Scheme is recommended as being commercially feasible by HBRIC Ltd;
- The Council considers the Scheme to be economically feasible;
- A bankable construction contract with construction risk allocation adequately addressed through a fixed-time, fixed-cost arrangement;
- The Scheme is consented by the EPA with workable consent conditions; and
- Financial commitment from other investment partners compatible with HBRIC Ltd and sufficient committed water uptake indicates that the Scheme is bankable.

This Business Case aims to provide insight into each of these requirements. The Business Case begins by highlighting Council's regional strategic objectives, and how the RWSS fits within these objectives (Section 3). The background to the development of the RWSS is then described in Section 4. Section 5 details the environmental, economic, and social benefits of the RWSS to the Hawke's Bay Region. Section 6 provides up-to-date information on each of the key RWSS development work streams that have progressed since full-feasibility. The investment structure and key risks are then detailed in Section 7; with Section 8 detailing how the investment will fit within the operational financial requirements of the Council.

Information contained within this Business Case should be considered in conjunction with the Feasibility Report to Council, produced in September 2012³. Together, these Reports provide Councillors with concise information for the decision consultation process.

³ Feasibility Report to Council, September 2012. HBRC Plan No. 4416

3. Regional Strategic Objectives

In early 2008 Council initiated a process to consider what Hawke's Bay may look and feel like in 2050. To help define and develop a strategic agenda for the future, a body of work was undertaken, culminating in 2011 with Council's Strategic Plan⁴ and Hawke's Bay 2050 Land River Us⁵. Overarching strategic goals of Resilient Ecosystems, Resilient Economy and Resilient Communities were identified, and approaches developed to achieve these goals. Strong themes evident in the future scenarios work included climate change and its impact on both the environment and primary sector export economy, on which Hawke's Bay largely depends.

The challenge for Council is to provide funding to meet its strategic agenda, while sustaining cash flows to meet the operating budget. Given it is not Council's preference to increase general rates, it resolved to fund commercial infrastructure elements of its strategy through optimal management of the existing investment portfolio, emphasising regional investments that will become commercially viable over time.

HBRIC Ltd was thus set up in 2012 to improve the diversification of Council's investments and return on investment. HBRIC Ltd owns and manages an investment portfolio of c. \$177 million on behalf of Council. Over time, the intention from Council is for HBRIC Ltd to develop new assets, for example, in water storage and logistics hubs. HBRIC Ltd is recommending that any investment in the RWSS by Council is in effect delivered through an increase in HBRIC Ltd's equity.

HBRIC Ltd Strategic Objectives

In line with Council's vision, HBRIC Ltd's objectives⁶ centre round active investment management, incorporating both financial and strategic returns into investment decisions. Taking an economic view of potential investments is important given that the value of investments in natural resource management and infrastructure are often outside purely financial returns. However, investments must also make good commercial sense so that dividends are maintained for Council's operating budget, and HBRIC Ltd has the ability to exit and recycle capital.

An equally important objective is the directive to seek new investments that increase shareholder value, as well as regional development. The ability to both reinvest in existing assets, for example, Napier Port, and recycle Council's / HBRIC Ltd's capital resources from existing assets to new investments, means HBRIC Ltd can maximise regional economic benefits, particularly where investments would not otherwise attract private capital. However, it is important that HBRIC Ltd balance new investments with existing investments to ensure stable dividend cash flows are maintained.

Hawke's Bay Regional Infrastructure

Hawke's Bay generally has good public infrastructure assets that adequately perform the required functions. Investment and reinvestment in public infrastructure is usually funded through traditional sources: central Government and/ or local rates. This type of funding has been recently used by Territorial Local Authorities, for example, for upgrading wastewater

⁴ Hawke's Bay Regional Council Strategic Plan, October 2011

⁵ Land River Us, Hawke's Bay 2050 (ISBN 1-877405-48-5) HBRIC Plan No 4343

⁶ A complete list of objectives can be found in HBRIC Ltd Statement of Intent, 30th June 2013

infrastructure; and substantially improving amenity infrastructure such as museums, sports parks, and community halls.

The infrastructure gap is largely in the commercial, primary, and export sector. There is a need for regional investment in commercially-viable infrastructure to ensure that Hawke's Bay has the framework in place to continue to grow and prosper. However, with investments competing for scarce capital resources, it is important to understand where capital can create the most value. The following table provides an overview of some of Council's and HBRIC Ltd's regional infrastructure investment opportunities.

Table 1 Hawke's Bay Regional Infrastructure Investment Opportunities

Infrastructure Area	Investment Need	Status	Timing
Napier Port / Rail	Rail hub warehousing for Napier Port Further investment in the supply chain which secures the future of Napier Port is essential, especially as the port is in competition with other ports in the central and southern North Island.	On hold	5 - 10 years
Water Storage	Ruataniwha Plains and Ngaruroro water storage Over allocation of surface water and resulting inadequate minimum flows are compromising both environmental and economic values. There is an opportunity to harvest winter water flows for use during summer. Concurrently, there is a substantial opportunity to boost regional economic performance through expanding and/or improving the reliability and/or diversifying the agriculture/ horticulture base.	RWSS final decision by June 2014 NWSS decision on whether or not to move to full feasibility	Potentially operative by 2017 Investment decision potentially by 2017
Biological Infrastructure	Protection of hill country through forestry Much of the region's steep hill country is prone to erosion, with some 150,000 ha farmed with little or no tree or bush cover. There is an opportunity to invest in afforestation, sequestering carbon, while assisting farmers with diversified revenue streams, better resilience for drought and storm events, and improved water quality. However, to be commercial, there would need to be a sustained rebound in the carbon price.	On hold Will require sustainable carbon price of \$15-\$20 per tonne of CO ₂	
East Coast Rail Link	Reinstate East Coast rail link There is a case under preparation for reinstatement of the moth-balled East Coast Rail Link, provided it is commercially viable. The rail link would complement the existing road link to serve the northern east coast community and its primary sector economy, whilst channelling additional cargo through Napier Port.	Business case under development by independent group	Within 5 years

While all the areas identified for infrastructure investment are important in their own right, it is equally important to understand how each potential investment will also address Council's strategic agenda. In this context, the RWSS is the strongest immediate candidate to be a priority investment for Council; while importantly meeting HBRIC Ltd's strategic objectives.

4. Background to the RWSS Development

The motivation behind the development of the RWSS was to provide a water storage solution to contribute to the integrated management of water allocation and quality issues in the Tukituki Catchment. This section describes the development of the RWSS as a key component towards an optimal natural resource management solution.

In determining the need for the RWSS, it is worth briefly considering the environmental, economic, and social impacts of Tukituki Plan Change 6 without the RWSS. Plan Change 6 will benefit the environment through increasing minimum flows in the Tukituki Catchment, supporting aquatic habitats and improving the recreational value. However, this is at the cost of a reduction in water security for current irrigators, and in lieu of alternative water supplies, would result in economic losses for affected farmers, with knock-on effects to the regional economy. For example, these could include limiting employment opportunities, increasing economic disparity (with an inequitable impact on Maori), and a declining population as people seek opportunities elsewhere.

4.1. The Need for Water Storage

Hawke's Bay's agricultural advantage lies in its temperate climate, availability of productive land, and potentially abundant water supplies. However the geography of the region is such that Hawke's Bay is prone to drought. Coupled with this, current water allocation exceeds the existing Regional Plan limits, and those limits are inadequate to provide for native fish and trout habitat, particularly during summer. Areas of the Tukituki Catchment also suffer from excessive slime and algae growth, which adversely affects recreational use and fishing, particularly in the lower Tukituki River. The key factors considered to be contributing to the environmental issues include:

- Existing minimum Tukituki River flows are set too low;
- Water is over-allocated with too much water authorised to be taken from rivers and groundwater;
- Existing wastewater discharges from the Waipukurau and Waipawa oxidation ponds degrading water quality, particularly with regard to phosphorus; and
- Stock in waterways.

Additionally, Council investigations supporting Tukituki Plan Change 6 have shown that the Ruataniwha Basin is characterised by a high level of interaction between groundwater and surface water. While the contribution of surface water to groundwater through river bed losses is small, the contribution that groundwater makes to the river flow at the eastern side of the Basin is large. Therefore, extraction of groundwater from the Basin decreases the contribution to river flows, so it is important to manage groundwater alongside the surface water resource. Consequently, the future is uncertain for consent holders, and no new water take consents have been granted in the Tukituki Catchment since 2007.

Increasing minimum flows in the Tukituki Catchment would improve ecological and cultural outcomes. However, to improve flows, water user allocation limits would need to be adjusted resulting in existing irrigators having significantly reduced security of supply, with resulting economic impact. The addition of on-farm water storage would help counteract the economic

impact, but a survey of farmers in the Ruataniwha Plains found the majority of farmers who had considered on-farm storage found it wasn't financially viable⁷.

Given the water allocation and quality issues, there is currently little or no prospect of additional rural land development in the Tukituki Catchment. This constrains the potential for primary sector economic growth from a substantial area of Hawke's Bay, given that the Tukituki Catchment has close to 80,000 hectares of irrigable land: the largest irrigable Catchment in the Region. The RWSS would offer the potential to irrigate c. 25,000 hectares (with a further direct area of influence of 17,000 hectares⁸), as well as supply water to downstream consent holders (to put this in perspective, the Ngaruroro water storage project could unlock 6,000 to 8,000 additional hectares of irrigable land).

Investigation into the feasibility of water storage is one of a suite of initiatives to address increasing pressure on the water resources in the Tukituki Catchment that Council has been progressing since 2009.

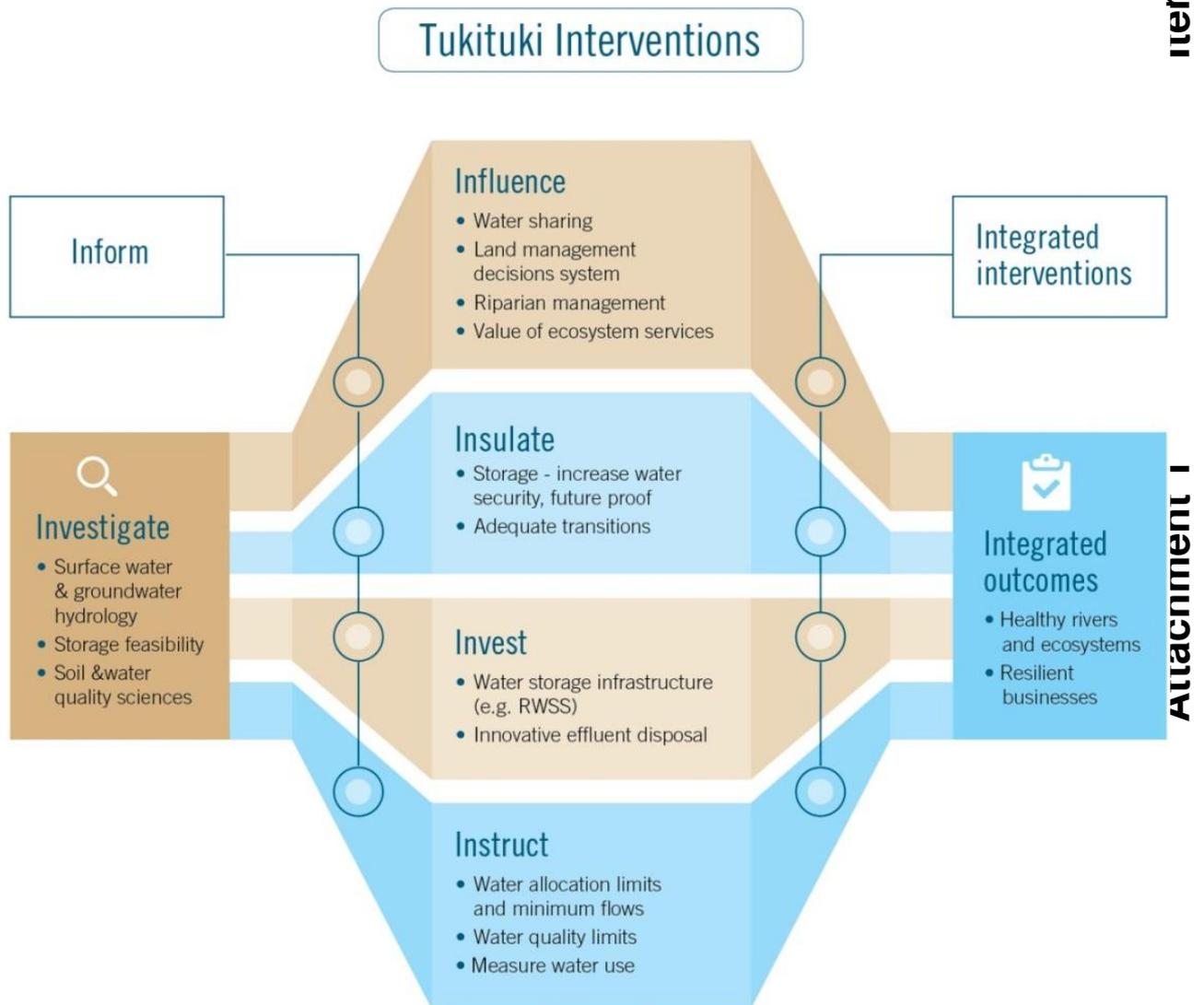
Integrated Approach to Tukituki Catchment Management

The Council has been developing the RWSS alongside Tukituki Plan Change 6: a water and land management plan for the Tukituki Catchment. Plan Change 6 is a comprehensive plan to manage the Catchment and set nutrient levels, developed in response to the Government's National Policy Statement for Freshwater Management. The RWSS and Plan Change 6 are seen as an integrated approach to solving the issues facing the Tukituki Catchment. Council recognised that a number of different interventions could form an integrated solution to the current water management issues. This is shown conceptually in Figure 1.

⁷ Ruataniwha Plains Water Storage Project Demand Study, Castalia, September 2012

⁸ Farm businesses adjacent to the irrigated footprint that adjust land use

Figure 1 Potential Interventions for Integrated Resource Management



The interventions fall into four key categories to achieve the twin goals of healthy rivers and ecosystems, and resilient businesses. As a component of the ‘Invest’ intervention, the RWSS forms a key component of the overall Tukituki Catchment management strategy.

4.2. The Development of the RWSS

The RWSS is a long-term sustainable water storage solution. Storing winter flows, the Scheme will contribute to higher flows during dry summers and provide a mechanism for flushing flows to help remove slime and algae from the Tukituki River. The RWSS will also create an opportunity for farmers to have high reliability irrigation, thus unlocking significant regional economic benefits; this is particularly important given the Hawke’s Bay economy is largely dependent on the production of commodity products for export (detailed in Section 5.2).

The development of the RWSS through to the current state has taken approximately four years. It has been jointly funded by Council, HBRIC Ltd, Ministry for Primary Industries (“MPI”) on behalf of the Government, and Institutional Investors. MPI alone has committed \$6 million to date reflecting the scale and complexity of the Scheme, and sees it as a potential blueprint for future irrigation development around New Zealand. The development has been run in tandem

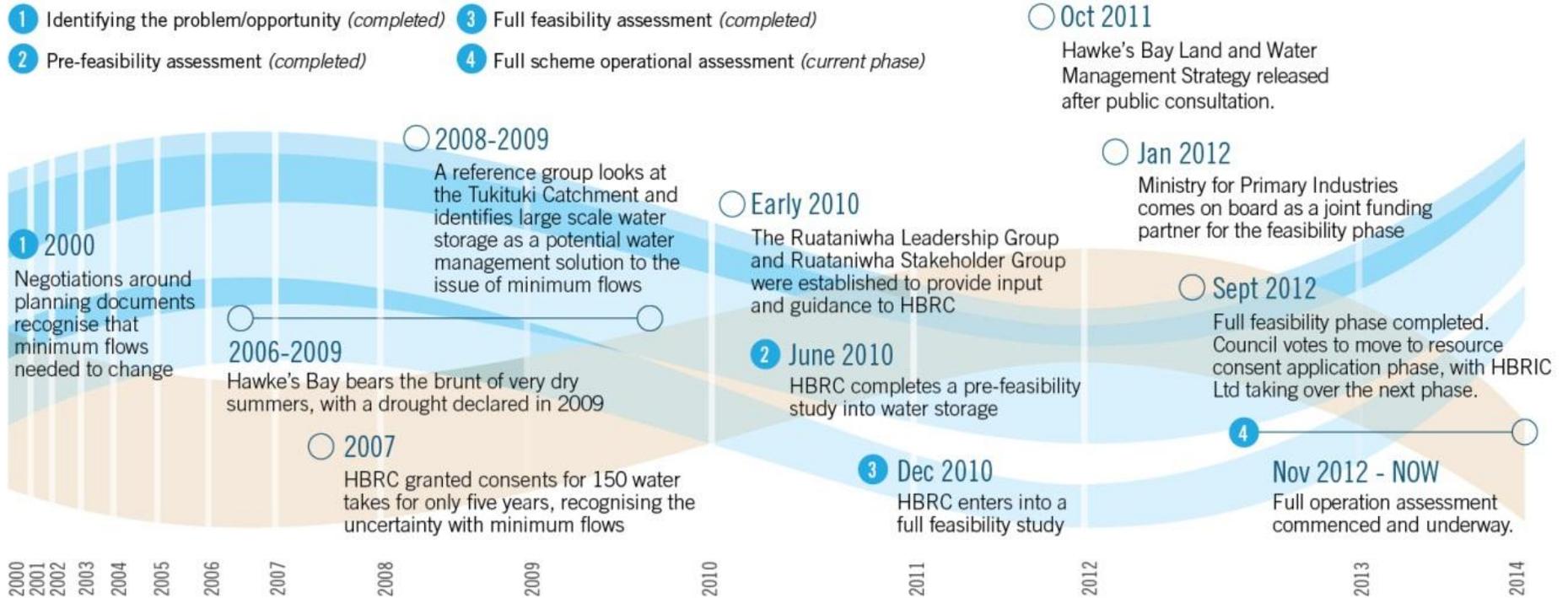
with a range of strategic work streams, such as, Plan Change 6. The following timeline illustrates RWSS development milestones.

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Attachment 1

Figure 2 Regional Water Strategy and Key Development Milestones

From then to now: the RWSS timeline



The need for large-scale water storage as part of the Tukituki Catchment management was initially identified in 2009. Following pre-feasibility analysis, the Council decided to pursue a full feasibility phase in December 2010.

The full-feasibility phase involved investigations into the technical, economic, environmental, social, and cultural aspects of the RWSS. The Ruataniwha Leadership Group and Ruataniwha Stakeholder Group were established in April 2010 to provide guidance and input throughout the process. In addition, Council has engaged with a large number of community and interest groups, sharing Scheme information and receiving feedback to help inform processes over time. For the RWSS to be feasible and proceed, it needs to achieve a wide range of Council-defined criteria. The following table details key areas of feasibility, as defined in the Feasibility Report to Council.⁹

Table 2 Council Feasibility Criteria

OBJECTIVE	COUNCIL CRITERIA
Technical	<ul style="list-style-type: none"> ▪ The Scheme is technically feasible from an engineering perspective and can be built, subject to procurement, within an acceptable timeframe.
Environmental	<ul style="list-style-type: none"> ▪ Deliver environmental (improved summer river flow regime) gains. ▪ Consents for other related activities such as the management and mitigation of environmental effects are achievable. ▪ The potential adverse environmental effects can be avoided, remedied, or mitigated to an acceptable level.
Social	<ul style="list-style-type: none"> ▪ Improve the social wellbeing of directly affected communities.
Cultural	<ul style="list-style-type: none"> ▪ Operate in a manner compatible with cultural objectives, notably those of tangata Whenua.
Economic	<ul style="list-style-type: none"> ▪ Achieve sustainable economic growth and inwards investment. ▪ Assessed as financially feasible for both on-farm investment such that it would drive farm conversion from dryland to irrigated agriculture; and compelling enough to attract both public and private capital to the off-farm infrastructure. ▪ Sufficiently well researched and defined so that water take and use are considered achievable.

Technical Feasibility

Through extensive geotechnical, environmental, and economic assessment, 18 potential water storage sites were narrowed down to the current site on the Makaroro River. An additional complexity evident throughout the Ruataniwha Basin is that effective dam engineering is hampered by the fractured and unstable nature of foundation materials. Ten off-river dams were discounted as they were found to be less economic than on-river dams due to the need for refilling from other catchments, and the fact that storage volumes were generally smaller (resulting in lower economies of scale). Geotechnical and broader environmental, as well as planning issues were considered as part of this site option selection process.

The Scheme design realised through the feasibility phase was taken forward as the “Application Design” in the RWSS resource consent applications lodged with the EPA on 6 May 2013. Further optimisation of dam, distribution, and associated infrastructure will be undertaken during the detailed design phase by the Design and Construct (“D&C”) provider.

⁹ Ruataniwha Water Storage Project Feasibility Report to Council, September 2012

Environmental, Social, and Cultural Feasibility

A number of environmental studies were carried out as part of the feasibility phase of investigations. These studies provided a comprehensive analysis of the environmental, social and cultural issues associated with the RWSS. Studies can be grouped into five distinct areas: modelling studies (land use intensification, water quality, and groundwater/ surface water); ecology assessments (aquatic and terrestrial); cultural effects assessments; other effects assessments (road infrastructure and traffic, noise, archaeological, social impacts, recreation, and landscape and visual effects); and integrated mitigation and offset options.

Overall, the RWSS was considered to be feasible from an environmental perspective, where the project team stated: *“Subject to clear regulatory limits of water allocation and nutrient input limits, the RWSS can deliver improved summer river flows, and land use intensification can be accommodated within a limits setting regime; recognising that there are cost implications associated with achieving such environmental gains”*.

The feasibility studies, along with further work primarily associated with further catchment modelling, enhanced environmental flow opportunities, and engagement of a Mana Whenua Working Party, contributed to the development of an Assessment of Environmental Effects, which accompanied the resource consent applications lodged in May 2013.

Economic Feasibility

On-farm and off-farm investment feasibility analysis demonstrated there is a range of water distribution prices for which the RWSS is financially feasible. Potential returns to on-farm investment in irrigation vary across farming types. Therefore, the ultimate future agricultural makeup of the Ruataniwha Plains may differ under varying water distribution price scenarios. BNZ Advisory’s on-farm analysis demonstrated that at the feasible water distribution price range of 20c/m³ to 30c/m³, a range of potential land conversions and/or intensifications are financially viable from both a returns and financing perspective¹⁰. This price range has now been refined to 25c/m³ to 27c/m³ as infrastructure and other project costs are finalised.

Underpinning on-farm economics are a series of farming budgets produced by Macfarlane Rural Business Ltd¹¹. Among other assumptions, Macfarlane believe farm productivity can be similar to the top 20% of farmers across New Zealand. This is on the basis that newly irrigated farms will utilise newest technology, largely attract top performing and highly motivated farmers, and high water reliability will enable farmers to maximise outputs as they can farm with confidence. Furthermore, Macfarlane noted that this assumption could be conservative looking out on the 35 year investment horizon (with technology and farming method improvements pushing future average productivity up past current top performers). MacFarlane Rural Business say today’s average was the top 10% five years ago; and the top 1% 10 years ago, with the catalyst for change being increased farmer confidence to invest and innovate is achieved through higher water reliability .

4.3. Comparison with Other Irrigation Schemes

It is useful to compare the RWSS to other irrigation schemes around New Zealand to put some of the unique characteristics of the RWSS and associated price of access to water in

¹⁰ This feasible price range includes some public sector funding, where financial modelling demonstrates that a water distribution price would need to be 40c/m³ to 50c/m³ in order to attract sufficient capital at market returns

¹¹ Ruataniwha Water Storage Project Review of Farm Profitability, 5 September 2012, Macfarlane Rural Business Ltd

perspective. New Zealand has over 600,000 hectares of irrigated farmland¹² with a variety of different types of irrigation schemes supplying water.

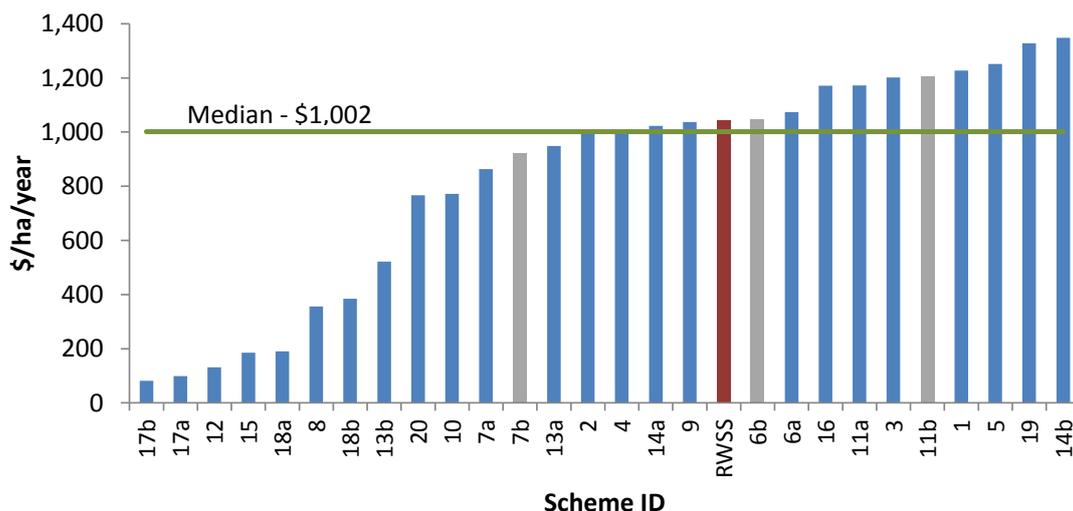
Some context will be provided as a general overview of Irrigation Schemes and their costs in New Zealand as well as a more detailed look at a smaller sample of schemes that Irrigation NZ (INZ) sees as comparable with the RWSS.

Irrigation NZ (INZ) report

INZ have compared standardised costs for the delivery of water to the farm gate for 20 irrigation schemes throughout the country.^{13,14} The analysis includes adjusting for differences in share costs, fixed costs, variable costs, delivery pressure, any on-farm storage requirements, and reliability. The specific methodology INZ used to adjust for share cost applied an annualised rate of 10% for 10 years to determine an annual cost per ha.

Two key differences between the RWSS and existing Irrigation schemes make comparisons between the RWSS with the Irrigation NZ report difficult. The first is the capital structure and the second is volumetric charging for water. The capital structure of existing irrigation schemes have a bias towards a Co-operative type structure, this generally involves the investment of capital which does not provide a cash return but is rather used to provide the lowest possible water price. A fundamental goal of the RWSS is to provide an arms length water price and investment return. The RWSS structure does not require capital investment from water users but any that do invest will receive a return on that investment; we have excluded this aspect and will refer to the arms length water price only when referencing the RWSS water price. The concept of selling water on a volumetric basis rather than a flow rate is not common in existing irrigation schemes. Despite these limitations the report remains useful as it provides some indication of the range in existing scheme water prices across the country and is calculated independent of HBRIC. Figure 3 illustrates the normalised cost of water on a dollar per hectare per year (\$/ha/year) basis for the various schemes¹⁵.

Figure 3 Irrigation NZ Standardised Costs of New Zealand Irrigation Schemes (\$/ha/year)



¹² Irrigation NZ <http://irrigationnz.co.nz/>

¹³ Information was provided to Irrigation NZ by the irrigation schemes on the understanding that individual schemes would not be identifiable.

¹⁴ Cost of Irrigation Scheme Water Supply in New Zealand, 2014 Update, Irrigation NZ

¹⁵ Each scheme was given an identification number. Where there was more than one cost schedule within a single irrigation scheme, two lines were entered into the database, with an “a” or “b” distinction.

**The grey bars represent future developments of existing schemes*

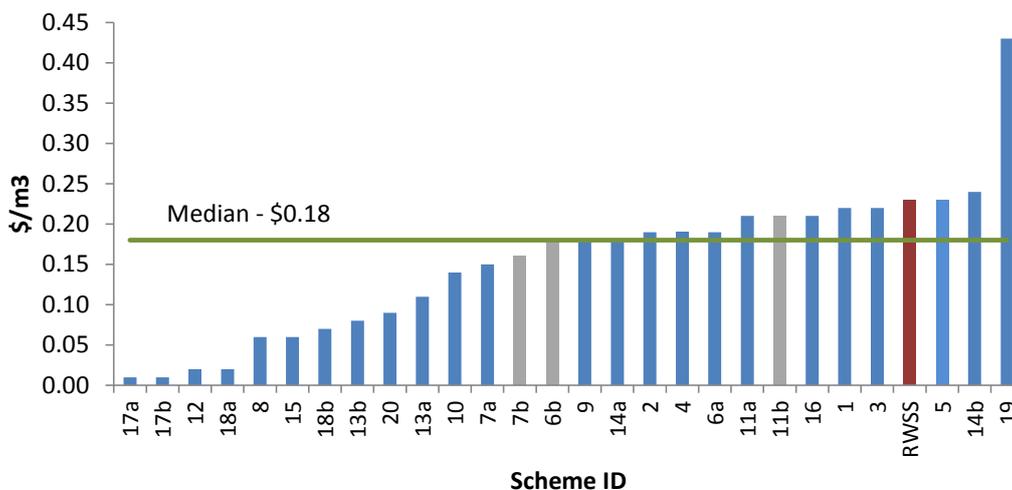
***The schemes are numbered and not named to protect confidential commercial information regarding the various schemes*

The chart shows a wide range of water costs from \$82/ha/year to \$1,348/ha/year, with a median of \$1,002/ha/year. The RWSS will sell water on a volumetric basis; the elected volume therefore is a key driver in the per hectare cost. MacFarlane Rural Business (MRB) determined the water volume required to provide adequate water under in the RWSS footprint under a range of farming systems. The highest identified volume per hectare was irrigated pasture on light soil where the annual requirement was determined to be 4,250m³/ha/year, to ensure a level of conservatism we approached INZ to calculate the per ha price for RWSS based on a requirement of 4,500m³/ha/yr, the per ha price calculated was \$1,045/ha/year which would be slightly above the medium price shown above.

It is important to note that factors including the farming system, soil type, irrigation infrastructure, specific rainfall and risk profiles will all contribute to the water volume contracted for an individual farmer. Arable and Horticultural growers generally have a lower volumetric requirement per hectare (compared to pastoral farmers) and this will directly reduce their price paid per hectare under the RWSS pricing regime. The volumetric charge therefore encourages industry diversity.

The cost of water delivered by schemes can also be compared on a \$/m³ basis, as illustrated in Figure 4.

Figure 4 Irrigation NZ Standardised Costs of New Zealand Irrigation Schemes (\$/m³)



**The grey bars represent future developments of existing schemes*

This chart also shows a very large range in water costs from \$0.01/m³ to \$0.43/m³, with a median of \$0.18/m³. The RWSS estimated water cost is composed of a \$0.23/m³ fixed charge and variable charge of \$0.03/m³ for pressured water delivery. Applying the INZ reports methodology puts the RWSS in the upper quartile of scheme costs on a volumetric basis, at \$0.23/m³ (as the \$0.03/m³ variable cost for pressure supplied is added back). The normalisation process used in the Irrigation NZ report applies a rationale that makes comparison with the RWSS difficult. They have divided the per hectare price by any annual allocation that exists within a specific scheme, where no allocation exists they have assumed a 6,000m³/ha maximum. The 6,000m³/ha figure is above the volume a farmer would generally require or use for a number of the schemes where it is applied. Actual water use or requirement is a more useful determinants of price paid per m³ and analysis from INZ on that basis is detailed under the section that follows, 'Schemes Comparable to the RWSS'.

INZ has identified a variety of reasons as to the large range of water prices delivered by the irrigation schemes. Key reasons include:

- **Scheme age:** Some of the irrigation schemes in Canterbury and Otago are over 40 years old, while others have been commissioned in the past few years. Older schemes have a cost advantage with almost all capital having been paid off, with share prices and annual costs only reflecting ongoing operations and maintenance. Furthermore, some older schemes were built by the Government through the Ministry of Works, funded through suspensory loans in some cases that have subsequently been written off, with the schemes then sold to farmers at a price well below historic cost;
- **Capital cost of infrastructure:** Each scheme has invested in different infrastructure according to location, water source, and physical properties of the land in the area. For example, some schemes were able to make use of existing natural channels to supply water to adjacent land; while most South Island schemes make use of large rivers with high flows and do not necessarily need storage to augment reliability;
- **Ownership structure:** The majority of irrigation schemes are run on a cooperative basis with water costs reflecting the actual cost of operation, not for profit. Few schemes have been accruing a capital replacement fund for major maintenance; and
- **Operational expenses:** Ongoing operational expenses are a significant component of scheme costs. For example, schemes such as North Otago Irrigation Company (“NOIC”) require significant electricity for pumping, with large variable expenses.

It is also suspected that the true cost of water to a farmer within these schemes is further mixed up with the cost of land. Irrigation NZ note that they have not completed a detailed survey of land values as part of their assessment but suggest it is an aspect that may warrant further work in the future.

While it's useful to note the results of the Irrigation NZ paper above a more appropriate comparison is to highlight specific schemes that have a similar level of infrastructure to the RWSS and have been completed more recently.

Schemes Comparable to the RWSS

Given the large differences in irrigation schemes in New Zealand it is useful to reduce the sample size and compare the RWSS to similar schemes. The schemes listed below have been selected for specific comparison after discussions with INZ, they are seen as being comparable to the RWSS based on a combination of both their age (built within the last 15 years) and quality of their infrastructure ie they are not due for significant upgrade.

- Opuha Water Ltd – Kakahu
- Opuha Water Ltd – Sutherland
- Opuha Water Ltd – Totara Valley
- Barrhill Chertsey Irrigation Ltd (BCIL)
- North Otago Irrigation Company (NOIC)

To allow meaningful comparison with the RWSS the above schemes have been assessed on an individual basis by Irrigation NZ who have determined the actual per ha water volume required for each scheme in comparison with the RWSS.

The farming system selected was irrigated pasture on light soils, this is the farming system generally accepted as having the highest per ha water volume.

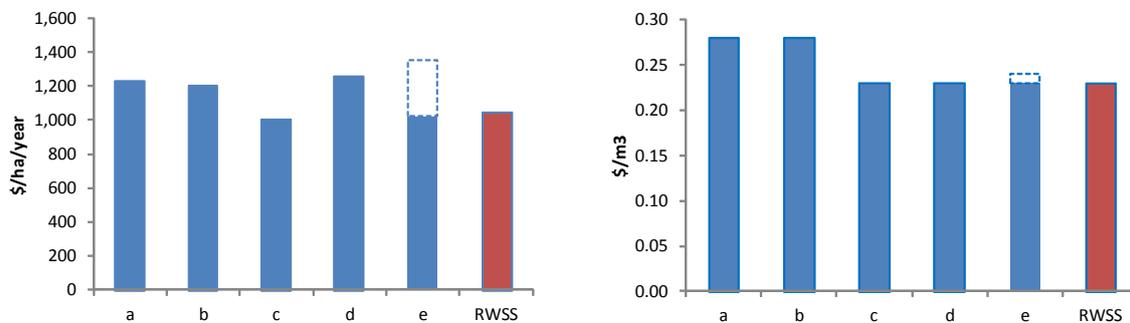
The result was a 4,500m³/ha requirement for the Opuha schemes and BCIL and a 5,000m³/ha requirement for NOIC. This compares to 4,250m³/ha for the same farming system in the RWSS catchment but as mentioned previously we have adopted 4,500m³/ha to remain conservative – this only drives the per hectare price as is neutral on the price per m³.

With the exception of Opuha, these schemes are all effectively run-of-river distribution schemes (with small buffer ponds). Opuha has an earth dam storing 72 million m³ of water; the Dam was completed in 1998. Run-of-river schemes work best when they draw from large alpine rivers with high average flows so there is high reliability of water, good examples of large alpine rivers are the Waitaki and Rangitata rivers, both have high mean flows. Even then, BCI water is augmented with storage in Lake Coleridge through an agreement with TrustPower and increasingly run of river schemes are looking at some form of storage which is ether scheme accessed or constructed on farm.

The RWSS is both a storage and distribution scheme, serving an area of approximately 25,000 ha with pressurised water delivered to the farm gate. Furthermore, part of the motivation behind the development of the RWSS was to solve current allocation issues and provide environmental flows, as well as unlock the economic benefits of more productive farming. Only NOIC and Opuha specifically seek to maintain environmental flows.

Even though the RWSS requires more infrastructure than most of these schemes, the RWSS water distribution price is very similar when compared against these schemes. Figure 5 compares the cost of water for the four schemes and the RWSS based on the actual volume of water required per ha.

Figure 5 Cost of Water Comparison



*Dotted lines represent the range of water prices based on different stages of scheme

**Irrigation NZ information is dependent on individual schemes not being identifiable

The charts show a much tighter range of water costs across similar schemes. Water distribution costs range from \$1,045/ha/year to \$1,348/ha/year, with the RWSS in the bottom half of the group on this metric; and on a cubic metre range from \$0.21m³ to \$0.28m³ with the RWSS also in the bottom half of this group.

5. Unlocking Regional Value through Water Infrastructure

The public value of the RWSS to Hawke’s Bay has the potential to be immense; unlocking this value is the motivation behind the Scheme development. Furthermore, the range of benefits to be achieved falls across the full spectrum of environmental, economic, and social values. This section details the benefits attributable to the Scheme.

Summary of Key Benefits

The net present value of the increase in regional GDP attributable to the Scheme is estimated to be c. \$4 billion¹⁶. In addition, there are a number of ancillary environmental and economic benefits associated with the Scheme, estimated to have a value between \$51 million to \$78 million. These ancillary benefits fall into two groups:

- The direct environmental benefits brought about by the proposed flushing flows, and increased river flows in summer, resulting from irrigation return flows; and
- The ability for the Scheme to offset the on-farm impacts and resulting economic downturn in the Hawke’s Bay economy that would occur through the implementation of the new minimum flow regime in Plan Change 6 which has been proposed for environmental reasons.

If the Scheme does not proceed, then Council could only realise these direct environmental benefits and the economic offset for the environmental gains of the minimum flow increases, through rate-funded capital expenditure to construct a water augmentation dam. The capacity of the dam would need to be approximately 10 million m³, with the cost of constructing and operating the dam estimated to be approximately \$30 million¹⁷. This can only be funded through some form of regional or targeted rate, therefore being a cost on the community.

The overarching key environmental and economic benefits of the Scheme are summarised in the following table, with monetary values attributed where possible.

Table 3 Summary of Environmental and Economic Benefits Attributable to the Scheme

ENVIRONMENTAL BENEFITS	Net present value*
The Scheme is likely to result in significant improvement of the extreme low flows in the Waipawa and lower Tukituki rivers	not quantified
Capacity for flushing flows each year to help manage nuisance periphyton growths and contribute to managing the public health risks associated with cyanobacterial growth in the Makaroro, Waipawa and Lower Tukituki Rivers. These flows will also help mitigate/offset changes in flow variability, in addition to their primary periphyton control benefit	\$10m-\$13m
The benefit from irrigation return flow (drainage) on Waipawa and Lower Tukituki River flows once the RWSS is fully operational. In addition the irrigation return flow from the scheme has the effect of dampening the groundwater pumping impacts on the aquifer	\$25m
Greater ability, through contractual arrangements, to introduce and enforce farm management plans for all landowners receiving water from the Scheme	Not quantified

¹⁶ Value attributable to construction related benefits (\$410m) and NPV of on-going regional economic impacts (\$3,700m). Butcher Partners Ltd, 17th February 2014

¹⁷ Unit cost of storage versus reservoir size: from Ruataniwha Storage Project, Advanced Prefeasibility Study, T&T Ref 27195, Feb 2011

REGIONAL ECONOMIC IMPACTS	
Regional GDP will increase through a one-off effect due to construction of the Scheme	\$410m
As farms convert over time to Scheme irrigation and increase production from changing land uses, the region will have a sustained increase in GDP in farming and processing activities of \$250m per year	\$3,700m
2,500 full-time equivalent jobs will be created from farm and farm support, and potential downstream processing and processing support	2,520 FTE-jobs
There are various economic advantages arising from the Scheme which have the potential of offsetting the economic costs of Plan Change 6. Noting that PC6 seeks to substantially improve environmental outcomes for the catchment by lifting minimum flows. These include: <ul style="list-style-type: none"> • Potential ability for the Scheme to completely insulate existing surface water and stream depleters within the irrigation supply areas from minimum flow restrictions through alternative Scheme water supply; • Potential ability of the RWSS in reducing Plan Change 6 economic impacts because of higher minimum flow requirements on existing irrigators through alternative Scheme water supply; and • Potential ability of the Scheme to offset Plan Change 6 seasonal allocation restrictions through alternative Scheme water supply. 	Not quantified \$16m-\$41m Not quantified

*Net present value is taken over 70 years using a 5% discount rate

These benefits are detailed in the following section. In addition, other environmental and economic benefits, as well as social benefits, are also described in the remainder of this Section.

5.1. Environmental Benefits

The Tukituki River is a semi-braided river system flowing from the Ruahine Ranges to the sea. The current environmental issues associated with the Tukituki River occur during the summer months when the river flow is lowest. Generally there is a nutrient imbalance in the system with excessive phosphorus generating slime and algae growth. In addition, a combination of frequent very low flows during summer combined with the semi-braided nature of the river bed leads to the warming of river water, which serves as a further catalyst for accelerated slime and algae growth. The low flows reduce habitat for trout and various taonga species (longfin eel, koaro, and bluegill bully), and the slime and algae growth impacts on the recreational value of the River.

To solve these environmental issues, and in doing so return the Tukituki River back towards a more natural state, requires a combination of interventions (including the Plan Change 6 initiatives), to increase minimum flows in the River. The RWSS provides some additional benefits over and above Plan Change 6 including the ability to ‘flush’ part of the catchment by releasing flows that piggy back on natural freshes to provide better control of excess algae and slime, and by providing additional water to the Makaroro, Waipawa, and Lower Tukituki River sections during dry summer periods.

Residual ‘Environmental’ Flows

The Scheme’s operating regime requires a primary residual ‘environmental’ flow to be permanently released from the dam into the Tukituki Catchment. The residual flow of 1.23 m³/s at the dam will be equal to 90% of the 7-day mean annual low flow (“**7-day MALF**”)¹⁸, where the

¹⁸ proposed condition 6 of resource consent application - WP120371M

7-day MALF is the average of the lowest weekly flows that occur each year (based on actual records). This statistic has ecological relevance for fish and invertebrates as it represents the minimum habitat space that is likely to be available to aquatic life each year. It is often seen as the annual “bottleneck” the fish population have to go through each year, and thus a significant driver of the overall size of fish populations. The RWSS must also release water to maintain the minimum flows on Waipawa River at RDS and Tukituki River at Tapairau Road. These environmental flows will be prioritised over irrigation water releases.

Extreme low river flows (expressed as minimum flows¹⁹ and Q99²⁰ flows) in both the Waipawa and lower Tukituki Rivers will be improved under the Scheme’s residual flow regime; a significant environmental benefit over the status quo.

Irrigation Return Flow

Irrigation at full Scheme uptake is expected to result in increased recharge of groundwater (approximately 20 million m³/year). These drainage effects will contribute approximately 6 million m³ to river systems²¹ in the catchment from October to March, and will have a significant overall positive impact on low flow statistics (including the ecologically important MALF). The irrigation drainage is predicted to result in an improvement in minimum flows, Q99, and 7-day MALF in the middle and lower Tukituki, and to neutralise potential effects of the Scheme on Q95 and MALF in the Waipawa River. Table 4 describes the improvement in flows compared to the status quo.

It is noted that these results are based on an increased recharge of groundwater of 20Mm³/year on average²². Recent NIWA estimates²³ place the return of irrigation water at 22Mm³ based on 72Mm³/year of irrigation water and 25 to 29.5Mm³ based on 88Mm³/year of irrigation water²⁴. In other words, the environmental benefits of the return of irrigation water on river flows presented in the table below have probably been underestimated.

Table 4 Improvement in Flows due to Irrigation Drainage

POINT IN RIVER	MINIMUM	Q99	Q95	MALF
Waipawa River at RDS	+82%	+20%	+0%	-1%
Tukituki River at Tapairu Rd	+42%	+24%	+16%	+13%
Tukituki River at Red Bridge	+56%	+17%	+2%	+5%

The above results assume that no existing groundwater consent holders transfer to Scheme water. To the extent that these takes do transfer, there will be additional benefits to river flows.

Irrigation drainage is estimated to have a net environmental value of \$25 million. This value is based on the equivalent costs required to build²⁵ and operate²⁶ a dam to achieve the same result.

¹⁹ The minimum flow referred to here is the lowest flow on record, based on actual flow records.

²⁰ Q99 is the river flow that is exceeded 99% of the time, based on actual flow records. In practice this flow is not reached every year, but river flow can be below Q99 for more extended periods of time during very dry years.

²¹ Waipawa River at RDS, 2.1Mm³ (Oct-March); Tukituki River at Tapairu Road, 4Mm³ (Oct-Mar)

²² Alternative modelling presented to the Board of Inquiry suggests a different pattern of flows where relevant, but that there is no way at present to determine definitively which is more accurate.

²³ Re-Assessment of Return Flow from the Proposed Ruataniwha Plain Irrigation Scheme, NIWA, 12 March 2014.

²⁴ 72Mm³ was the predicted average volume for the initial reservoir and 88Mm³ corresponds with the upper bound average for the currently proposed larger realigned reservoir.

²⁵ Unit cost of storage versus reservoir size: from Ruataniwha Storage Project, Advanced Prefeasibility Study, T&T Ref 27195, Feb 2011.

²⁶ Annual operating costs estimated at 1% of the capital cost and discounted at 5% over 70 years

Flushing Flows

Flushing flows will be released from the dam up to a maximum of one million m³ for each release, with the objective of mitigating the build-up of slime and algae downstream. These flushing flows shall occur up to four times during the period 15 December and the following 30 April each year, as set out in the resource consent application.²⁷

Assuming an otherwise low river flow situation, the flushing flows are predicted to reach approximately 35 m³/second at the top of the lower river corridor to just under 27 m³/second near the bottom of the catchment at Red Bridge. Whilst these flows are not expected to result in significant movement of bed sediment, they are expected to assist in the removal of:

- Drifting/floating and deposited algae which are particularly detrimental to recreational use of the river; and
- The detaching and deposited Phormidium mats (which are the key source of public health risk associated with cyanobacteria)²⁸.

The proposed consent conditions require that, when possible, the flushing flows will be released to coincide with small freshes naturally occurring in the rivers. As a result, it is expected that about half the flushing flows will exceed 36 m³/second at the bottom of the Tukituki Catchment, and about 30% will exceed 43 m³/second (compared with 27 m³/second without piggy-backing). The result will be larger flushing flows, resulting in more efficient removal of algae and cyanobacteria. Similar to residual flows, flushing flows will be prioritised over water for irrigation.

Flushing flows are estimated to have a value of between \$10 million to \$13 million. The lower end of this range is based on the net present value²⁹ of 2.5 million m³ of flushing flows³⁰ at \$0.23/m³; while the upper end of the range is based on the equivalent capex required to build and operate a dam to achieve the same result.

Off-setting Plan Change 6 Limitations

Plan Change 6 will achieve well defined positive environmental outcomes for Hawke's Bay. However it will also be accompanied by economic consequences for some irrigators, due to lower productivity and higher costs. It is inevitable that these impacts will adversely affect the performance of the local economy (both from a GDP and employment perspective). A conceptual view of this outcome is illustrated on the following figure (figure is not to scale).

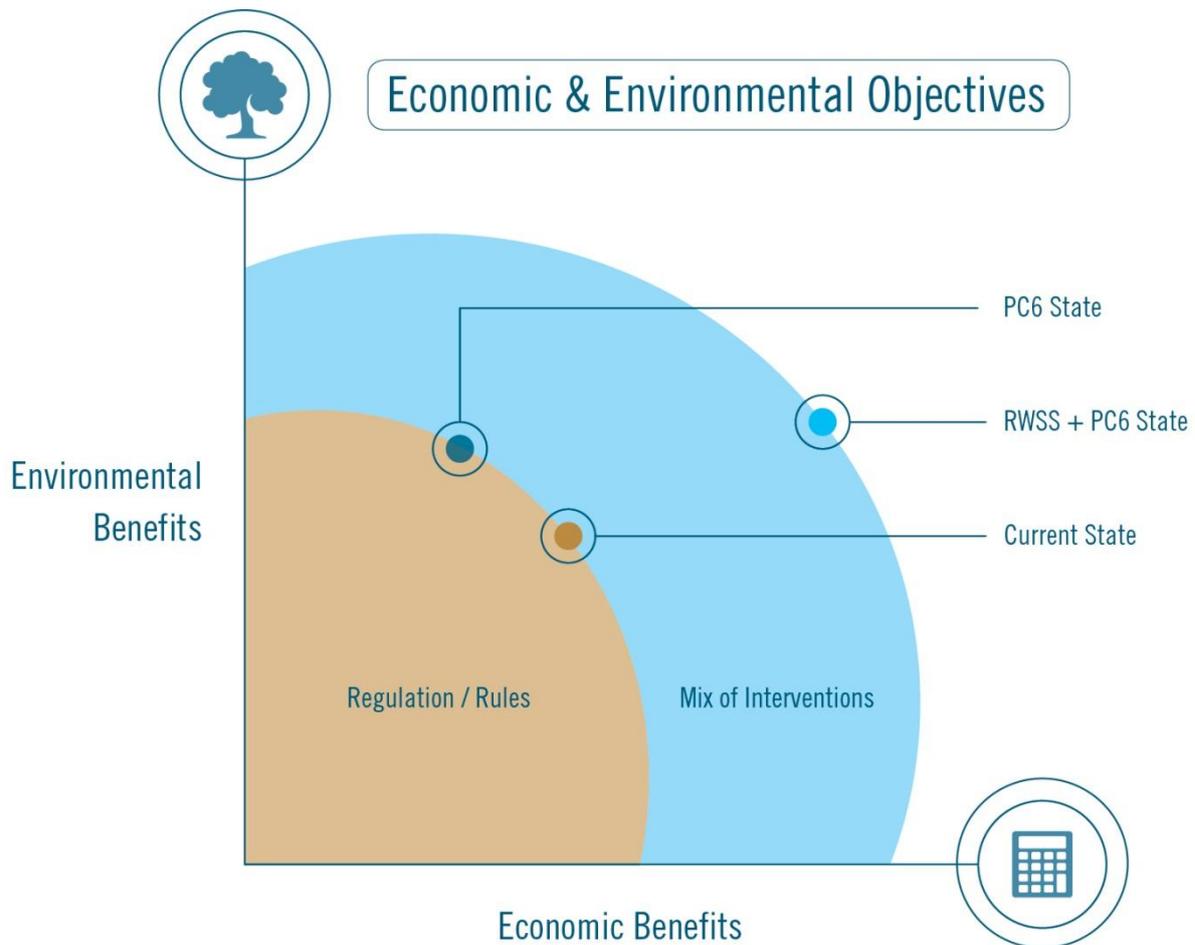
²⁷ – proposed condition 13 - WP120371M.

²⁸ Ausseil, O (2013). Evidence in Chief, page 60.

²⁹ Discounted over 70 years at 5%

³⁰ 1.5 million m³ of total flushing flow allocation of 4 million m³ are directed at mitigating the RWSS potential effects, and 2.5 million m³ are a net benefit. Only the net benefit component has been valued in this analysis

Figure 6 Economic and Environmental Objectives



With Plan Change 6 alone, there will be additional environmental benefits for the Tukituki Catchment, but reduced commercial benefits. However, Council has always intended that an integrated strategic approach to economic, environmental and social outcomes is optimal. Therefore, the RWSS provides Council with a mechanism that enables economic gains associated with additional irrigation together with an overall net improvement in the environmental situation. It is the view of HBRIC Ltd and its advisors that the significant economic benefits associated with the RWSS do not come at a net environmental cost. The resulting outcome is a win-win outcome for the region. The RWSS’s ability to reduce the economic impacts of Plan Change 6 associated with the increased minimum flow restrictions through alternative Scheme water supply, is estimated to have a net present value³¹ of between \$16 million³² to \$41 million³³. This value is attributable to the net on-farm impacts realised through having a more reliable supply of water. In addition the RWSS will potentially provide existing consent holders, adversely affected by Plan Change 6, with an opportunity to access a supplementary supply of water. The value of this particular economic offset to Plan Change 6 has not been quantified.

³¹ Discounted at 5% over 70 years

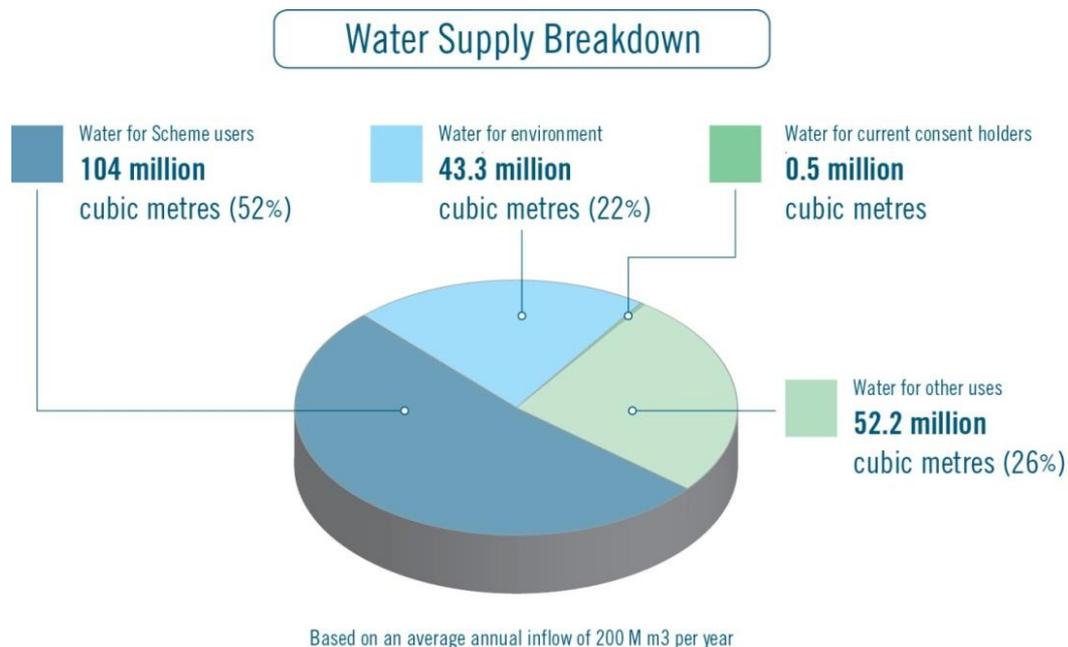
³² Economic Impact of Minimum Flow Proposals on Existing Irrigators; Harris Consulting, February 2013

³³ Statement of Evidence by Stuart Ford for Horticulture NZ, Board of Inquiry, October 2013 and report titled Economic Impact of Proposed Minimum Flows on Horticultural Irrigators on the Tukituki River prepared for Horticulture NZ by The Agribusiness Group, March 2013

RWSS Water Inflows and Outflows

As shown below, outflows from the dam average approximately 200 million m³ per year. Approximately 27% of the available water (43.3 million m³) will be used for environmental purposes (residual flows and flushing flows), and an annual average of 0.5 million m³ will be allocated to current consent holders (who directly or indirectly take water from surface water bodies in the Tukituki Catchment)³⁴. Approximately 104 million m³ of the annual available water (52%) will be allocated to irrigators. The balance of the water could be used for multiple purposes, including being sold as spot water, improving recreational and environmental conditions, protecting against inflow variability by being retained as a seasonal closing balance, or simply spilled from the dam.

Figure 7 Water Supply Breakdown



The Concession Deed enables Council to order additional environmental flows over and above these identified here. Although these additional flows will be at Council's cost, the RWSS nonetheless provides Council with a mitigation tool that it would otherwise not have.

Managing Environmental Costs - Integrated Mitigation & Offset Approach

The Resource Management Act 1991 ("RMA") requires identified adverse effects to be avoided, remedied or mitigated. Through the various RWSS ecological and land intensification studies, a range of adverse environmental effects were identified which needed to be addressed by way of mitigation and/or environmental offset. The main elements being mitigated relate to terrestrial ecological effects on the area to be flooded and effects on the river environment associated with both the Scheme footprint and its operation. Six projects are proposed to mitigate and offset the potential effects of the RWSS:

- A. Ruataniwha Reservoir Restoration Buffer and Catchment Enhancement Zone Project;
- B. Ruataniwha Riparian Enhancement Zone (River Halo Project);
- C. Ruataniwha Threatened Species Enhancement Project;

³⁴ The amount actually provided for this purpose will vary year to year

- D. Ruataniwha Plains Spring-fed Stream Enhancement and Priority Sub-catchment Phosphorus Mitigation Project;
- E. Old Waipawa River Bed and Papanui Stream Restoration Project; and
- F. Lower Tukituki Cultural Values Impact and Mitigation and Native Fish Enhancement Project.

Projects A, B, C and E set out biodiversity restoration and enhancement strategies proposed to address residual effects of the reservoir flooding and Scheme operation on both terrestrial and aquatic biodiversity. These projects also address effects on recreation, cultural and heritage values associated with the Wakarara Road-end area.

Project D provides an additional offset for adverse effects of the project on phosphorus inputs to the streams and the availability and quality of in-stream habitat for trout spawning, native fish and invertebrates.

Project F provides a focus for the RWSS to contribute to enhancing native fish habitat in Hawke's Bay catchments (Tutaekuri, Ngaruroro, Tukituki and Karamu) and for undertaking baseline and effects monitoring of the Lower Tukituki cultural values.

The total cost provision for offset mitigation requirements over a 30 year period equates to approximately \$9.75 million, with the most significant costs incurred in the first ten years of the Scheme.

Nutrient Management and Water Management

The proposed RWSS consent conditions require farmers that are part of the Scheme to be subject to the overall RWSS Irrigation Environmental Management Plan ("IEMP") and have a Farm Environmental Management Plan with 'Approved Maximum Outputs' for each 'Approved Farm System'. These conditions have been developed in a proactive manner with a wide range of primary sector representative organisations.

The IEMP and associated RWSS proposed "Schedule Three Conditions" describe how irrigation users who join the Scheme under contractual arrangements will, through contract, be required to take responsibility to ensure that overall the RWSS meets the water quality requirements in the Tukituki Catchment as set under the Plan Change 6 limits and targets proposed by Council. Compliance and enforcement provisions are also part of the proposed conditions.

The IEMP details how sub-catchments posing a risk of exceedence of Plan Change 6 nitrate-nitrogen limits (or situations where there is a material risk of increases in phosphorus reaching waterways) will be managed pro-actively. Some of the key ways farmers will be required to limit phosphorus and nitrates from entering waterways include stock exclusion from rivers and the preparation of farm nutrient budgets. Regular auditing and in-stream testing will ensure compliance with Plan Change 6 nutrient limits, with the requirement to shut off supply of water to farmers if conditions are not met.

Where necessary, appropriate further mitigation measures may be required to ensure nitrate and phosphorus outputs from individual farms are limited. Those measures may include, where necessary, constraints on the range of land uses that establish using water from the RWSS in a limited number of high risk areas through contractual means. This will ensure the relevant proposed consent conditions relating to managing the whole Scheme within the limits set under Plan Change 6 are always met by the consent holder.

Comprehensive analysis of the RWSS at full uptake indicates that the Scheme and land owners/managers can operate within the limits proposed by Council in Plan Change 6 and reflected in the proposed RWSS conditions. It is noted that the final form of Plan Change 6 is dependent on the BOI decision. If the BOI decides different nutrient limits and targets, then the effect of those on the viability of the Scheme would have to be assessed at the time.

Independent audit procedures, triggers and timelines for remedial actions are also described in the IEMP and proposed Schedule Three Conditions. A proposed Scheme Operations Liaison Group that is representative of the wider community will receive annual reports on the operation of the Scheme and how it is meeting the resource consent conditions throughout the life of the RWSS⁹.

5.2. Regional Economic Impacts

Primary Sector Activity in Hawke's Bay

Land and water form the building blocks of the primary sector value chain, which continues to be the single largest component of the Hawke's Bay regional economy. It is estimated that 30% of Hawke's Bay's GDP is derived from land-based industries and about one quarter of total regional employment is derived from our primary and processing sectors. This is the natural outcome for a region that boasts a diverse range of productive soil types, favourable seasonal patterns, historical access to water resources, and the world class processing and support infrastructure necessary to add value to the region's produce. Our ability to reliably produce and process a diverse basket of high quality foods arguably represents Hawke's Bay's single global competitive advantage.

The following snapshot sets out the importance of the primary and processing sector to Hawke's Bay's economy, and highlights the relative contribution Hawke's Bay's primary industry makes to national GDP.

Table 5 Hawke's Bay's Primary Industry Contribution to National GDP

SECTOR	# BUSINESSES/ ORGANISATIONS	GDP \$M		
		Hawke's Bay	New Zealand	HB % of NZ
ALL SECTORS	18,087	6,641	198,070	3.4
Pastoral Farming	2,239	304.7	6,644.0	4.6
Pipfruit Growing	268	285.8	592.2	48.3
Other Fruit growing	170	61.1	546.9	11.2
Vegetable growing	88	27.8	513.0	5.4
Other Horticulture	55	10.3	342.6	3.0
Grape Growing	205	31.7	314.3	10.1
Fishing	59	3.9	379.4	1.0
Total Direct Primary Industry	3,084	725.3	9,332.4	7.7
Meat Processing	26	294.8	3,132.4	9.4
Fruit & Veg Processing	21	188.2	488.4	38.5
Other Food Processing	74	65.8	3,961.6	1.7
Wine Making	56	63.8	396.7	16.1
Other Beverage Processing	7	3.5	315.1	1.1
Textile Processing	65	89.7	1,257.2	7.1
Total Direct Processing	249	705.8	9,551.4	7.4

Source – Economic Solutions Ltd, May 2012 – Statistics NZ and NZIER

While the region contributes 3.4% of national GDP across all sectors, the percentage contributed by primary production and processing is more than double this at over 7%. Pipfruit and pastoral farming dominate primary production.

Primary Sector Vulnerabilities

Because of its dependency on the primary sector, the Hawke's Bay economy is exposed to the inescapable uncertainties associated with climatic events, market volatility, regional and international competition, and obsolescence. The 2010 Regional Report "Land River Us" summarised the resulting challenge in this way: *"...there are other forces at play that could dramatically alter the nature of primary production. Some of these forces are beyond our control, others aren't; in both cases, our responses are far from predetermined."* More specifically the public sector can help mitigate some risk primarily in assisting communities to build resilience to climate uncertainties.

Hawke's Bay suffered from a series of droughts over a three year consecutive period from 2007 to 2009 which resulted in a GDP loss of \$125 million.³⁵ Drought hit again in the summer of 2012/13, resulting in further economic loss.

Drought is predicted to occur even more frequently in the future, with Chapter 11 of the fourth assessment report of the Intergovernmental Panel on Climate Change offering a very sobering outlook for the east coast climate. The report points to increasing stresses on water supply, regional reductions in rainfall and reduced soil moisture levels as factors likely to make agricultural activities particularly vulnerable: *"In New Zealand, severe droughts (the current 1 in 20 year soil moisture deficit) are likely to occur every 7 to 15 years by the 2030's, and every 5 to 10 years by the 2080's. The drying of pastures in eastern New Zealand in spring is very likely to be advanced by one month with an expansion of droughts into both spring and autumn."*³⁶

The report also references the likelihood of some primary industries declining in regions where the growing conditions become unfavourable.

Economic Resilience through Water Storage

The RWSS in its area of influence would help offset many factors that are likely to negatively impact the regional economy. Reliable water creates the option for farmers to diversify into higher return farming activities such as arable and dairy; as well as intensifying existing sheep and beef farms, increasing viability and confidence. Furthermore, certainty of water allows farmers to make better use of productive land through removing the uncertainties around climatic conditions, and gives farmers the confidence to invest the capital required for on-farm infrastructure (as well as leading edge and cost effective nutrient management techniques).

The resulting development of the RWSS would provide an immense economic benefit to farmers. Butcher Partners Ltd, an economic consulting firm, has calculated that the RWSS would increase farm-gate gross output by \$180 million per year³⁷ through higher value and more productive farming. Once increased farm expenses are accounted for, the direct value added (akin to GDP) on-farm is estimated to be \$73 million per year, which includes \$27 million per year of earned household income (i.e. from wages, salaries, and self-employed income). Butcher also estimates 700 full-time equivalent farming jobs would be created. Furthermore, if farming support industries such as agricultural contracting, wholesale and retail trade, transport,

³⁵ Regional and National Impacts of the 2007-2009 Drought, Prepared for MAF Policy by Butcher Partners Ltd: July 2009.

³⁶ IPCC chapter 11, Pg 515

³⁷ Butcher Partners Ltd, 17th February 2014

and other services are included, the value added to the direct farming economy is in the order of \$136 million per year, with c. 1310 full-time equivalent jobs created³⁸.

Regional Economic Impacts

While farming and farm-support industries would benefit from the RWSS, the financial and economic impacts of the RWSS would have a positive impact on the entire regional economy. Firstly, from a purely financial cost benefit perspective (not accounting for any economic benefits), the Scheme is justified: Butcher estimates that the financial net present value of the Scheme is \$410 million³⁹ under base case demand uptake assumptions as detailed in Section 6.4 (this increases to \$430 million under a rapid uptake scenario, and decreases to \$348 million if demand uptake is slower than anticipated).

When regional economic impacts are included, the economic case for the RWSS is even more compelling. The following table summarises the economic impacts to the Hawke's Bay Region from additional agricultural production arising from the RWSS.⁴⁰

Table 6 Economic Benefits to Hawke's Bay Region from the RWSS

ECONOMIC ACTIVITY	GROSS OUTPUT (\$M/YEAR)	VALUE ADDED (\$M/YEAR)	JOBS (FTE)	HOUSEHOLD INCOME (\$M/YEAR)
Farming	\$180m	\$73m	700 FTE	\$27m
Farm support	\$150m	\$63m	610 FTE	\$33m
Processing and processing support	\$380m	\$120m	1,210 FTE	\$67m
Total economic impact*	\$700m	\$250m	2,520 FTE	\$125m
Potential NPV (5% over 70 years)	\$4,900m	\$3,700m	-	\$1,900m

*Differences due to rounding.

The ongoing increase in regional value added (GDP) from the Scheme is estimated to have a net present value of \$3.7 billion, and at full development 2,520 full-time equivalent jobs will be created. While farming and farm-support industries make a large contribution to economic value, processing and processing support industries (including multiplier effects that arise as a result of the expansion of economic activity in supporting industries) make an almost equal contribution to regional value added. This assumes that all wine making and processing of vegetables and meat would occur in-region, as would half of dairy processing (currently there is no milk processing facility in Hawke's Bay, but with more dairy farming this could change).

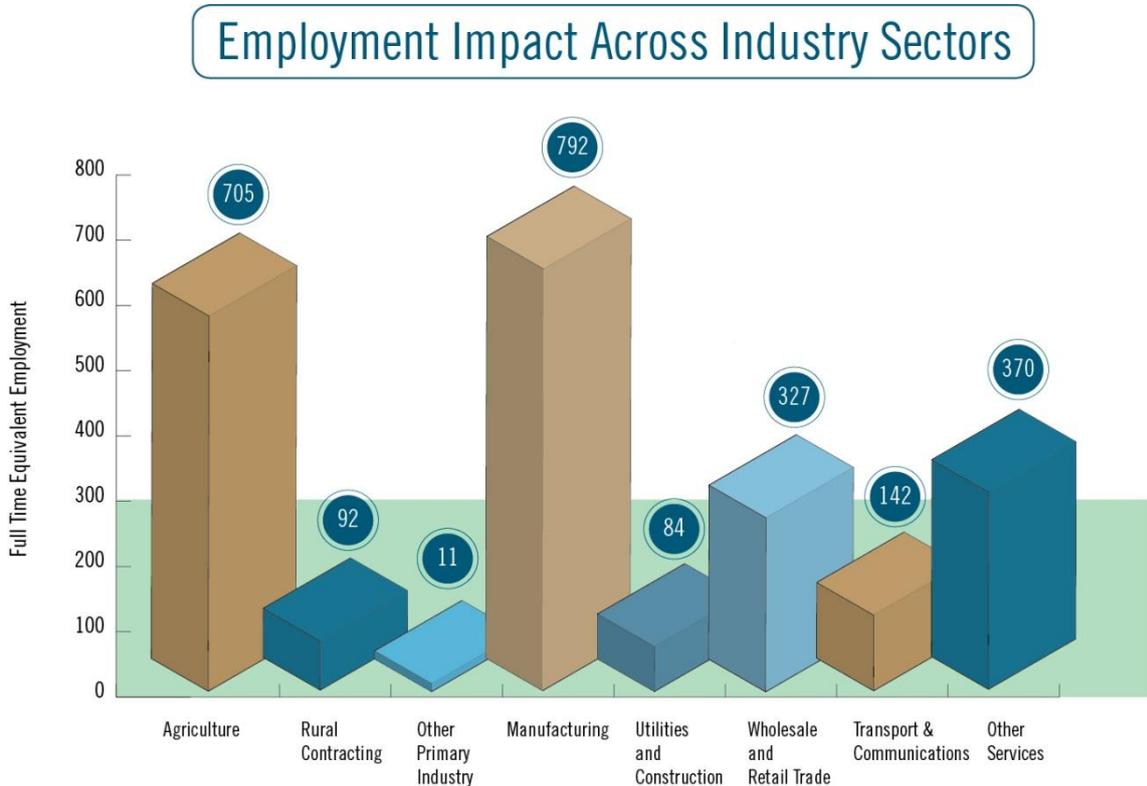
Furthermore, the multiplier effect means impacts are spread across many sectors. Slightly more than half of the ongoing employment and value added impacts (excluding processing) occur within agriculture. The balance is spread across rural contracting, wholesale and retail trade, transport and storage (including packhouses and coolstores), and services (for example, vet services, repair services and local government). However, there is large uncertainty associated with precisely quantifying the economic impact, given the uncertainty around future irrigated land use, and the mix of product available for processing. Figure 8 illustrates how employment increases attributable to the Scheme, including processing, are widely spread across industry sectors.

³⁸ Butcher Partners Ltd, 17th February 2014

³⁹ 70 years, 5% discount rate

⁴⁰ All values from Butcher Partners Ltd, 17th February 2014

Figure 8 Distribution of Employment Increases in Hawke's Bay Attributable to the RWSS



The increase in farming production and processed product is expected to go almost entirely to export. This will increase shipping through the Napier Port, and will significantly increase port revenue, and hence profits and Council cash flows. An additional 10,000 containers of export cargo are expected. Butcher estimates this could increase Napier Port’s EBIT by \$1.5 million per year.⁴¹

The implication is that off-farm economic impacts are widely dispersed, and people in many industries across the region will benefit from the RWSS and the resultant increase in farming activity. This conclusion will further be strengthened if the considerable potential impacts of processing are also realised.

Economic Impacts during Construction Phase

There are also regional economic impacts associated with the construction of the Scheme. These are one-off impacts as a result of increased economic activity during construction. Butcher estimates that regional value added during construction is expected to be \$410 million, which includes \$270 million per year of earned household income. This is estimated to create 4,700 job-years of work.⁴²

⁴¹ NPV of \$21.6m (70 Year @ 5% discounted rate)

⁴² This economic impact will be focussed on the first four years, when all dam construction and approximately half of pastoral on-farm investment are assumed to take place. The balance will be spread over the remaining eight years of the investment programme.

5.3. Social Benefits

HBRIC Ltd commissioned Taylor Baines, a social and natural resource consultant, to assess the potential social outcomes provided by the RWSS. The Taylor Baines report⁴³ concluded that: *“Experience in New Zealand is that irrigation brings an important range of potential social-economic benefits that can enhance social and economic wellbeing in a district such as Central Hawke’s Bay. With appropriate strategies in place the proposed scheme should result in a significant net beneficial social effect for the people and communities of the district.”*

The following table summarises the potential social benefits identified by Taylor Baines.⁴⁴

Table 7 Assessment of Social Wellbeing Outcomes

ELEMENTS OF SOCIAL WELLBEING	OUTCOME WITHOUT SCHEME	OUTCOME WITH SCHEME
Economy, business activity, income and employment	A relatively stagnant economy with only slow growth at best. Few opportunities to increase or diversify primary production. Increase commuting to work out of the district. Increasing numbers of “bad” climatic years.	Possible opportunities during construction phase. Construction short term boost to local economy – limited by available capacity A boost to the district and regional economy with an increase in economic activity relating to farming and some diversification of the economic base with greater robustness in the face of periodic droughts. Opportunities to change farming practises in irrigated area.
Physical and mental health	Limited opportunities to increase employment and economic diversification and increasing vulnerability to drought events weaken determinates of health. Continued risk of decreasing population getting reduced health services in rural areas	Strengthening determinates of health particularly through reduced unemployment and increased opportunities for youth. Reduced dependence on benefits amongst working families. Potential health effects if social change is poorly managed, including pressure on health services.
Outdoor areas, natural environment and open space	Poor water quality and quantity in lower Tukituki and surface streams reduces amenity values. Improved water quality as sewerage schemes implemented. Continued stress on water allocation.	Some loss of some amenity values in flooded valley. Gain of new amenity values for reservoir lake. Some risk of reduced values for surface water if there is poor nutrient management. Water allocation rationalised.
Lifestyles, leisure and recreation	Loss of recreation opportunity with reduced amenity values. Increasing difficulties sustaining facilities, programmes and community groups	Sports and community organisations get a boost from new members and provide a basis for building community attachment and support.
Lifelong learning and education	Some difficulties motivating young people into training due to the lack of job opportunities. Lack of incentive for famers and businesses in traditional activities to undertake re-training.	Potential for enhanced agricultural and horticultural training in support of land use change with irrigation. Opportunities to add to career opportunities for high school students and youth, including disadvantaged youth. Opportunities for technology transfer on farms around new farming systems, water and nutrient management and environmental management. Opportunities for local business training and development.
Personal, community and public safety and freedom from risk	Increased social issues and conflict based in economic disparity.	Low risk of water safety issues around the reservoir and canals depending on management outcomes. Increased health and safety risks from intensified production – dairy, horticulture Risks from increase in daily movement of heavy and other vehicles on local roads. A new “dread” risk of perceived dam failure.
Housing, living space, neighbourhood & sense of place	Strong sense of place based on what the area looks like. Slow decline in some housing,	Short-term demand for rental housing during construction could pressure price and quality of housing for low-income renters.

⁴³ Ruataniwha Water Storage Scheme: Social Impact Assessment, Taylor Baines Associates (May, 2013)

⁴⁴ Table taken from Taylor Baines (May, 2013, page 36 & 37).

	neighbourhoods and amenity through lack of economic opportunity.	Changes in sense of place with new land uses, landscapes and people coming into the district – felt as a loss by some people Possible conflicts in values over use of water, economic growth and development. General improvement in housing and neighbourhoods over time with the flow-on from employment and higher incomes.
Goods and services, retail and commercial space	Increasing decline in available goods and services and increasing losses to major towns of Hastings/Napier	Increased demand for retail, veterinary and farm services based in Waipukurau and Waipawa.
Transport and communications	Decline in local transport firms and centralisation of services Slow improvements in broadband and cell-phone coverage	Increased impetus to broadband development and cellular services through land use intensification and economic activity Increased costs of maintaining local roads
Family, social attachment and support	A declining population and low economic growth increases social-economic polarisation and erodes social vitality and resilience. Increasing social problems across the district for youth, families and the elderly.	Community groups and organisations get a boost from new members and play a crucial role in building social attachment and support. Increase in population based funding and services including schools.

Hawke's Bay will have the benefit of strengthening local populations and communities through employment created, including within rural areas and small settlements, and towns such as Waipukurau and Waipawa. The flow-on effects of increased land-use activity, with consequent increases in employment and population, should enhance the range and viability of businesses and services they provide, including early childhood, primary and secondary schools, health, sports and recreation and other services. However, potential social issues could arise with rapid land use change around the integration of newcomers, loss of sense of place and possible values conflicts. These issues require careful management.

The net benefit will depend on active management of change by councils and key stakeholders, along with communication and consultation with the affected communities. HBRIC Ltd has established a Socio-Economic Working Party under a memorandum of understanding with a number of regional agencies to oversee this. With appropriate strategies in place the proposed scheme should result in a significant net beneficial social effect for the people and communities of the district.

Maori Interests

Ngati Kahungunu is the primary iwi in the Hawke's Bay region. Maori make up nearly 25%⁴⁵ of the total Hawke's Bay population and are an important and growing component of the regional workforce and economy. The RMA requires decision makers to recognise and provide for a range of Maori cultural values and have particular regard to kaitiakitanga in making any decisions under the RMA associated with the sustainable management of natural and physical resources. Under the Act there is also a requirement to consult tangata whenua, through iwi authorities for Regional Policy and Plan processes.

Given this background and also the intent to ensure the Scheme has a solid grounding in the local community, Council and HBRIC Ltd have included tangata whenua representatives in all stages of the RWSS project development. This has resulted in a number of initiatives associated with Maori interests, in terms of both the kaitiaki role, and economic opportunities. These are summarised below:

- Memoranda presented to the BOI signed on behalf of Ngati Kahungunu Iwi Authority, Te Taiwhenua o Tamatea, HBRIC Ltd, HBRC and a number of Heretaunga hapu covers

⁴⁵ 2013 census

cultural values monitoring, preservation of native fish passage, and base line and effects monitoring for the Lower Tukituki river in relation to the RWSS. The memoranda also cover the inclusion of a new implementation policy in Plan Change 6 inclusive of cultural values monitoring as part of wider HBRC Tukituki catchment monitoring.

- An agreement has been developed between HBRIC Ltd and Te Taiwhenua ō Tamatea, which formalises the relationship between those parties and which will endure throughout the life of the Scheme should it proceed. Key elements of the agreement are:
 - a) First right of refusal to Te Taiwhenua ō Tamatea to contract for work arising from the proposed biodiversity mitigation package (Projects A to E);
 - b) Ensuring local and tangata whenua employment opportunities are actively pursued as part of the Design and Construction programme. This has been responded to pro-actively by the OHL-Hawkins consortium who have included a tangible “Local Industry Participation Policy” in their proposal; and
 - c) Providing \$50,000 annually for education scholarships for tangata whenua with links to the Ruataniwha district.
- The proposed RWSS resource consent conditions establish a “Kaitiaki Runanga” which has a review, reporting and recommendatory role in relation to cultural and environmental monitoring during construction and the initial stages of scheme operation;
- He Toa Takitini (the Tamatea and Heretaunga Treaty Settlement Group) has expressed interest in a potential equity stake in the Scheme as part of its upcoming settlement with the Crown.
-

6. Summary of Key Processes and Workstreams

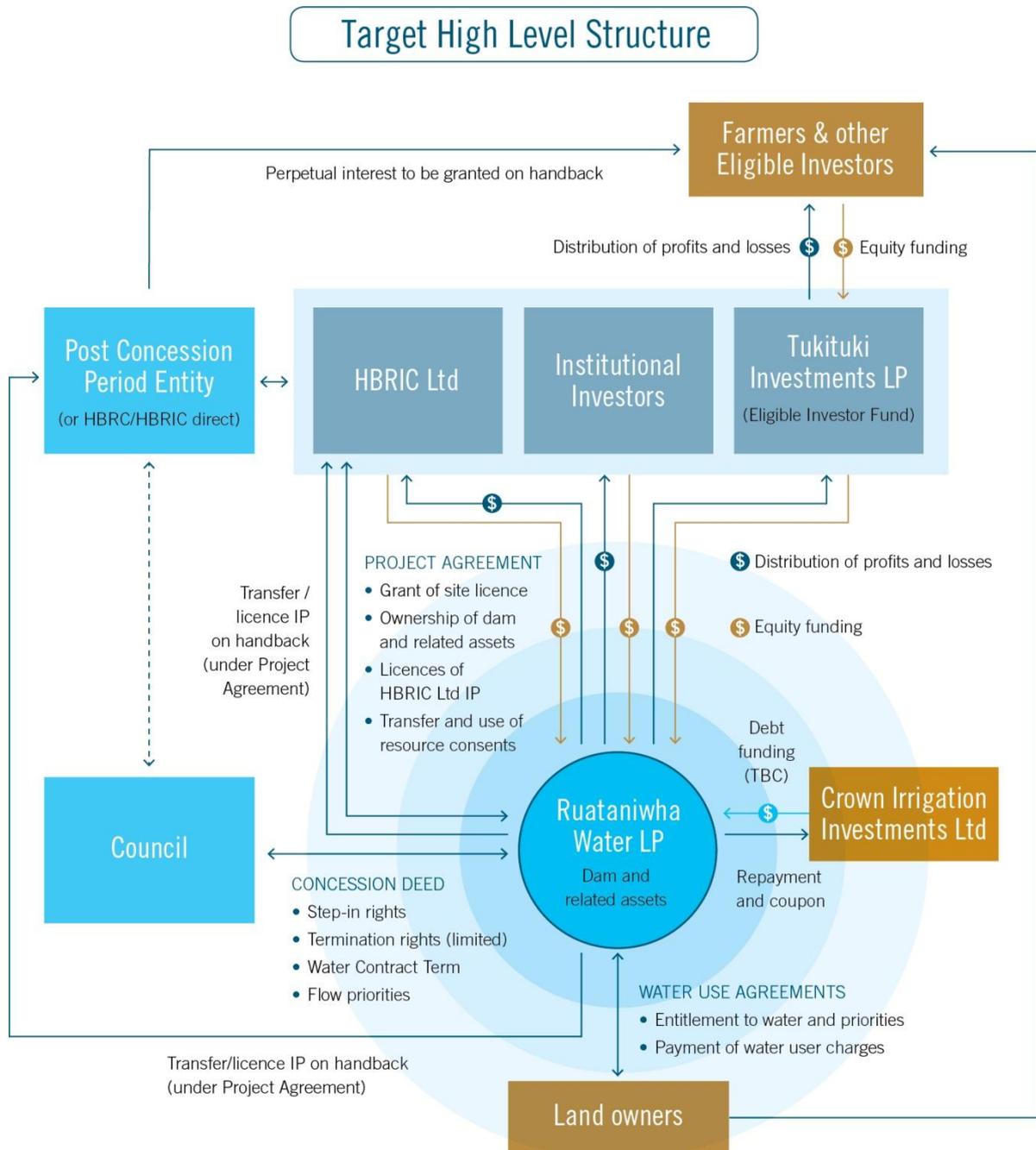
A number of key work streams have progressed since the completion of the RWSS full-feasibility phase and Council's decision to move ahead to the final assessment phase. This section summarises the key processes and work streams that have been progressed, providing an up-to-date snapshot of where they are at, and next steps.

The key work streams include: the EPA consenting process; procurement for design and construction; farmer demand uptake; investors; and contractual structure. An overview of the structure of operations during construction is also provided.

6.1. Contractual Structure

The structure of the Scheme will be bound by a Project Agreement, Concession Deed, Water User Agreements, Design and Construct Contract, and Operations and Maintenance Contract. The following diagram provides an overview of the Scheme contractual structure and how it relates to key parties.

Figure 9 Target High Level Contractual Structure



**Note that RWSS has not satisfied CIIL's investment requirements and CIIL has not yet made any commitment to invest in RWSS.*

Concession Deed

The 70 year Concession Deed embeds the public good elements of the Scheme such as the environmental benefits, water access price, and asset condition. It establishes and entrenches the objectives of the RWSS. It provides the Ruataniwha Water limited partnership (“**Ruataniwha Water LP**”) (detailed in Section 7.2) with the concession rights necessary to design, build and operate the RWSS infrastructure. The deed also provides protections to Council in relation to the control, use and hand back of the RWSS assets at the end of the 70 years under the BOOT structure (outlined in Section 7.1).

Project Agreement

The Project Agreement provides a framework between HBRIC Ltd and Ruataniwha Water LP which, among other things, includes HBRIC Ltd governing the transfer of consents from HBRIC Ltd to the Ruataniwha Water LP, access to land, and other related management matters.

Water User Agreement

Water User Agreements commit farmers to a specified annual volume of water under a take-or-pay arrangement through to the end of the first resource consent period (2049). The agreement will cover obligations in respect of farm environmental management plans and delivery of water. The financial obligation will commence as at delivery of water scheduled for the 2017/18 irrigation season.

Limited Partnership Agreements

The limited partnership agreements will have the effect of a contract between the limited partnership, each general partner, and each limited partner. Any partners entering into a limited partnership after initial registration of the partnership will be bound by the limited partnership agreement.

Design & Construct Contract

The Design & Construction Contract is a fixed time, fixed price contract with the chosen consortia designed to ensure the contractual risk of cost and time overruns are borne by the constructor. This allocates the risk to the party best equipped to deal with it.

Operations & Maintenance Contract

The Operations & Maintenance Contract will cover an appropriate period post dam construction and will include asset management. It will be competitively tendered during the construction phase.

Crown Irrigation Investment Documents

If CIIL determines that the RWSS meets its investment requirements and CIIL decides to invest (see below for further detail on the status of CIIL’s engagement with RWSS), any CIIL investment in the RWSS will need to be documented appropriately.

6.2. EPA Consenting process

Summary of Current State of Applications

The BOI hearing finished on Tuesday 21st January 2014 with an updated set of proposed RWSS resource consent and designation conditions submitted for consideration by the BOI.

During the six weeks of the hearing the BOI received evidence from 131 expert witnesses and also heard “representations” from 74 submitters.

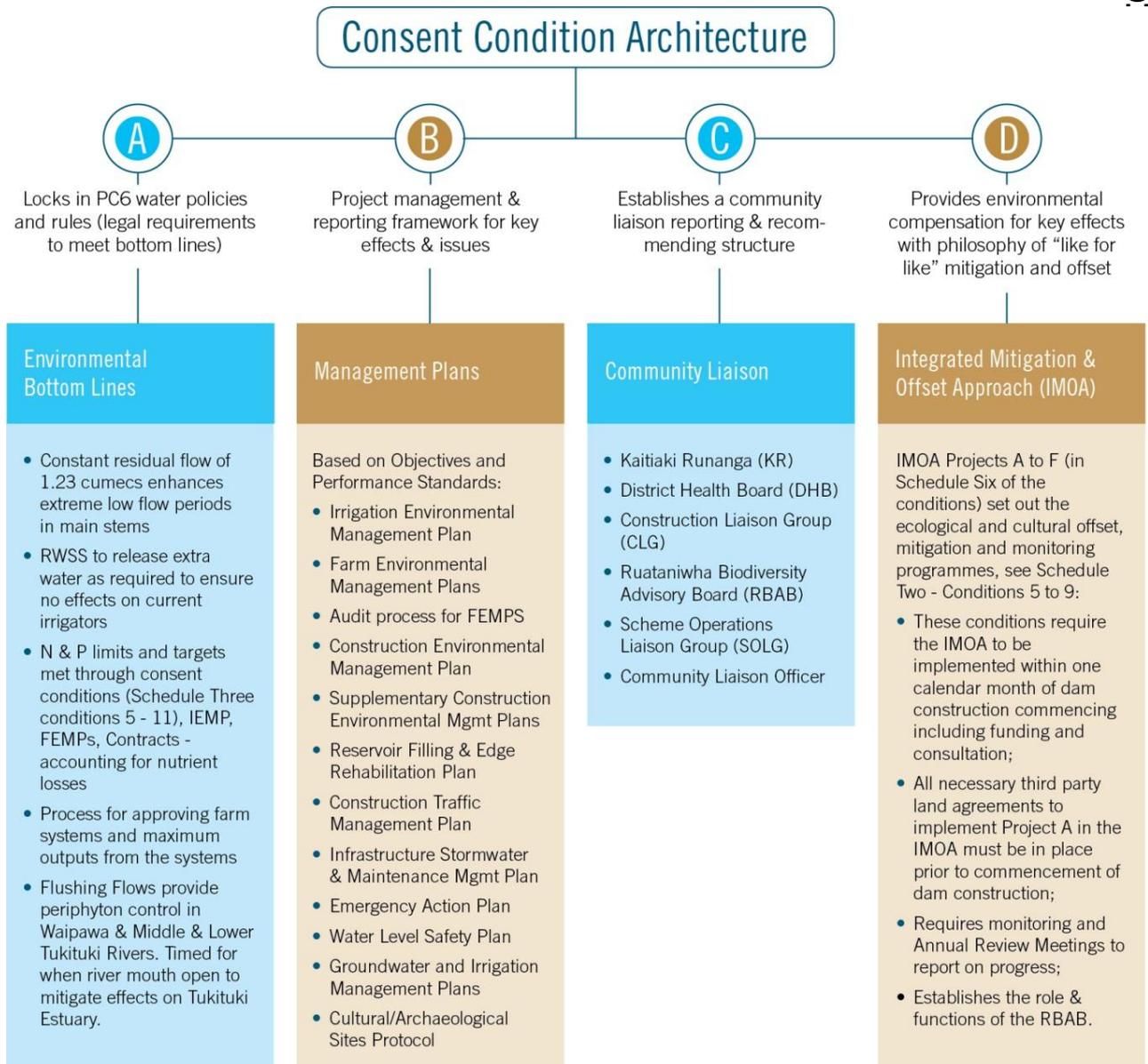
At the conclusion of the hearing Council & HBRIC Ltd, Ngati Kahungunu Iwi Incorporated, a number of Heretaunga-based Maori parties and Te Taiwhenua o Tamatea lodged a joint memorandum providing some further amendments to Plan Change 6 provisions, the RWSS resource consent conditions and the mitigation proposal. A more detailed memorandum was filed with the BOI on 8 February 2014. These conditions included the proposal for a new Project ‘F’ as part of the Integrated Mitigation & Offset Approach (“**IMOA**”).

The BOI has now adjourned to consider all the evidence and submissions. The Minister for the Environment has granted a month extension to ensure the BOI has time to assess all the evidence before releasing its draft Plan Change 6 and the RWSS consents decisions (no later than 15 April 2014). There will then be an opportunity for parties to comment on some of the details of the draft decision before a final decision is released (no later than 28 May 2014).

Proposed Resource Consent Conditions

Over the course of the hearing, the RWSS resource consent conditions evolved and a number of new conditions were added in response to specific matters raised by some of the submitters. The following diagram shows the mechanics of the RWSS proposed resource consent conditions and sets out the high level framework proposed to ensure the Scheme is managed in a sustainable way.

Figure 10 Consent Condition Architecture



The proposed RWSS consent conditions suite is governed by “environmental bottom lines” (see Box A of Figure 10 above). These conditions “lock-in” Council’s proposed Plan Change 6 water quality policies and rules (legal requirements to meet bottom lines), to provide a constant residual flow from the dam, and ensure existing consent holder takes are not compromised.

A feature of the proposed RWSS consent conditions is the provision of a number of management and monitoring plans to govern both the construction and future operation of the dam and distribution system, including land use initiatives and good practice management on farms (see Box B of Figure 10 above). The management plans are required to meet set objectives and performance standards. Together the range of management plans will guide the detailed design, construction and operation of the RWSS through a project management & reporting framework for key effects issues.

The RWSS water contracts with farmers complement the regulatory regime of Plan Change 6 and resource consent condition requirements by implementing standards, rules and policies to ensure environmental bottom lines are protected.

Box C of Figure 10 above describes the various groups and agencies that will be involved in a collaborative approach in the development and operation of the RWSS. The construction of the RWSS will be facilitated by a Community Liaison Officer who will provide a link between HBRIC Ltd, Ruataniwha Water LP, OHL/ Hawkins as contractors, and the public.

The IMOA (see Box D of Figure 10 above) provides the mechanism for comprehensive environmental compensation for a number of key effects, underpinned by a philosophy of “like for like” mitigation and offset. It includes provision for the establishment of the Ruataniwha Biodiversity Advisory Board to oversee the effective delivery of IMOA Projects A to F. The Advisory Board will include key personnel from a range of related disciplines and organisations such as ecologists, the Department of Conservation and tangata whenua.

As part of the joint memorandum filed with the BOI, a Kaitiaki Runanga will be formed to ensure information flow to tangata whenua and identify any issues before, during and after construction. The group will include representatives from Te Taiwhenua o Tamatea, Te Taiwhenua o Heretaunga, Te Taiwhenua o Te Whanganui A Orotu and Ngati Kahungunu Iwi Incorporated as well as representatives from the consent holder.

Future Project Tasks

If the RWSS is granted its RMA consents through the BOI process on terms which mean it is viable to construct the Scheme, there are a number of other key project tasks which will be required to facilitate the project as listed below:

- Finalisation of land purchase and easement arrangements for the dam and reservoir site and distribution network;
- Finalisation of the land exchange with the Department of Conservation relating to inundation of 22 hectares of conservation land by the reservoir;
- Application for the necessary Department of Conservation authorisations under the Wildlife Act 1953 and Freshwater Fisheries Regulations 1983;
- A process of approval of the final details of the OHL / Hawkins Dam design through the Dam Construction Expert Panel (to be established under Schedule One, condition 24 of the proposed RWSS resource consent conditions);
- Application for building consent for the dam; and
- Additional RMA approvals to optimise details of the project distribution network associated with the Updated OHL / Hawkins Distribution design.⁴⁶

In addition to these tasks, a regular auditing regime will be set up to ensure compliance with plans and consent conditions.

6.3. Design and Construction

Procurement Process

HBRIC Ltd invited expressions of interest from D&C providers in February 2013, and undertook a comprehensive Expression of Interest process which resulted in five strong international and

⁴⁶ see Table 1.1 in Section 1 of the RWSS application suite Project Description – “Tonkin & Taylor (May 2013a) – Report K1 which signals areas where design optimisation work was anticipated

New Zealand based consortia registering interest. Subsequently, respondents were shortlisted, with a Request for Proposal (“RFP”) extended to two selected D&C consortia to participate in a competitive tender process to design and construct the RWSS. The successful shortlisted consortia were:

- Bouygues Construction Australia Pty Ltd – the Australian subsidiary of Bouygues SA, a listed global construction company with headquarters in France; and
- OHL/Hawkins – 50/50 Joint Venture. OHL is a listed Spanish construction company with international operations and Hawkins Infrastructure Ltd is New Zealand’s largest privately owned construction company.

The RFP, along with the Scheme supporting information (from the feasibility stage), and probity and process documentation, formed the basis for the submission of proposals under the competitive tendering process. Submissions for the RFP phase closed on 19th August 2013 at which time an initial high level review of price and scope of the two consortia submissions was completed, recommending that both submissions proceed to full evaluation.

Review and scoring for each of the Respondents’ submissions was undertaken by an expert evaluation team comprising seven individuals from HBRIC Ltd, Institutional Investors, National Australia Bank (“NAB”), and Snowy Mountain Engineering Corporation (“SMEC”). The panel was carefully chosen to ensure a range of expert experience in dam and large construction projects, financing, irrigation and distribution and supported by a further 35 specific subject matter experts.

The scope of the process was to ensure that sufficient detail and process was included in the evaluation so that a fair and meaningful assessment would be completed covering all the key aspects of the RWSS. The evaluation process included interviews with each Respondent, conducted by the selection panel members and technical advisors. The intent of the interviews was to provide the selection panel with the opportunity to better understand the invited Respondent’s capability, their proposed scope of services, and proposed methodology.

Upon completion of the evaluation process, the selection panel unanimously recommended the OHL-Hawkins Joint Venture as preferred consortia, to HBRIC Ltd and Institutional Investors.

A D&C project start-up meeting was held with team members from HBRIC Ltd, SMEC, BNZ Advisory, NAB, and the OHL-Hawkins JV on 12th November 2013. Following this meeting a series of value engineering workshops have been held to explore alternatives (including some offered in the OHL-Hawkins JV proposal) to optimise the D&C contract capital cost for the proposed fully pressurised submission bid offered, to a value that would provide a water price in-line with on-farm economics.

Additionally through these workshops and separate discussions, it has been determined that an acceptable level of water reliability could be achieved with the collection, conveyance, and distribution of 104 million m³ of water per annum, pressurised and delivered at the farm gate.

Final Capital Cost and Design

At the completion of the value engineering phase in late February 2014, the Scheme capital cost was refined to a range between \$240 million and \$245 million plus a further capital cost covering development costs, land acquisition costs and carry costs through the construction phase of \$30 million, a substantial reduction from the initial estimate for a fully pressurised network. Due to the measure and value component of the secondary distribution network (pipelines, pumps, and property-off-takes) and the ongoing development and scope of the

irrigation water uptake work stream, a fixed cost will not be known until final Scheme Design. All other facets of the Scheme are based on a fixed price amount.

The costed Scheme Design is based on a hypothetical secondary distribution layout which:

- Provides for full uptake of 104 million m³ of water per annum;
- Provides full workable pressure to 35m head (i.e. no on-farm boosting); and
- Took account of approximately 44 million m³ of water as signed up in irrigator EOI's

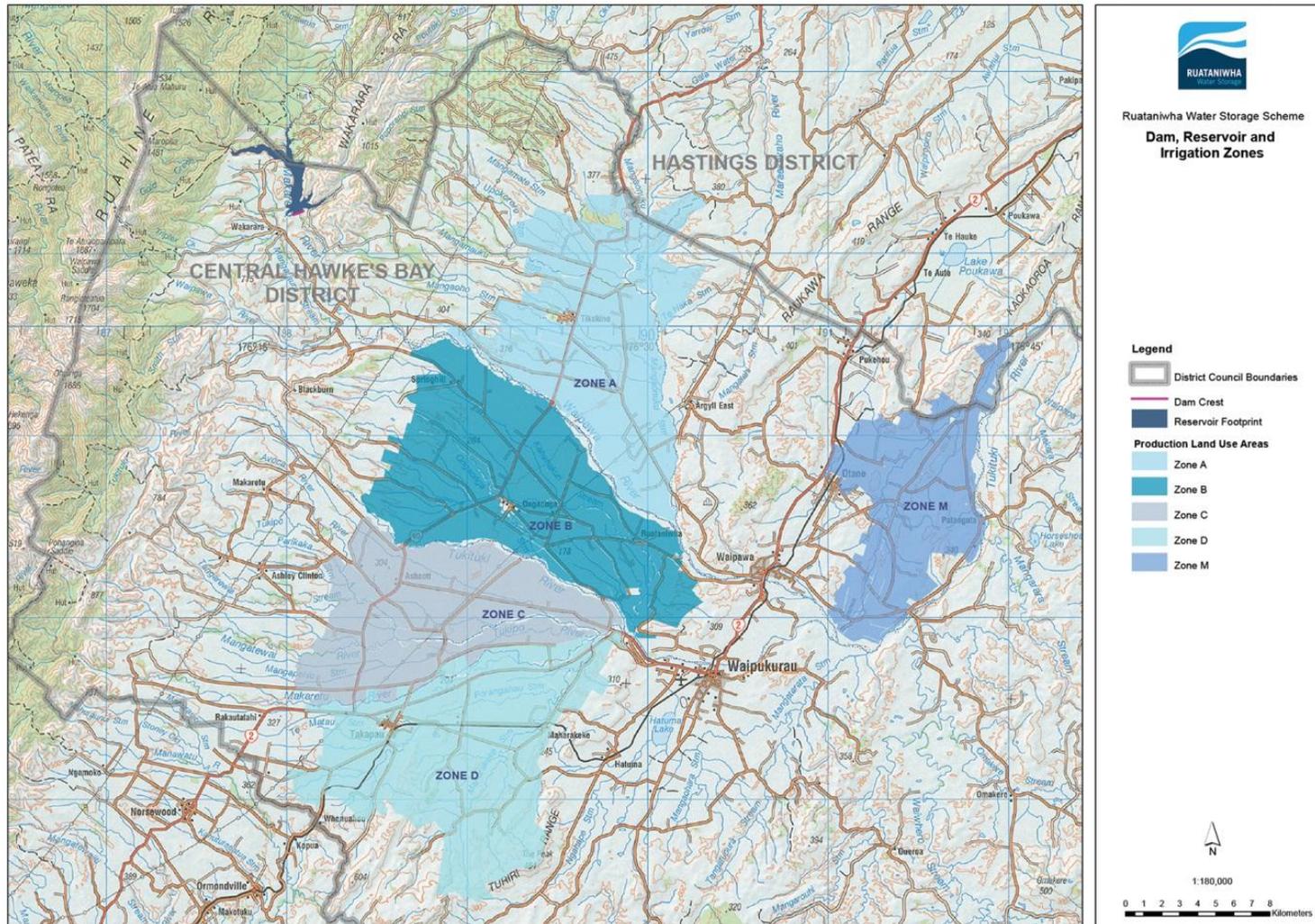
Whilst the actual secondary distribution layout will only be realised through final uptake, the costed Scheme Design is considered to be of a realistic scale and sufficient to cover actual foreseeable scenarios. Accordingly the risk of large scale cost variation within the secondary distribution network associated with layout is considered very low and the potential for further savings is a possibility.

Key Design Attributes

Refinement of the dam and associated structures design through the D&C process discussed above, has seen the proposed available water storage volume revised upwards to 104 million m³ to meet projected irrigation demand in the catchment. This takes advantage of refinements on dam design such as distribution system losses and dam realignment. This has been realised within the framework of the resource consent applications and proposed conditions put to the BOI for consideration, which signalled optimisation opportunities for the dam were important to maintain through the design stage. In particular the proposed RWSS resource consent conditions provide a mechanism where optimised dam design details can be approved post any grant of the consents, based on a safety certification process undertaken by a dam construction expert panel.

The Scheme overview shows the dam location, reservoir extents and currently defined water service zones (A, B, C, D & M).

Figure 11 RWSS Overview Map



OHL-Hawkins Dam and Associated Works Design Summary

- Central core rockfill dam (CCRD), approximately 83m above existing river bed level, with a crest width of 7.0m at RL 475.30m
- Free overflow (ungated) Spillway located on the left abutment with a sill level at RL 469.5m capable of passing the Probable Maximum Flood of 775m³/s and downstream plunge pool
- A 4.5m D-shaped diversion tunnel constructed by drill and blast methods and approximately 480m in length
- Inclined reinforced concrete Intake Structure with six distinct intake gates constructed with inverters between 462.95m RL to 414.7m
- Outlet Works comprising 2200mm diameter outlet pipe (penstock) and 600mm diameter environmental flow pipe, fixed cone valves and stilling basin
- Hydropower Station consisting of a Powerhouse with installed turbine capacity of the order of 6.5MW.

OHL-Hawkins Distribution Design Summary

- Three screened and flow controlled river intake structures located along the Waipawa River to supply water to Zone A, Zones B-D, and Zone M, respectively
- Primary Distribution System consisting of approximately 16km of canal and 17km of pipeline length
- A new outfall from the canal on the Upper Tukituki River to supply Zone M and other downstream irrigators
- Secondary Distribution Network consisting of approximately 200km of pipeline length, 180 property-off-takes (with water metering, isolation, and telemetry), and pump stations to provide a fully pressurised system at 35m of head pressure (3.5 bar) at the farm gate.

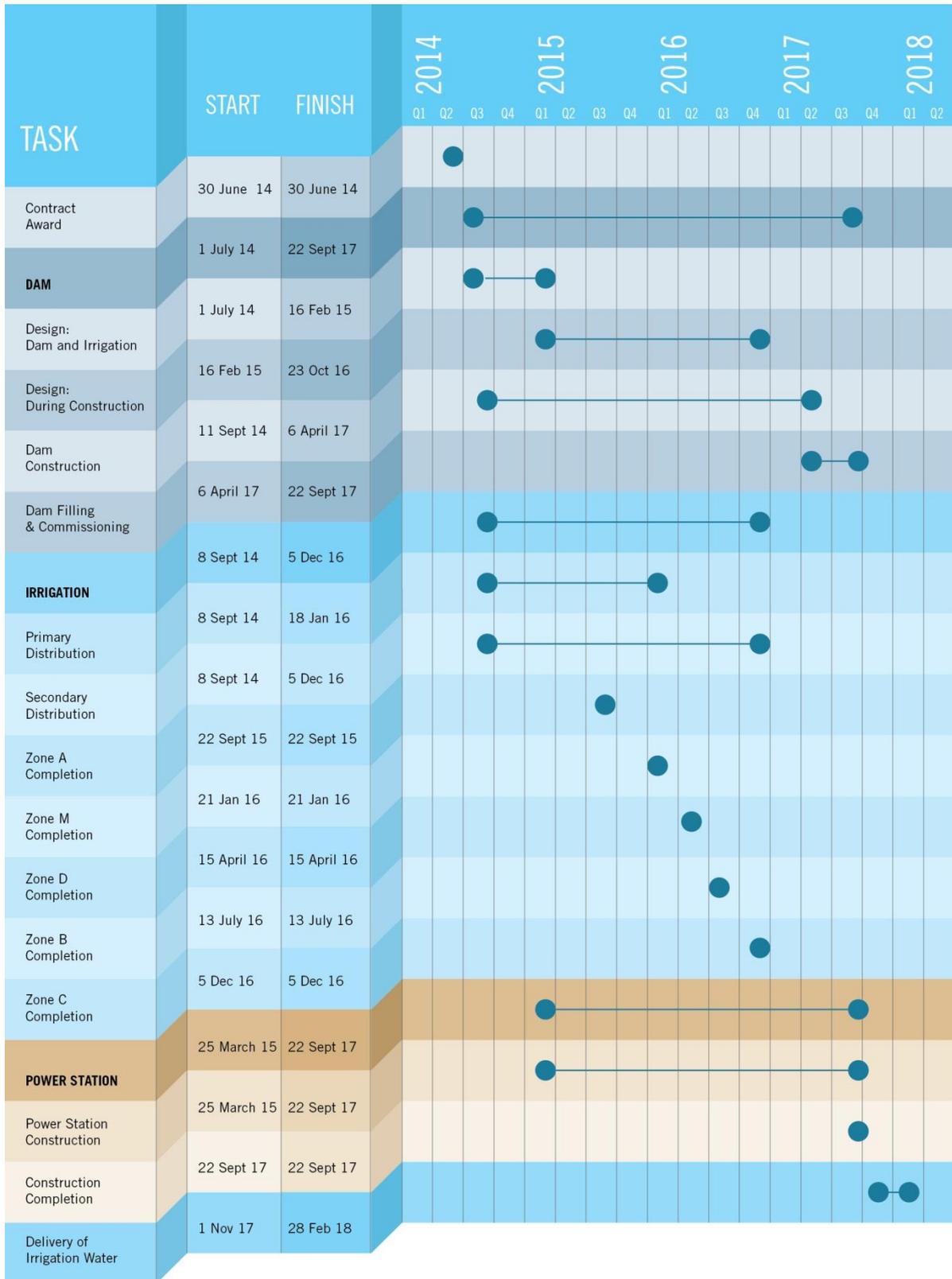
It should be noted that while optimisation of the dam and associated works to the format outlined above would fall within the scope of the applications for resource consents (assuming they are approved by the BOI), it will be necessary to alter the designation sought for the Water Distribution Network as currently optimised by OHL-Hawkins in their design. In addition new resource consent applications to add a separate water intake point for Zone A and an outfall on the Upper Tukituki River will be necessary. Conversely, two of the water outfall consents sought in May 2013 can be surrendered.

If the RWSS resource consents are granted by the BOI and the Scheme is approved for investment the necessary variations to consent conditions and/or additional consents will be lodged with the local Councils (rather than the EPA) and progressed through the remainder of 2014. Based on preliminary assessment, the necessary changes are assessed as not creating any significant additional environmental effects over and above those already considered by the BOI, however an updated Assessment of Environmental Effects will be lodged to describe this when and if the new applications are made.

D&C Timeline

The following diagram illustrates the timeline for key construction milestones, from contract award through to delivery of water.

Figure 12 Construction Timeline



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Attachment 1

6.4. Irrigation Uptake

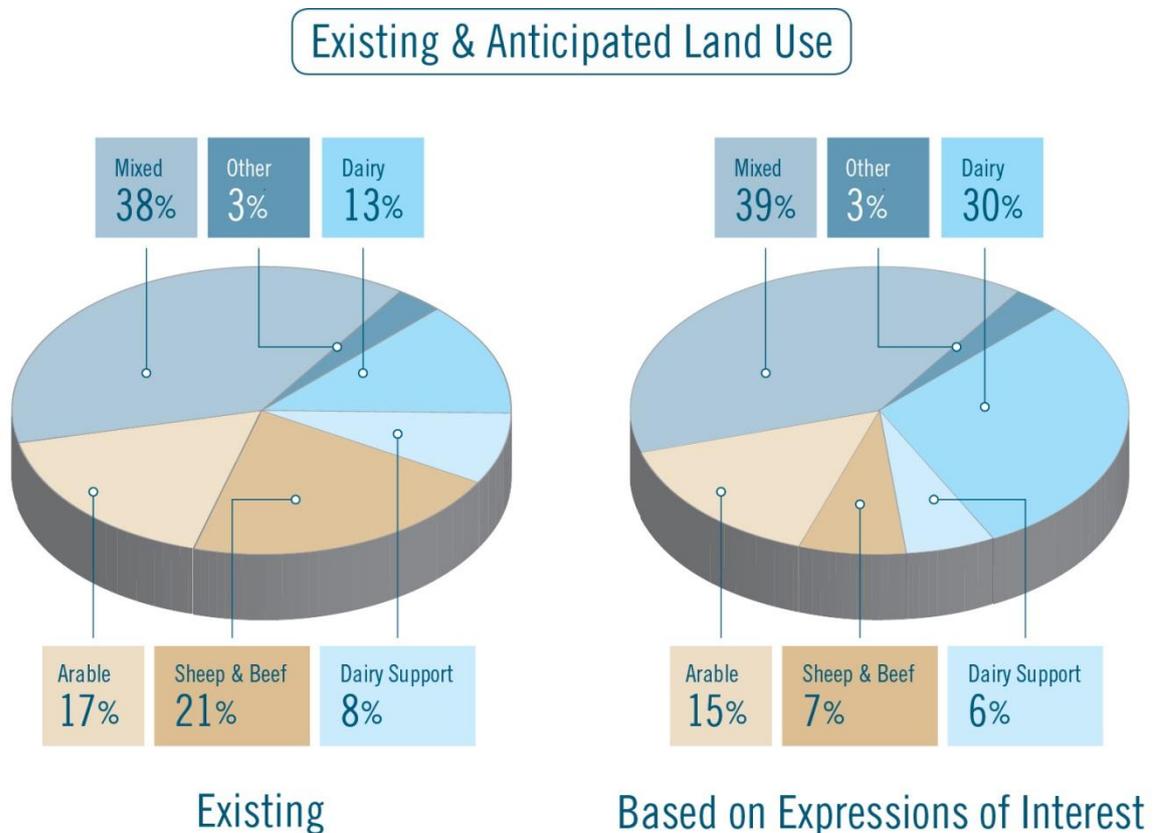
The uptake work stream has been running for almost nine months following the appointment of a Commercial Manager to focus on uptake. The work stream is being run in two stages: Farmers indicating interest in contracting water from the RWSS through Expressions of Interest (“EOI”); and farmers signing formal Water User Agreements that commit farmers to a specified annual volume of water for the resource consent period.

The Water User Agreement is a binding agreement but subject to conditions precedent, including, a workable consent from an HBRIC Ltd and investor perspective, sufficient water uptake to justify Scheme build, and the Scheme reaching financial close.

The contractual process is scheduled to run between 11 March and 30 June 2014 with a targeted minimum uptake of 40 million m³ of water committed.

HBRIC Ltd has been pro-actively working with farmers in the irrigation footprint and currently holds 109 EOIs from a mix of existing and new irrigators. This represents 42% (43.6 million m³) of available water, well above the feasibility phase target of 36 million m³. EOIs have been obtained through initiating contact with property owners, as well as receiving calls from interested parties. The Commercial Manager will follow up enquiries through farm visits and discussions outlining ownership and water contract details. The EOIs outline the anticipated key terms of a Water User Agreement including aspects such as the take-or-pay nature of the contract, delivery pressure, and the need for a price inflator. The following graphs summarise existing and anticipated land use from the EOIs received thus far.

Figure 13 Existing and Anticipated Land Use



Indications from the EOIs suggest that dairy farming will increase the most from 13% to 30%, but mixed farm types will make up the largest proportion of irrigated farms at 39%. During the feasibility phase, Macfarlane Rural Business estimated that dairy farms would account for 37% of irrigated land, with mixed arable and arable accounting for a further 32%. Therefore, current trends suggest less dairy than anticipated and more arable and mixed farming types.

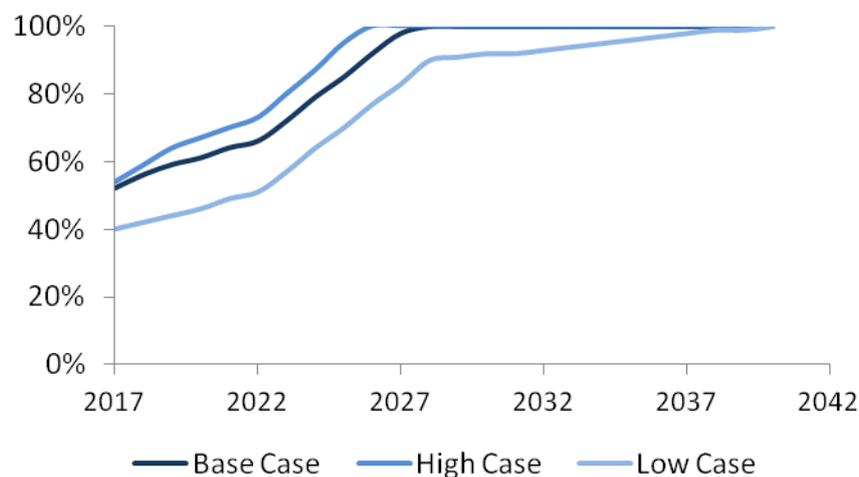
The existing EOI's are a good starting point for seeking binding Water User Agreements. There are also a number of parties who have opted not to sign an EOI and rather wait for further details. Once there has been confirmation on the details for both the Tukituki Investments LP opportunity and Water User Agreements (including consent details), HBRIC Ltd will continue discussions with potential irrigators within the Scheme footprint.

Demand Study

Castalia was engaged to forecast demand for irrigating water, providing water demand estimates for the Scheme's Concession Period. Castalia's analysis assumes the RWSS is operated such that farmers are sold take-or-pay contracts to receive a specified quantum of water that has high reliability, as well as additional 'spot' water sold when available at a significant premium.

Castalia combined information from farmer EOIs with a survey of 49 farmers within the potential catchment area, representing all forms of current land use and reflecting more than 50% of potential irrigators by area. The following figure illustrates forecast ramp up expectations showing Castalia's updated base case demand curve, and high and low cases based on demand model sensitivity analysis, where the base case reaches 100% uptake in 2028, the high case in 2026, and the low case in 2040.

Figure 14 RWSS Base Case, High and Low Case Demand Uptake Expectations



Additionally, it is expected that some current deep groundwater takes are converted onto stored water, with some of the reasons for doing so including:

- Current consents are being curbed under Plan Change 6 through seasonal allocation limits;
- Deep ground water consent holders are being offered a lower initial water price with various step up options; and

- Deep ground water consent holders that do convert to Scheme water will also be able to retain access to their bore water, resulting in highly secure water.

Other key findings from Castalia's demand study include:

- 40% of respondents are older than 65, a number are in their 80s and only one respondent was younger than 30 years old, indicating a need for farm successions;
- There was a high level of interest from outside investors, consistent with experience in other regions;
- Of farmers that currently have water consents to irrigate, 36% have changed their land use due to irrigation;
- 44% of non-irrigating respondents stated that the main reason for not currently irrigating is no access to water supply (no new water consents have been issued since 2007); and
- 33% of respondents had investigated on-farm water storage but the vast majority had rejected it as being not financially viable.

6.5. Investors

Irrigation expansion has continued at pace across the east coast of the South Island. In areas such as Canterbury, the economic prosperity arising is very evident but there has been both an environmental cost and clear limits to water availability from ground and surface water sources. Consequently storage is now firmly back on the agenda; however, developments of large-scale infrastructure of the type proposed for the RWSS have been a rare occurrence over the past 30 years (with many previous schemes Government-funded through the Ministry of Works). Furthermore, it is comparatively expensive to build large-scale storage in the short or medium term, and beyond the means of most irrigator cooperatives from a complexity, timing, and capital raising perspective.

The investor engagement process was therefore based on a view that a mix of public and private funding was necessary to form the optimal capital structure for the RWSS. Initial public funding from HBRIC Ltd and Crown Irrigation Investments Limited (“CIIL”) was sought in order to capture the public benefits stemming from the RWSS and in doing so, making the RWSS commercially viable. Private funding brings valuable expertise and investment rigour to the RWSS, while satisfying CIIL investment requirements.⁴⁷

The proposed capital structure is therefore a blend of public and private capital with each investor's value proposition identified where relevant in economic, environmental, financial and risk allocation terms.

Requirement for Crown Irrigation Investments Ltd

CIIL has not yet committed to investing in RWSS. CIIL and HBRIC Ltd continue to engage in relation to potential investment terms and scheme characteristics, so that HBRIC Ltd can seek to provide assurance that the RWSS can meet its investment requirements. Satisfying CIILs investment requirements will ultimately require that HBRIC Ltd satisfy CIIL on a number of outstanding matters including, consent conditions, the extent of private sector financial commitment, water pricing, and demand from water users.

⁴⁷ CIIL invests on a 'minimum amount required' principle, where RWSS is expected to demonstrate they have exhausted all other sources of funding before CIIL would invest

CIIIL is a Crown-owned company, established to make bridging investments in regional water infrastructure development on behalf of the New Zealand Government. However, CIIIL's obligations are not guaranteed by the New Zealand Government.

HBRIC Ltd, on behalf of the RWSS, is in discussions with CIIIL in relation to potentially providing funding to the RWSS. HBRIC Ltd understands that CIIIL is prepared to consider accepting a sub-commercial return on its investment to unlock the economic benefits of the scheme for both the region and New Zealand. CIIIL has a range of investment requirements which must be satisfied by the RWSS before any investment can be agreed. In particular, as CIIIL's mandate requires it to maximise investment from other (non-CIIIL) sources, HBRIC Ltd must demonstrate that alternative funding sources (HBRIC Ltd and private sector investors, including both institutional and eligible regional investors) are unable to contribute more capital to the RWSS. If CIIIL does invest in the RWSS, it will invest no more than the amount required to mitigate the expected initial demand shortfall, relative to a commercially viable case.

HBRIC Ltd has not yet satisfied CIIIL's investment requirements; therefore, CIIIL has not committed to investing in the RWSS. Accordingly, any references to CIIIL in this document should be read in that context and should not be taken to mean that CIIIL has accepted that the RWSS will be eligible for CIIIL investment or that CIIIL has made any express or implied commitment to invest in the RWSS. CIIIL and HBRIC Ltd continue to engage in relation to potential investment terms and scheme characteristics, so that HBRIC Ltd can seek to provide assurance that the RWSS can meet its investment requirements, which will ultimately require that HBRIC Ltd satisfy CIIIL on a number of outstanding matters, including the extent of private sector financial commitment, water pricing, and demand from water users.

Although the terms of any investment by CIIIL have not yet been agreed, to enable HBRIC Ltd to advance its discussions with other investors HBRIC Ltd understands that CIIIL has a strong preference for any capital contribution to be in the form of secured debt, to ensure it is not exposed to the risks associated with an equity investment.

Private Sector Capital

A capital raising process was initiated in December 2012 to raise private sector funding. The process comprised a comprehensive canvassing of the investor market to determine the optimal investor mix. This included a market sounding period, followed by a 3-4 month period of information dissemination and up skilling of potential investors to ensure the RWSS risks, mitigants, and opportunities were well understood and therefore priced efficiently (from a return requirement perspective). Investors approached include:

- New Zealand based infrastructure funds
- New Zealand based superannuation and other capital funds
- Offshore infrastructure funds with presence in either Australia or New Zealand, that are known to have some capacity to invest in infrastructure projects with demand risk
- Infrastructure owner-operators with appetite to expand into new areas, including electricity lines companies and various community and consumer trusts with infrastructure holdings
- A number of investors representing Maori interests including those representing wide-ranging Maori interests, and specific Iwi and Hapu groups.

Potential investors were invited to pose various risk allocations and investment structure alternatives to ensure the optimal capital cost and risk allocation outcome. This process reflects

the general lack of liquidity in the current market for infrastructure projects with demand risk, which was identified during the market sounding process.

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Tukituki Investments LP

Eligible investors have the opportunity to invest in the Scheme (and the ability to purchase additional interests as other investors exit). Eligible investors can be, but do not have to be, water users (persons who have signed a Water User Agreement for water from the RWSS) to apply. However, it is intended that preference will be given first to water users, then to landowners within the RWSS irrigation footprint, and then to Hawke's Bay resident individuals or businesses.

Unlike a co-operative structure, investment in the Scheme will not be a pre-requisite for entering into a contract for distributed water. The decision to accommodate eligible investors was driven by a genuine interest to invest in the RWSS, has been done to reduce barriers to uptake, and acknowledges the fact that:

- The capital required to undertake farm conversions and/or intensifications is significant, and the requirement to also contribute capital to water infrastructure simultaneously is often prohibitive.
- Farm ownership and infrastructure have very distinct investor risk and appetite profiles, and can be separated;
- The skills required for farm management, ownership, and governance are different to those required for a large scale dam and distribution infrastructure; therefore separation can lead to more efficient operation and management of both; and
- An investment in the RWSS provides a natural hedge against water price escalation.

A Preliminary Investment Memorandum has been released for the offer to ensure all eligible investors have the ability to take up the opportunity.

Treaty Settlement

There is the possibility that He Toa Takitini may also be a direct investor in the Scheme through their treaty settlement. The structure and quantum of investment is unknown as treaty negotiations are currently in progress. However, clearer direction on this may be known later in 2014.

Capital Structure

The target RWSS capital structure balances a mix of public and private sources of funding and financial instruments to suit each investors' risk and return requirements. The following table summarises the commercially feasible capital structure (subject to final negotiations).

Table 8 Target Capital Structure

FINANCING SOURCES	INVESTMENT RANGE
HBRIC Ltd	Up to \$80m
Institutional Investors	\$50m - \$90m
Crown Irrigation Investments Ltd	TBD
Tukituki Investments LP	Uncapped by no less than \$10m
He Toa Takitini	TBD

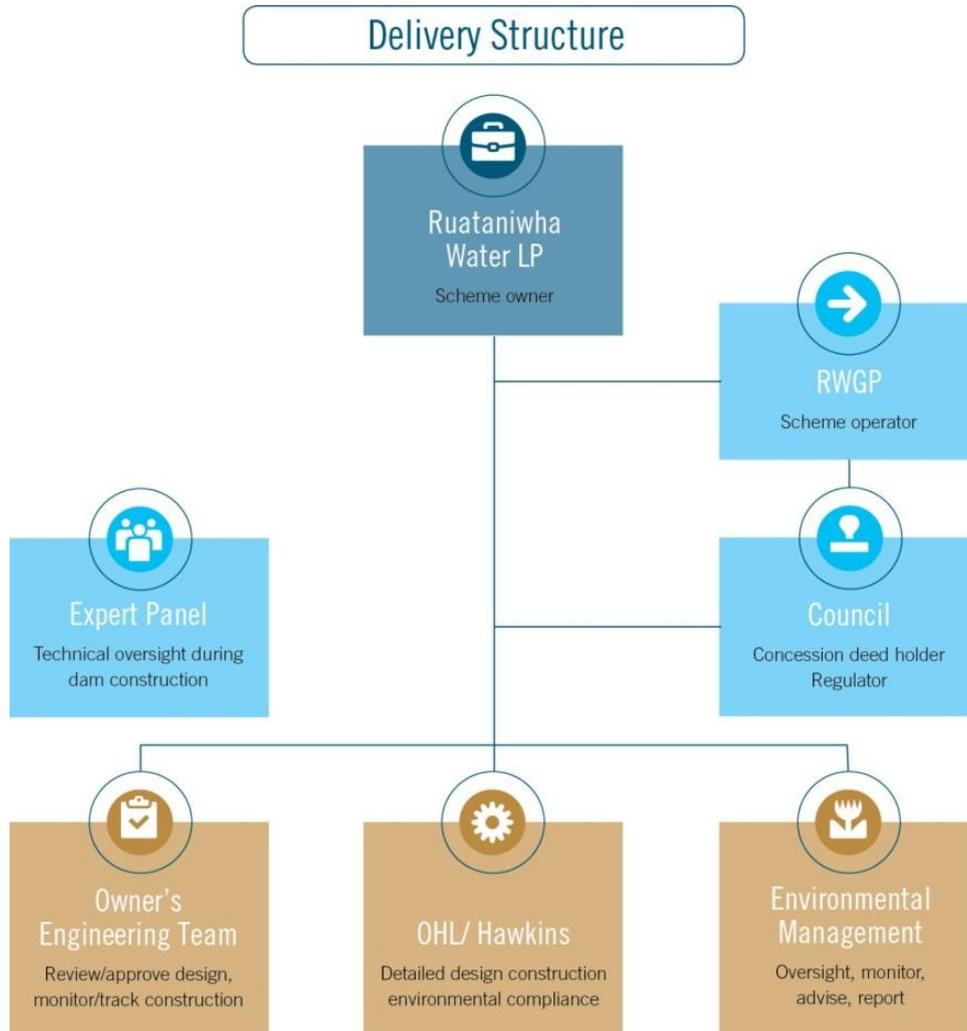
6.6. RWSS Delivery Structure

The RWSS delivery structure will be governed by Ruataniwha Water LP. It will be set up to own and operate the Scheme through the Ruataniwha Water General Partner Limited (“**Ruataniwha Water GP**”) (detailed in Section 7.2), and with overall responsibility for the delivery of the RWSS. Support and oversight throughout the construction phase will be provided by various parties, including:

- OHL/ Hawkins JV – D&C provider who will perform the detailed design, construction, and commissioning of the RWSS in accordance with the D&C construction contract and environmental consent requirements;
- Owner’s Engineer - technical advisors to the Ruataniwha Water LP, providing technical expertise throughout design and construction phase. Remit will include reviewing the RWSS design to ensure it complies with requirements, and to monitor the construction of the RWSS to ensure compliance with the contract documents;
- Environmental Management – a team will be appointed to perform the necessary monitoring as required by the designated authorities and to verify the Contractor’s compliance with the resource consent requirements throughout the construction phase;
- Hawke’s Bay Regional Council - as the regulator of water allocation; and
- Ruataniwha Water GP – operator of the Scheme.

Ruataniwha Water LP will also appoint an expert panel to provide technical oversight. This will be a team of technical specialists who will be utilised throughout the design and construction phases, performing independent analysis and providing input when necessary. The following diagram provides a graphical overview of the RWSS delivery structure.

Figure 15 Scheme Delivery Structure



RWSS Project Team

A project team will be established to meet the operational needs for the RWSS delivery. Heading this up will be a RWSS Project Director to drive the delivery of the Scheme and to administer the contracts. The Project Director will be supported by an administrative team with legal, financial, and general administration expertise. A Commercial Manager will work alongside the Project Director to ensure that demand uptake continues to be driven during construction.

Project Execution Plan

A project execution plan will be developed and implemented to guide the development of the RWSS. The plan will provide comprehensive guidelines for all aspects of development, including, the review of detailed design, the supervision and monitoring of construction activity, the contractual management, commissioning, and the quality control of documentation. Some of the key points addressed in the project execution plan will include:

- Establishing RWSS procedures;

- Guiding the RWSS execution;
- Facilitating communication within the RWSS team;
- Defining key roles and responsibilities;
- Providing a baseline for project control; and
- Defining key objectives, performance criteria and risks.
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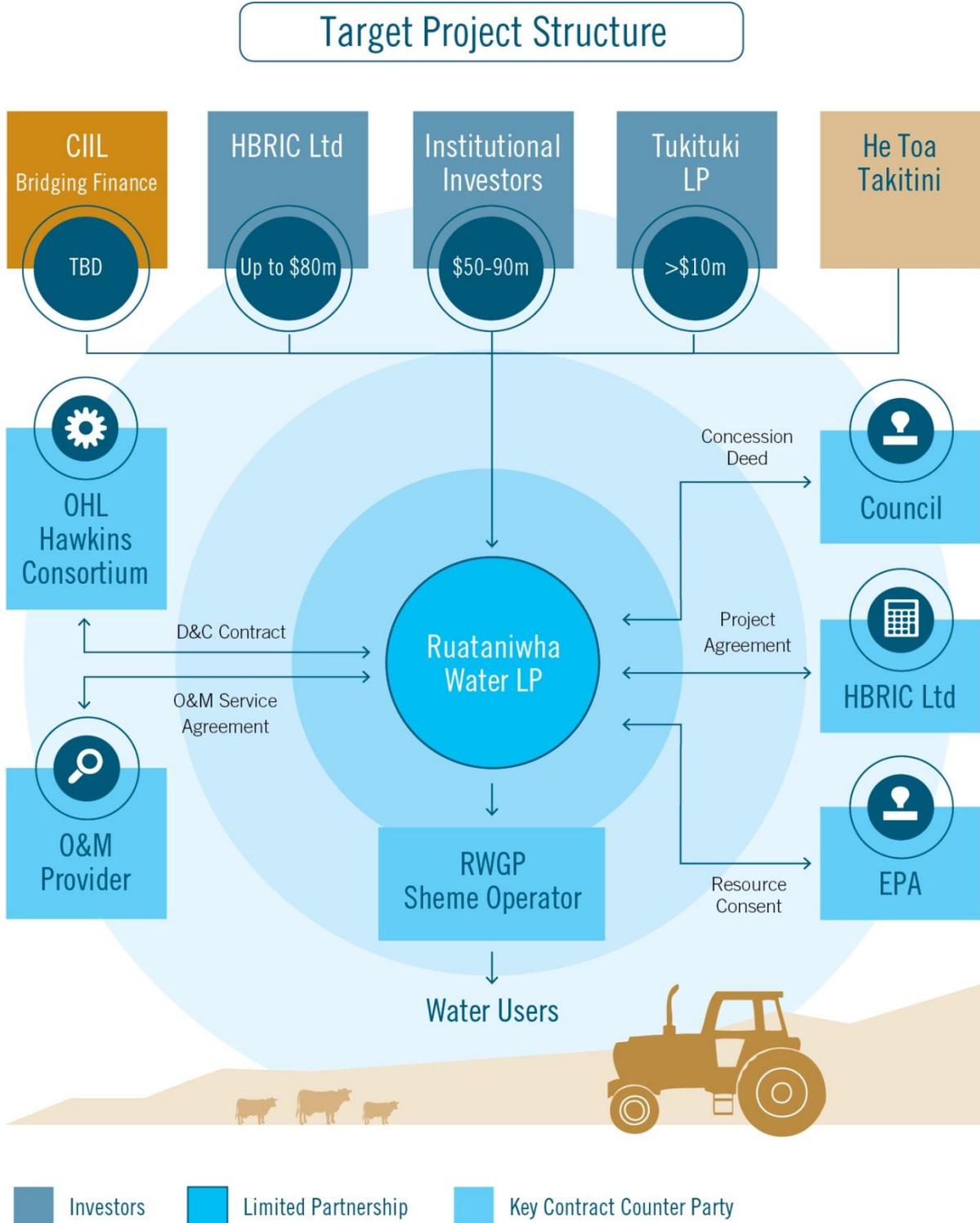
7. Investment and Risk

The RWSS has a unique set of characteristics and risks that can impact on both return on capital and return of capital, similar to any investment. Being able to clearly identify, quantify, and manage risks are key factors to ensure project success, providing comfort to investors. This section articulates the most important risks in the context of HBRIC Ltd's investment in the Ruataniwha Water LP so Council can make an informed investment decision.

7.1. Project Structure

An appropriate project structure allows risks to be optimally allocated while meeting the requirements of investors. The RWSS will be implemented as a Build Own Operate Transfer ("**BOOT**") contractual arrangement with a 70 year Concession Period from the start of construction. At the end of the Concession Period, Ruataniwha Water LP assets will transfer back to the community: primarily Council, but with a minority interest continuing under eligible investors in the Tukituki Investments LP, and potentially local Maori interests. The project structure is illustrated in the following diagram.

Figure 16 RWSS Target Project Structure



This structure was determined to be optimal by key parties including BNZ Advisory, HBRIC Ltd (as RWSS sponsor) and Institutional Investors as part of their proposal for investment. Key reasons behind selection of a BOOT structure include:

- The RWSS entails the provision of essential water infrastructure for farmers; an area of investment previously undertaken by farmer co-operatives or the public sector. It is the desire of HBRIC Ltd that the infrastructure remains in community ownership in the long term;
- Initial analysis and equity market soundings have indicated that most private sector investors will discount future cash flows beyond 70 years to such an extent that metrics for the 70 year period do not materially improve under either a longer term BOOT structure or a perpetual ownership structure;
- The proposed 70 year Concession Period would align with two consecutive resource consent periods under the RMA (each 35 years)⁴⁸, and provides for a sufficiently long term investment period to de-risk the water uptake period;
- HBRIC Ltd has neither the inclination nor the surplus capital to fund 100% of the RWSS given competing priorities;
- Transfer back to Council provides compensation for the development risk and demand risk borne by its initial investment, RWSS sponsorship, and HBRIC Ltd's lower returns during demand uptake. The nominal value of the RWSS at the end of the Concession Period is between \$500 million and \$1 billion;
- Create tradable investment in the RWSS allowing for recycling of HBRIC Ltd funds into other strategic initiatives; and
- Transparent water price and price escalation (CPI-based adjuster with a reset mechanism) to avoid misuse of market power.

The BOOT structure also shapes the risk profile facing investors, for example, through the contractual arrangements with D&C and O&M providers. In this way risks, such as cost overruns, can clearly be allocated, as described in ensuing sections.

7.2. Capital Structure

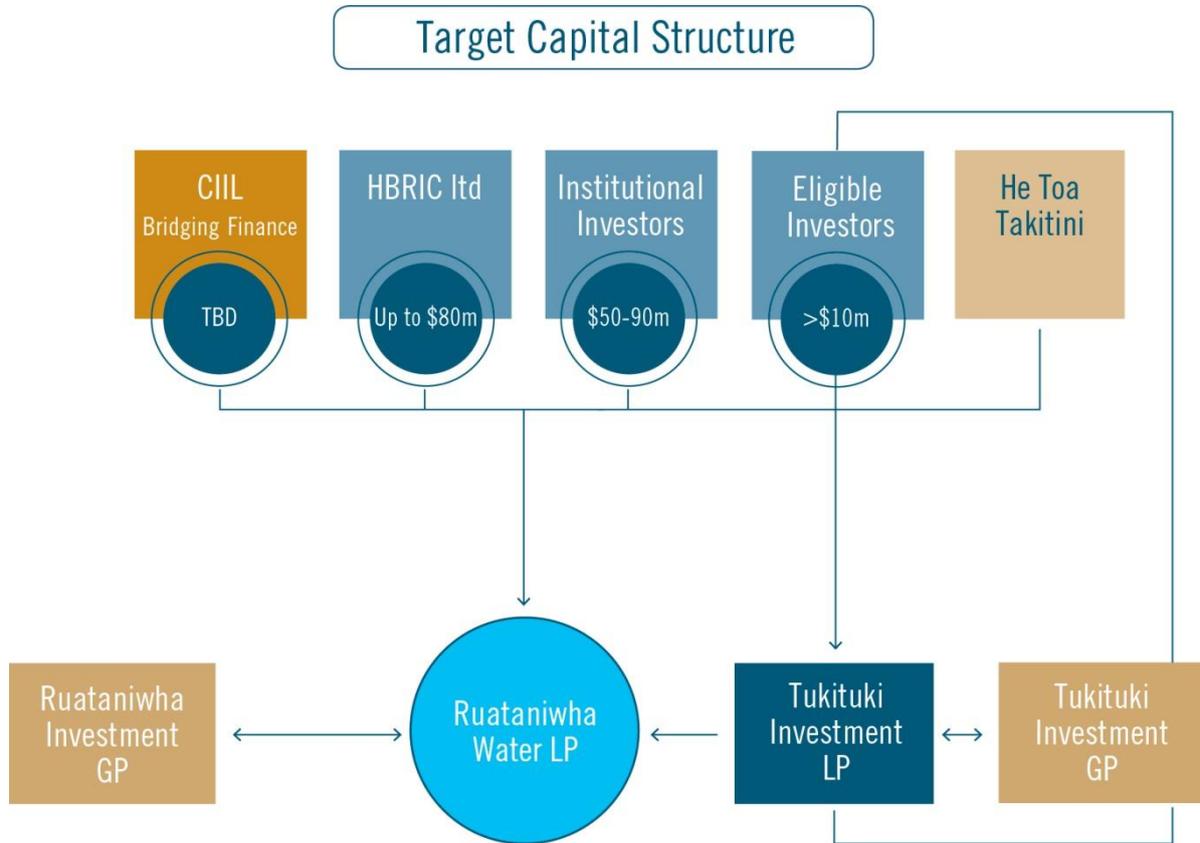
The RWSS capital structure will be set up as a limited partnership, Ruataniwha Water LP. A limited partnership is a separate legal entity, distinct from its owners, in the same way that a company is distinct from its shareholders. Liability is therefore restricted to investors' capital invested in the limited partnership. Ruataniwha Water LP will carry out the business of designing, constructing, and owning the RWSS.

The RWLP Governance structure will comprise a Board including two Independent Directors, one of whom will be Chairman. Two directors will be appointed by HBRIC Ltd. The total number will be 5 to 6 with nominating rights reflecting equity partner contributions.

For a limited partnership to be registered it must be composed of both limited partners and general partners. Investors who subscribe to interests in the RWSS will be limited partners, who will then be issued fully-paid ordinary shares in the company that governs the limited partnership - and operates the Scheme - Ruataniwha Water GP. General partners are responsible for the management of the limited partnership, whereas limited partners are passive investors and are not entitled to take any part in management outside limited specified activities. A general partner has authority to bind the limited partnership and acts as an agent of the limited partnership for the purpose of the limited partnership's business. The following diagram illustrates the RWSS capital structure.

⁴⁸ Consent renewal risk at year 35 will be a risk borne by the Scheme

Figure 17 RWSS Target Capital Structure



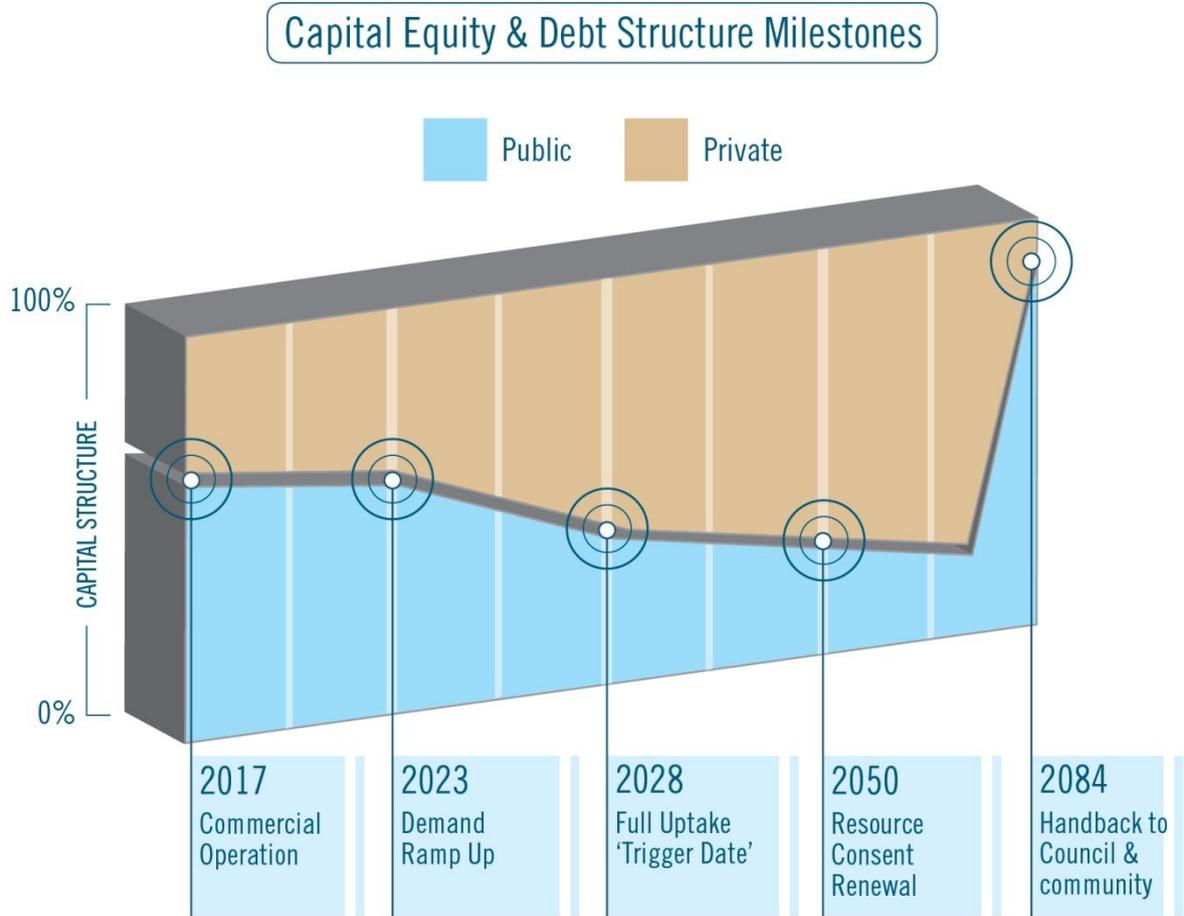
Limited partnerships are transparent for tax purposes, meaning that all losses and gains are attributed to the partners directly. This hybrid treatment of companies and partnerships gives the flexibility of a partnership with the investment security of a company.

The limited partnership structure also allows for flexibility of classes of financial instruments, with each investor having bespoke requirements with different risk appetites, incentives, and investment exit needs. Therefore, a mixture of debt, hybrid, and equity financial instruments are required.

Capital Structure Composition and Milestones

The target capital structure composition between public and private investors is envisaged to change throughout the Concession Period based on investors’ requirements. RWSS milestones, and resultant changes in the RWSS capital structure are summarised in the following diagram with approximate dates based on base case assumptions.

Figure 18 Changes to RWSS Target Capital Structure through 70 Year Concession Period



HBRIC Ltd (Equity Investment)

It is recommended that HBRIC Ltd invest up to \$80 million in the Ruataniwha Water LP. The final amount invested by HBRIC Ltd will be scaled based on the level of securities subscribed to by other investors in the Ruataniwha Water LP.

HBRIC Ltd’s investment will be an ordinary equity security in all respects, other than the share of distributions during the demand uptake period. Equity allows HBRIC Ltd to have proportional ownership of the Ruataniwha Water LP and share in the demand uptake risk to ensure the RWSS proceeds. This includes the right to appoint directors to the board of Ruataniwha Water GP.

Cash flow distribution to HBRIC Ltd is based on free cash flow after operating costs, debt servicing (on bank debt, any other debt commitments, and Tukituki Investments LP hybrid security) and Institutional Investors’ investor fee. Free cash flow is then proportionally distributed to HBRIC Ltd depending on the level of demand uptake:

- Before demand uptake reaches the Trigger Date (earlier of 95% demand uptake plus two years, or 100% uptake), cash distributed is pro-rata to equity (not including Tukituki Investments LP, where the hybrid security converts to equity on Trigger Date); and

- After the Trigger Date, the distribution is pro rata to total equity.

The distributions are such that HBRIC Ltd's target return is 5% post-tax IRR before the Trigger Date: a sub-commercial financial return that reflects the public value attributable to the Scheme outside purely financial metrics, and the fact that the majority of assets will transfer back to the Council at the end of the Concession Period. HBRIC Ltd objectives under the Statement of Intent support this initial investment position, where HBRIC Ltd may in appropriate circumstances accept a lower return on opportunities that have the potential to enhance the economic well-being of the Region.⁴⁹ Post-Trigger Date, HBRIC Ltd's return will be the same as other equity investors, with a target return of 10%⁵⁰ post-tax IRR (a commercial return for similar brownfield investments).

As with any investment, there can be a need to raise funds from time to time for a variety of purposes. It is prudent to consider HBRIC Ltd's position should the need arise, as an example, in the situation that any bridging finance included in the capital structure should look to exit out of the Ruataniwha Water LP. In this scenario Scheme cash flows could be used to pay back any principal and interest outstanding. If there were any additional funding shortfall, two clear options would be available to the RWSS Board:

- Increase debt gearing to levels within the Ruataniwha Water LP that more commonly reflect infrastructure assets of this nature; or
- Undertake an equity raise from investors, including HBRIC Ltd.

In the scenario that HBRIC Ltd is required to contribute to an equity raise, several options are available:

- HBRIC Ltd will have a significant balance sheet with over \$250 million equity (consisting of Napier Port and investment in Ruataniwha Water LP), potentially very lightly geared at the Parent (HBRIC Ltd) level, but more heavily geared at the Group level (including Napier Port debt). It is probable that HBRIC Ltd could issue debt to make any necessary contributions. HBRIC Ltd's principal means to mitigate liquidity risk is to have banking facilities in place with sufficient headroom within its internal policies and banking covenants to ensure that it can raise sufficient debt at any time during the relevant period.
- HBRIC Ltd could choose to only partly contribute to any equity raise in order to enable other parties such as Tukituki Investments LP or He Toa Takitini to increase their investment in Ruataniwha Water LP. If other parties took additional equity by repaying HBRIC Ltd's entire share of debt repayment, HBRIC Ltd's equity would be diluted. Either of these options ensure regional ownership remains high; and
- A further option is that HBRIC Ltd could request additional equity from Council. Given the preceding two options are both likely to be available to HBRIC Ltd, and that both are considered preferable to requesting for additional equity from Council, HBRIC Ltd considers that it is very unlikely that this option would be taken, but it is included for completeness and transparency

Institutional Investors (Equity Investment)

Institutional Investors will subscribe to interests between \$50 million to \$90 million in the Ruataniwha Water LP. This will be an ordinary equity security in all respects, but will benefit from an investor fee which is prioritised over distributions.

⁴⁹HBRIC Ltd Statement of Intent, 30 June 2013

⁵⁰ The 5% return includes the market value (as determined by discounted cash flow) of the RWSS if sold at the Trigger Date; while the 10% return includes pro-rata cash flow post Trigger Date.

Investment returns to Institutional Investors are by way of an investor fee and free cash flow distributions. The investor fee is designed to provide a partial shield for Institutional Investors investment during demand uptake by targeting a minimum return, before remaining cash flow is distributed to equity. Through the investor fee mechanism, risk-adjusted return requirements for private capital are below what would otherwise be required, ensuring the Scheme remains commercially viable. Furthermore, the investor fee allows Institutional Investors to realise returns at the front end of the Concession Period, a requirement given their investment amortises to zero at the back end when the assets are transferred back to the Council.

CIIIL

As detailed in Section 6.5, HBRIC Ltd is in discussions with CIIIL about a potential CIIIL investment in RWSS in recognition of the lack of market appetite for the demand risk inherent in the Scheme. HBRIC Ltd understands that CIIIL is prepared to consider accepting a sub-commercial return on its investment to unlock the economic benefits of the scheme for New Zealand. Furthermore, CIIIL has a strong preference for any capital contribution to be in the form of secured debt, to ensure it is not exposed to the risks associated with an equity investment. If CIIIL does invest in RWSS, it will invest no more than the amount required to mitigate the expected initial demand shortfall, relative to a commercially viable case.

Tukituki Investments LP (Hybrid Security)

The Preliminary Information Memorandum for the offer to eligible investors in the Tukituki Investments LP has been released, with expressions of interest due by 30th April 2014. The minimum total subscription is for \$10 million, but the Ruataniwha Water LP will accept subscriptions in excess of this. Eligible investors will invest in a hybrid security with a cash paid coupon converting to common equity at Trigger Date.

The Tukituki Investments LP will be an intermediate investment vehicle to pool eligible investment. Eligible Investors (limited partners) would invest in the Tukituki Investments LP and hold a stapled interest (providing governance but no economic rights) in the general partner of the Tukituki Investments LP. The Tukituki Investments LP would then invest the proceeds of the public offer into Ruataniwha Water LP. The terms of the Tukituki Investments LP include:

- Investment will be by way of an intermediate Limited Partnership, which will have the sole purpose of investing in the RWSS LP;
- Minimum subscription of \$50,000;
- Cash paid coupon of 5.0% per annum;
- Second ranking in the cash flow waterfall, behind debt;
- Conversion to common equity once full uptake has been achieved;
- Proportional ownership in the RWSS assets, beyond the end of the Concession Period;
- Voting rights; and
- Exclusive right to nominate one of the Ruataniwha Water LP Board's Independent Directors if subscriptions exceed \$25.0m in aggregate (other investors will have the right to veto any nominations and ask for another nomination).

7.3. HBRIC Ltd Exit Options

It is important to understand how long HBRIC Ltd will need to remain invested in Ruataniwha Water LP to earn a reasonable rate of return on its investment and when it might be suitable to withdraw capital to invest in other activities.

As HBRIC Ltd receives less cash flow than other investors during the uptake period, it is required to hold its investment throughout the uptake period and for a considerable time after (until it begins to receive the same return as all investors) in order to make a satisfactory overall return on the investment.

For example, if HBRIC Ltd was to sell interests at around year 10 of operations, its interests would be worth roughly the same as the initial investment. Once HBRIC Ltd begins to receive the same rate of return as commercial investors, the value of its interests begins to increase quite rapidly because of the higher and steady cash-flow it receives from them. In order to achieve a satisfactory overall return on its investment, HBRIC Ltd ideally should retain its interests until significantly more than halfway through the first consent period.

Holding Ruataniwha Water LP interests for a long period to ensure an appropriate return is very consistent with HBRIC Ltd's Statement of Intent, which says HBRIC Ltd may *"Help achieve Council's regional strategic economic development objectives by investing in assets that will benefit the Hawke's Bay region as a whole."* And, *"Where Council directs, HBRIC Ltd may accept a lower return or a slower route to profitability to balance achieving this objective with that of otherwise acceptable returns."*

If HBRIC Ltd decided to sell its interests after a 25 year period (at which point it is likely to have made a minimum adequate return on its investment), the regional economic benefit of the RWSS up to that time enabled by its investment will be very large. Economic analysis indicates \$256 million/year of regional economic benefits from the RWSS. The ongoing regional economic benefit leveraged by HBRIC Ltd's proposed investment of up to \$80 million is projected to have an NPV of \$3.7 billion and the total benefit is more than \$4 billion if the economic benefits of the project construction are included.

Based on the above, any decision to sell part or all of HBRIC Ltd's interest in Ruataniwha Water LP is unlikely within at least the next two decades, during which time HBRIC Ltd will generate an adequate return for itself on its investment while at the same time leveraging multi-billion regional economic benefits from the RWSS.

7.4. Investment Risk Analysis

Identifying and understanding the allocation of risks is an important component of the investment decision process. The project structure and capital structure aim to optimally allocate risks to the parties best able to manage the risk, including allocation among investors according to their interests and requirements. Therefore, HBRIC Ltd's investment position carries a risk profile that reflects the RWSS's value proposition. The following table provides a summary of some of the most important RWSS risks, with allocation to each party, and further discussion of the most material risks to HBRIC Ltd below.

Table 9 Investment Risk Analysis

Risk	HBRIC Ltd	Institutional	Tukituki LP	D&C	O&M
Demand and uptake	●	◐			
Operations and maintenance of RWSS					●
Hand-back condition	●		●		
D&C variations over planned contingency	●	●	●		
D&C contractor insolvency	●	●			
O&M variations	●	●	◐		
Climatic conditions	●	●	◐		
Insurance post construction	●	●	●		
Insurance during construction				●	
Force majeure post construction	●	●	●		
Force majeure during construction				●	
Site access				●	
Land acquisition	●				
Resource Consent	●	●	●		
Freshwater Management	●	●	●		
Building consents and approvals				●	
Site condition / contamination				●	
Design				●	
Construction cost				●	
Delay in construction				●	
Delay in operational commencement				●	●
Defects	●	●	●	●	

Table key: ● Predominant risk exposure
 ◐ Some risk exposure

There is a wide variety of risks faced by HBRIC Ltd as an investor in the RWSS, with the table above providing a non-exhaustive list of key risks. However, each risk is unique in its probability of occurrence and impact if it does occur, where three of the most important risks to HBRIC Ltd include:

- **Demand uptake risk** – the risk that farmers will take longer than expected to enter into Water User Agreements for available water, or that uptake of water does not reach 100%;
- **Regulatory risk** – EPA resource consent risk (including initial consent and renewal), including the risk of changes to freshwater management; and
- **D&C risk** – D&C cost overruns through contract variations above inbuilt contingencies.

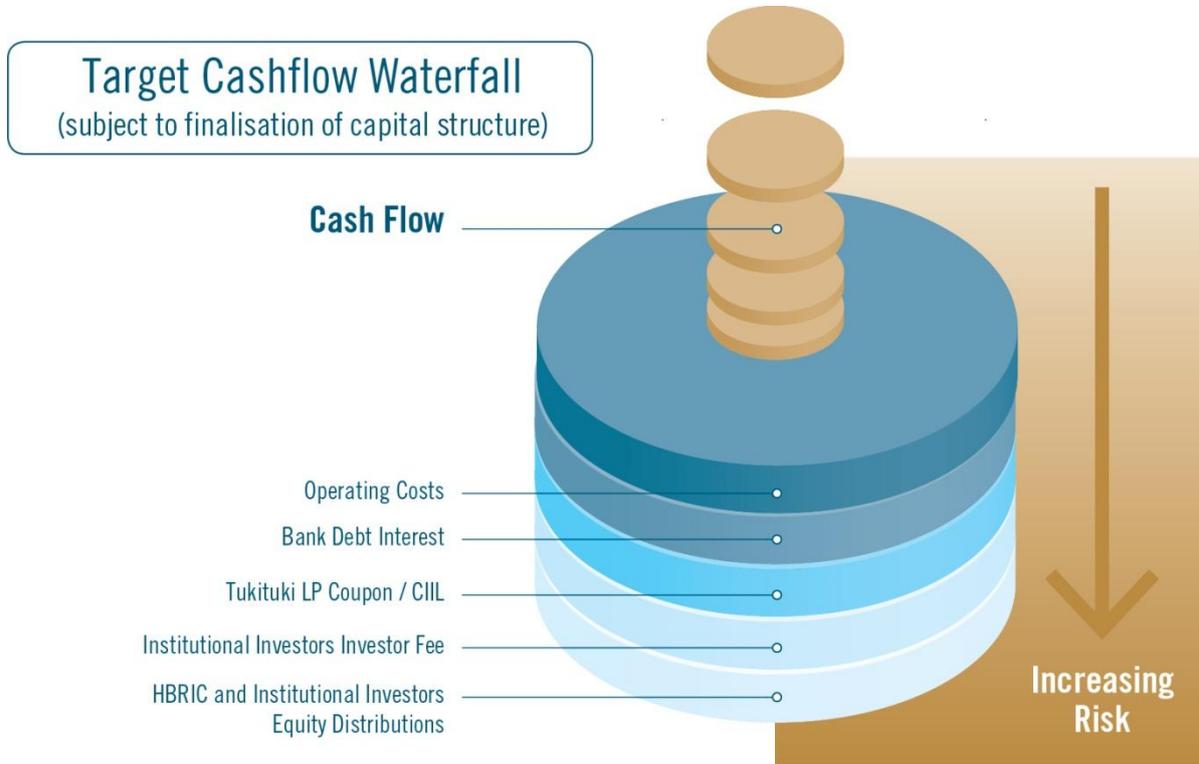
These risks, and how they specifically impact on HBRIC Ltd in contrast to the other investors, are described in the following sections.

Demand Uptake Risk

The demand uptake risk stemming from not all available water being contracted pre-commercial operation date is a key risk for Ruataniwha Water LP. Considerable work has been undertaken to best manage this risk, but even so the process of signing on farmers to Water User Agreements will continue into the operations phase. While Castalia’s base case demand modelling indicates that contracted uptake will reach 95% of water available by 2027, there is a downside risk to investors that this period may take longer than expected (and upside if shorter).

The structure and quantum of cash flows determines each investors’ exposure to uptake risk, and impact on investment returns should uptake take longer than expected. In this way the further an investor ranks down the cash flow waterfall the riskier the cash flows. The following diagram provides an illustration of the cash flow waterfall.

Figure 19 Target Cash Flow Waterfall



Cash flow distributions to HBRIC Ltd rank behind other investor returns, so delays in demand uptake can reduce HBRIC Ltd’s return. Returns to Institutional Investors are partially shielded from uptake risk through the investor fee. Furthermore, their distributions rank equal with HBRIC Ltd so uptake delays would reduce returns. Therefore, investors’ incentives are aligned with HBRIC Ltd to drive demand uptake.

Regulatory Risk

The RWSS is subject to EPA regulatory procedures given the significant use of natural and physical resources, and change to the environment. 17 resource consent applications have been lodged with the EPA relating to the construction, operation, and maintenance of the RWSS. If approved, resource consent will be granted for a period of 35 years from the start of construction.

There is a risk that resource consent applications could be modified by the Board of Inquiry (BOI), restricting the RWSS. This may have the impact of either increasing the capital and operating cost, or reducing potential revenues from the RWSS. Both of these factors would likely have an impact on HBRIC Ltd's returns, but the effect will be unknown until the Board of Inquiry (BOI) releases its draft decision. Acceptable resource consent conditions are a condition precedent.

As the resource consent only runs for half of the 70 year Concession Period, the RWSS will need to renew the resource consent during the concession. The risk of renewal would be borne by investors in the RWSS which could include either non-renewal, or renewal with restrictions. Similar to above, this could have an impact on operating costs, or reducing potential revenues, which would reduce HBRIC Ltd's returns.

D&C Risk

The D&C contract is a fixed time/ fixed price contract. Any variations above the total capital cost would need to be met by equity investors, where this would effectively decrease investor returns.

7.5. HBRIC Ltd Return on Investment

Quantum of Investment

In the Long Term Plan 2012-22 Council made a provision of \$80 million for an equity stake in the RWSS subject to decisions around commercial feasibility, meeting Council's environmental objectives and the undertaking of further consultation with the public.

HBRIC Ltd's proposed investment in the RWSS is up to \$80 million in total, which includes its share of development costs through to financial close (estimated at \$8.6 million). For example, if HBRIC Ltd were to make a \$71.5 million investment, the equity contributions being asked for from Council would be \$62.9 million. In order to fund this investment HBRIC Ltd is seeking equity contributions from Council starting in the 2013/14 financial year through to the 2015/16 financial year. For a total quantum of \$71.5 million, the following table would show the timing of funds required each year.⁵¹

Table 10 Timing of Required Funds

2013/14	\$8.6m (development costs)
2014/15	\$22.2m
2015/16	\$40.7m

⁵¹ These numbers may adjust for certain development costs being pulled forward.

It is important to note that HBRIC Ltd's request to Council for equity contributions to fund its investment in the Ruataniwha Water LP differs from the assumptions made in Council's Long Term Plan 2012-22 where the funding was assumed to be via advances to HBRIC Ltd.

Incorporating Public Benefits into Return Analysis

With demand uptake risk, HBRIC Ltd's minimum target return sits below market risk-adjusted expected returns. However, purely financial returns cannot be considered in isolation and do not account for the wider public benefits of the RWSS. Council ultimately stands to benefit from the economic, environmental, and social value attributable to the RWSS, where private funders place little or no value on these benefits. Furthermore, Council also stands to benefit from the hand back of the RWSS after the 70 year Concession Period (less Tukituki Investments LP interest and any interests attributable to Iwi), where the value of this cash flow is heavily discounted in any return analysis.

CIIL is also prepared to consider accepting a sub-commercial return on its investment to unlock the economic benefits of the scheme for both the region and New Zealand.

7.6. Conditions Precedent

Conditions precedent are an important part of the due diligence process and form a financial backstop, protecting HBRIC Ltd's interests in the event that not all conditions of investing are met. HBRIC Ltd will require that a number of conditions precedent would need to be satisfied before financial close, including:

- Satisfactory EPA resource consent conditions for RWSS infrastructure and operations;
- A concession deed for the RWSS entered into by Council and Ruataniwha Water LP becoming unconditional, including in respect of the required resource consents;
- A project agreement entered into between HBRIC Ltd and Ruataniwha Water LP becoming unconditional;
- A D&C agreement entered into between the Ruataniwha Water LP and the OHL/Hawkins consortium; and
- Receipt of commitments to purchase a sufficient volume of irrigation water, as determined by agreement between HBRIC Ltd and other Investors.

8. Financial Impacts on Council

The challenge for Council is to provide funding for its strategic initiatives, specifically in the area of sustainable natural resource management, while maintaining dividends at a level which deliver a sustainable operating budget. To date, Council has been very proficient in channelling returns from its investments to help fund the operational financial requirements of its core business which has allowed the level of rates to remain low.

Cash Returns from the RWSS

One key difference between the cash flow return from Council's current investment portfolio and the cash flow return from investment in the RWSS is the timing of cash flows. Council's current investment portfolio provides consistent returns ensuring security around cash flows which are used to help fund Council's operational financial requirements.

The cash flow distributions to HBRIC Ltd throughout the life of the RWSS do not follow this approach of consistent returns, with HBRIC Ltd's cash distributions varying through the schemes multiple phases from construction through to full uptake.

Through the construction period HBRIC Ltd will have contributed up to \$80 million of equity investment into the Ruataniwha Water LP, and throughout this period will not receive any cash distributions. This treatment is consistent with that of all equity investors in the RWSS.

For the first three to five years of commercial operation the quantum of free cash flows available is minimal therefore resulting in limited cash flow distributions to HBRIC Ltd throughout this period. After this three to five year period, and for the remaining years before demand uptake reaches the Trigger Date, HBRIC Ltd will receive more reliable cash distributions at a quantum equivalent to a 5% to 6% return on Council's investment. This approach is consistent to assumptions made in Council's 2012-22 Long Term Plan which stated that free cash flows from investment in the RWSS are assumed to be 6% from 2022.

Post the Trigger Date cash distributions become pro rata to total equity with HBRIC Ltd's return the same as other equity investors, with a target return of 10%. It is expected that cash distributions to HBRIC Ltd from this date will be significant and will build shareholder value, meet shareholder dividend requirements, as well as potentially enabling HBRIC Ltd to invest in other regional development initiatives.

HBRIC Ltd dividend payments to Council

It is acknowledged that cash received from HBRIC Ltd dividend payments is an important element of funding Council's operating budgets. HBRIC Ltd has agreed in principle with Council to seek increased dividends from Napier Port during the early stages of the RWSS when no cash distribution is being made to HBRIC Ltd, and has received from Napier Port an indicative projection of dividend payments that are an increase on previous forecasts.

Napier Port's ability to pay dividends, and any increase in dividends, is subject to ensuring the solvency test of the Companies Act is satisfied immediately after the distribution of dividends. Its Board and management must also balance capital expenditure for ongoing development of the Port (using retained profits and debt finance), and its debt level, with being responsive to HBRIC Ltd's and Council's desire for increased dividends to the extent that is possible. The increase in dividends sought by HBRIC Ltd in later years broadly coincides with the Port's planned increase in debt to finance its capital expenditure on wharves and possible conversion to gantry cranes. Such development and expenditure is required for the growth of the Port's

business, and will generate profits and dividends in subsequent periods. Although no specific assurance about dividend payments can be made in advance, Napier Port has indicated to HBRIC Ltd a projected stream of dividends that appear to be an effective balance of the competing uses of the Port's profits and its debt level, for a period that extends into the time-frame in which HBRIC Ltd expects to begin receiving cash flows from the RWSS.

In addition to the increased dividends being sought from Napier Port, HBRIC Ltd is intending to utilise tax losses from the Ruataniwha Water LP which arise in the early years of the scheme. Under the limited partnership model HBRIC Ltd is taxable on its share of the revenue and expenses from the partnership, and to the extent that losses arise, these losses can be set off against the taxable profits of other entities in the group assuming 66% or greater common ownership. As Napier Port is 100% owned by HBRIC Ltd and is a tax paying entity the intention will be to utilise these losses to offset the Port's taxable income, thus providing cash to HBRIC Ltd via subvention payments for the tax losses sold to Napier Port.

HBRIC Ltd has been in discussion with Council management regarding the level of dividends it can forecast in comparison with reduced cash flows to Council from interest and other cash yields from its current investments which would be harvested to fund the proposed equity injection by Council into HBRIC Ltd for the RWSS investment. Council's cash investment into HBRIC Ltd is projected to be in two tranches - c \$22 million in 2014/15 and c \$41 million in 2015/16.

Discussions to date indicate that in the years after 2015/16 there is unlikely to be significantly less cash-flow from HBRIC Ltd to Council's operating budget than would be received by Council if the current investments were maintained. In 2014/15 there may be a shortfall of c \$400,000 between forecast dividend payments and the reduction in Council's cash-flow from its existing investments as a consequence of withdrawing \$22 million from cash-generating investments, and a shortfall of c \$2,750,000 in 2015/16 as a consequence of withdrawing a further \$41 million from cash-generating assets.

HBRIC Ltd holds the view that these cash-flow differences for Council in 2014/15 and 2015/16 cannot be prudently met by HBRIC Ltd requiring a higher level of dividend than is currently projected in Napier Port's Statement of Corporate Intent, particularly in 2015/16. To do so would jeopardise Napier Port's ability to fund its business development expenditure, which is required in order to grow the business and generate future cash flows and dividends for its ultimate shareholder.

Council and HBRIC Ltd management will continue to discuss how to mitigate the impact on Council's cash flows of changing c. \$63 million of Council's investment portfolio from cash-generating investments to growth investments from which cash-flow cannot be expected for a period of time.

9. Recommendation

It is HBRIC Ltd's recommendation that the Council approve the proposal to invest a total of up to \$80 million into the Ruataniwha Water LP. HBRIC Ltd believes investment in the Scheme aligns with its strategic objectives; fits within the Council's strategic agenda targeting sustainable natural resource management, where the Scheme is a part of an integrated approach to managing the Tukituki Catchment; has substantial environmental, economic, and social value; will achieve commercial viability; will build shareholder value; and ultimately improve the Council's financial position.

10. Appendices

Acknowledgements

Paul Burnaby, BNZ Advisory
Duncan Southwell, BNZ Advisory
Renee Cassin, BNZ Advisory
Olivier Ausseil, Aquanet Consulting Ltd
Stephen Daysh, Environmental Management Services
Eric Sturtz, SMEC
Graeme Hansen, HBRC
Duncan MacLeod, HBRC
Heath Caldwell, HBRC
Grant Pechey, HBRC
Tom Skerman, HBRC
Sven Exeter, HBRC
Helen Shea, HBRC
Sally Chandler, HBRC

List of References/Reports

- Regional and National Impacts of the 2007-2009 Drought – Prepared for MAF Policy by Butchers Partners Ltd – July 2009
- Ruataniwha Plains Water Augmentation Scheme: Advanced Pre-feasibility Study – Summary Report – Prepared by Tonkin & Taylor Ltd - February 2011
- Land River Us, Hawke's Bay 2050 – November 2010
- Hawke's Bay Land and Water Management Strategy – October 2011
- Hawke's Bay Regional Council Strategic Plan – October 2011
- RWS Project Feasibility Report to Council – September 2012
- Economic Impact of Future Scenarios for the Tukituki River – Prepared by Harris Consulting – September 2012
- Castalia Demand Study – September 2012 & December 2013.
- Economic Impact of Minimum Flow Proposals on Existing Irrigators – Harris Consulting – February 2013
- Economic Impact of Proposed Minimum Flows on Horticultural Irrigators on the Tukituki River – Prepared for Horticulture NZ by The AgriBusiness Group – March 2013
- RWS Project – Prepared by Macfarlane Rural Business Review of Farm Profitability – September 2012
- RWSS – Part C - Assessment of Environmental Effects – May 2013

- Regional Economic Impacts and Financial Cost Benefit Analysis of the Proposed Ruataniwha Water Storage Scheme – Prepared by Butcher Partners Ltd - May 2013 (update February 17th 2014)
- RWSS: Social Impacts Assessment – Prepared by Taylor Baines Associates – May 2013
- RWSS Application Suite Key Reference Reports - Project Description – Report K1 - Tonkin & Taylor – May 2013
- HBRIC Ltd Statement of Intent – 30 June 2013
- 2013 Census
- Irrigation NZ Cost of Irrigation Scheme Water Supply in New Zealand – 2014 Update
- Board of Inquiry Evidence – Tukituki Plan Change 6.
- Hort NZ Report (Board of Inquiry Evidence – Tukituki Plan Change 6).

Glossary

BOI:	Board of Inquiry selected by the EPA to consider the RWSS resource consents and Tukituki Plan Change 6
BOOT:	Build Own Operate Transfer
BNZ Advisory:	An independent division of Bank of New Zealand, a subsidiary of National Australia Bank (NAB)
Butcher:	Regional Economic Impacts Study of the proposed Ruataniwha Irrigation Scheme Report prepared by Butcher Partners Limited
Castalia:	Castalia Limited (a subsidiary of Castalia Advisory Group)
CPI:	Consumer Price Index
Council:	Hawke's Bay Regional Council
CIIL:	A Crown-entity company established on behalf of the New Zealand Government to make bridging investments in regional water infrastructure
Demand Study:	Demand forecasting analysis undertaken by Castalia
EPA:	Environmental Protection Authority
GDP	Gross Domestic Product
HBRIC Ltd	Hawke's Bay Regional Council's Investment Company
INZ	Irrigation New Zealand
Macfarlane Rural Business Ltd:	Farm Profitability Report, with contributions from Baker & Associates and AgFirst
MPI:	Ministry for Primary Industries
NAB	National Australia Bank
OHL-Hawkins JV	A 50/50 joint venture Spanish/NZ company, which is the preferred contractor to build the RWSS

Periphyton	Slime & algae
RWSS & Scheme	Ruataniwha Water Storage Scheme
SMEC	Snowy Mountain Engineering Corporation – Engineering & Development Consultants with large dam expertise
Tukituki Plan Change 6	A land and water plan for the Tukituki catchment
Water User Agreements	Contracts with water users for access to water from the Ruataniwha Water Storage Scheme

Item 7

Attachment 1

Kia ora and welcome to the Draft Annual Plan for Hawke's Bay Regional Council covering the 2014-2015 year.

The Local Government Act requires us to plan in three-year cycles. Every three years we consult the community with a draft long-term plan which sets out our intentions for the decade ahead and highlights the key issues facing our region, and how we plan to address them. Our current Long Term Plan was adopted in June 2012.

Each year between the long-term plans we take a fresh look at our work programmes and consider whether any changes are needed. These may be due to changes in external circumstances, revisions to budgets or new projects being required to deal with issues facing the region.

This Plan highlights the changes in 2014-15 from what was set out in the 2012-22 Long-Term Plan, and is set out in three parts.

- Part 1** Introductory comments from the Chairman and Chief Executive on HBRC's strategic direction, and any changes from the Long Term Plan
- Part 2** Information about HBRC activities including the services we will provide together with their performance targets
- Part 3** Financial Information relating to rates, financial management and charges.

Have Your Say

We welcome informed debate and feedback on the changes outlined.

Copies of the Draft Annual Plan are available at Hawke's Bay Regional Council offices in Napier, Wairoa and Waipawa, public libraries and from HBRC's website. You can also contact HBRC for a copy.

An optional submission form is included on the next page, and on our website. You can email, post, fax or deliver your submission to HBRC. As a minimum we need you to include your name, address and most commonly used telephone and email contacts. This helps us to inform you of the outcome/s.

Submissions close at 5.00pm on 12 May 2014 and must be received by this date and time. Late submissions will not be accepted.

Email to: draftplan@hbrc.govt.nz

Post to: Draft Annual Plan Submission,
Freepost 515 Hawke's Bay Regional Council
Private Bag 6006, Napier 4142

Sending in your submission

- Using this form is optional and it is provided for your convenience.
- Whether you are emailing, posting or faxing your submission, as a minimum we need you to include your name, address and most commonly used telephone and email contacts. This helps us to keep you informed of the outcome/s.
- You also need to clearly indicate if you want to present your submission in person to the Council.
- Keep a copy of your submission for reference.
- Submissions must be received at HBRC **no later than 5pm, Monday 12 May 2014**. Late submissions will not be accepted.

Email to: draftplan@hbrc.govt.nz

Post to: Draft Annual Plan Submission, Freepost 515,
Hawke’s Bay Regional Council, Private Bag 6006, Napier 4142

Fax to: 06 835 3601

Deliver it to: 159 Dalton Street, Napier

Name (or representative):

Organisation (if applicable):

Address:

Business phone:

After hours phone:

Email:

Signature:

Tick, YES – I wish to present my submission in person to the Council meeting

Tick, NO – I do not wish to present my submission in person to the Council meeting

My submission is:

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Chairman and Chief Executive's Comments



Fenton Wilson
Chairman



Liz Lambert
Interim Chief Executive

We're now approaching the final three-year phase of the Long Term Plan developed in 2012 and we're comfortable with the progress being made, delivering against key initiatives set out for this decade.

As we move to the 2014/15 Annual Plan, Hawke's Bay Regional Council has already started a strategic planning process for the 2015 – 2025 Long Term Plan, to which councillors, numerous sector groups, community groups and individuals will no doubt contribute.

Let's be clear, HBRC is in the business of:

- Natural resource knowledge and management;
- Natural hazard assessment and management;
- Regional strategic planning (including provision of statutory plans such as the regional policy statement); and

- The provision and assessment of regional scale infrastructure and services, notably flood risk assets, regional logistics facilities such as Napier Port, and water storage.

In this Draft Annual Plan, we identify areas that differ significantly from those laid out in the current Long Term Plan or previous Annual Plan.

We'd also like to emphasise that this year's Draft Annual Plan 2014/15 contains **no consultation relating to the Ruataniwha Water Storage scheme**, which will be the focus of a separate process during May and early June 2014.

Please take a moment to read this introduction and the parts of this Annual Plan which relate to you. We also encourage you to submit on any matter so that we are fully informed when we make decisions on behalf of the region.

Year Three of the Long Term Plan

We are progressing in a number of areas based on our Long Term Plan or LTP, which include, but are not limited to:

- *Catchment based planning* – Te Tukituki Catchment Plan Change sits alongside the Ruataniwha Water Storage (RWS) scheme and is our best option to improve summer flows and water quality, enhance water security for users and provide for sustainable economic development. We want to maintain or enhance aquatic habitats, maintain safe contact recreation and reduce the effects of algae and slime for recreational users. Following the Government's Environmental Protection Authority process, guidance on policies and new limits will be finalised by May 2014.
- *Science-informed land management* - A pilot project working with farmers in the Papanui sub-catchment of the Tukituki has been established with positive community buy-in. An ideal outcome of this project will be the use of advice, information, nutrient management plans, riparian planting, etc, to reduce nutrients entering the catchment. If successful, this pilot programme will be extended to other water use areas.

- *Ruataniwha Water Storage (RWS)* - RWS was the subject of special consultation both during the LTP process and as part of “Tukituki Choices” consultation in 2012. Significant scientific, sector and community input has informed the development and design of this scheme. A final round of public consultation is planned for May to early June 2014 before HBRC makes its final decision this year.
- *Air Quality/ HeatSmart* - 2014 is a phase-out year for non-compliant fires installed before 1996 in urban areas. As anticipated, the demand for clean heat and insulation support has increased and the programme continues to perform above the targets set to meet national emission standards by 2020.
- *Passenger Transport* – The urban passenger bus service continues to grow in popularity and reflects the significant investment made by HBRC on behalf of the communities of Napier and Hastings. Total passenger trips reached another record high of 789,277 in 2013; an increase of 8.7% on 2012. During 2013 more than 3000 bikes were carried, free of charge on the goBay network.
- *Biodiversity* – The Biodiversity Strategy is developing under the guidance of a Steering Group which includes representatives from the broader community. An Accord has been drafted to allow agencies, businesses and individuals to ‘sign up’ and commit to the strategy’s outcomes. The detail of an entity to deliver the Strategy into the future is also under design. HBRC expects to conclude the Strategy in mid 2015.
- *Regional Parks Network Plan* – The move to recognise HBRC open spaces as Regional Parks was adopted by Council in November 2013. This plan also recognises a consistent management approach for *Hawke’s Bay Trails*.

There are also some areas where HBRC proposes to **alter our programme** to accommodate changes in factors that determined our Long Term Plan decisions. These changes are summarised as:

- *Hill Country Afforestation* – HBRC is assessing high UMF (Unique Manuka Factor) Manuka as a soil conservation method on steep, erodible land and has planted 140 ha in Tūtira Regional Park. The growth and performance of this new option is being closely monitored.
- *Ngaruroro Water Storage* - The feasibility stage for Ngaruroro Water Storage investigations has been deferred to 2014-15 in order to focus resources on completion of the Ruataniwha Water Storage process.
- *Hydraulic Fracturing* - A delay in the second report from the Parliamentary Commissioner for the Environment until at least the first half of 2014 delays our consideration of what next steps may be needed to ensure the optimum regulatory regime.
- *Identification of Outstanding Freshwater Bodies* – The National Policy Statement (2011) for Freshwater Management requires the protection of Outstanding Freshwater Bodies. This is detailed in the Implementation Plan adopted in September 2012. A collaborative process is proposed.

No other ‘right debate’ changes are planned other than what we set out and adopted in the 2012/22 Long Term Plan.

Rating

Council’s rating programme funds the expenditure for its Groups of Activities, set out in Part 2 of this Plan. Due to the continuing recessionary climate in 2013/14, the 4% total rate increase forecast in the Long Term Plan was cut back to 2.8%.

For the 2014/15 year Council has reduced its expenditure by \$174,000 from what was indicated in the Long Term Plan by cutting overheads and external costs. However, to maintain the delivery of our current services – and bearing in mind lower than expected market interest rate returns which offset rating charges – we propose a rate increase for the 2014/15 year of 5.8%.

Napier Gisborne Railway – Proposal

HBRC's ongoing investment strategy is to improve financial, economic and environmental benefits for the whole region by investing in sound regional infrastructure assets.

One potential infrastructure investment is the re-establishment of the Napier-Gisborne rail line as a viable alternative to the transport of freight by road. HBRC, in conjunction with private sector partners, is considering investing in the operation of a rail business carrying freight on the line. A critical component of any such investment will be the agreement of KiwiRail and the Government to reopen the rail line and for them to fully fund its return and that of associated infrastructure in a good 'fit for purpose' condition.

A proposal from the Napier Gisborne Rail Establishment Group (NGR) is summarised as follows.

- Establish and operate a rail freight service between Napier and Gisborne on the existing rail line once it has been returned to full operational status by the Government and KiwiRail
- Lease locomotives and the line from KiwiRail, purchase appropriate rolling stock from KiwiRail, or elsewhere, to operate the service
- Carry freight, which will largely be logs, fruit and vegetable produce
- Anticipate financial losses in the first three years of operation, returning to profit in year 4 and generating significant returns to shareholders as log volumes increase – anticipated in year 6, and
- HBRC becomes a 51% shareholder in the venture, with businesses and investors in Hawke's Bay and Gisborne District holding the remaining 49% of shares in the operating company set up for this purpose.

The proposal claims benefits to Hawke's Bay with social, economic, and employment gains; improved transport infrastructure with price competitiveness and efficiency over road and rail land transport modes; safety and cost benefits

through reduced heavy traffic on SH2 between Gisborne and Napier; increased volumes of exports through Napier Port; and the security of an alternative transport route to road in the event of a disaster.

The NGR Group estimates that investor funding to finance capital and operating budgets will total \$10.7million, consisting of:

Purchase of rolling stock, plant, equipment etc	\$ 5.3m
Working capital	\$ 2.4m
Disaster Contingency Reserve	\$ 3.0m

Total Investor Funds Required	\$10.7m

A 51% shareholding investment from HBRC would be approximately \$5.46m of the Total Investor Funds required over the 2014/2015 to 2018/2019 financial years. An initial investment of \$3.9million would be required from HBRC for the 2014-15 year.

Any investment by HBRC in the NGR would be conditional on:

- The Government and/or KiwiRail fully funding the return of the rail line and associated infrastructure to a "good fit for purpose" operating condition
- Leases of the line and locomotives from KiwiRail on terms satisfactory to NGR
- Suitable offtake agreements being concluded between NGR and customers for the freighting of logs and fruit and vegetable produce over the period up to and beyond 2020 to ensure the long term viability of the service
- NGR's business case being tested and accepted as satisfactory, and
- The return to HBRC over the long-term is to cover Council's cost of funding.

HBRC investor funds would be sourced initially from investment reserves, but ultimately would require refinancing from HBRC's borrowing programme.

We welcome your views on whether or not you consider this to be a good investment for HBRC.

Investments Proposed in the LTP 2012-22

The Hawke's Bay Regional Council determined in the LTP that investment capital would be used for long term investment, mainly in infrastructure assets to further build the region's economic base, enhance the performance of the regional supply chain, or specifically increase production in rural-based industries where it is believed Hawke's Bay has its greatest economic potential.

These investments will also deliver environmental benefits and, in the medium term, will provide HBRC with a reasonable rate of return on funds invested. The investment opportunities set out in the LTP are:

Investments managed through the Hawke's Bay Regional Investment Company (HBRIC Ltd)

Ruataniwha Water Scheme (RWS)

Should the necessary resource consents be obtained it is expected that HBRC will maintain its proposed equity stake at up to \$80 million, as stated in HBRIC's Long Term Plan. HBRC will consider making a commitment for this investment following the receipt of a recommendation from HBRIC Ltd on 26 March 2014 and public input via a Special Consultative Process during May and early June 2014.

The investment will be subject to a sustainable investment and funding model being approved by HBRC and the uptake to purchase water by the farming community being at a level that ensures a viable business case.

Ngaruroro Water Scheme (NWS)

The LTP proposed to invest \$27m in an equity stake in NWS, however, the development of this scheme to a full feasibility stage has been delayed in order to ensure that the emphasis in planning is focussed on RWS. It is proposed that in the 2014-15 year an initial on-farm economic assessment of the storage option be completed prior to committing to a full feasibility study, also potentially programmed to commence in the 2014-15 year.

Whakatu Road/ Rail Hub

The proposal for further investment in the supply chain also secures the future of Napier Port. It is considered critical, as the Port is increasingly in competition with others drawing cargo from the central and southern North Island. However, the timing of this proposal has been reassessed and HBRC is not considering contributing capital to this project in 2014-15.

Investments Managed by HBRC

Hill Country Afforestation

The LTP proposed to fund the establishment of forestry blocks on erodible hill country land. This investment requires a risk management approach covering carbon price, carbon trading mechanisms and a robust operational plan. At the time of writing this plan, the carbon price is approximately \$3 per tonne, in comparison to the \$20 per tonne that drove the viable business case forward during the development of the 2012-2025 LTP. Accordingly, it is not proposed to proceed with this investment during the 2014-15 Annual Plan period.

HBRC will continue to evaluate forestry plantings in subsequent years. However the decision to proceed will be conditional upon strengthening carbon prices or the availability of alternative funding sources. HBRC plans to proceed with this investment as soon as practicable as it considers this project to be an important means to achieve environmental benefits.

The investments proposed above, specifically the RWS, will provide medium to long term significant growth and value which will, over the period of the LTP, substantially increase the value of both the HBRIC Ltd and HBRC balance sheets.

Funding Strategy for Investments as Outlined in the LTP 2012-22

At the start of the 2014-15 Annual Plan period, we estimate that HBRC has available funds of \$72m to fund proposed investments. This has been achieved by HBRC's strategy to sell-down low-performing investment assets, specifically our investment in Napier leasehold land, thus freeing up funding for investments in projects that will provide financial and economic gain for the region.

In July 2011 HBRC approved significant discounts on the purchase price of leasehold property for lessees who wished to freehold. This initiative was strongly supported by lessees and resulted in 378 lessees taking the opportunity to freehold at the discounted prices. HBRC has received \$27.4m from these sales.

As forecast in the LTP, the cash flows generated from the remaining portfolio of Napier leasehold properties have been sold to the Accident Compensation Corporation and a sum of \$37m has been realised for investment. The LTP also proposed that HBRC's investment in leasehold property in Wellington be sold, however this is on hold given the high level of return being achieved on this investment.

Other Changes

It is not possible to do justice to all of HBRC's work in this brief introduction – we continue to carry out important operational activities to ensure that public services, infrastructure, and regulation are delivered efficiently and effectively. Changes to these operational activities can be found in **Part 2** of this Plan, while **Part 3** of this Plan identifies changes to our charges for resource management activities.

Last Words

We continue to focus on our relationships in the region and with our national partners – at a one-to-one through to a collaborative and strategic level – and encourage your ongoing interaction with HBRC through face-to-face contact, phone calls, meetings, our newsletters, website and social media channels.



Liz Lambert, Interim Chief Executive



Fenton Wilson, Chairman

Financial Overview

Annual Plan in Brief

What we will do in 2014/15

The 2014/15 Annual Plan has been prepared using the 2012-22 LTP as its base.

Details of the HBRC's work programmes are contained within the "Groups of Activities" Part 2 of this Plan.

HBRC intends to spend \$76.5 million in 2014/15. This expenditure consists of:

	(\$'M)	(\$'M)
Expenditure		
Groups of Activities		
Operating	34.37	
Finance Costs	2.93	
Depreciation & Amortisation	2.36	
		39.66
Capital		
Fixed Assets	3.92	
Development of Infrastructure	0.91	
Forestry Assets	0.32	
Investments - Advances to HBRIC Ltd	22.20	
Investments - Advances to Napier - Gisborne Rail	3.90	
Community Lending	2.63	
Loans Repaid	2.96	
		36.83
Total Expenditure		76.50
Funding		
Operating Revenue		
Uniform Annual General Charge	1.71	
General Rates on Land	1.13	
Targeted Rates	12.83	
Grants & Assistance from Central Government	3.21	
Direct Charges and Other Revenue	6.62	
Investment Revenue	14.44	
		39.94
Loan Funds		6.96
Special Reserve Funds		29.59
Operating Reserve Funds		0.01
Total Funding		76.50

Annual Plan Highlights

This Plan forecasts a \$7,000 deficit compared with a \$127,000 surplus estimated in the LTP for the 2014/15 financial year.

The total 2014/15 increase in rates of 3.9%, as proposed in the LTP, is now proposed to be 5.9%.

This increase consists of:

- 5.6% increase as a necessity to restore rates to LTP levels after a 1.3% reduction in the increase of rates in the 2013/14 year.
- 0.1% increase for the proposed targeted rates for the Opoho flood and drainage scheme (3 ratepayers).
- 0.2% increase for extra economic development of Wairoa primary sector opportunities and Oil and Gas Multi Stakeholder group initiatives.

There have been some significant changes to revenue assumptions from those used in the LTP which have affected HBRC income streams. Briefly, these are:

- *Interest* - the LTP assumed an interest rate of 5.75% on investment income for the 2014/15 year. Due to the slow increase in the Official Cash Rate (OCR) HBRC has revised this figure to 5.1%. This drop in interest rates combined with large investment balances has seen a sizable drop in interest revenue.
- *Returns on investments* – the LTP assumed returns on investment activities for the Ruataniwha Water Scheme (RWS), Ngaruroro Water Scheme (NWS), Whakatu Road/ Rail Hub and Hill Country Afforestation. There have been some changes to the timing and level of returns in these investments.

- *Napier leasehold free-holding and rentals* - HBRC approved the free-holding to lessees of Napier leasehold land at a discount to provide funds for other investments. This programme of sell down exceeded LTP expectations and there have also been an increased number of freeholdings even after the discount expired. This has had the effect of there being fewer Napier leasehold properties owned by HBRC than estimated in the LTP.
- *Wellington leasehold land* - The LTP also assumed the sale of the Wellington leasehold land owned by HBRC. This has not yet taken place due to the good returns received from these investments compared to market interest rates.
- *Forestry Income* – The LTP proposed to fund the establishment of forestry blocks on erodible hill country land and assumed a carbon price of \$20 per tonne to justify a viable business. Carbon prices are now much lower than expected and HBRC has resolved not to proceed with the forestry investment during 2014/15.
- *Subvention payments* - The LTP assumed a number of targeted assistance grants would be paid over the first three years of the LTP. There were a number of delays in finalising the projects that qualified for targeted assistance. Accordingly the majority of the proposed grants will be paid out during the 2013/14 financial year. This will give rise to a substantial increase in the subvention payments during 2014/15 which were offset by a substantial decrease in 2013/14.
- *Dividends* – The dividends received from Napier Port via HBRIC have been increased by the payment of a special dividend to cover reduced returns on other investments.
- *Napier - Gisborne Rail* – HBRC has proposed to invest \$3.9 million in the Napier-Gisborne Rail project with a proposed return reflecting Council’s cost of funding. This project was not included in the LTP.

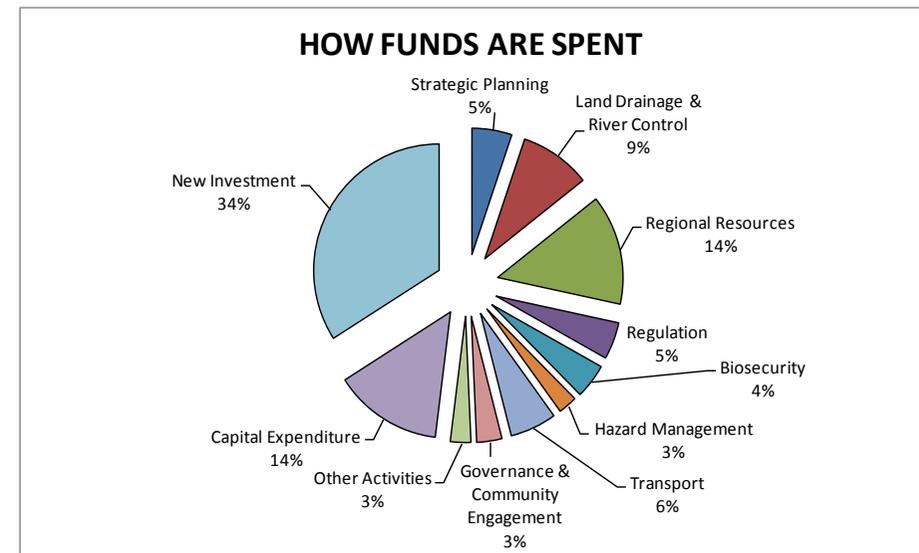
Other highlights include:

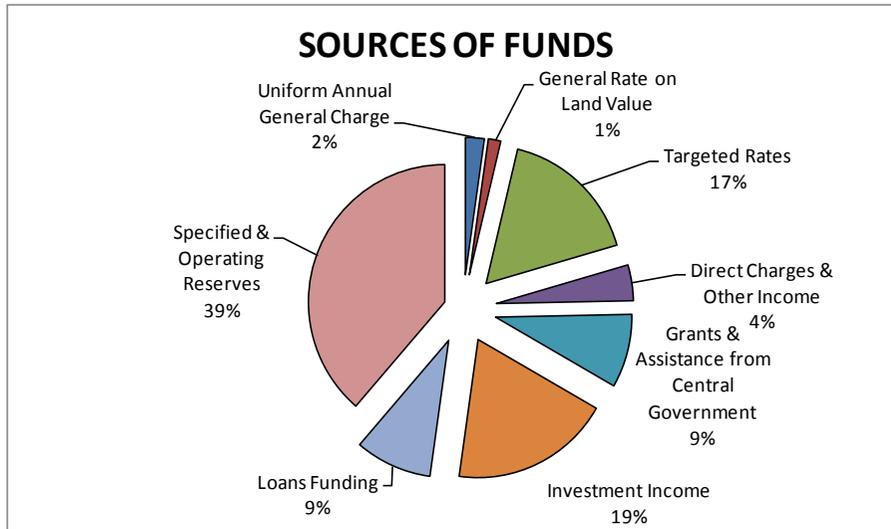
- The LTP allowed for HBRC to provide the Bovine TB Vector Control programmes on behalf of the Animal Health Board; however from 1 July 2013 the Animal Health Board will be undertaking these programmes themselves.
- HBRC agreed to proceed with the remedial work on the Dalton Street building. There was \$1 million provided for in the LTP for this project but after detailed analysis this cost estimate increased to \$2 million. Work was completed in the

2013/14 year and was funded from a combination of internal and external loans. The legal proceedings against the contractors are ongoing with compensation used to reduce those borrowings.

- The Clean Heat Scheme has been a huge success with good participation from the public. The LTP assumed that homeowners would take up the clean heat loans rather than the clean heat grants. This has turned out to be the opposite, which means that HBRC has borrowed less to fund these loans than initially anticipated.

Analysis of Total Expenditure and Funding





Assets and Liabilities

HBRC has a strong balance sheet with assets greatly exceeding liabilities.

As at 30 June 2015 infrastructure assets are projected to total \$159 million however, because of the nature of these assets (e.g. stopbanks), there are restrictions on their use and saleability.

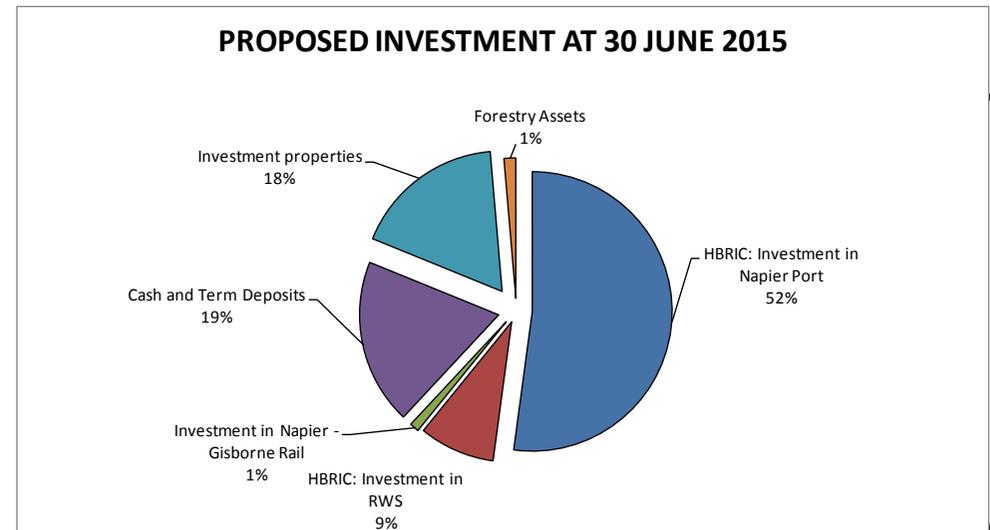
HBRC also holds significant investments estimated to be \$360 million at 30 June 2015. Included in these investments is HBRC’s investment in HBRIC Ltd, made up of:

- Napier Port (\$187.9 million)
- Ruataniwha Water Scheme (\$31.6 million)

HBRC also has:

- Cash balances on deposit awaiting payment to HBRIC Ltd for HBRC’s investment initiatives – the amount estimated to be held on deposit for these purposes is \$41 million at 30 June 2015.
- \$51 million of Napier Leasehold endowment land and \$12 million of Wellington Leasehold property.
- \$3.9 million proposed to be invested in the Napier – Gisborne Rail project.
- \$4.9 million of Forestry investments.

The chart below shows analysis of the investments which are projected to total \$360 million at 30 June 2015.

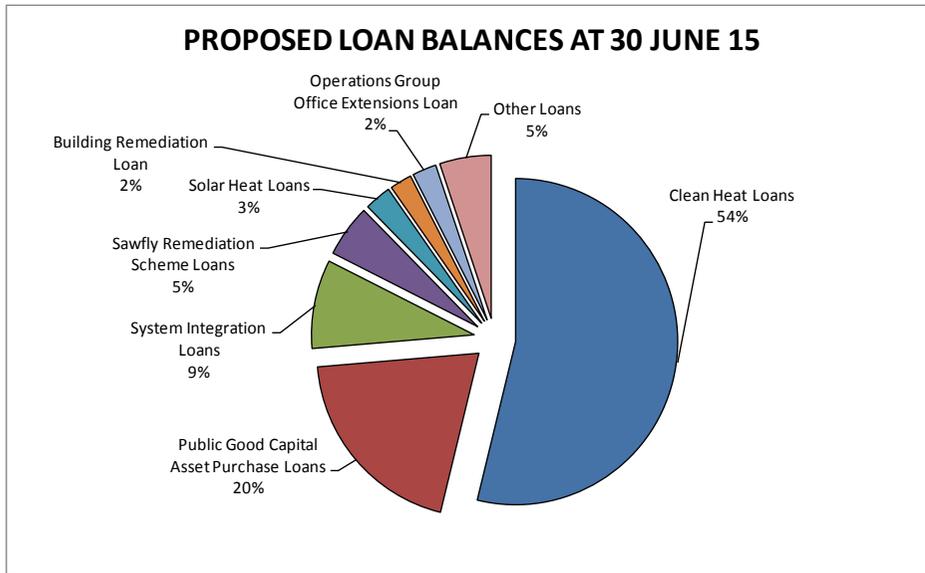


HBRC has a policy of raising loans to fund certain types of capital expenditure such as the construction of river control and flood protection assets. These loans are taken out on behalf of certain river control and flood protection scheme ratepayers and will be fully repaid by them during the period covered by the term of the loan.

Loan funding achieves intergenerational equity by ensuring that a portion of the cost of the major projects is paid for by the beneficiaries of the service over the year to which the benefit applies.

In this plan the HBRC proposes to borrow up to \$7.0 million in the 2014/15 financial year. Of that sum, \$4.5 million will fund advances to homeowners who require assistance to insulate and provide clean heat to their homes, \$0.6 million to fund advances to homeowners who want to establish solar water heating in their homes; \$0.5 million for public good capital projects; \$0.6 million for Operations Group office extensions; and \$0.7 million for computer system integration. These amounts include \$1.1 million of loans included in the 2013/14 Annual Plan that were not drawn down and will need to be carried forward to the 2014/15 year.

The Annual Plan estimate is that at 30 June 2015 external loans outstanding will be \$23.7 million. An analysis of these loans is shown in the chart below.



Additional liability related to funding of HBRC investments

The cash flows for a period of 50 years ending 30 June 2063 generated from the portfolio of Napier leasehold properties (after the free-holding initiative to lessees) were sold to secure a lump sum payment from the Accident Compensation Corporation (ACC) of \$37 million which was included in the financial assets to be used to fund investment activity.

-

Rates Comparison

	<u>2014/2015</u>	<u>2013/2014</u> Rates		<u>2014/2015</u>	Rates
	Proposed Annual Plan \$'000	Actual Total Rates \$'000	Variation Increase / (Decrease) \$'000	Forecast LTP \$'000	Variation Increase / (Decrease) \$'000
<u>General Funding Rates</u>					
Uniform Annual General Charge	1,706	1,520	186	1,712	(6)
General Rate on Land Value	1,133	978	155	1,060	73
Total General Funding Rates	2,839	2,498	341	2,772	67
Increase / (Decrease) relative to prior year			13.65%		2.42%
<u>Targeted Rates</u>					
<u>Regional Resources</u>					
Clean Heat Administration	584	583	1	583	1
<u>River Control & Flood Protection</u>					
Upper Tuketuki	665	633	32	665	0
<u>Separate Schemes</u>					
Makara	86	83	3	32	54
Paeroa	20	20	0	21	(1)
Porangahau	36	34	2	37	(1)
Poukawa	30	25	5	27	3
Ohuia-Whakaki	58	55	3	58	0
Esk	12	12	0	12	0
Whirinaki	8	8	0	8	0
Maraetotara	10	10	0	10	0
Te Ngarue Stream	3	3	0	3	0
Kopuawhara	8	7	1	8	0
Opoho	18	0	18	0	18
Kairakau Community	8	8	0	8	0
Wairoa Rivers & Streams	151	138	13	165	(14)
Central & Southern Areas	219	213	6	219	0
Heretaunga Plains Rivers	2,038	1,948	90	2,065	(27)
<u>Heretaunga Plains Drains</u>					
Napier/Meeanee/Puketapu	802	760	42	791	11
Brookfields/Awatoto	137	133	4	137	0
Pakowhai	126	121	5	127	(1)
Muddy Creek	213	207	6	214	(1)
Haumoana	123	119	4	123	0
Karamu & Tributaries	1,105	1,053	52	1,105	0
Raupare/Twyford	186	179	7	188	(2)
Tutaekuri/Mateo	184	176	8	182	2
Puninga	69	67	2	69	0
<u>Pest Control</u>					
Plant Pest Control	390	375	15	388	2
Animal Pest Control	1,151	1,112	39	1,151	0
Bovine TB Regional Vector Control	531	513	18	549	(18)
<u>Transport</u>					
Subsidised Passenger Transport	1,604	1,550	54	1,604	0
<u>Strategic Direction</u>					
Economic Development	1,360	1,284	76	1,406	(46)
<u>Emergency Management</u>					
HB Civil Defence	891	871	20	836	55
Total Targeted Rates	12,826	12,300	526	12,791	35
Increase relative to prior year			4.28%		0.27%
TOTAL RATES	15,665	14,798	867	15,563	102
Increase / (Decrease) relative to prior year			5.86%		0.66%

Comparison of Rural Rates in Three Districts

Comparison of Rural Rates on Specific Properties in Three Districts							
Description of rates	Rating Basis	Central Hawke's Bay		Hastings		Wairoa	
		2013/14	1214/15	2013/14	1214/15	2013/14	1214/15
Details for comparison							
Capital Value (\$)	CV	2,025,000	2,025,000	2,889,000	2,890,000	470,000	470,000
Land Value (\$)	LV	1,570,000	1,570,000	2,305,000	2,310,000	370,000	370,000
Area (Hectares)	Area	276.3567	276.3567	610.8591	610.8591	32.9742	32.9742
Rates (\$)							
General Rate	LV	119.95	137.69	163.66	193.81	28.30	31.38
UAGC Fixed Amount	Fixed	25.54	28.41	25.54	28.41	25.54	28.41
General Funded Rates (\$)		145.49	166.10	189.20	222.22	53.84	59.79
HPFCS F2 Indirect	CV			78.29	82.36		
Central Stream/Drains	CV	19.01	18.32	24.55	25.40		
Plant Pest	Area	121.23	126.07	267.98	278.67	14.47	15.04
Animal Pest Rate	Area	399.22	413.90	882.45	914.88	47.63	49.39
Bovine TB	Area	158.40	163.96	350.14	362.42	18.90	19.56
Wairoa River	CV					46.63	48.93
Upper Tukituki River	LV	97.61	102.52				
Economic Development	Fixed	16.64	17.53	16.64	17.53	13.00	14.00
Emergency Management	Fixed	14.63	14.84	14.63	14.84	14.63	14.84
Targeted Rate (\$)		826.74	857.14	1634.68	1696.10	155.26	161.76
Total Rates (\$)		972.23	1023.24	1823.88	1918.32	209.10	221.55
Dollar Increase			51.01		94.44		12.45
Percentage Increase			5.25%		5.18%		5.95%

Comparison of Rates on Specific Properties in Napier and Hastings

Comparison of Rates on Specific Urban Properties in Napier and Hastings									
Description of rates	Rating Basis	Napier Hill		Napier South		Flaxmere		Havelock North	
		2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Details for comparison									
Capital Value (\$)	CV	680,000	680,000	225,000	225,000	175,000	170,000	270,000	270,000
Land Value (\$)	LV	220,000	220,000	147,000	147,000	67,000	64,000	109,000	109,000
Area (Hectares)	Area	0.0745	0.0745	0.0668	0.0668	0.0607	0.0607	0.0940	0.0940
General Rate	LV	15.73	18.15	10.51	12.13	4.76	5.37	7.74	9.15
UAGC Fixed Amount	Fixed	25.54	28.41	25.54	28.41	25.54	28.41	25.54	28.41
General Funded Rates (\$)		41.27	46.56	36.05	40.54	30.30	33.78	33.28	37.56
HPFCS F1Direct	CV			24.38	26.17	19.36	19.87		
HPFCS F2 Indirect	CV	18.90	19.31	5.98	6.39	4.74	4.85	7.32	7.70
HPFCS Drainage	LV			39.20	41.17	23.21	23.46		
Public Transport	LV	57.31	57.90	38.29	38.69	17.33	17.14	28.20	29.19
Central Stream/Drains	CV	5.92	5.95	1.87	1.97	1.49	1.49	2.29	2.37
Karamu Maintenance	Fixed							10.00	10.55
Karamu Enhancement	Fixed							9.62	9.86
Clean Heat/Healthy Homes	LV	19.51	18.90	13.04	12.63	5.79	5.59	9.42	9.53
Economic Development	Fixed	16.64	17.53	16.64	17.53	16.64	17.53	16.64	17.53
Emergency Management	Fixed	14.63	14.84	14.63	14.84	14.63	14.84	14.63	14.84
Targeted Rates (\$)		132.91	134.43	154.03	159.39	103.19	104.77	98.12	101.57
Total Rates (\$)		174.18	180.99	190.08	199.93	133.49	138.55	131.40	139.13
Dollar Increase			6.81		9.85		5.06		7.73
Percentage Increase ¹			3.91%		5.18%		3.79%		5.88%

Comparison of Rates on Commercial Properties in Napier and Hastings

Comparison of Rates on Specific Commercial Properties													
Description of rates	Rating Basis	Napier Hotel		Emerson St Napier		Hastings Shops		Hastings Motel		Waipukurau Office		Wairoa Shops	
		2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Details for Comparison													
Capital Value (\$)	CV	3,250,000	3,250,000	1,475,000	1,475,000	1,000,000	970,000	910,000	910,000	205,000	205,000	255,000	255,000
Land Value (\$)	LV	1,875,000	1,875,000	420,000	420,000	385,000	385,000	670,000	670,000	40,000	40,000	50,000	50,000
Area (Hectares)	Area	0.3025	0.3025	0.0506	0.0506	0.1097	0.1097	0.3254	0.3254	0.0717	0.0717	0.2022	0.2022
General Rate	LV	134.06	154.69	30.03	34.65	27.33	32.30	47.57	56.21	3.06	3.51	3.82	4.24
UAGC Fixed Amount	Fixed	25.54	28.41	25.54	28.41	25.54	28.41	25.54	28.41	25.54	28.41	25.54	28.41
General Funded Rates		159.60	183.10	55.57	63.06	52.87	60.71	73.11	84.62	28.60	31.92	29.36	32.65
HPFCS F1Direct	CV			167.27	171.54	110.60	113.39	100.65	106.38				
HPFCS F2 Indirect	CV	90.35	92.30	41.00	41.89	27.10	27.65	24.66	25.94				
HPFCS Drainage	LV					133.36	141.10	232.09	245.55				
Public Transport	LV	488.44	493.50	109.41	110.54	99.60	103.10	173.33	179.43				
Central Stream/Drains	CV	27.63	28.44	12.84	12.90	8.50	8.53	7.74	8.00	1.80	1.86		
Clean Heat/Healthy Homes	LV	166.31	161.06	36.54	36.07	33.26	33.64	57.89	58.56				
Economic Development	CV	411.77	425.10	186.88	192.93	125.90	127.55	114.57	119.67	27.76	27.74	41.72	40.60
Upper Tukituki Scheme	LV									2.48	2.61		
Wairoa River Scheme	CV											25.25	26.55
Emergency Management	Fixed	14.63	14.84	14.63	14.84	14.63	14.84	14.63	14.84	14.63	14.84	14.63	14.84
Targeted Rates (\$)		1199.13	1215.24	568.57	580.71	552.95	569.80	725.56	758.37	46.67	47.05	81.60	81.99
Total Rates (\$)		1358.73	1398.34	624.14	643.77	605.82	630.51	798.67	842.99	75.27	78.97	110.96	114.64
Dollar Increase			39.61		19.63		24.69		44.32		3.70		3.68
Percentage Increase ²			2.92%		3.15%		4.08%		5.55%		4.92%		3.32%

Financial Comparatives between Year 3 of the Long Term Plan (LTP) 2012-22 and Annual Plan 2014/15

Explanatory Notes of Changes between Year 3 of the LTP 2012-22 and Annual Plan 2014-15

Significant variations between the 2012-22 LTP and the 2014/15 Annual Plan are outlined below.

Prospective Comprehensive Income Statement (Part 3, Pg 16)

Revenue from activities (Note 1, Part 3, Pg 20)

The LTP assumed that the Bovine TB Regional Vector Control Programmes for the Animal Health Board (AHB) would continue to be delivered by HBRC Biosecurity staff undertaking the work. Subsequent to the compilation of the LTP a decision was made by the AHB that they would assume responsibility for running the Bovine TB Regional Vector Control Programmes from 1 July 2013. Accordingly the costs associated with this programme have been reduced from Hawke's Bay Regional Council (HBRC) expenditure along with the revenue received from the AHB in relation to this service.

Revenue from rates (Note 2, Part 3, Pg 21)

Overall, rates (excluding GST) proposed for the first 3 years of the LTP, up to 30 June 2015 are \$15,665,000 against \$15,563,000 proposed in the LTP. This is an increase of 0.66% from the LTP rating level. This includes the increases in targeted rates for the Makara and Opoho schemes:

- **Makara Scheme:** In May 2012 it was identified that there was a sinkhole in the dam protecting the Makara Valley. In order to reinstate the level of protection provided by the dam it was proposed to repair the dam at an estimated cost of \$1,200,000. This was to be funded through use of the HBRC's regional disaster reserve, scheme disaster reserves, scheme depreciation reserves and an external loan of \$220,000. In order to fund this

external loan and increased maintenance a rate increase of approximately \$52,000 was proposed for the 2013/14 year. This has been continued in the 2014/15 year with the effect of increasing the targeted rates for this scheme from \$32,416 in the LTP to \$86,237.

- **Opoho Scheme:** Its management had previously been administered through direct billing for actual work. To give certainty of the amount to be charged to the land owners it is proposed in the 2014/15 Annual Plan to introduce a flood and drainage scheme into the targeted rate programme. This had the effect of increasing the targeted rates by \$18,328. This scheme affects three landowners. (refer to Amendments to Long Term Plan (LTP) 2012-22, Part 1, Pg 19)

Revenue from grants (Part 3, Pg 16)

Grants income is forecast to be \$106,000 less in the Annual Plan than in the LTP. The major change is in the calculation of funding from the New Zealand Transport Association (NZTA) for the Regional Land Transport Strategy projects.

Other revenue (Note 3, Part 3, Pg 21)

There are a number of revenue streams under "Other Revenue". The movements in each are shown below.

Dividends (+\$963,000)

The LTP forecast to receive \$6.6 million in dividends from the Hawke's Bay Regional Investment Company Limited (HBRIC Ltd) for the 2014/15 year. This dividend level has been increased to \$7.56 million as a result of discussions between HBRIC and its major subsidiary, Napier Port. This revised level includes \$700,000 to part fund the cost of capital proposed for the RWS.

Interest (-\$3,156,000)

Interest Rate Changes

The economic data available to HBRC when compiling the LTP indicated that the Official Cash Rate (OCR) would increase to 4.5% by June 2015. This justified an interest rate of 5.75% on HBRC deposits to be used for the 2014/15 financial year.

Current economic data shows that the OCR remained at 2.5% and is only estimated to increase to 3.5% by June 2015. Therefore the interest rate for the 2014/15 year has been revised to the lower level of 5.1%.

At the commencement of the 2014/15 Annual Plan year HBRC will still have a high level of cash deposits on hand for investment (\$70 million) and will also have deposits representing special purpose reserves (\$18 million). The effect of the adjustment on interest rates results in approximately \$580,000 in reduced interest income.

Returns on Investment

For the 2014/15 year the LTP 2012-22, estimated returns on funds invested at:

- Ruataniwha Water Scheme (RWS) (\$638,000);
- Ngaruroro Water Scheme (NWS) (\$352,000);
- Whakatu Road/ Rail Hub (\$1,727,000);
- Forestry Investments (\$812,000).

The proposed Annual Plan 2014/14 shows the following adjustments:

- RWS – HBRC has resolved to not require a return on funds invested during the feasibility stage. This plan does show a payment from HBRIC for RWS funding costs and this is by way of dividends.
- NWS – the implementation of this scheme has been deferred.

- Whakatu Road/Rail Hub – this scheme has been discarded because its major backers, the Napier Port has decided not to go ahead and therefore HBRC will not be asked to contribute.
- HBRC has a number of forestry investments including forests at Central Hawke’s Bay, Mahia, Waihapua and Tutira. The LTP assumed a return of 7.5% on HBRC’s investment in these forests. As HBRC’s cost to funds has decreased due to decreasing interest rates, the return on forests has been revised to 5%, a reduction of \$130,000 from the LTP.

Leasehold rentals (+\$266,000)

The LTP provided for the sell down of Napier leasehold properties in order to provide cash for other investments. This programme exceeded expectations and the LTP sell down estimate of \$15 million has increased to a sell down of \$27 million. Accordingly, the rental revenue from Napier leaseholds reflects the reduced number of remaining properties and is less than shown in the LTP.

Offsetting this is that the LTP proposed the sale of the Wellington leasehold properties. These funds have not been required and so the rental from these properties has continued.

Forestry income (-\$211,000)

Hill Country Afforestation - the proposal in the LTP to fund the establishment of forestry blocks on erodible hill country land assumed a carbon price of \$20 per tonne to justify a viable business. As the carbon price at the time of writing this Plan is around \$3 per tonne, HBRC resolved not to proceed with the forestry investment on hill country erodible land during 2014/15.

Subvention payments (+\$224,000)

The LTP assumed a number of targeted assistance grants would be paid during the 2012/13 financial year. There were a number of delays in finalising the projects that requested targeted assistance and most of these grants were paid

out during the 2013/14 financial year. This will result in a substantial increase in the subvention payments during 2014/15.

Napier – Gisborne Railway Returns (+\$117,000)

As mentioned in the Chairman and Chief Executive comments, it has been proposed that HBRC invest in the Napier – Gisborne Railway. An initial investment of \$3.9million would be required from HBRC for the 2014/15 year with a return that is reflective of HBRC's funding costs.

Fair value gains on investments (Note 7, Part 3, Pg 25)

The LTP forecasts \$2.5 million of fair value gains on investment property. However, due to an increase in the sell down of leasehold land the value of the investment portfolio has decreased and therefore the fair value gains have reduced by \$715,000 in the 2014/15 Annual Plan.

Expenditure from activities (Note 1, Part 3, Pg 20)

There is a substantial reduction of \$1,555,000 on expenditure in activities. These are mainly due to the following areas:

- The LTP allowed for HBRC to provide the Bovine TB Vector Control programmes on behalf of the Animal Health Board, however from 1 July 2013 the Animal Health Board will be directly undertaking these programmes. Expenditure allowed for in the LTP of \$620,000 for these programmes are no longer included in the Annual Plan.
- Regional income collection expenditure has reduced from the LTP level of \$3.4 million to \$2.0 million. This is due to a reduction of \$350,000 in the costs associated with Hill Country Afforestation which has been deferred. A \$770,000 reduction in the amount required to pay the Accident Compensation Corporation for the Napier leasehold cash flow sell down due to selling more properties before the deal took place. A reduction of \$300,000 for reduced rate collection costs and disaster insurance premiums.

Finance Costs (Note 1, Part 3, Pg 20)

Included in the LTP finance costs are not only the interest on borrowings, but also the payment/fees associated with the transfer of Napier leasehold cash flows to the Accident Compensation Corporation. Since the HBRC's programme of freeholding to lessees has exceeded expectations, the value of remaining cash flows to be sold on was substantially reduced and therefore the payments/fees have also substantially reduced.

Property, plant and equipment (Note 5, Part 3, Pg 24)

Expenditure on property, plant and equipment including intangible assets are proposed to be \$2,078,000 more in the Annual Plan than in the LTP. The major reason for this is that intangible assets include \$1,663,000 for the feasibility costs for the NWS project. In the LTP these costs had been incorporated in the advances to HBRIC Ltd but HBRC is proposing to treat these feasibility costs in the same way as the RWS and keep them as a HBRC project until such time that these are sold to HBRIC Ltd. Other intangible assets were increased by \$180,000 for systems integration projects for regulatory software.

Motor Vehicles and Plant have increased by \$219,000 due to \$140,000 excavator required by HBRC Works Group and timing on fleet replacements have changed since the LTP. These have been offset by a \$100,000 increase in expected proceeds for disposals.

Forestry assets (Part 3, Page 16)

Expenditure on forestry assets are proposed to be \$3.2 million less in the Annual Plan than in the LTP. This is because of the postponement of the Hill Country planting project which is no longer viable due to the low carbon credit price.

Solar and Clean Heat – net lending from reserves (Part 3, Page 16)

The LTP proposed to lend \$3.5 million in relation to solar and clean heat advances under the Healthy Homes initiatives. Due to the continual deferral of the solar scheme and the higher than forecast take up of clean heat grants rather than loans these advances are now proposed to be \$2.5 million in the Annual Plan.

Advances to HBRIC Ltd (Part 3, Page 16)

The LTP proposed to advance funds of \$33.2 million to HBRIC Ltd in the 2014/15, however the Annual Plan has reduced this by \$11.0 million to an advance of \$22.2 million. The reasons for this change are:

- Increased investment in the RWS (\$10.2 million) due to timing of required funds being earlier than the LTP assumptions
- Reduced investment in the NWS (\$4.2 million) due to delays in starting the project because resources have been tied up in the RWS and capital cost remained on HBRC's balance sheet for the feasibility stage.
- Reduced investment in the proposed Rail Hub (\$17.0 million) because the project has ceased.

Advances to Napier – Gisborne Railway (Part 3, Page 16)

This is a new proposal and so not included in the LTP. A projected \$3.9 million has been allocated for this venture in the 2014/15 year.

Reserve and public debt funding (Part 3, Page 16)

The Annual Plan shows reserve funding of \$10.4 million less than that set out in the LTP. This refers, for the most part, to reduced advances to HBRIC Ltd, Forestry Assets and Solar Heat.

Public debt funding has increased from \$5.3 million in the LTP to \$7.0 million in the Annual Plan an increase of \$1.7 million. This is due to \$1.1 million carried

forward from the 2013/14 year for loans that have yet to be drawn down, an increase in System Integration loans of \$0.2 million and an increase in Heat Smart loans of \$1.7 million offset by a \$1.3 million reduction in funding for Solar Heat.

Changes to prospective cash flows (Part 3, Page 19)

The Prospective Cash Flow Statements show that the overall net change in cash and cash equivalents has decreased from (\$33.9) million as estimated in the LTP, to (\$24.4) million in the Annual Plan. This results in a forecasted year end (30 June 2015) cash and cash equivalents balance of \$55.4 million. This closing balance represents the cash on hand for operating and investment activities and is a combination of financial assets and cash and cash equivalents in the balance sheet.

Net cash flows from operating activities is forecast to be \$0.6 million less in the Annual Plan than forecast in the LTP mainly due to lower income and expenses (refer to comments on the Prospective Comprehensive Income Statement).

Net cash outflows from investing activities are forecast to decrease by \$8.3 million due to less capital expenditure on investments and HBRIC advances (refer to comments on Capital Expenditure).

Changes to significant forecasting assumptions

The following material changes have been made to the significant forecasting assumptions incorporated in the LTP:

Interest Rates

The interest rate on investment income in the LTP was assumed at 5.75%. In the 2014/15 Annual Plan the interest rate used for deposits is 5.1% which reflects the changing circumstances in the financial markets which has seen the Official Cash Rate (OCR) remain at lower levels than forecast in the LTP.

Cost Adjustors

The LTP provided for cost adjusters to reflect increases in costs, specifically in external expenditure of 6.5% cumulative for the 2013/14 and 2014/15 years. In the Annual Plan external expenditure was not increased by the full amount to reflect the effects of inflation on these costs.

Investments

- The LTP assumed investment in forestry planting on erodible hill country. However, as the carbon market price has dropped to unworkable levels, HBRC has resolved that this initiative be deferred until there is improvement in the carbon price.
- The LTP set out continual investment in the NWS, however, HBRC has resolved that its resources needed to be devoted to the RWS and work on the NWS was deferred until the 2014/15 year

Insurance of infrastructure assets

- HBRC resolved in January 2013 to rescind the notice of intention to withdraw from the Local Authority Protection Programme (LAPP). Therefore LAPP will continue to cover 40% of the damage caused by natural disasters to infrastructure assets.
- HBRC holds funds in a Regional Disaster Reserve which had a balance of \$3.3m at 28 February 2014. The LTP assumed that this reserve would not be drawn on during the 10 year LTP period. However, HBRC resolved to contribute \$722,400 from this fund to assist in the remediation works required in the Makara Flood and Drainage scheme which will be completed before the end of the 2013/14 financial year.

Amendments to Long Term Plan (LTP) 2012-22

There is one amendment proposed to the LTP 2012-22.

Revenue and financing policies

Section 102 of the Local Government Act 2002 (funding and financial policies) states that all policies in that section and included in a Council's LTP can only be changed as an amendment to any LTP. The Hawke's Bay Regional Council proposes an amendment to our previously adopted Revenue and Financing policy of the LTP 2012-22.

As adopted in the LTP 2012-22

		Allocation of Expenditure		Funding Tools	
		Public	Private	Public	Private
Other Schemes	Opoho	-	-	-	-

As proposed in the Annual Plan 2014-15

		Allocation of Expenditure		Funding Tools	
		Public	Private	Public	Private
Other Schemes	Opoho	10%	90%	Investment Income	Differential Rate

Explanation of changes

The Revenue and Financing Policy is proposed to be amended in respect of the funding mechanisms for a new Opoho flood and drainage scheme under the "Other Schemes" sub activity within the Land Drainage and River Control activity group.

The new Opoho scheme is proposed to have a targeted rate for 2014/15 of \$18,328 which funds 90% of the expenses in this scheme. The other 10% is proposed to be funded through investment income.

Historically the three rate payers that make up this scheme were billed directly for any flood and drainage work that was completed by HBRC. To provide these rate payers with more certainty around the amount that would be charged it is proposed in the 2014/15 Annual Plan to introduce a new flood and drainage scheme with a targeted rate attached.

Funding Tools

The funding tools have changed from 100% private funding through fees/charges to 90% private funding through a targeted rate and 10% public funding through investment income representing the portion of public good gained from the work.

Audit Requirement

Section 103 of the Local Government Act 2002 (revenue and financing policy) states that if a local authority amends its revenue and financing policy thereafter only significant amendments are required to be audited. Given the small number of rate payers and the relatively small amount involved, Audit New Zealand have advised that this amendment is not significant and therefore does not require an audit.

Non financial changes from the LTP

This section highlights the significant issues identified in the Long-Term Plan 2012-22. **There are no proposed additions to the list of issues in the 2014-15 Annual Plan.** These issues are derived from the Strategic Plan (2011). HBRC is focusing on and developing these key strategic approaches in order to achieve the strategic goals of Resilient Ecosystems, Resilient Economy and Resilient Communities.

Strategic Goals

Strategic goal	Resilient Ecosystems			Resilient Economy		Resilient Communities
Focus Areas	Land	Water Quality	Water Allocation	Water security	Natural Hazards and infrastructure	People and Communities
Strategic Outcome	Viable and resilient farming systems are being achieved through sustainable land use	There is proactive integrated management of land and water.	Water supply and ecosystem needs are optimised for sustainable growth.	Water supply and demand for sustainable growth are optimised.	People and businesses feel safe and are willing to invest in Hawke’s Bay.	Comprehensive, relevant and quality services continue to be delivered by HBRC to enable a connected and healthy community.
Strategic Implementation	<ul style="list-style-type: none"> - Hill Country Afforestation Proposal - Improving the Focus of the Regional Landcare Scheme - Biodiversity Strategy - Papanui Catchment Pilot Study - Water User Groups 			<ul style="list-style-type: none"> - Ruataniwha Water Storage - Ngaruroro Water Storage - Heretaunga Plains Flood Control Scheme: Level of Service - Regional Economic Development Strategy - Port of Napier Investment 		<ul style="list-style-type: none"> - Heat Smart Programme - Public Transport - GMO-Free Hawke’s Bay - Civil Defence & Emergency Management: Funding and Targeted Rates - Webcasting of Council and Committee Meetings - Solar Hot Water Scheme - Hydraulic Fracturing

Enabling the Strategic Goals

Enablers	Statutory Planning	Investment	Strategic Alliances	Fit for Purpose Organisation
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Strategic Outcomes	Policies and plans are ahead of trends	Investment is enabling the regional economy to prosper sustainably.	Mutual relationships over the long term help achieve the sustainable development of Hawke’s Bay	HBRC is a responsive organisation that meets changing needs.
Strategic Implementation	<ul style="list-style-type: none"> - Catchment Based Plan Changes - Regional Natural Hazards Plan 	<ul style="list-style-type: none"> - Investment Strategy - Realisation of value from HBRC Investments in leasehold properties in Napier and Wellington 	<ul style="list-style-type: none"> - Strategic Alliances - Research Alliances - Transfer of Tutira Properties - Regional Community Facilities Projects: Grants 	<ul style="list-style-type: none"> - Organisational Efficiency - Shared services



Fenton Wilson, Wairoa - Chairman

Fenton has represented the Wairoa constituency since 2009. He is Chairman of the Wairoa Community Development Trust and also serves on the Smedley Station Advisory Board.

141 Maromauku Road, Wairoa 4196 | 06 835 9200 | 027 4984 483 | chairman@hbrc.govt.nz



Alan Dick, QSO, Napier

Alan represents the Napier constituency, having been elected to Council in 2004. Alan has a Business Degree (MBA) and is a Fellow of the New Zealand Institute of Management.

3 Newbury Place, Taradale 4112 | 06 844 4645 | 027 224 0012 | alizdick@xtra.co.nz



Dave Pipe, Napier

Dave is a newly elected Councillor with a background in community involvement, having served five terms on Napier City Council. Dave was also on the HB Environmental Awards Committee for ten years, five as its Chair. He is a former trustee of Pukemokimoki Marae Trust and is founding Chair of Napier Community House Trust, the Manager/Coordinator for St Mary's Parish Taradale, and a qualified Independent Civil Celebrant.

25 Vigor Brown Street, Napier 4110 | 06 835 3380 | 027 247 9979 | davepipe2012@gmail.com



Christine Scott, Napier - Deputy Chairman

Christine has represented the Napier constituency since 2001. Christine has served on a number of community trusts and chaired the Waiapu Diocesan Finance advisory group. She is currently a director of Anglican Care (Waiapu) Ltd.

43 Napier Terrace, Napier 4110 | 06 835 6950 | 0274 469 367 | chscott@inspire.net.nz



Peter Beaven, Ngaruroro

Peter Beaven is a newly elected Councillor who, for the past twenty years, has worked in various roles in horticulture. Peter graduated from Victoria University with LLB(Hons), is on the Board of Pipfruit NZ and current Chairman of the World Apple and Pears Association.

35A McHardy Street, Havelock North 4130 | 06 877 7823 | 027 2355 322 | pjbeaven@icloud.com



Debbie Hewitt, Central Hawke's Bay

Waipukurau based, Debbie is a newly elected representative. Debbie has a Masters degree in Agribusiness Management and previous governance roles include three terms as grower-elected director of Horticulture New Zealand; chair of the Horticulture Industry Vision 10/2020 Taskforce; chair of the Ruataniwha Water Storage Stakeholder group; and director of Infracon Ltd.

227 Porangahau Road, Waipukurau 4200 | 06 858 7265 | 027 405 2882 | debbiehewitt@xtra.co.nz



Rex Graham, Hastings

Rex is a newly elected Councillor, a Company Director involved in horticulture management and investments in New Zealand and China. Rex is chairman of the U-Turn Charitable Trust, Deputy Chair of the HB Regional Sports Park Trust, a Trustee of Te Aranga Marae and a Director of Te Aranga Ltd.

**232 St Georges Road North, Hastings 4172 | 06 877 4122
| 021 424 972 | rex@freshnz.co.nz**



Rick Barker, Hastings

Rick was elected in October 2013. He was previously a Member of Parliament for 18 years and is currently acting on behalf of the Minister for Treaty of Waitangi Negotiations as a Chief Crown Negotiator for two settlements in Taranaki. Rick completed a Masters Degree in Public Policy in 2012.

**409 Burnett Street, Hastings 4156 | 06 878 0010 |
027 444 2555 | rickjbarker@gmail.com**



Tom Belford, Hastings

Tom is a newly elected representative. His professional expertise is in marketing and communications and he is editor and publisher of BayBuzz magazine. Tom is a co-founder of Transparent Hawke's Bay and A Better Hawke's Bay. He has served on various groups advising our local councils on water and economic development matters. He holds a master's degree in political philosophy from Georgetown University.

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Introduction

This plan outlines activities the Hawke's Bay Regional Council (HBRC) intends to carry out over the next year. The following groups of activities work toward meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses in the region.

The Structure of the Annual Plan

For the purpose of this Annual Plan, HBRC has arranged its activities into eight groups:

- Strategic Planning
- Land Drainage and River Control
- Regional Resources
- Regulation
- Biosecurity
- Emergency Management
- Transport
- Governance and Community Engagement.

The section on each of the eight core groups provides:

- An Introduction
- How the activity contributes to meeting Council's objectives
- Any Significant Negative Impacts arising from its implementation
- Estimated expenses for each activity and how it will be funded. *It is important to note that funding sources and the reason it was selected, is covered in detail in the Long Term Plan 2012-22.*

- An analysis of the forecast expenditure and income for the 2014-15 Annual Plan and for the same year in the Long Term Plan 2012-22 (LTP). The 2013-14 Annual Plan budgets and actual figures for 2012-13 are also provided for comparative purposes.

Sub-groups within each group provide:

- The rationale for HBRC involvement and the level of service that it expects deliver to the community
- Current performance and Performance targets for the year



Introduction

These activities pull together Hawke's Bay Regional Council's (HBRC) strategic thinking initiatives, economic development, investments and resource management policy development. Together with State of the Environment reports, these provide information for further planning decisions.

Links to Regional Community Objectives

Strategic Planning initiatives and projects are undertaken in order to meet the needs of the regional community for good quality performance of regulatory functions.

They help focus conversations on what the future might look like in order to ensure that any regulatory response contributes toward the achievement of this future.

This group of activities contributes to Council's objectives for the regional community in the following ways.

- *An environment that is appreciated, protected and sustained for future generations* – HBRC is managing the region's natural and physical resources to ensure they are used efficiently and effectively; and the State of the Environment (SOE) project will inform the community of environmental change and the effectiveness of HBRC programmes.
- *A strong prosperous and thriving economy* – by funding and undertaking activities which support economic development based on the region's natural resources; maximising the sustainable input of natural and physical resources into economic activities; and enabling sustainable development through environmental information that can be used to report on activity effects.
- *Strong regional leadership and sense of belonging* – by providing a mechanism to co-ordinate regional initiatives through the Regional Economic Development Strategy and Strategic Plan; engaging the community in making decisions about the future of their region, and promoting integrated strategy and planning processes.

- *Communities that value and promote their unique culture and heritage* - by helping inform communities of future issues and on the current state of the region.
- *Supportive, caring and inclusive communities* - by providing the community with information that enables informed decisions to be made.
- *Safe and accessible recreational facilities* – by providing information to enable safe recreational activities, e.g. recreational water quality programme.

Significant Negative Impacts

HBRC's involvement in strategic thinking and planning helps to ensure that inevitable change in our communities is positive and not merely random or reactive. Strategic Planning often involves striking a balance between competing interests to ensure that the natural and physical resources we have now are maintained and enhanced for our grandchildren and their grandchildren. Some planning decisions must be made under the Resource Management Act [RMA], and to create and implement those RMA plans can be lengthy and involve significant costs.

Expenditure and Funding

Cost of Services Statement Strategic Planning					
	Annual Report	Ann Pln 2a	Year 3	Ann Plan 3a	
	2012/13	2013/14	2014/15	2014/15	
Activity (#)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
EXPENDITURE					
Operating Expenditure					
Economic Development	1,407	1,465	1,647	1,543	
Strategy and Planning	1,729	1,789	1,723	1,575	
Policy Implementation	436	410	437	459	
State of the Environment Reporting	961	451	447	373	
Depreciation/Amortisation Expense		0	0	0	
Total Operating Expenditure	4,533	4,115	4,254	3,950	
Capital Expenditure					
On-Site Waste Water Disposal Advances	0	200	200	200	
Rugby World Cup Advances	0				
Venture Hawke's Bay Loan Repayments	56	0	82	0	
Total Capital Expenditure	56	200	282	200	
TOTAL EXPENDITURE	4,589	4,315	4,536	4,150	
REVENUE					
Activity Revenue					
Direct Charges	228	0	1	25	
Total Activity Revenue	228	0	1	25	
Other Revenue					
Targeted Rates	1,395	1,284	1,406	1,360	
Grants	611	207	173	133	
On-Site Waste Water Disposal Loan Repayments	0	80	120	80	
Total Other Revenue	2,006	1,571	1,699	1,573	
TOTAL REVENUE	2,234	1,571	1,700	1,598	
TOTAL GENERAL FUNDING REQUIREMENT					
	(2,355)	(2,744)	(2,836)	(2,552)	
Asset Replacement Reserve	0	0	0	10	
Sale of Land (Environmental Initiatives) Reserve	0	120	80	120	
NET GENERAL FUNDING REQUIREMENT	(2,355)	(2,624)	(2,756)	(2,422)	

Net Funding Requirement: Strategic Planning



Activity 1 – Economic Development

Service Levels and Performance Targets Activity 1 – Economic Development				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
<i>Regional Economic Development Strategy</i> mission statement: “To make Hawke’s Bay the best location in which to visit, work, invest, live and grow”.	Comprehensive visitor strategy in place within an overall regional marketing plan.	– 3 year funding agreement in place for Hawke’s Bay Tourism Ltd with approved performance targets and reporting requirements.	2014-2015 – Continue quarterly reporting to Council on key performance indicators.	– Maintain funding of Hawke’s Bay Tourism Ltd for 2014-15 and review as part of 2015-25 Long Term Plan.
	Long term Regional Economic Development Strategy.	– Last reviewed 2010-11.	2014-2015 – Annually review and progress the regional economic development strategy.	– Review and refresh annually the Regional Economic Development Strategy, and participate fully in Business Hawke’s Bay operations.
	Investment for research and development and business development.	– In 2011-12 a total of \$2.7 million of grants came into the region via Ministry of Science and Innovation. – Underway in partnership with Ministry of Science and Innovation (Regional Partner Network).	2014-15 – At least \$800,000 per annum achieved for Research and Development investment.	– Implement Regional Business Partner Network programme in partnership with Chamber of Commerce locally, New Zealand Trade and Enterprise and Ministry of Science and Innovation nationally.
	Sustainable regional growth.	– Key strategies and actions contained in Regional Economic Development Strategy	2014-15 Initiate sustainable primary production programmes – <ul style="list-style-type: none"> • Maori Agribusiness • Wairoa primary sector opportunities Continue to engage on Oil and Gas exploration / development with stakeholders	– Develop and implement collaborative programmes.

Activity 2 – Strategy and Planning

Service Levels and Performance Targets Activity 2 –Strategy and Planning				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will help the community prepare for the future.	Number of <i>Embracing Futures Thinking</i> events held.	<i>Embracing Futures Thinking</i> Breakfasts held over last three years.	Each year – Host at least 1 <i>Embracing Futures Thinking (Strategic Planning)</i> event as part of Long Term Plan development.	– Project manage event.
	Trends review completed.	Social, technological, Economic, Environmental and political trend report completed in 2009 and summarised in HB2050: <i>LandRiver Us</i> report	2013-14 – Refresh the Trends and Environmental Scan analysis.	– Engage consultants to undertake trend and environmental scans.
	Agreement reached on Spatial Planning Framework.	Individual strategies are in place that would support spatial planning e.g. Heretaunga Plains Urban Development Strategy, Regional Land Transport Strategy.	2014-15 – Reach agreement on regional and lower North Island spatial planning framework. <i>(On hold pending outcome of amalgamation processes – Hawke’s Bay, Wellington)</i>	– Engage with Lower North Island Regional Councils and other agencies such as New Zealand Transport Agency. <i>(on hold)</i>
HBRC will integrate land and water and biodiversity management to deliver environmental, economic, social and cultural outcomes.	Action plans and monitoring prepared for: - Land and Water Management Strategy. - National Policy Statement for Freshwater Management.	To date, two Land and Water symposiums have been held.	Each year Prepare report on implementation of National Policy Statement for Freshwater Management. <i>Stocktake of Land and Water Management Strategy undertaken in March 2014, consider as part of Long Term Plan development</i>	– Report on NPSFM implementation Plan progress through the Annual Report.

Service Levels and Performance Targets Activity 2 –Strategy and Planning				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	Regional Biodiversity Strategy completed.	No current biodiversity strategy in place.	2014-15: Prepare final Regional Biodiversity Strategy and prepare programme of work relevant to HBRC for inclusion in the next Long Term Plan.	– Project manage the preparation of a Regional Biodiversity Strategy in conjunction with key stakeholders.
HBRC will establish and maintain clear and appropriate policy in a responsive and timely manner that will enable sustainable management of the region’s natural and physical resources.	<ul style="list-style-type: none"> – Status of Resource Management Plans and Policy Statements. – No more than 2 years elapse from notification of a plan change to decisions on submissions being issued. 	<p>Plan changes in process</p> <ul style="list-style-type: none"> – Plan Change 4: Built Environment. – RPS Change 5: Land and Freshwater Management – Plan Change 6: Tukituki Catchment <p>Policy under development in following catchments</p> <ul style="list-style-type: none"> – Taharua and Mohaka – Heretaunga Zone (Clive/Karamu, Ngaruroro, Tutaekuri, Ahuriri, Heretaunga Plains aquifer) 	<p>2013-14 Plan change for Tukituki River Catchment publicly notified <i>May 2013</i>.</p> <p>2014-15 - <i>Appeals on Change 5 (Land and Freshwater Management) are resolved.</i> - Plan change for Taharua /Upper Mohaka catchment publicly notified <i>Dec 2014</i>.</p> <p>2015-16 <i>Plan change for outstanding freshwater bodies publicly notified July 2016.</i></p> <p>2016-17 Plan change for Heretaunga Zone publicly notified <i>Dec 2016</i>.</p>	<ul style="list-style-type: none"> – Project manage the development of policy for inclusion in the Regional Resource Management Plan and Regional Policy Statement including: – Coordinate and integrate all the necessary inputs into the planning processes. – Coordinate and undertake the required stakeholder community engagement before notification.
		Regional Natural Hazards Strategy and Implementation Plan prepared.	2014-15 Plan change for Natural Hazards publicly notified <i>July 2015</i>	

Service Levels and Performance Targets Activity 2 –Strategy and Planning				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	Regional Coastal Environment Plan – At all times there is a regional plan in force for the HB coastal marine area. – New Zealand Coastal Policy Statement (NZCPS) put into action in accordance with statutory requirements.	Plan Change 1- Geographical Coverage of Regional Resource Management Plan: – awaiting resolution of appeals.	2013-14 – Scoping and prioritising of plan changes required to give effect to 2010 NZCPS. 2014-15 – Start review of coastal hazard zones <i>for coastline between Tangoio and Clifton, as part of preparation of a hazard management strategy for that coastline</i> (see Project 322). - Develop plan change(s) to give effect to 2010 NZCPS.	– Project manage the development of policy in the Regional Coastal Environment Plan that gives effect to the 2010 NZCPS including: <ul style="list-style-type: none"> • Coordinate and integrate the necessary expert and legal advice inputs into planning processes. • Coordinate and undertake the required stakeholder community engagement prior to notification.

Activity 3 – Policy Implementation

Service Levels and Performance Targets Activity 3 – Policy Implementation				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will promote integrated management by proactively communicating its policies and responsibilities through dialogue and submissions on district plans, consent applications and central government initiatives.	Lodging of submissions on district plans, district planning applications and central government initiatives where there are relevant regional council policies.	A report on statutory advocacy activities: – Prepared and considered at HBRC’s Environmental Management Committee meetings and Maori Committee meetings.	2012-22 – Submissions made on district plans, district planning applications and central government initiatives reported to HBRC’s Environment and Services Committee. – Staff of HBRC and territorial local authorities to meet at least twice a year to discuss integration issues and steps to improve the regional and district plan are identified and acted upon.	– Continue to receive, review and report on consent applications and plan development activities. – Facilitate the Hawke’s Bay Planners’ group.
HBRC will help communities without sewers improve the management of domestic wastewater.	Number of interest free loans approved.	– One loan provided to Hastings District Council for the Waipatiki system has been repaid in full.	– Provide a fund to help the territorial authority-led upgrading of community wastewater systems in communities without sewers (\$200,000pa contributions capped at \$1,000,000) – Non-regulatory initiatives developed and implemented to complement regional plan policy development that implements National Policy Statements and/or National Environmental Standards.	– Continue to provide an interest-free loan scheme to assist territorial authorities’ upgrade wastewater services in communities without sewers. – Continue to consider a broad range of interventions to achieve the objectives of nationally driven regulations and standards.
HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection.	Maintain a database of potentially and confirmed contaminated sites	– Upgrading of database to enable both public and territorial authority access	2012-22 – To administer and maintain the database, including checking of record details, site visits to GPS areas of contamination, transfers to Territorial Local Authorities (TLA) as per agreed protocol and advising landowners of the contaminated sites status of their property.	– Review database. – Verification of sites listed on database. – Transfer protocols with TLAs.

Activity 4 – State of the Environment Reporting

Service Levels and Performance Targets Activity 4 –State of the Environment Reporting				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will monitor and provide accurate information to the community so that it understands the State of the Environment (SOE) for Hawke’s Bay.	Data quality as assessed against HBRC’s quality assurance system. Amount of State of the Environment monitoring data available through HBRC’s website.	HBRC’s quality assurance system is based on nationally recognised standards and guidelines. <i>The Quality Management System that guides activities in the Environmental Science Sections was accredited in December 2012 in terms of ISO9001:2008.</i> Some data for limited sites is available on HBRC’s website: <ul style="list-style-type: none"> • Recreational water quality • Groundwater quality • Groundwater levels • River flows • Rainfall • Air quality 	2012-22 – Maintain the current level of SOE data on HBRC’s website. – Continue to make information from the following monitoring sites available through HBRC’s website: <ul style="list-style-type: none"> • All telemetered river flow sites • All telemetered rainfall sites • All telemetered climate stations • All data collected, processed, analysed and stored in accordance with ISO requirements. • Maintain ISO accreditation. 	Maintain quality assurance system requirements to maintain ISO accreditation. Regular auditing of the quality assurance system. Take corrective action as identified by internal and external audits. Respond to “Areas of concern” and “Opportunities for improvement” identified by internal and external audits. Maintain monthly SoE reports on website.
	State of the Environment Monitoring Report.	Five Yearly State of the Environment Report June 2009.	2012-22 Annual Update State of the Environment Reports available by June each year. 2014-15 Five yearly State of the Environment Monitoring Report available by December 2014.	Prepare annual update and five yearly Reports.

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Attachment 3

Introduction

Land drainage and river control activities focus on the management of the region's rivers, streams and drainage network to reduce the effects of flooding in areas where there is significant risk to people and property. Much of this work relates to the maintenance of the flood control and drainage schemes which have been developed over many years, and now have a replacement value of more than \$140 million.

Land drainage and river control covers the inter-related programmes of:

- Flood protection and drainage schemes
- Investigations and enquiries
- Sundry works.

The empowering legislation for this function of the Hawke's Bay Regional Council (HBRC), is the Soil Conservation and Rivers Control Act 1941, the Local Government Act 2002 and the Civil Defence Emergency Act 2002.

Links to Regional Community Objectives

This group of activities contributes to Council's objective to meet the current and future needs of communities for good-quality local infrastructure in a way that is most cost-effective for households and businesses in the following ways.

- *An environment that is appreciated, protected and sustained for future generations* – by management and enhancement of the waterways with an holistic management philosophy and implementation of an environmental strategy and compliance with an environmental code of practice.
- *A strong, prosperous and thriving economy* – by reducing the risk of flooding to the community and productive land.
- *A lifetime of good health and wellbeing* – by minimising the risk of flooding of homes and productive land, and providing safe waterway environments.

- *Safe and accessible recreational facilities* – by providing for public access to HBRC managed waterway environments for recreation and enjoyment and enhancing amenity values where appropriate.

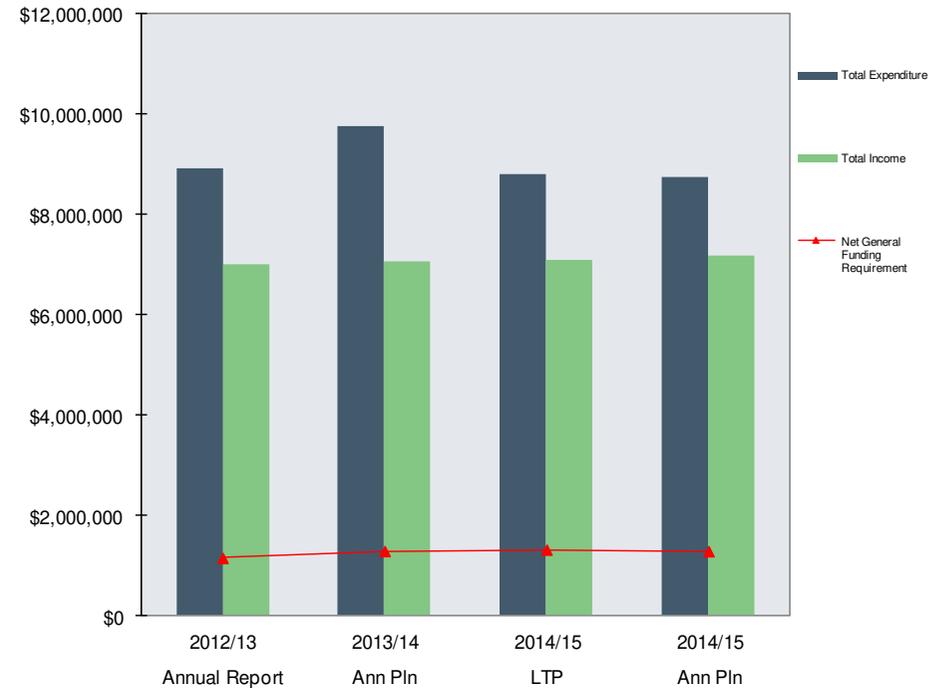
Significant Negative Impacts

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

These changes and the ongoing methods used to maintain the schemes have resulted in 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 in efforts to repair and remediate those negative impacts.

Expenditure and Funding

Cost of Services Statement Land Drainage & River Control					
	Activity (#)	Annual Report 2012/13 (\$'000)	Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a 2014/15 (\$'000)
EXPENDITURE					
Operating Expenditure					
Flood Protection & Drainage Schemes	1a,b & c	5,598	5,156	5,412	5,400
Investigations & Enquiries	2.	390	425	432	429
Sundry Works	3.	214	219	232	220
Operations Group External Contracts	3.	749	412	412	412
Depreciation/Amortisation Expense			585	579	567
Total Operating Expenditure		6,951	6,797	7,067	7,028
Capital Expenditure					
Infrastructure Asset Construction		1,082	2,165	936	908
Disaster Damage Excess Deposits		105	0	0	0
Loan Repayments		785	785	785	807
Total Capital Expenditure		1,972	2,950	1,721	1,715
TOTAL EXPENDITURE		8,923	9,747	8,788	8,743
REVENUE					
Activity Revenue					
Direct Charges		258	151	137	151
Operations Group External Charges		846	516	516	516
Total Activity Revenue		1,104	667	653	667
Other Revenue					
Targeted Rates		5,736	6,013	6,274	6,316
Grants and Other Income for Capital		15	0	0	0
Interest on Scheme Reserves		150	148	150	203
Loans Drawn Down		0	220	0	0
Total Other Revenue		5,901	6,381	6,424	6,519
TOTAL REVENUE		7,005	7,048	7,077	7,186
TOTAL GENERAL FUNDING REQUIREMENT		(1,918)	(2,699)	(1,711)	(1,557)
Specific Scheme Reserves		400	314	209	98
Scheme Depreciation Reserves		332	380	191	180
Regional Disaster Reserve Funding		41	722		
NET GENERAL FUNDING REQUIREMENT		(1,145)	(1,283)	(1,311)	(1,279)



Net Funding Requirement: Land Drainage & River Control

Activity 1a, b, c – Flood Protection and Drainage Schemes

Service Levels and Performance Targets				
Activity 1a – Flood Protection & Drainage Schemes: Heretaunga Plains Scheme				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Heretaunga Plains Scheme.	A full assessment of the capacity and integrity of flood control works is completed every twelve years by a chartered professional engineer with interim audits undertaken annually.	Full initial assessments have been made for the following rivers : – Tutaekuri 2009-10 – Ngaruroro 2010-11 – Lower Tukituki 2011-12	2013-15 – Review of the current level of service (LOS) provided by the Heretaunga Plains Scheme to determine whether they are still appropriate or should be increased.	Ongoing – Ongoing maintenance and gravel extraction to maintain the channel capacity and integrity of the flood protection assets. – Monitoring of flood events in accordance with the Flood Manual. – Annual asset audit by a chartered professional engineer, and full assessment of each of the major rivers every twelve years. – Ongoing sawfly damage monitoring and alternative species planting.
The level of protection in technical terms is to convey a flood discharge with a 1% probability of being exceeded in any one year (1%AEP) safely to the sea.	The level of service will be reported as: – Kilometres and percentage of floodway that provide the design level of service.	Audits in past years indicate the following levels of service: – Tutaekuri: 100% (23.6km of river channel) – Ngaruroro: 100% (39km of river channel) – Lower Tukituki: 100%(10.2km of river channel)	2012-22 – Tutaekuri, Ngaruroro & Lower Tukituki Audits: No change.	
HBRC will maintain an effective drainage network that provides protection from frequent flooding from smaller watercourses to communities and productive land within the Heretaunga Plains Scheme.	A full assessment of the capacity and integrity of the drainage network within each drainage catchment is completed every twelve years by a chartered professional engineer with interim audits undertaken annually.	The historic level of service based on rainfall runoff is no longer considered appropriate given modern design techniques. New measures will be developed as part of the level of service review to be completed over the next three years.	2013-14 and 2014-15 – Review the current level of service provided by the scheme and determine new level of service measures and targets.	Ongoing – Monitoring, operation and maintenance. – Annual asset audit by a chartered professional engineer.
HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and	The level of service will be reported as the length of scheme riparian land enhanced. (Each side of a waterway measured separately and includes new planting and inter-	Completed to date: – Tutaekuri (left bank): 6km – Tukituki (left bank): 3.4km (right bank): 3.4km – Ngaruroro (left bank): 4.5 km	Ongoing – 0.5km of riparian land enhanced a year (on average).	2013-20 – Develop Rivers Environmental Concept Plans. Ongoing – Implement annual programme from Environmental Strategy.

increased biodiversity. planting).

Service Levels and Performance Targets				
Activity 1b – Flood Protection & Drainage Schemes: Upper Tukituki Scheme				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Upper Tukituki Scheme.	A full assessment of the capacity and integrity of flood control works is completed every twelve years by a chartered professional engineer with interim audits undertaken annually.	Full initial assessments have been made for each of the rivers in the flowing years: – Upper Tukituki 2009-12 – Waipawa 2011-12	Full Scheme Reviews – Upper Tukituki: Start Date 2013/14; completion date 2014/15.	Routine 2013-22 – Ongoing maintenance and gravel extraction to maintain the channel capacity and integrity of the flood protection assets. – Monitoring of flood events in accordance with the Flood Manual. – Annual asset audit by a chartered professional engineer, and full assessment of each of the major rivers every twelve years. – Ongoing sawfly damage monitoring.
The level of protection in technical terms is to convey a flood discharge with a 1% probability of being exceeded in any one year (1%AEP) safely to the sea.	The level of service will be reported as: – Kilometres and percentage of floodway that provide the design level of service.	Past audits indicate the following levels of service: – Upper Tukituki: 34.4km, 95%. – Waipawa: 26.5km, 95%.	2015-16 – River View Edge Risk: Review of the current level of service provided by the Scheme to determine whether they are still appropriate or should be increased.	
HBRC will protect and enhance its scheme riparian land and associated waterways for public enjoyment and increased biodiversity.	The length of Scheme riparian land enhanced by inter-planting with alternative native and exotic species (each side of a waterway measured separately).	Completed to date: – Waipawa (Left Bank): 1.5km. – Tukituki River (Right Bank): 2km.	Ongoing – 0.5km of riparian land enhanced a year (on average).	2013-19 – Implement annual programme from Environmental Strategy.

Service Levels and Performance Targets				
Activity 1c – Flood Protection & Drainage Schemes: Other Schemes				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
<p>HBRC will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated Scheme areas. These Schemes include:</p> <ul style="list-style-type: none"> – Makara Flood Control – Paeroa Drainage – Porangahau Flood Control – Ohuia – Whakaki Drainage – Esk River – Whirinaki Drainage – Maraetotara – Te Ngarue – Kopuawhara Flood Control – Poukawa Drainage – Kairakau (proposed) – Waimarama (proposed) 	<p>A full assessment of the capacity and integrity of flood control works is completed every twelve years by a chartered professional engineer with interim audits undertaken annually.</p> <p>The level of service will be reported as:</p> <ul style="list-style-type: none"> – Percentage of assets that provide the design level of service. 	Estimated at 95%.	<p>2013-15</p> <ul style="list-style-type: none"> – Kairakau and Waimarama Flood Protection Schemes accepted by community and operation phase begun. – No change to other schemes. 	<p>Ongoing</p> <ul style="list-style-type: none"> – Ongoing maintenance to preserve channel capacity and integrity of flood protection and drainage assets. – Monitoring of flood events in accordance with the Flood Manual. <p>Consult with Waimarama community regarding the possibility of establishing a flood control scheme to fund improved management of the waterways and flood channels flowing through the community.</p>

Activity 2 – Investigations and Enquiries

Service Levels and Performance Targets Activity 2 –Investigations and Enquiries				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will be available to provide expert advice on drainage, flooding, and coastal erosion issues.	All queries are dealt with by appropriate qualified and experienced staff.	– HBRC employs two chartered professional engineers with experience in flood management, river control and coastal issues.	Ongoing – No Change.	Ongoing – Staff retention. – Recruitment of graduates and promotion of local government careers to ensure staffing capacity for the future.
HBRC will provide up to a 30% subsidy for river control and flood protection where the criteria set out in the Regional Council's guidelines for technical and financial assistance are met.	Value of subsidies provided annually.	– Subsidies valued at \$42,000.	Ongoing – \$42,000 plus inflation of subsidy money is provided each year at a subsidy rate of 30%.	Ongoing – Continue to promote the HBRC subsidy programme.
HBRC will provide a consultancy service for drainage, flooding, and coastal erosion issues according to individual project agreements on a full cost recovery basis.	Cost recovery. Satisfaction with Service.	– Costs are recovered. – Not specifically measured.	Ongoing – Full costs of any consultation work are recovered. – Major clients are satisfied with service provided.	Ongoing – Effectively and efficiently complete consultancy projects.

Activity 3 – Total Sundry Works

Service Levels and Performance Targets Activity 3–Sundry Works				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will ensure that the beach at Westshore has erosion checked to 1986 erosion line. <i>(The 1986 line was the extent of erosion before beach renourishment began. This line is identified on a series of posts along the foreshore)</i>	The comparison of annual beach cross section surveys to the 1986 erosion line.	The erosion remains seaward of the 1986 line.	Ongoing – Erosion does not extend landward of the 1986 line.	Ongoing – Renourishment is completed annually with the quantity of material assessed from pre-contract beach cross section surveys.
HBRC will maintain river mouths so that they do not flood private land above a specified contour subject to suitable river, sea and weather conditions that will allow a safe and successful opening to be made.	Incidences of flooding of private land above levels as specified in the River Opening Protocol.	No incidences.	Ongoing – Private land above a specified contour is not flooded as a result of a river mouth being closed.	Ongoing – River mouths and lagoon outlets are inspected regularly and opened when required, and when river, sea and weather conditions allow.

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Introduction

Regional Resources covers the region's public shared resources (air, water, coast, soil and gravel), its land resource (in private ownership) and Hawke's Bay Regional Council (HBRC) owned property managed as a regional resource.

These activities include the gathering of information to improve sustainable management and efficient use for enhanced economic and environmental performance.

Links to Regional Community Objectives

This group of activities contributes to Council's community objectives in the following ways.

- *An environment that is appreciated, protected and sustained for future generations* –by understanding that the region's natural and physical resources are being managed to ensure they are used efficiently and sustainably; identifying and promoting sustainable land management practices; improving air quality; sustainably managing rivers and the gravel resource; and providing opportunities for access to open space areas.
- *A strong, prosperous and thriving economy* – by maximising the sustainable use of natural and physical resources for economic activity, which will make Hawke's Bay a more attractive place to live, work and establish commercial and industrial enterprises.
- *Communities that value and promote their unique culture and heritage* – by protecting sites of cultural significance with open space areas and, where appropriate, identifying and valuing them for public education and interest.
- *Supportive, caring and inclusive communities* – by enabling community-led water user groups to develop ways to efficiently use the region's water allocations, through actions such as audited self management.

- *Safe and accessible recreational facilities* –by providing access to the coast and safe off road pathway/cycleway opportunities for recreational enjoyment.
- *A lifetime of good health and wellbeing* – by protecting the natural environment particularly fresh and coastal swimming water quality. By improving air quality to reduce respiratory disease and the related cost of health services and lower absenteeism from school and work, caused by exacerbated respiratory symptoms from higher than acceptable levels of PM₁₀ (particulate matter or fine particles in dust and smoke); By providing open space areas and cycleways to encourage good health and wellbeing.

Significant Negative Impacts

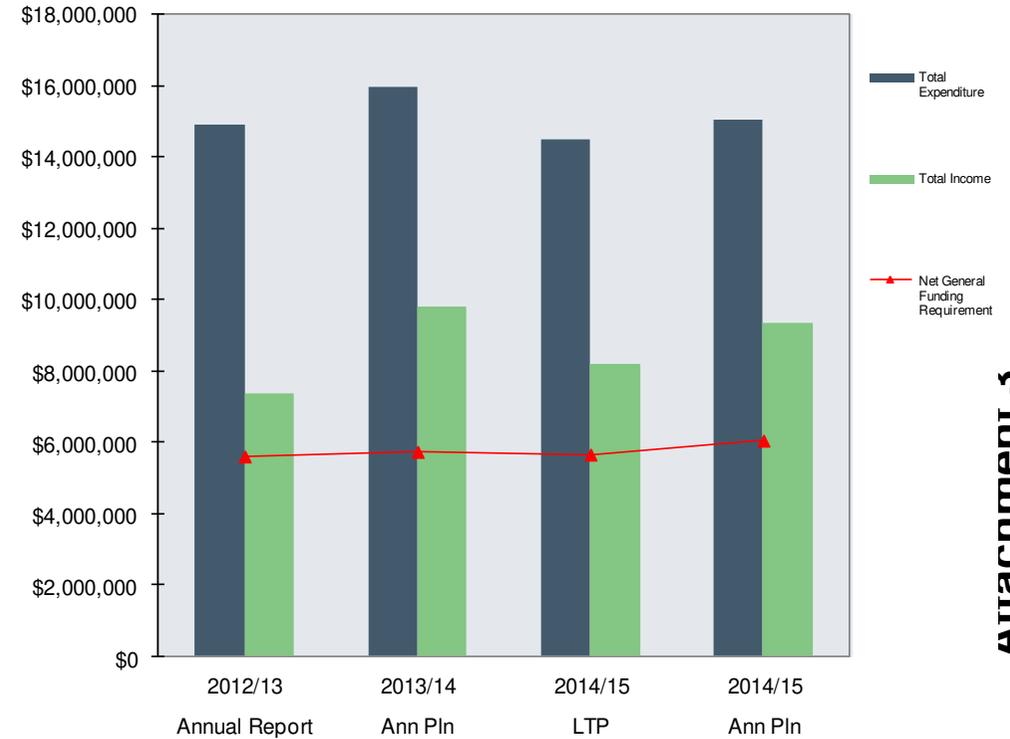
There are no significant negative impacts relating to the collection of information about regional resources, unless the information raises more questions than answers and results in delays in decision-making.

With sustainable land management, the Ministry for Primary Industries also has a role to meet New Zealand's Kyoto Protocol obligations. Therefore landowners may be confused by having two agencies engaging with them on the same issues and it is important that HBRC and MPI work together to avoid duplication.

Expenditure and Funding

Cost of Services Statement: Regional Resources					
	Activity	Annual Report	Ann Pln 2a	Year 3	Ann Plan 3a
	(#)	2012/13	2013/14	2014/15	2014/15
		(\$'000)	(\$'000)	(\$'000)	(\$'000)
EXPENDITURE					
Operating Expenditure					
Land Management	1.	3,175	3,235	2,985	3,114
Air Management	2.	1,496	1,286	1,438	1,932
Water Management	3.	3,160	3,337	3,432	3,268
Coastal Management	4.	542	553	609	723
Gravel Management	5.	510	486	523	399
Open Spaces	6.	1,195	1,127	1,163	1,086
Depreciation/Amortisation Expense		0	193	113	269
Total Operating Expenditure		10,078	10,217	10,263	10,791
Capital Expenditure					
Clean Heat Advances		2,624	3,850	3,824	3,811
Council Owned Wetlands		0	0	0	0
Tangoio Soil Conservation Reserve Forestry		81	198	38	157
Soil Conservation Nursery		0	0	0	0
Lake Tutira Forest Park Forestry		0	0	0	0
Public Good Capital Purchases		1,368	1,400	0	0
Loan Repayments - Regional Park Reserves		753	300	370	286
Total Capital Expenditure		4,826	5,748	4,232	4,254
TOTAL EXPENDITURE		14,904	15,965	14,495	15,045
REVENUE					
Activity Revenue					
Direct Charges		1,320	3,249	3,599	3,264
Total Activity Revenue		1,320	3,249	3,599	3,264
Other Revenue					
Targeted Rates		601	583	583	583
Grants and Other Income for Capital		1,408	1,000	984	834
Interest on Scheme Reserves		228	149	184	143
Grants		1,342	80	0	0
Loans Drawn Down		2,475	4,729	2,826	4,500
Total Other Revenue		6,054	6,541	4,577	6,060
TOTAL REVENUE		7,374	9,790	8,176	9,324
TOTAL GENERAL FUNDING REQUIREMENT		(7,530)	(6,175)	(6,319)	(5,721)
Specific Scheme Reserves		159	(166)	46	(846)
Sale of Land (Other Initiatives) Reserve		766	607	616	518
Other Reserve Funding		1,000			
NET GENERAL FUNDING REQUIREMENT		(5,605)	(5,734)	(5,657)	(6,049)

Net Funding Requirement: Regional Resources



Activity 1 – Land Management

Service Levels and Performance Targets Activity 1–Land Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
Viable and resilient farming systems are being achieved through sustainable land use.	Annually reporting on research project outputs and how they have contributed to sustainable land management outcomes.	Research and extension projects are currently active including the following: <ul style="list-style-type: none"> – Creating a climate for success – Huatokitoki community project. (MPI, HBRC, Hatuma, Landcorp, Beef and Lamb, Massey, Landcare). – Wairoa sediment reduction initiative. (MPI, HBRC). – Alternative grassland species (Landcare, MPI, HBRC, Beef and Lamb). 	Ongoing <ul style="list-style-type: none"> – Continue a programme of research and extension to investigate and field trial issues relevant to sustainable land management in Hawke’s Bay. – Actively seek collaboration with primary product organisations undertaking research relevant to HB. 	Ongoing <ul style="list-style-type: none"> – Finalise the development of a research strategy in collaboration with Primary Sector industry groups and commence its implementation. – Initiate at least one new research or research extension initiative annually.
	Outputs achieved through HBRC Regional Landcare Scheme.	Sample of approx outputs from Regional Landcare Scheme since its inception in 1995. <ul style="list-style-type: none"> – Total HBRC investment: \$7.13M. – Number of poplar and willow poles planted for soil erosion: 440,000. – Clients: 744. – Projects: 2450. 	Ongoing <ul style="list-style-type: none"> – Regional Landcare Scheme (RLS) reviewed outcomes to be implemented by June 2014. – Report in the operation plan how RLS activity directly contributes to sustainable land management. – Annual output targets delivered from the RLS investment to be established and implemented as part of the annual operating plan. 	Ongoing <ul style="list-style-type: none"> – Utilise RLS funding in accordance with priorities and processes established – Annual operating plan to be developed and presented to Council before the start of each financial year.
	The operational plan will show the focus of Regional Landcare Scheme activity and alignment with the Regional Afforestation programme and the intensification of land use.	Regional Landcare Scheme subsidies are assessed on the basis of region wide criteria.	– A portion of Regional Landcare Scheme subsidy will be targeted, and the level of subsidy varied, to encourage initiatives that more effectively respond to environmental change.	

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Service Levels and Performance Targets Activity 1–Land Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will increase its knowledge of the region’s land, soil and terrestrial habitats so it is aware of any current and likely future issues that may arise. This knowledge will allow for a timely and effective response that enables land sustainably for future generations.	Regional baseline hill country erosion monitoring.	Baseline hill country erosion survey.	2013-14 – Erosion monitoring repeated (about every 5 years but contingent on any major regional storm event).	Erosion/sediment model for the Tukituki catchment to be commissioned with the option of extending into other catchments in the future.
	Integrated catchment management including staged computer modelling & monitoring of the: <ul style="list-style-type: none"> – Mohaka – TANK catchments – Tukituki 	<ul style="list-style-type: none"> – Currently Land and water monitoring of the Taharua and upper Mohaka Rivers. Computer modelling of the entire Mohaka catchment is underway. – Heretaunga/Ahuriri catchments are next in line to be investigated. – Tukituki model (TRIM) developed. 	2013-15 <ul style="list-style-type: none"> – Catchment models developed for Taharua and the entire Mohaka catchment. – Catchment model for TANK catchments developed – Refinement and upgrades of Tukiituki TRIM model 	<ul style="list-style-type: none"> – Development of TANK catchments model or models. – Update TRIM into new modelling software – Scenarios run using Taharua/Mohaka catchment model
Hawke’s Bay’s land resource is maintained for future generations	<ul style="list-style-type: none"> – Area of erosion prone land with tree cover – Baseline erosion monitoring 	Much of Hawke’s Bay’s pastoral hill country needs more vegetative cover to minimise erosion and improve productivity	Proposed Regional Afforestation Scheme was withdrawn by Council due to low carbon price. Investigate potential for High UMF manuka plantings in HB	– Report on data gathered from high UMF Manuka plantation on Tutira Regional Park.

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Activity 2 – Air Management

Service Levels and Performance Targets Activity 2–Air Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will have adequate knowledge about the level of air pollutants that may impact on public health and aesthetic values so that it can manage air quality for human health needs and aesthetic values.	State of the Environment monitoring programme for: <ul style="list-style-type: none"> – Air quality – Climate 	Regional Air Quality Monitoring Strategy revised in 2011. -4 yearly surveillance monitoring of NES contaminants other than PM ₁₀ completed in 2013.	<p>2013-22</p> <ul style="list-style-type: none"> – Monitoring undertaken in accordance with the Regional Air Quality Monitoring Strategy. <p>2013-22</p> <ul style="list-style-type: none"> – Report on breaches of the National Environmental Standards in accordance with the standard. 	<p>Monitor PM₁₀ concentrations⁵² continuously in the Napier, Hastings and Awatoto airsheds. Data collected should comply with performance targets:</p> <ul style="list-style-type: none"> – (less than 5% of data missing) and – 75% valid data (less than 25% of measured and archived values unaffected by calibration and instrument fault events). <ul style="list-style-type: none"> – Winter time Mobile PM₁₀ monitoring campaign. – Source apportionment monitoring in the region’s airsheds <i>as needed</i> to identify pollution sources. – Undertake the 3-yearly review of the Air Quality Monitoring Strategy.
HBRC will provide financial assistance for those who qualify for insulation and clean heat support.	Number of clean heat systems installed under financial assistance programme.	Following a slow start, the number of clean heat installations are now tracking against agreed targets.	<p>2013-22</p> <ul style="list-style-type: none"> - Provide loan assistance to homeowners region wide for home insulation <i>and clean heat</i> under HBRC’s financial assistance programme. 	<ul style="list-style-type: none"> – Develop and implement a communications strategy to promote the programme.

⁵² PM₁₀ monitoring is measurement of the mass concentration of particulate material smaller than 10 µm, expressed as a 24-hour average value.

Service Levels and Performance Targets Activity 2–Air Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
Hawke’s Bay’s air is suitable to breathe	Compliance with National Environmental Standard (NES) for Air Quality	In 2013, Napier airshed exceeded the standard 5 times, Hastings airshed exceeded the standard 16 times and Awatoto exceeded it once.	<ul style="list-style-type: none"> – Napier Airshed meets NES: No more than 1 exceedance by 2016 – Hastings Airshed meets NES: No more than 3 exceedances by 2016 and no more than 1 exceedance by 2020. 	– Annual reporting against NES for Air Quality

Activity 3 – Water Management

Service Levels and Performance Targets Activity 3–Water Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will increase its knowledge of the region’s water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke’s Bay.	State of the Environment monitoring programme for: <ul style="list-style-type: none"> – Climate – River flows – Groundwater levels – Surface water quality – Groundwater water quality – Aquatic ecosystems 	<ul style="list-style-type: none"> – State of the Environment monitoring network review: <ul style="list-style-type: none"> • Climate - 2008 • River flows - 2009 • Groundwater levels - 2008 • Surface water quality - 2009 • Groundwater water quality - 2008 • Aquatic ecosystems - 2009 – Gaps were identified in climate and rainfall 	2013-15 <ul style="list-style-type: none"> – Establish 1 climate station a year <i>in response to identified requirement.</i> – Monitoring undertaken in accordance with State of the Environment monitoring strategy (reviewed in 2013/14 to reflect national reporting and regional consistency). – Upgrade rainfall sites <i>as required to maintain level of service.</i> 	<ul style="list-style-type: none"> – Annual Monitoring Performance Reports. – <i>Achieve Quality Management System targets.</i>
	Knowledge available to inform environmental flow and allocatable volume review of the following river catchments and groundwater basins: Tukituki River; Ngaruroro River; Karamu Stream; Tutaekuri River; Ruataniwha Plains ; Heretaunga Plains.	<ul style="list-style-type: none"> – Information used to determine minimum flows needs updating to ensure habitat protection. Single factor assessments to determine environmental flows are no longer appropriate. – Groundwater allocation regime proposed for Ruataniwha. – <i>Minimum flows required to maintain identified values, including aquatic habitat, proposed for Tukituki.</i> – <i>Groundwater use estimated for Ruataniwha basin.</i> – <i>Draft groundwater use report prepared for Karamu Stream catchment.</i> 	2013-15 <ul style="list-style-type: none"> – Groundwater <i>abstraction and allocation report prepared for Heretaunga Plains.</i> – Environmental flow, and allocation reports prepared for the: <ul style="list-style-type: none"> • Karamu Stream, Tutaekuri River, Ngaruroro River and inflows to the Ahuriri Estuary – <i>Coupled surface-groundwater model built and running scenarios for Heretaunga.</i> 	<ul style="list-style-type: none"> – Undertake Catchment Sensitivity Analysis. – Increase IFIM surveys. – Increase gauging. – Groundwater/surface water interaction gauging. – Determine methodology for in-stream assessment. – Groundwater model development for Heretaunga

Service Levels and Performance Targets Activity 3–Water Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	Knowledge available to inform review of water quality objectives and setting limits.	<ul style="list-style-type: none"> – Water quality objectives and guidelines are contained in the Regional Resource Management Plan. – <i>Water quality limits required to maintain identified values, including aquatic habitat, established for Plan Change 6 (Tukituki River catchment).</i> 	2013-15 <ul style="list-style-type: none"> – Review of water quality guidelines and objectives completed and reported. – <i>Water quality requirements identified for recognised values, including aquatic habitat, established for Heretaunga Plan Change catchments (Tutaekuri and Ngaruroro Rivers, Ahuriri and Karamu Streams) and the Mohaka Plan Change catchment.</i> 	<ul style="list-style-type: none"> – Undertake catchment sensitivity analysis. – Review existing plan guidelines.
	Knowledge available to manage nutrient inputs to rivers.	<ul style="list-style-type: none"> – The effects of nutrient inputs is known but information is needed on their source and quantity. – <i>Nutrient sources, loads and fates determined for the Tukituki River catchment.</i> 	2013-15 <ul style="list-style-type: none"> – Report on Nutrient limits: Ngaruroro River, Tutaekuri River, Karamu Stream. 	<ul style="list-style-type: none"> – Develop monitoring programmes for selected catchments. – Undertake catchment load analysis and limits based on regional and community values.

Service Levels and Performance Targets Activity 3–Water Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated.	<p>Number of active water user groups.</p> <p>Implementation of water efficiency tools by Water User Groups.</p>	<p>– Water User Groups:</p> <ul style="list-style-type: none"> • Three formally established and facilitated • One potential group under development <p>– Ngaruroro, Ruataniwha and Twyford Water User Groups engaged in efficiency projects i.e. rationing and rostering and tree and vine calculator.</p> <p>– Knowledge transfer through meetings, Council presentations, and one on one assistance.</p>	<p>2013-22</p> <ul style="list-style-type: none"> – Continue to establish and facilitate Water User Groups on a catchment priority basis. – In conjunction with Water User Groups, investigate and apply for research grants relating to water use and resource allocation efficiency. – Continue to transfer latest water efficiency and allocation information to Water User Groups. 	<ul style="list-style-type: none"> – Establish and facilitate Water User Groups. – Investigate and apply for water efficiency and allocation research grants. – Water user Group facilitators to: <ul style="list-style-type: none"> • keep up to date with latest water related information from science and other council departments and forward onto water user groups. • Ensure meetings are held to transfer knowledge.

Service Levels and Performance Targets Activity 3–Water Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	Number of consent holders with water meters operating using telemetry or web/text systems.	<ul style="list-style-type: none"> – Water Information Unit Established. – Water metering web/text water use web page developed. – 749 consents using web entry system. – 507 consents reporting water use via telemetry. 	<p>2014-2019</p> <ul style="list-style-type: none"> – Cumulative total of 1200 consents using telemetry or a web entry system. 	<ul style="list-style-type: none"> – Coordinate the implementation of water metering across Hawke’s Bay. – Establish and maintain web entry and telemetry systems that encourage consent holders to accurately report their water. – Carry out communication with the Hawke’s Bay irrigators to ensure a high level of understanding of water metering requirements. – Continue roll out of verification programme of water meters in accordance with government regulations.
Hawke’s Bay’s water resource is available for future generations	<p>Allocation limits and water quality limits.</p> <p>Implementation of National Policy Statement for Freshwater Management.</p>	<ul style="list-style-type: none"> – Regional Resource Management Plan contains limits for some catchments. Limits in catchments under resource pressure are currently being reviewed. Some catchments are over allocated and some parts of the region have degraded water quality and habitats. 	Refer to other performance targets listed within this table.	<ul style="list-style-type: none"> – Annual Reporting against National Policy Statement for Freshwater Management and Implementation Plan

Activity 4 – Coastal Management

Service Levels and Performance Targets Activity 4–Coastal Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will measure water quality at key recreation sites and make the results available to ensure public health and safety	Recreational water quality monitoring programme and website management	<ul style="list-style-type: none"> – Weekly sampling undertaken at 30 recreational water sites, information available on website within 2 days of results being available – Faecal source tracking at bathing sites that regularly exceed guidelines 	<p>Ongoing</p> <ul style="list-style-type: none"> – Weekly monitoring of key recreational sites as per recreational water quality monitoring plan. – Recreational water information available on website and social network site within 2 days of results being available – Identification of pollution sources for sites that regularly exceed guidelines. 	<ul style="list-style-type: none"> – Undertaken recreational water quality monitoring in accordance with monitoring plan and national guidelines. – Regular monitoring of key recreational sites. – Undertake faecal source tracking when sites exceed guideline values, communication with Land Management, TLA and Public Health teams when results are obtained.

Service Levels and Performance Targets				
Activity 4—Coastal Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will continue to monitor, research and investigate coastal processes to inform coastal planning including climate change and coastal hazards.	Annual coastal monitoring and investigation programme including: – Beach profiling – Storm monitoring – Sediment transport and processes investigation and modelling. – Hazard prediction including tsunami, inundation, erosion, storm surge	– Coastal monitoring has been undertaken for at least 11 years – A research and investigation programme was implemented in 2004.	Ongoing – Annual monitoring and investigation programme completed and reported each year	– Prepare, implement and report on coastal monitoring and investigation programme.
HBRC will provide long term, relevant and specific information on Hawke’s Bay’s coastal ecosystems, so that it and the community can remain engaged with, and informed of, the current state and potential threats to the health of coastal environments.	Identify the state and health of selected regional beaches, reefs and estuaries; Identify the state and health of near-shore coastal waters and coastal sediments; Maintain an operative and relevant Coastal Monitoring Strategy.	– Monitoring undertaken according to the Coastal Monitoring Strategy (2006). – Annual reporting on the state of regional estuaries and sandy beaches. – 6-weekly monitoring of near-shore coastal water quality.	Ongoing – Monitoring undertaken in accordance with State of the Environment Monitoring Strategy (2006) and reported on annually. 2014-15 – <i>Five-year State of the Environment report compiled</i>	– Implement and report on monitoring as specified in the Coastal Monitoring Strategy (2006). – <i>Comprehensive State of the Environment reports compiled every five years</i>

Service Levels and Performance Targets Activity 4–Coastal Management				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will increase its knowledge of coastal ecosystems through targeted research and investigations so that it is better able to understand and respond to the effects of activities on the coastal environment.	Undertaking specific investigation and/or research, and reporting on these outcomes where appropriate	– Clive/Karamu –Waitangi estuary and Ahuriri estuary/Taipo stream identified as sites of special interest	<ul style="list-style-type: none"> – Targeted investigations into coastal receiving environments receiving stormwater discharges. – Saline transition zones in Wairoa, Waitangi, Ahuriri and Mohaka estuaries will be investigated (weather dependent). 	<ul style="list-style-type: none"> – Develop a work programme to assess the effects of stormwater on coastal ecosystems. – Describe the seasonal movement of the saline wedge at a variety of HB rivers/estuaries.

Activity 5 – Gravel Management

Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will monitor and manage river-bed sediment to ensure flood protection schemes work as expected.	River surveys (3-6 yearly) show all scheme rivers have sufficient capacity.	Refer to Heretaunga Plains Scheme and Upper Tukituki Scheme sections.	Ongoing – No decline in river flood capacity.	Ongoing Undertake gravel monitoring, assessment and extraction programmes as desired in Regional Resource Management Plan.
	The average riverbed level where gravel extracted is managed within +/- 200mm of the design grade line.	Average riverbed within design grade range.	Ongoing – Average riverbed within design grade range.	Ongoing – Undertake river surveys every 3-6 years.
	No incidences of erosion or flooding as a result of undesirable gravel levels.	No incidences.	Ongoing – No incidences.	Ongoing – Progress a review of gravel issues.
River-bed gravel is equitably allocated to gravel extractors.	The gravel allocation process complies with the Regional Resource Management Plan	No compliance issues.	Ongoing – No compliance issues with gravel extraction.	Ongoing Undertake gravel allocation process as proposed in the Regional Resource Management Plan.
River gravel management activities have no significant adverse effects on river ecology and water quality.	No reported incidences of adverse impacts following gravel extraction or beach raking activities.	No reported incidences.	Ongoing – No reported incidences of adverse impacts following gravel extraction or beach raking activities.	Ongoing – Undertake gravel management activities in compliance with Regional Resource Management Plan, Ecological Management Plans and River Environment Code of Practice.
Knowledge necessary for sustainable management of riverbed gravel is improved.	Completion of investigation and research work recommended in riverbed gravel scoping study.	Scoping study completed in 2010. Investigation and research programme.	Ongoing – Annual Programme of work completed.	Ongoing – Undertake investigations and research programmes.

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Activity 6 – Open Spaces

Service Levels and Performance Targets Activity 6–Open Spaces				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will provide public access to, and manage existing Council owned parks and wetlands for multi-purpose benefits.	Levels of service associated with all open space areas are set out in current management plans.	Current management plans/ operation and maintenance contracts for: <ul style="list-style-type: none"> – Tutira Country Park: expires 2014 – Tukituki wetland: expires 2014 – Pakowhai Country Park – HBRC maintained cycleways <p><i>Management plans currently under review:</i></p> <ul style="list-style-type: none"> – Pekapeka wetland: expired 2010. – Waitangi wetlands: expired 2012 	<p>Ongoing</p> <ul style="list-style-type: none"> – <i>Maintain</i> a current Open Space Vision and Management Plan and, where appropriate, further development programmes for all open space areas and facilities. – Implement management plans to deliver levels of service established. 	<ul style="list-style-type: none"> – Develop management plans/ operation and maintenance contracts as required. – Maintain and develop areas in accordance with management plans.
HBRC will actively look for opportunities to provide the public with opportunities to enjoy open space available within the region with opportunities assessed against the HBRC Open Space policy and evaluation criteria.	Open space policy and evaluation criteria. Note \$745,000 remaining in HBRC open space and community facilities to provide for opportunities.	Community facility and open space policy and evaluation criteria in place.	<p>Ongoing</p> <ul style="list-style-type: none"> – Continue to assess affordable open space opportunities in accordance with the open space vision. – Action any opportunities approved by Council. <p>2014-15</p> <ul style="list-style-type: none"> – <i>Investigate open space development opportunities with the region’s territorial authorities that align with visitor facilities and attractions and meet policy and evaluation criteria.</i> 	<ul style="list-style-type: none"> – Establish levels of service and management plans for all additional open space facilities. – Open Space network plan completed and adopted by Council. Development opportunities being considered as part of individual regional park reviews. – In response to submission on 2013/14 Annual Plan, Council agreed to contribute up to \$100k to Central Hawke’s Bay pathway development.

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Introduction

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

The empowering legislation for HBRC functions include the Resource Management Act 1991, the Local Government Act 2002, the Soil Conservation and Rivers Control Act 1941, the Building Act 2004, the Foreshore and Seabed Act 2004, the Hazardous Substances and New Organisms Act 1996, and the Maritime Transport Amendment Act 2013.

Link to Community Objectives

This group of activities contributes to Council’s objectives for the regional community in the following ways:

- *An environment that is appreciated, protected and sustained for future generations* – by enforcing rules and issuing resource consents which enable access and use of natural and physical resources, based on sustainable management principles.

- *A strong, prosperous and thriving economy* – by permitting sustainable use of the natural and physical resources through permitted activities within the rules and administering resource consents.
- *Safe and accessible recreational facilities* – by considering recreation where appropriate when assessing resource consents.
- *A lifetime of good health and wellbeing* – by protecting the natural environment, particularly fresh water quality for drinking; fresh and coastal water quality for ecological support and recreational purposes; and air quality.

Significant Negative Impacts

The functions of the Resource Management Act for this group of activities seek to balance the requirement to safeguard the environment while providing for the social, economic and cultural needs of the wider community.

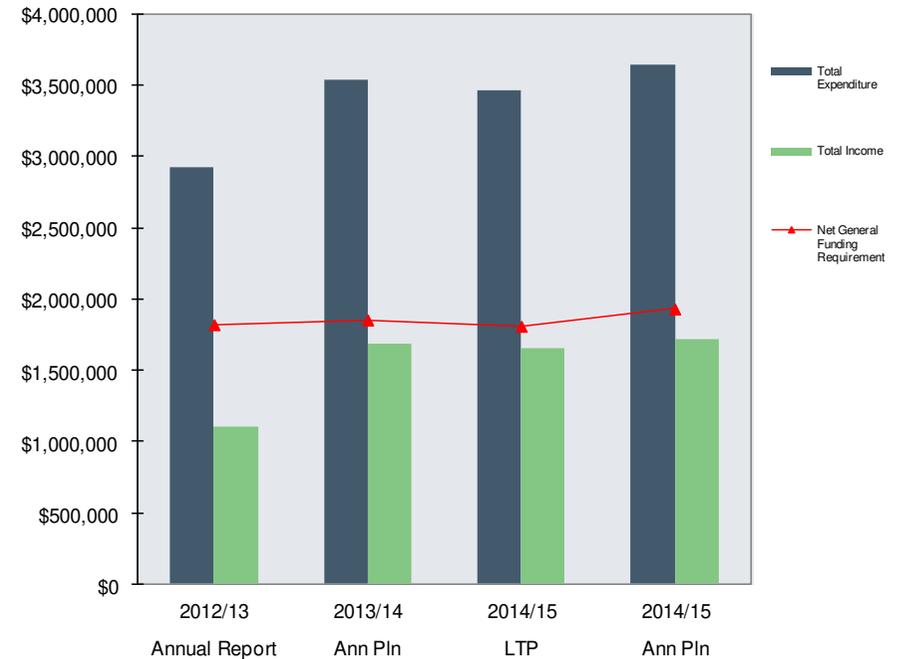
In some instances, decisions made on individual resource consents can enable economic and social growth, while on other occasions it can limit such benefits.

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

Expenditure and Funding

Cost of Services Statement: Regulation					
Activity (#)	Annual Report 2012/13 (\$'000)	Ann Pln 2a 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a 2014/15 (\$'000)	
EXPENDITURE					
Operating Expenditure					
Resource Consent Processing	1,201	1,657	1,702	1,757	
Compliance Monitoring	1,319	1,343	1,328	1,340	
Maritime Safety & Navigation	314	444	329	448	
Building Act Implementation	93	96	103	97	
Depreciation/Amortisation Expense	0	4	7	4	
Total Operating Expenditure	2,927	3,544	3,469	3,646	
TOTAL EXPENDITURE	2,927	3,544	3,469	3,646	
REVENUE					
Activity Revenue					
Direct Charges	1,106	1,690	1,659	1,715	
Total Activity Revenue	1,106	1,690	1,659	1,715	
TOTAL REVENUE	1,106	1,690	1,659	1,715	
TOTAL GENERAL FUNDING REQUIREMENT	(1,821)	(1,854)	(1,810)	(1,931)	
Specific Scheme Reserves	0	0	0	0	
NET GENERAL FUNDING REQUIREMENT	(1,821)	(1,854)	(1,810)	(1,931)	

Net Funding Requirement: Regulation



Activity 1 – Resource Consent Processing

Service Levels and Performance Targets Activity 1–Resource Consent Processing				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will ensure that accurate information about resource consent requirements and processes is readily available.	Application and submission guides are available in electronic and hard copy form.	Currently meeting all performance targets.	2012-22 – No verified reports of inaccurate information being given in relation to resource consent requirements. 2012-22 – Electronic application and submission forms, application and submission guides are available through HBRC’s website.	– Maintain up-to-date application forms and information packs.
HBRC will process resource consent applications in a timely manner.	100% of resource consents processed within statutory timeframes set down in the Resource Management Act 1991.	100% of non-notified resource consents, 100% of limited notified resource consents and 100% of notified resource consents processed within statutory timeframes in the 2013/2014 financial year.	2012-22 – 100% of resource consents processed within statutory timeframes.	– Continued tracking of Resource Management Act timeframes. – Ensure professional competency of staff to provide regulatory services. – High performance ratings achieved in the biennial Ministry for the Environment Survey on Resource Management Act performance of Local Authorities. – Maintain clear communication with resource consent holders and applicants over timelines, information requirements and consenting processes.

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Activity 2 – Compliance Monitoring

Service Levels and Performance Targets Activity 2–Compliance Monitoring				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will check that consent holders comply with the resource consent conditions imposed to protect the environment.	Number of consents monitored in accordance with the adopted compliance monitoring strategy.	91% of programmed inspections/reports completed in 2012/13. At the end of the 2012/13 year there were 4 consents that were graded significant non compliance that were more than six months old and not resolved.	2012-22 – 90% of programmed inspections/reports completed each year. – 95% of monitored consents achieve an overall grading of full compliance.	– Maintain an up-to-date compliance monitoring strategy which reflects the level of risk to the environment. – Annual Work programmes.
HBRC will provide a 24 hr/7 day a week pollution response service for reporting environmental problems.	Duty management/Pollution Management response system.	24 hour Duty management/Pollution Management response system in place.	2012-22 – 24 hour duty Management/pollution management response system maintained.	– Appropriate appointments of staff to operate systems

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Activity 3 – Maritime Safety & Navigation

Service Levels and Performance Targets Activity 3–Maritime safety and Navigation				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region’s navigable waters are safe for people to use.	The Navigation Safety Bylaws and Port and Harbour Safety Management System.	<ul style="list-style-type: none"> – Bylaws came into force on January 15th 2012. A number of incidents concerning safety and compliance now require that parts of the bylaws must be reviewed in 2014. – A Maritime New Zealand accredited Harbour Safety Management System for the Napier Pilotage Area is valid until 2017. – Engage with commercial and recreational users to improve relationships. 	<p>2012-22</p> <ul style="list-style-type: none"> – Bylaws to be reviewed in 2016. – Maintain a Maritime New Zealand accredited Harbour Safety Management System for the Napier Pilotage Area. – Marine accidents and incidents are investigated and acted upon using education and enforcement as appropriate. – Region wide risk assessment and review of current work programme with forward looking recommendations by 1 July 2014. – Review community education effectiveness by 1 July 2014. – Complete installation of navigation aids at Pourerere. 	<ul style="list-style-type: none"> – Hawke’s Bay Regional Council provides an appropriately qualified and experienced Harbourmaster. Review human resources required to effectively carry out the Harbourmaster role. – Maintain Harbour Safety Management System. Monitor and enforce Navigation Safety Bylaws. – Review resources required to enable effective enforcement of bylaws.

Activity 4 – Building Act Implementation

Service Levels and Performance Targets Activity 4–Building Act Implementation				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
Process Building Act consent applications within timeframes.	Contract with Waikato Regional Council to process dam consents on behalf of Hawke’s Bay Regional Council (HBRC).	Contract in place.	2012-22 – Maintain contract with Waikato Regional Council, for the processing of dam building consents.	– Maintain contract – Review Council’s preparedness for Building Act implementation
Maintain an accurate Dam Register and help dam owners prepare dam safety assurance programmes in accordance with Building Act timeframes.	All known dams have been recorded on the Dam Register, and dam owners informed of Building Act requirements.	All known dam owners informed of Building Act requirements and timeframes.	2012-22 – 100% of dams comply with regulation requirements that come into force in July 2014.	– Maintain staff levels and increase their knowledge of Building Act requirements.
HBRC will investigate illegally built dams and will ensure that they are removed or made compliant.	An illegally built dam is made compliant or removed within six months of identification.	Any illegally built dam is made compliant or removed within six months of identification.	2012-22 – 100% of dams comply with regulations.	– Maintain staff levels and increase their knowledge of Building Act requirements.

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Introduction

Animal and plant pest control is carried out in accordance with Hawke's Bay Regional Council's (HBRC) Regional Pest Management Strategy and the Biosecurity Act 1993.

Biosecurity covers the inter-related programmes of:

- Regional animal pest control
- Regional plant pest control
- Contribution to TBfree NZ vector management and control programme in HB.
- Development of regional pest management strategies and contribution to national strategy issues.

Links to Community Objectives

This group of activities contributes to Council's objectives for the regional community in the following ways.

- *An environment that is appreciated, protected and sustained for future generations* – by providing an environment for restoring native biodiversity and ensuring that it is maintained for future generations to enjoy.

- *A strong, prosperous and thriving economy* – by reducing the economic impact that pests have on agricultural and horticultural production, and minimising the impact that the presence of pests may have on economic growth.
- *A lifetime of good health and wellbeing* – by reducing the presence of pests that impact on human health, and increasing Hawke's Bay's biodiversity for public enjoyment.

Significant Negative Impacts

Because Animal pest control is undertaken using a range of methods including poisons and traps, and Plant pest control can involve the use of agrichemicals there is the potential for a number of non-target animal and plant species to be killed.

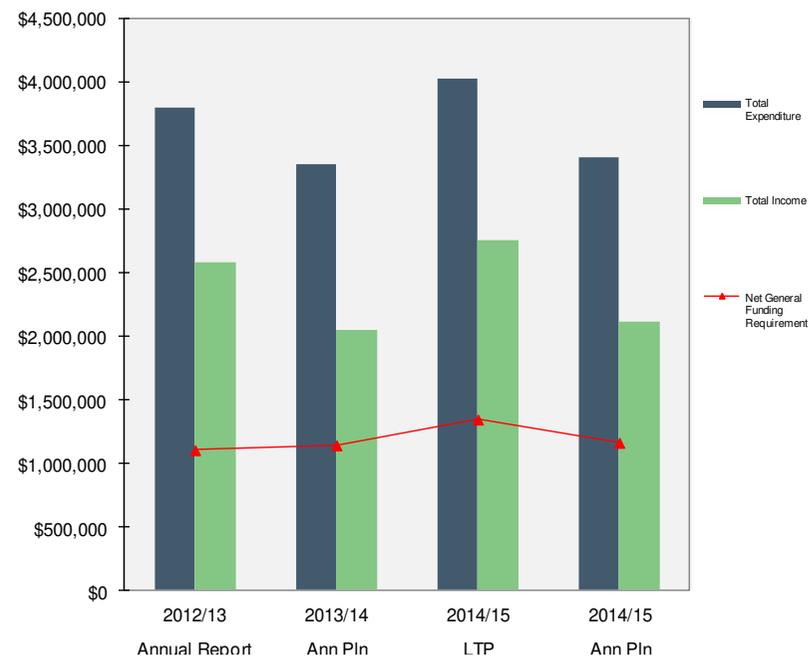
To offset these potential negative impacts, HBRC ensures staff and contractors follow good industry practice for biosecurity activities. Also, significant biodiversity enhancement from pest control activities includes improved native birdlife and revegetation of native flora. Increased regional economic returns can also be expected to accrue through increased production and reduced pest control costs when key pests are well managed.

If adequate pest control is not carried out, pests can have significant adverse effects on lifestyles, quality of living and primary productivity.

Expenditure and Funding

Cost of Services Statement: Biosecurity					
	Activity (#)	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
EXPENDITURE					
Operating Expenditure					
Regional Biosecurity Programmes	1.				
- Plant Pest Control		703	738	766	766
- Regional Animal Pest Control		1,879	1,829	1,780	1,849
- Bovine Tb Regional Vector Control Programmes		1,168	735	1,424	734
- Pest Management Strategies		47	54	54	55
Depreciation/Amortisation Expense		0	0	0	0
Total Operating Expenditure		3,797	3,356	4,024	3,404
Capital Expenditure					
AHB Risk Reserve Deposit		0	0	0	0
Total Capital Expenditure		0	0	0	0
TOTAL EXPENDITURE		3,797	3,356	4,024	3,404
REVENUE					
Activity Revenue					
Direct Charges		575	0	604	0
Total Activity Revenue		575	0	604	0
Other Revenue					
Targeted Rates		1,939	2,000	2,089	2,072
Grants		67	25	25	25
Interest on Scheme Reserves		0	22	31	13
Total Other Revenue		2,006	2,047	2,145	2,110
TOTAL REVENUE		2,581	2,047	2,749	2,110
TOTAL GENERAL FUNDING REQUIREMENT		(1,216)	(1,309)	(1,275)	(1,294)
Specific Scheme Reserves		114	169	(68)	134
NET GENERAL FUNDING REQUIREMENT		(1,102)	(1,140)	(1,343)	(1,160)

Net Funding Requirement: Biosecurity



Activity 1 – Regional Biosecurity Programmes

Service Levels and Performance Targets				
Activity 1–Regional Biosecurity Programme				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will develop and implement regional pest management strategies that improve biodiversity and economic prosperity.	Pest Management Strategies Maintain a current Regional Pest Management Strategy.	– Current strategy in place until 2017.	2013-2015 – Review the current Regional Pest Management Strategy (RPMS) <i>and complete new Plan by 2015</i>	– Review of current Regional Pest Management Strategy to be completed during 2014/15.
	Undertake research and investigation to quantify and/or increase the economic, biodiversity or animal/human health benefits of pest control.	– At least one new initiative undertaken annually.	Ongoing – Undertake at least one research/investigation initiative annually.	Ongoing – Buy new releases of biological control agents where appropriate. – Implement research/investigation to help deliver or quantify the effectiveness of the biosecurity programme.

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Service Levels and Performance Targets				
Activity 1—Regional Biosecurity Programme				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity.	Regional Animal Pest Control and Bovine Tb Vector Control Programmes Hectares of rateable land kept at low possum numbers. Low possum numbers means no more than five possums caught per 100 traps set out at night.	<ul style="list-style-type: none"> – June 2012 Possum Control Area (PCA) programme: 467,000 ha. – 2012: Animal Health Board programme over rateable land: 500,000 ha. <p>Total: 967,000 ha.</p> <ul style="list-style-type: none"> – Monitoring shows majority of areas under PCAs have trap catches less than 3%. 	<ul style="list-style-type: none"> – By 2016 all rateable land will be reduced to low possum numbers (total rateable land in Hawke’s Bay = 1,000,000 ha). <p>Rateable land in transition from the Animal Health Board programme: 2014-15: 30,000 ha 2015-16: 40,000 ha</p> <p>Rateable land in Possum Control Area (PCA) Programme: June 2014: 534,000 ha</p> <p>Of the PCAs monitored, less than 10% of the monitoring lines exceed 5% trap catch.</p>	<p>Ongoing</p> <ul style="list-style-type: none"> – Transfer all rateable land under Animal Health Board (AHB) vector control to the PCA programme when AHB vector control stops. – Ensure areas under the PCA programme are maintained with low possum numbers by education, encouragement and where necessary, compliance. – Provide an effective region wide possum control product subsidy scheme so materials are readily available to occupiers undertaking their own control. – Undertake possum control along boundaries where there is a risk of re-infestation. – Prepare an annual trend and education monitoring programme for the following financial year before May 30. – Where enforcement action is required staff will issue “Notices of Direction” and encourage land occupiers to comply with that Notice. – Undertake monitoring to confirm the compliance of no less than 10% of the area under the PCA programme in any one year.
	The number of active rook nests treated annually across the region.	Current performance 2012 <ul style="list-style-type: none"> – North of SH5 - 95 active nests treated. – South of SH5 - 686 active nests treated. 	Ongoing <ul style="list-style-type: none"> – Monitoring indicates a downward trend in active rook nest numbers in both areas (North and South of SH5). 	Ongoing <ul style="list-style-type: none"> – Annually treat every active nest in all known rookeries within Hawke’s Bay. – Ground control rooks where operational conditions permit.
	Response time to rabbit complaints/enquiries.	An initial response is given within 5 working days of receipt of each rabbit related complaint/enquiry	Ongoing <ul style="list-style-type: none"> – An initial response is given within 5 working days of receipt of each rabbit related complaint/enquiry 	<ul style="list-style-type: none"> – Maintain regional rabbit night count and Rabbit Haemorrhagic Disease (RHD) monitoring programme – Provide advice and education to occupiers where they wish to reduce rabbit or hare impacts on their

Service Levels and Performance Targets				
Activity 1—Regional Biosecurity Programme				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	Responsiveness to properties identified with rabbit populations over McLean Scale 4.	Management Plans prepared within 4 months of identification.	Ongoing – A management plan is prepared within four months for each property identified with rabbit numbers above McLean Scale 4.	property – Record and respond to property owner complaints where rabbits are damaging neighbouring properties. – Management plans for properties above McLean Scale 4; identify the cost benefits of undertaking control measures necessary for effective long term management on that property and any risks of not undertaking control to reduce numbers below McLean Scale 4.
	Plant Pest Control Routine plant pest inspections of areas infested with plants controlled under HBRC Regional Pest Management Strategy.	<ul style="list-style-type: none"> – All known infestations of ‘service delivery’ Total Control plant pest sites visited annually and plants controlled. – All known infestations of ‘occupier responsibility’ visited annually – Land around all known infestations of total control plants inspected at least every 3 years. – All areas of high potential risk visited annually and checked for possible new plant pest incursions. 	Ongoing <ul style="list-style-type: none"> – All known infestations of ‘occupier responsibility’ Total Control plant pest sites are visited annually. – All known ‘service delivery’ Total Control plant pest sites are visited annually and plants controlled. – All Privet sites identified through complaints controlled within 6 months of complaint. – The land around all known infestations of Total Control plants is inspected at least every 3 years. – All areas of high potential risk are visited annually and checked for possible new plant pest incursions. 	Ongoing <ul style="list-style-type: none"> – Undertake at least annual control on all ‘service delivery’ Total Control plant pests to prevent their seeding. – Undertake monitoring to measure ‘service delivery’ Total Control plant pests. – Record outputs for key ‘service delivery’ plant pests (Privet and Pinus Contorta). – Record all total control plant visit numbers.

Item 10

Attachment 3

Introduction

Emergency Management covers a range of activities to meet Civil Defence and natural hazard management responsibilities. 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 Regional Council (HBRC) administers both the Hawke's Bay Civil Defence Emergency Management Group and the Coordinating Executive Group, both of which have responsibilities for the implementation of the Hawke's Bay Group Civil Defence Emergency Management Plan.

The relevant legislation for this function of HBRC is the Civil Defence Emergency Management Act 2002 and the Resource Management Act 1991.

Links to Regional Community Objectives

This group of activities contributes to Council's objectives for the regional community in the following ways.

- *An environment that is appreciated, protected and sustained for future generations* – by providing sound advice on rainfall and water flows during flood conditions and hazard information for land use planning purposes.
- *A strong, prosperous and thriving economy* – by enhancing community resilience through the promotion of community response plans and business continuity planning.
- *Strong regional leadership and a sense of belonging* – by co-ordinating groups of organisations, and ensuring their understanding of and collaborative contribution to community resilience and emergency response and recovery activities.

- *Supportive, caring and inclusive communities* – by providing advice that enables individuals to make sound decisions on the risk they are willing to live with and assisting with their effectiveness to respond and recover from a disaster.
- *A lifetime of good health and wellbeing* – by providing flood warning and forecasting and information on how to reduce hazards to encourage community resilience and preparedness.

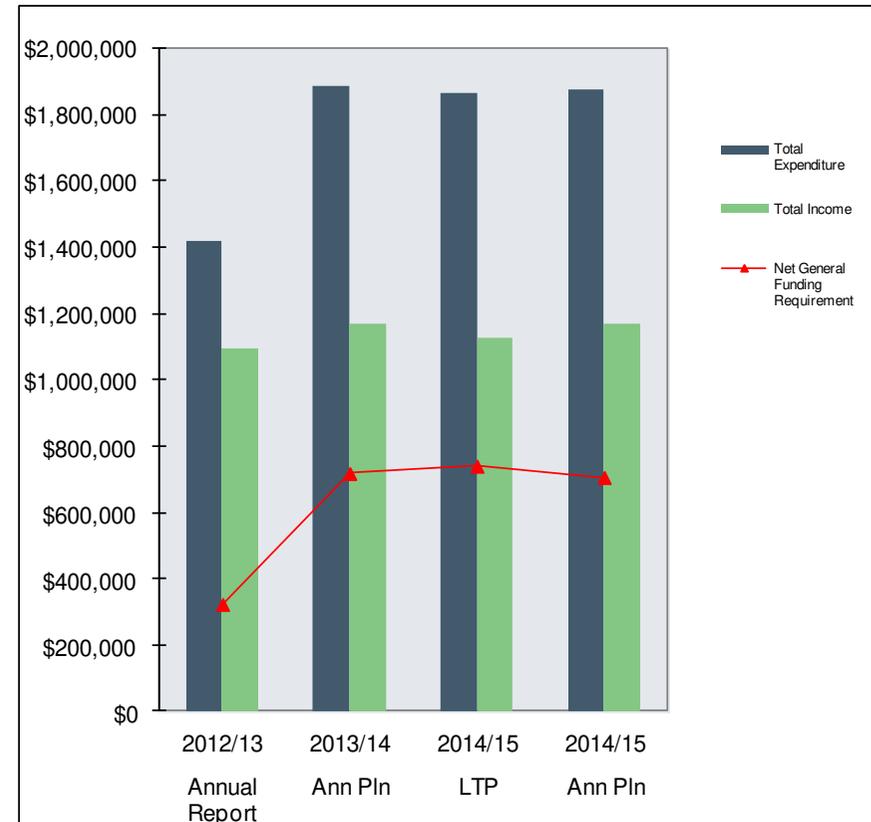
Significant Negative Impacts

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

Expenditure and Funding

Cost of Services Statement: Emergency Management					
	Activity (#)	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
EXPENDITURE					
Operating Expenditure					
HB Civil Defence Emergency Management Group	1.	789	1,047	937	993
HBRC Hazard Assessment & Response	2.	627	802	821	825
Depreciation/Amortisation Expense		0	36	106	59
Total Operating Expenditure		1,416	1,885	1,864	1,877
TOTAL EXPENDITURE		1,416	1,885	1,864	1,877
REVENUE					
Activity Revenue					
Direct Charges		191	96	127	106
Total Activity Revenue		191	96	127	106
Other Revenue					
Targeted Rates (Uniform Annual Charge)		784	871	835	891
Grants		118	200	162	174
Total Other Revenue		902	1,071	997	1,065
TOTAL REVENUE		1,093	1,167	1,124	1,171
TOTAL GENERAL FUNDING REQUIREMENT		(323)	(718)	(740)	(706)
NET GENERAL FUNDING REQUIREMENT		(323)	(718)	(740)	(706)

Net Funding Requirement: Emergency Management



Activity 1 – HB Civil Defence Emergency Management Group

Service Levels and Performance Targets				
Activity 1– HB Civil Defence Emergency Management Group				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will reduce the impact of long term natural and man-made hazards to life and property, eliminating these risks if practicable, and if not seek the reduction of their impact.	Assessment of natural and manmade hazards will be completed for at risk areas in Hawke’s Bay.	As part of the Hawke’s Bay Civil Defence Emergency Management (HBCDEM) Plan: <ul style="list-style-type: none"> – A hazardscape, (or landscape of hazards) assessment has been completed. – Priorities to reduce the impact of hazards are identified. – A work programme to identify and reduce the impact of hazards is approved. Hawke’s Bay Joint Hazard Strategy for Local Authority Land-use Planning completed.	2012-22 <ul style="list-style-type: none"> – Advocate to Territorial Authorities for the consideration and inclusion of hazard information as part of their land use planning functions – In conjunction with TAs, provide public advice on the impacts of hazards. – Complete changes to the Resource Management Act 1991 statutory plans that reflect the integrated approach of the Joint Hazard Strategy. 	<ul style="list-style-type: none"> – Review and implement the Hawke’s Bay Civil Defence Emergency Management Plan. – Advocate coordination between the HBRC works programme and the readiness priorities in the HBCDEM Plan. – Become involved in Territorial Authority planning processes under the RMA. – Provide public advice through a range of media (internet/public forums).
	Number of hazards research projects commissioned each year.	At least one new research project commissioned each year, for example, tsunami inundation modelling and fault line mapping for Wairoa completed 20/10/11.	2012-22 <ul style="list-style-type: none"> – At least one new research project commissioned each year. 	<ul style="list-style-type: none"> – Commission research every year based on HBRC Hazard Research Plan and priorities set out in the Hawke’s Bay Civil Defence Emergency Management Plan.
	Percentage of surveyed residents that are aware of hazard risks & can identify earthquake, flooding, and tsunami as major hazards in Hawke’s Bay.	Survey 2008 asked residents to identify hazard risk to their livelihood: <ul style="list-style-type: none"> – 94% identified earthquake – 60% identified flooding/heavy rainfall – 34% identified tsunami 	2012-22 <ul style="list-style-type: none"> – Awareness of earthquake, flooding/heavy rainfall and tsunami hazard risks show an increase over time. – Specific target more than 50% of residents can identify tsunami as one of the region’s major hazards by 2018. – As measured in a 3 year survey. 	<ul style="list-style-type: none"> – Prepare and implement a communications plan to target hazards to highlight in a promotion. – Promote hazard awareness through public displays such as tsunami and 1931 earthquake displays and produce hazard education material. – Community Survey every three years.

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Service Levels and Performance Targets				
Activity 1– HB Civil Defence Emergency Management Group				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	Satisfaction of Territorial Authorities and professionals involved in land use planning decision making with the quality, format & relevance of hazard information supplied.	Hazard Research Bibliographic Database available online and several research projects commissioned and completed including tsunami, faultline and flood modelling. Territorial Authorities surveyed 2011 - 83% said information was relevant and the quality of information was rated high.	2012-22 – All Territorial Authorities and planning professionals are satisfied with the quality, format and relevance of hazard information supplied/available as assessed by an evaluation and feedback form every 3 years.	– Continue work to identify sources of hazards and ensure this information is collected, sorted, recorded, and stored in a relevant manner. – Actively encourage best practice on hazard avoidance/mitigation by ensuring territorial authorities and professionals involved in land use planning decision making are informed of relevant hazards and risks.
HBRC will maintain and where appropriate increase the readiness of Hawke’s Bay Civil Defence Emergency Management (HBCDEM) and the community to respond to a civil defence emergency.	HBRC response to a Civil Defence emergency is coordinated, appropriate, effective and efficient.	A region-wide exercise is held every three years with all HBCDEM Group agencies.	2012-22 – Complete HBCDEM Group Training Directive. – Maintain three yearly exercise programmes. – Corrective Actions that the HBCDEM group has responsibility for are implemented in accordance with the Corrective Action Plan.	– Review and implement HBCDEM Plan. – Exercise programme maintained and exercise reports completed with Corrective Action Plans. – Support the operation and engagement of the Training Advisory Group. – Support Territorial Authorities in completing Community Response Plans for specific communities.
	The level of support provided to the HBCDEM Group in directing and co-ordinating personnel and resources for response and recovery operations.	Adopted HBCDEM Group Plan is in place.	2012-22 – An active Welfare Advisory Group which meets at least 4 times a year.	– Review of HBCDEM Plan. – Maintain and support the HBCDEM Joint Committee and Chief Executives Group. – Maintain and support the HB Welfare Advisory Group.

Service Levels and Performance Targets				
Activity 1– HB Civil Defence Emergency Management Group				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	The percentage of surveyed residents prepared to cope for at least three days on their own.	<ul style="list-style-type: none"> – Civil Defence Emergency Management (CDEM) Group website is maintained with information on preparedness. – Current advertising programme. – 90% surveyed residents said they had enough food stored for three days and had some way of cooking without electricity. – Over 55% had enough water stored not including water in hot water cylinders. 	2012-22 <ul style="list-style-type: none"> – 90% residents have enough food stored for three days and had some way of cooking without electricity. – 75% have enough water stored. – As measured by three yearly survey. 	<ul style="list-style-type: none"> – Maintain and develop information and materials that support the Group Website, regular radio advertising and other promotional opportunities in accordance with communications strategy. – Support the National “Get ready, Get thru” programme and national “Get Ready” week. – Maintain Interagency Communication Group who develop and implement a programme of public CDEM education. – Survey the community every three years.
HBRC will ensure that appropriate levels of response capabilities are in place and maintained across the Hawke’s Bay Civil Defence Emergency Management (HBCDEM) Group.	Established Emergency Management Plans including training and procedures.	<ul style="list-style-type: none"> – HBCDEM Group Plan and Standard Operating Procedures are implemented. – Established Group Emergency Operations Centre with supported training programme. 	2012-22 <ul style="list-style-type: none"> – Maintain Plans and Standard Operating Procedures and ensure Group Emergency Coordination Centres can be ready for operation within 6 hrs of event. – Effectively and efficiently manage any emergency events from initial warning until a safe situation returns. 	<ul style="list-style-type: none"> – Ensure Plans and procedures confirm agency roles and responsibilities for good co-ordination. – Maintain two Group Emergency Coordination Centres (Hastings & Napier) which are ready for operation, with supporting Group Standard Operating Procedures. – Conduct training for staff assigned to Group emergency management roles.

Service Levels and Performance Targets				
Activity 1– HB Civil Defence Emergency Management Group				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	Maintain the CDEM Group’s emergency management and civil defence capacity with the capability of effectively responding to an emergency event.	– Established Emergency Management Team and training programme in place.	2012-22 – Maintain established teams, training programmes, Emergency Operations Centre, Manuals, in accordance with HBCDEM Group Plan.	– HBRC staff have been assigned emergency management roles and are having training annually. – Effectively and efficiently manage any emergency event from initial warning until a safe situation returns.
HBRC will ensure the recovery from emergencies is managed in accordance with the scale of the event.	Facilitate and maintain Lifelines Group who have effective input into Civil Defence Emergency Management (CDEM) Group plans. Dedicated CDEM Group Recovery Manager appointed. A relevant CDEM Group Recovery Plan is adopted and maintained.	– The Lifelines Group currently has lost momentum. – The CDEM Group has no appointed Recovery Manager or specific Recovery Plan.	2012 – 2022 – Partner Territorial Authorities have appointed local recovery managers.	– Provide strategic guidance for Group Recovery Plan as part of the review of the CDEM Group Plan. – Review and support Lifelines Group.

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Attachment 3

Activity 2 – Hazard Assessment & Hawke’s Bay Regional Council Response

Service Levels and Performance Targets				
Activity 2– Hazard Assessment & Hawke’s Bay Regional Council Response				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will ensure it has an emergency response capability that can provide regional hazard assessments and warning systems to the Civil Defence Emergency Management (CDEM) Group and to manage Council assets.	Effectiveness of response capacity and capability.	HBRC maintains an emergency management and civil defence capacity capable of responding effectively to an emergency event.	Ongoing – Maintain established Teams, training programmes, Emergency Operations Centre, Manuals and Business Continuance Plan.	– Annual training and management of teams. – Annual maintenance of Emergency Operations Centre Manuals and Business Continuity Plans.
	24hour duty management system is in place.	24 hour Duty Management warning and response system with capacity to scale up for emergency response is in place.	Ongoing – Operate an effective 24-hour Duty Management Service and respond to urgent public enquiries and complaints in a timely professional manner.	– Maintain log of duty calls along with record of warning and watches of severe weather or other hazardous events managed.
HBRC provide reliable warning of flooding from the region’s major rivers to at risk communities in the Wairoa, Tutaekuri, Ngaruroro and Tukituki areas.	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year. – Priority sites: 98% – Overall: 92%	Priority sites were operational for 2011-12: – Priority sites: 97.9% – Overall: 97.8%	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year: 2012-19: 98% average for all key sites	– Regular checking and maintenance of all rainfall and level recorder stations. – Repair of all key sites damaged during storms within four weeks. – Programme to double the number of priority sites to increase operation reliability over 10 year period.
A flood forecasting system is available on the web to advise the community on likely rainfall and flooding.	Percentage of the region at risk of flooding from large rivers, covered by a flood forecasting model.	60% of the region’s floodplains are covered with a flood forecasting model.	Percentage of the region covered by a flood forecasting model 2014-15: 70% 2021-22: 100%	– Continue to develop and upgrade flood forecast models of flood plain areas.

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Attachment 3

Service Levels and Performance Targets				
Activity 2– Hazard Assessment & Hawke’s Bay Regional Council Response				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
		Computer models reflect what happens during a flood event and give up to 2 hours highly reliable forecasting, up to 12 hours moderately reliable forecasting and 48 hours total forecast.	Ongoing – No decrease in model performance.	<ul style="list-style-type: none"> – Continue to survey rivers to update models every 6 years – Calibrate models to significant storm events.
	Information available on HBRC’s website during storm events.	Web information is updated every three hours during significant (greater than 5 Year) storm events.	Ongoing – No change	– Programme for web information during storm events maintained.
	Peak flood forecast river flows agree within 25% of the actual flows.	25%	Ongoing – No decrease in performance.	– Calibration of models to significant storm events.
HBRC will continue to improve its knowledge and understanding of flood risks from the areas exposed to severe weather events and the effects of runoff onto low lying land and into the network of drains, streams and rivers of the region.	Percentage of area mapped for flood hazard, including the impact of climate change.	Up to date flood hazard information is available for 96.9% of high risk community areas, and 20% of the lower risk community areas.	2014-15: 100% – To update flood hazard information for high risk communities. 2021-22: 100% – Up to date flood hazard information available for lower risk communities.	<ul style="list-style-type: none"> – Identification of high flood risk areas. – Programme of collection and distribution of flood hazard information for high and low risk areas.

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Attachment 3

Service Levels and Performance Targets				
Activity 2– Hazard Assessment & Hawke’s Bay Regional Council Response				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will to 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.	Current Tier 2 Oil Spill Plan is in place and training is being implemented.	Current Tier 2 Oil Spill Response Plan is in place and a programme of appropriate training & exercises in accordance with the provisions of the plan and the requirements of the Maritime Transport Act 1994 has been undertaken over previous years.	– Operative Marine Oil Spill Plan is maintained, along with trained personnel.	<ul style="list-style-type: none"> – Annual training and management of teams. – Annual maintenance plan.

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Attachment 3

Introduction

Transport covers planning, provision of passenger transport and co-ordination and provision of road safety initiatives across Hawke's Bay.

The driving force is the Regional Land Transport Strategy and the Regional Land Transport Programme, which are required to be prepared by the Regional Transport Committee.

The Land Transport Act 1998 and the Land Transport Management Act 2003 and its Amendment Act 2008, requires Hawke's Bay Regional Council (HBRC) to consider the transport needs of disadvantaged people. In September 2011, HBRC adopted a Regional Public Transport Plan to address this and guide it in providing a passenger transport system that provides good quality local public services for the people of Hastings and Napier.

HBRC operates a Total Mobility Scheme that provides a subsidised taxi service for people with serious mobility constraints by way of taxi vouchers.

Links to Regional Community Objectives

This group of activities contributes to Council's objectives for the regional community in the following ways.

- *An environment that is appreciated, protected and sustained for future generations* – by taking into account demand for future public bus services and environmental considerations in transport planning with the Hastings District Council and Napier City Council.
- *A strong, prosperous and thriving economy* – by providing reliable and secure public transport infrastructure.

- *Transport, infrastructure and services that are safe, effective and integrated* – by providing public transport services; integration with other modes of transport (for example walking and cycling); and road safety programmes.
- *Strong regional leadership and a sense of belonging* – by providing increased opportunities for social interaction; travel options for the workforce; and more access to essential services and amenities.
- *Safe and accessible recreational facilities* – by increased opportunities for social interaction and travel options for the workforce; greater access to essential services and amenities; and ensuring integration with walking and cycling opportunities.
- *A lifetime of good health and wellbeing* – by reducing traffic congestion and providing an environmentally sustainable choice of transport.

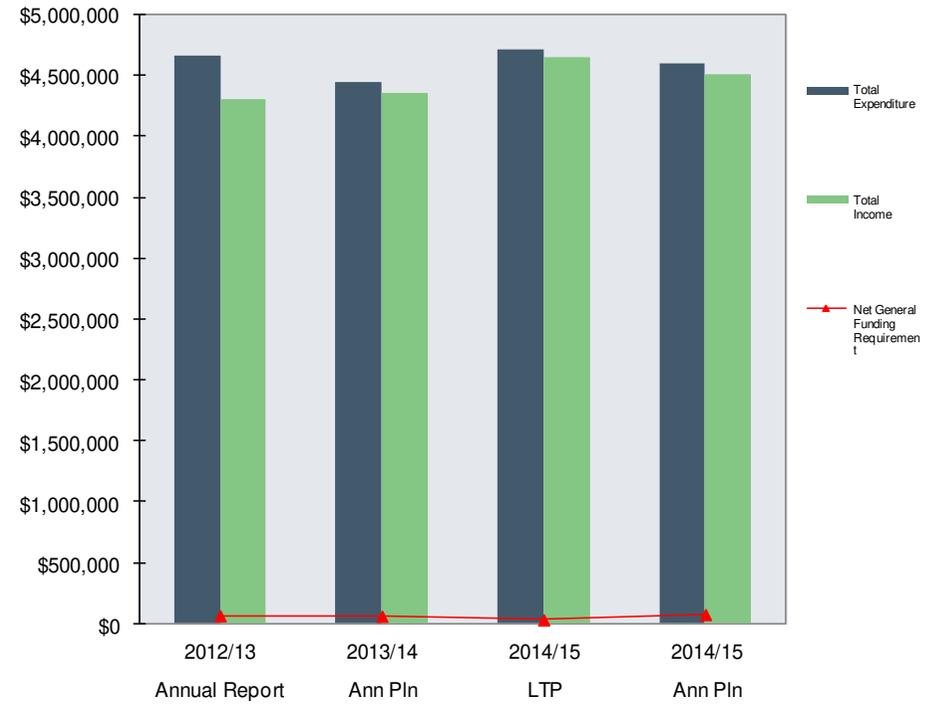
Significant Negative Impacts

There are no anticipated significant negative impacts from this group of activities which seek to provide an integrated, safe and efficient transport network.

Expenditure and Funding

Cost of Services Statement: Transport					
	Activity (#)	Annual Report 2012/13 (\$'000)	Ann Pln 2a 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a 2014/15 (\$'000)
EXPENDITURE					
Operating Expenditure					
Regional Road Safety	1.	453	390	469	403
Regional Land Transport Strategy	2.	79	156	164	143
Subsidised Passenger Transport	3.	4,136	3,875	4,064	4,035
Depreciation/Amortisation Expense		0	20	20	20
Total Operating Expenditure		4,668	4,441	4,717	4,601
TOTAL EXPENDITURE		4,668	4,441	4,717	4,601
REVENUE					
Activity Revenue					
Direct Charges		80	92	92	40
Total Activity Revenue		80	92	92	40
Other Revenue					
Targeted Rates		1,476	1,550	1,604	1,603
Interest on Scheme Reserves		0	9	10	(2)
Grants		2,748	2,712	2,941	2,863
Total Other Revenue		4,224	4,271	4,555	4,464
TOTAL REVENUE		4,304	4,363	4,647	4,504
TOTAL GENERAL FUNDING REQUIREMENT		(364)	(78)	(70)	(97)
Specific Scheme Reserve		300	17	39	22
NET GENERAL FUNDING REQUIREMENT		(64)	(61)	(31)	(75)

Net Funding Requirement: Transport



Activity 1 – Regional Road Safety

Service Levels and Performance Targets Activity 1– Regional Road Safety				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will engage, co-ordinate and implement sustainable regional road safety initiatives so that Hawke’s Bay roads and pathways are safe and accessible, and that the emotional and financial costs of road traffic crashes are reduced.	Effectively implement Regional Safety Action Plans with the relevant objectives of the Regional Land Transport Strategy; Safer Journeys 2020; and the New Zealand Injury Prevention Strategy.	<ul style="list-style-type: none"> – Quarterly reviewed and updated Regional Safety Action Plans (RSAP) for Wairoa, Napier, Hastings, and Central Hawke’s Bay. – RSAPs co-ordinated road safety initiatives involving engineering, enforcement and education. Key stakeholders include: <ul style="list-style-type: none"> • Territorial authorities • NZ Police • Hawke’s Bay District Health Board • Accident Compensation Corporation • New Zealand Transport Agency • Community groups responsible for the allocation, monitoring and contract management of New Zealand Transport Agency funding. 	<p>2013-22</p> <ul style="list-style-type: none"> – Regional Safety Action Plans for Wairoa, Napier, Hastings, and Central Hawke’s Bay will be reviewed quarterly with a focus on key issues to be addressed. – Road safety programmes are implemented to reduce the incidence and severity of road traffic crashes and to align with the key outcomes and issues in the RoadSafe Strategic Plan. 	<ul style="list-style-type: none"> – Hold quarterly review meetings with Territorial Authorities and key road safety partners to ensure Regional Safety Action Plans are relevant and up to date. – Undertake a six monthly review of the RoadSafe Strategic Plan to ensure all goals, outcomes and objectives are relevant and take into account key road safety issues identified in the Safer Journeys Report, Communities at Risk Register and the New Zealand Transport Agency briefing notes.

Activity 2 – Regional Land Transport Strategy

Service Levels and Performance Targets Activity 2– Regional Land Transport Strategy				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
Through the region’s transport strategy HBRC will promote improved integration of all transport modes, land use and efficient movement of freight.	Approved Regional Land Transport Strategy in place.	Adopted in June 2012.	<p>2014-15</p> <ul style="list-style-type: none"> – Implement and report on current RLTS as required by statute. <p>2015</p> <ul style="list-style-type: none"> – RLTS to be replaced by Regional Land Transport Plan (includes Strategy and Programme) completed by July 2015 following public consultation 	<ul style="list-style-type: none"> – Freight movement in and out of Hawke’s Bay and efficient movement of traffic is addressed through implementation of key strategic projects. – Monitor and report on achievements from the RLTS to the Regional Transport Committee. – Begin RLTS and RLTP review process in early 2014 for, as part of development of Regional Land Transport Plan for public consultation.
	Three yearly Regional Land Transport Programme approved.	This document was incorporated into the Regional Land Transport Strategy and adopted in June 2012.	<p>2013-15</p> <ul style="list-style-type: none"> – Implement and report on Regional Land Transport Programme 2012-15 as required by statute. <p>2015-18</p> <ul style="list-style-type: none"> – Regional Land Transport Plan submitted to New Zealand Transport Agency by July 2015, following public consultation. 	<ul style="list-style-type: none"> – Monitor the Regional (‘R’) funds spending to ensure it is spent on key projects for the region.

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Activity 3 – Subsidised Passenger Transport

Service Levels and Performance Targets Activity 3– Subsidised Passenger Transport				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will provide an accessible bus service and appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas that will be expanded to meet the increasing need for public transport for the people of Hawke’s Bay.	In accordance with Regional Land Transport Strategy.	Services are delivered on regular demand-driven basis, to ensure the needs of the transport disadvantaged are considered.	2013-15 – Build on the improvements made over the last 3 years and ensure current levels of services are maintained and target any increase in funding towards improving existing services.	– Continue to regularly market current services and increase awareness of all services. – Increase patronage and subsequent fare recovery to make improvements viable, to achieve bus fare recovery rates of: 2014-15: 40%
	Continue improving signage, infrastructure and information at all bus stops.	Major improvements have been made in Hastings and Napier; more work is yet to be done in Napier to provide better timetable information at bus stops.	2013-14 – Implement bus-stop service level standards (as outlined in Regional Public Transport Plan). 2013-15 – Install four additional bus shelters each year (two in Hastings and two in Napier).	– Work with the Napier City and Hastings District Councils to implement the bus-stop service level at key bus stops. – Work with Napier City and Hastings District Councils to agree on the best locations for bus shelters each year.
	Where bus routes exist, at least 90% of residences and businesses are in the following walking distances of a bus stop: – 500m: normal conditions – 600m: low density/outer areas.	About 85% compliance in Hastings and 60% in Napier.	2013-15 – Increase the number of bus stops in Hastings and Napier to meet the measure <i>in the Regional Public Transport Plan</i> .	– Ongoing survey to ensure appropriate infrastructure at key bus-stops. – Work with Napier City and Hastings District Councils to meet targets.

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Service Levels and Performance Targets Activity 3– Subsidised Passenger Transport				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
	Changes in technology to be utilised to provide a better service.	Smartcards were implemented in 2009 but no further technology opportunities have been implemented.	2014-15 – Investigate online top-ups for smartcards.	– Take advantage of changes in ticket systems that allow for online top-ups.
Fare payment systems are to be simple to understand; reviewed regularly and accurately record passenger trip information.	Fare levels will be reviewed annually.	Fare structure last reviewed in February 2012.	2013-19 – Fare reviews to be undertaken annually.	– <i>Review fares annually.</i>
Integration with other modes.	Improve integration between public transport and walking and cycling.	Integration made possible by the installation of bike racks on buses on major routes.	2013-15 – Investigate <i>further opportunities for installation</i> of secure bike racks at major bus stops.	– Investigate other initiatives around the country. – Work with Napier City and Hastings District Councils to improve integration between public transport and walking and cycling.
Continue to provide and deliver the Total Mobility scheme in Napier, Hastings and Waipukurau for those unable to use public transport due to serious mobility constraints.	Membership is increased and service delivered in accordance with New Zealand Transport Authority guidelines.	2012-13 – 69,000 trips made using Total Mobility vouchers	2013-15 – Increase by at least 5% a year.	– Actively promote the Total Mobility Scheme. – Work with government and disability agencies to better understand and try to meet the needs of their clients.

Introduction

Hawke's Bay Regional Council's (HBRC) Governance and Community Engagement role and responsibilities involve decision-making, keeping regional residents informed, and ensuring that Hawke's Bay people have a meaningful say on the direction of their region.

This group covers:

- Strategic Alliances - HBRC working with a range of organisations - central government, university, private sector groups and councils - to provide valued services and research that is targeted and efficient.
- Community Engagement and Communication - encompasses all HBRC purposes and functions and engagement with a broad range of stakeholders in the general community through a variety of media.
- Response to Climate Change – some of the measures that HBRC either has in place or proposes to introduce to contribute to lowering carbon emissions in Hawke's Bay.
- Community Representation and Regional Leadership – Council elections and the role of Councillors in representing their constituent communities, plus providing opportunities for individuals and groups to influence decision-making.
- Investment Company Support – the management and administration support provided to the Hawke's Bay Regional Council Investment Company Ltd.

Links to Regional Community Objectives

This group of activities contributes to Council's objectives for the regional community in the following ways.

- *Strong regional leadership and a sense of belonging, supportive, caring and inclusive communities* – by the 9 Councillors representing their constituent communities across Hawke's Bay; by reflecting community views on policies considered by the Council; by managing the complexity associated with new relationships and the associated change processes; and by reducing the carbon footprint of the region and providing strategies to enable the community to adapt to those changes.
- *An environment that is appreciated, protected and sustained for future generations* – by working closely with primary sector associations, Treaty of Waitangi settlement groups and government departments to provide for greater catchment/community based management of the environment.
- *A strong, prosperous and thriving economy* – by actively engaging with the business community and providing information and knowledge in regular publications; by supporting Tourism Hawke's Bay and participating in Business Hawke's Bay, through funding from the Regional Economic Development Rate; by highlighting opportunities associated with climate change.
- *Transport, infrastructure and services that are safe effective and integrated* – by working toward energy efficient ways of travelling and doing business.
- *A lifetime of good health and wellbeing* – by providing resilience to changes that will occur as a result of climate change.
- *Strong regional leadership and a sense of belonging* – by setting reduced emission targets to lessen HBRC's carbon footprint.

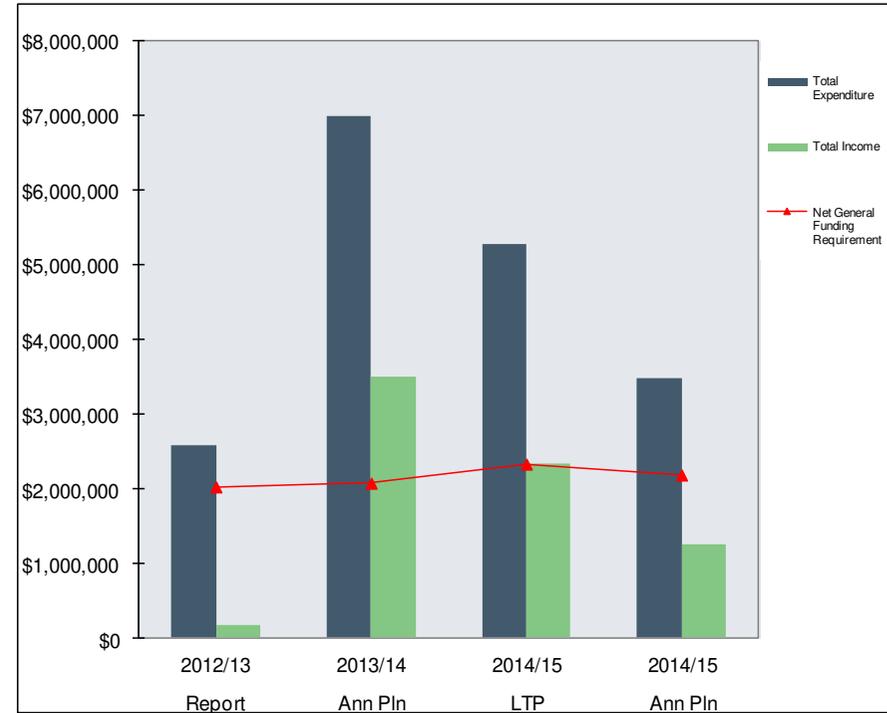
Significant Negative Impacts

There are no anticipated significant negative impacts from this group of activities.

Expenditure and Funding

Cost of Services Statement: Governance & Community Engagement					
	Activity (#)	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
EXPENDITURE					
Operating Expenditure					
Community Partnerships	1.	418	3,562	633	508
Community Engagement & Communications	2.	602	540	567	539
Response to Climate Change	3.	6	11	134	34
Community Representation & Regional Leadership	4.	1,285	1,255	1,387	1,323
Investment Company Support	5.	102	74	83	83
Depreciation/Amortisation Expense		0	9	9	9
Total Operating Expenditure		2,413	5,451	2,813	2,496
Capital Expenditure					
Community Partnerships					
Solar Heat Advances		0	1,260	1,890	630
Loan Repayment		170	275	569	355
Total Capital Expenditure		170	1,535	2,459	985
TOTAL EXPENDITURE		2,583	6,986	5,272	3,481
REVENUE					
Activity Revenue					
Direct Charges		102	105	237	114
Total Activity Revenue		102	105	237	114
Other Revenue					
Targeted Rates		0	0	0	0
Grants		72	40	15	17
Loan Funding		0	3,360	1,890	1,130
Solar Heat Advance Repayment		0	0	189	0
Total Other Revenue		72	3,400	2,094	1,147
TOTAL REVENUE		174	3,505	2,331	1,261
TOTAL GENERAL FUNDING REQUIREMENT		(2,409)	(3,481)	(2,941)	(2,220)
Specific Regional Project Reserve		0	45	0	0
Sale of Land (Other Initiatives) Reserve		386	1,363	612	37
NET GENERAL FUNDING REQUIREMENT		(2,023)	(2,073)	(2,329)	(2,183)

Net Funding Requirement: Governance and Community Engagement



Activity 1 – Community Partnerships

Service Levels and Performance Targets Activity 1– Community Partnerships				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will engage in strategic relationships that help better achieve its vision and purposes.	Formalisation of strategic alliances that are sector and institutionally-based.	HBRC provides grant funding to a range of organisations with no formal requirements on performance or reporting.	<p>2012-15</p> <ul style="list-style-type: none"> – Create a bi-annual forum of primary production sector associations. <p>2016-22</p> <ul style="list-style-type: none"> – HBRC continues to work in partnership with strategic allies to progress strategic goals. 	<ul style="list-style-type: none"> – Primary associations’ sector alliance to be formally developed and meetings scheduled. – Shared service arrangements are identified and agreed to.
HBRC will work in partnership with treaty claimant groups to govern natural resources and to jointly explore sustainable economic opportunities in Hawke’s Bay.	Regional Planning Committee operating successfully.	HBRC’s Maori Standing Committee is currently consulted in relation to a range of Council activities.	<p>2014-15</p> <ul style="list-style-type: none"> – Regional Planning Committee permanently established. 	<ul style="list-style-type: none"> – Legislation to be passed to permanently establish Hawke’s Bay Joint Regional Planning Committee.
HBRC will contribute to support the development of Regional Public Infrastructure projects.	Evaluation of Regional Public Infrastructure projects and which to support.	Limited financial assistance has been provided to a number of Infrastructure projects.	<p>2014/15</p> <ul style="list-style-type: none"> - \$0.5M provision for the Wairoa Community Centre upgrade. - \$0.5M provision for Te Mata Park Visitor and Educational Centre. 	<ul style="list-style-type: none"> – Requests received and evaluated and funding assigned to projects.

Activity 2 – Community Engagement & Communications

Service Levels and Performance Targets Activity 2– Community Engagement & Communications				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will communicate its purpose and direction to the community. The community will know what it is being done and why.	On-time delivery of Annual Plan, plan change, State of the Environment and statutory documents.	– 2012-22 Long Term Plan, State of the Environment, 2012-13 Annual Report, 2013-14 Annual Plan	2014-15 – Long Term Plan, State of the Environment, Annual Report, Tukituki Plan change.	– Annual review of statutory document timing and appropriate engagement tools.
	Councillors, Executive and staff available to speak/inform on HBRC activities.	– 2012-13: As requested.	2014-15 – Measure number of interactions.	– Convert to blog/online dialogue as appropriate. – Maintain focus on media and face-to-face engagement. – Initiate a system to count interactions
	Number of media releases generated; uptake of digital technologies.	– 2012-13: 148 HBRC releases Active use of HBRC website, social media, video and images	2014-15 – 90 Releases; Number of social media posts.	– Adopt digital tools as appropriate, including social media, with increasing use of video.
	Regional newsprint media coverage averages > 90% positive/neutral.	– 2012-13: 97.0% pos/ neutral (to end 2012).	2014-15 – Not less than 95% average pos/neutral	– Regular review of Risk Management profile. – Maintain Communication Plans for key work programmes.

Service Levels and Performance Targets				
Activity 2– Community Engagement & Communications				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will provide opportunities for the community to be involved in its decision making processes. Community engagement will be a key component of all major programmes and projects.	Number of council meetings and workshops.	– 2012-13: Council/Committee 16+33; Public Excluded sessions 7; Workshops 4.	2014-15 – Open reporting of Council/ Committee items.	– Maintain focus on transparency and manage Council workshop and public exclusion expectations.
	Clearly flagged opportunities for input, submissions and other feedback into HBRC documents.	– Ad hoc selection of appropriate communication tools. – Engagement process not clearly understood by HBRC staff (and community).	2014-15 – Refresh and maintain annual HBRC Communications Plan	– Adopt Structured engagement process enabling transparency of communication tool selection, visible to staff and the community (published).
	Number of public meetings, workshops and public events (includes awards and field days).	– 2012-13: 6 public meetings (Tukituki Choices), 4 Annual Plan public meetings; 6 public events (other).	2014-15 – Meetings, workshops and events strongly considered for major projects and in HBRC’s statutory role	– Focus on opportunities for community engagement and public participation.
HBRC will provide information that is relevant to the community and communities of interest. Information will be audience appropriate.	Delivery of updates on HBRC activities and progress.	– 2012-13: 4 region newsletters, 4 ‘mini’ newsletters, community newsletters	2014-15 – Generate region, community and consent holder/ catchment newsletters	– Maintain and measure community engagement across key HBRC programmes. – Use surveys and market research tools as appropriate.
	Facilitation of agreed stakeholder groups.	– 2012-13: 97 strategic and stakeholder groups	2014-15 – Audit number of groups	– Work effectively with stakeholder groups
	Timely delivery information to communities of interest.	– Perceived ad hoc timing/distribution of targeted communication	2014-15 – Appropriate ‘tool’ selected according to programme needs	– Adopt structured and transparent timing, visible to all stakeholders and interested parties.

Activity 3 – Response to Climate Change

Service Levels and Performance Targets Activity 3– Response to Climate Change				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will increase the community’s resilience to climate change	HBRC’s corporate total annual Greenhouse Gas emissions measure in carbon dioxide equivalents (excluding Port of Napier Ltd)	885 tonnes carbon dioxide equivalent based on 2005-06 figures (excluding Port of Napier Ltd)	2012-22 <ul style="list-style-type: none"> – Reduce corporate (excluding Port of Napier Ltd) carbon emissions from 2005/06 by: <ul style="list-style-type: none"> • 10% by 2014 • 20% by 2020 • 30% by 2050 	<ul style="list-style-type: none"> – Monitor and report on HBRC carbon emissions. – Quantify current and future carbon off-sets
	Number of sectors through which HBRC promotes / influences reduction in carbon emissions and adaptation to climate change	HBRC works with: <ul style="list-style-type: none"> – The primary production sector on sustainable farming initiatives – The urban community to reduce energy use, improve air quality and improve human health through the ‘clean heat’ initiative and the Solar Hot Water Scheme 	2013 <ul style="list-style-type: none"> – Establish a process to monitor and report regional carbon emissions with the first report completed by 30 June 2013 – Funding for conversion of 100 dwellings to solar hot water. 2013-19 <ul style="list-style-type: none"> – Continue to increase HBRC’s influence in initiatives to improve regional resilience to the impacts of climate change. – Continue to update and report regional carbon emissions at least every 3 years. 	<ul style="list-style-type: none"> – Establish a process to monitor and report on regional carbon emissions – Proactively seek initiatives through which HBRC is able to influence or promote a reduction in regional carbon emissions – Proactively seek opportunities to make investments that provide a satisfactory return and result in sustainable use of the region’s resources for HBRC’s investment portfolio. – Establish appropriate financial procedures for the repayment of loans through voluntary targeted rates.

Activity 4 – Community Representation & Regional Leadership

Service Levels and Performance Targets

Activity 4–Community Representation & Regional Leadership

Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will provide the community with a channel for representation through elected members and Iwi to enable access and influence on decision making.	Councillors' attendance at monthly Council and Committee meetings achieving at least 90% attendance of elected and appointed members.	Attendance rate for Regional Council meetings is 95% and for other Committees, attendance of 90% has been achieved.	2012-22 – Attendance rate of 90%.	– Monitoring and recording attendance.
	Attendance at Maori Committee meetings.	The current attendance rate for the Maori Committee is 80%.	2012-22 – Attendance rate of 80%	– Monitoring and recording attendance.
	10 Year Plan/Annual Plan consultation during April and May with the final Plan being adopted by HBRC by 30 June.	5 weeks for consultation has been achieved and two days for HBRC to hear submitters to the Annual Plan, allowing for adoption of the Plan by 30 June.	2012-22 – Consultation and submission period of at least 25 working days.	– The scheduling of at least 25 working days for consultation during April/May. – Scheduling of up to three days in June to hear submissions. – Adoption of the Plan by 30 June.
	Comply with the provisions of the Local Electoral Act 2001.	Core provisions of that Act have been met.	2013-14 – Elections were held on the 12 October 2013.	
HBRC will aim to maximise Local Government effectiveness and efficiency.	Facilitate and report on Local Government efficiencies achieved.	A number of shared service initiatives covering some Local Government services have been completed.	2014-15 – HBLASS Ltd (the Hawke's Bay local authority shared services company) meets the target specified by its shareholder councils in the company's Statement of Intent.	– Development of business cases for further shared services opportunities between the region's councils.

Activity 5 – Investment Company Support

Service Levels and Performance Targets Activity 5–Investment Company Support				
Level of Service Statement	Level of Service Measure	Current Performance	Performance Targets 2014-15	Required Actions to Achieve Performance Targets
HBRC will provide support services to the Investment Company and to any associated subsidiaries of the Investment Company.	A number of Board meetings to be supported by HBRC staff.	Appointed the Transitional Board of the Investment Company.	2012-22 – Provide support for the Board meetings of the Investment Company and subsidiaries. – Confirm the Statement of Corporate Intent each year.	– Ensure the company’s statutory requirements are met. – Prepare Company Board Agendas. – Keep records including Board Minutes. – Ratify the Statement of Corporate Intent submitted by the investment company.

Item 10

Attachment 3

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Summary of Significant Accounting Policies

The Hawke's Bay Regional Council is a regional local authority governed by the Local Government Act 2002. The Council was formed on 1 November 1989.

The prospective financial statements presented are those of the Council for the 12 month period beginning on 1 July 2014 and have been prepared in accordance with Sections 95 and 111 of the Local Government Act 2002.

The Council has not presented group prospective financial statements because it believes that parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in an Annual Plan is to provide users with information about the core services that the Council intends to provide ratepayers, the expected cost of those services and as a consequence how much the Council requires 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 the Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of the Council.

The principal accounting policies applied in the preparation of these prospective financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand for public benefit entities adopting New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and applicable New Zealand Financial Reporting Standards. The statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, infrastructure assets, available-for-sale financial assets, financial assets and liabilities at fair value through profit and loss and investment property. The Council's functional currency is New Zealand dollars (NZD) and the statements have been presented in thousands of NZD exclusive of New Zealand Goods and Services Tax (GST). Trade accounts payable and receivable are stated at GST inclusive amounts.

2 Inventories

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

3 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently remeasured each balance sheet date at amortised cost using the effective interest method less provision for impairment.

4 Plant, Property and Equipment

i. 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 on the basis of market information.

Hydrological equipment is shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

All other operational assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The costs of assets constructed by the 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.

ii. 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.

iii. 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 and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

iv. 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 classes are charged against revaluation reserves in equity. All other decreases are charged to the income statement.

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.

v. Other Adjustments

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in revaluation reserves are transferred to the accumulated balance in equity.

5 Investment Property

Investment property is residential and commercial land and buildings held to earn rental income and for capital appreciation. Such property is carried at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the income statement for the period in which it arises.

Under the Hawke's Bay Endowment Land Empowering Act 2002, rental income that the Council is beneficially entitled to from certain endowment land in Hawke's Bay can only be used for the improvement, protection, management or use of Napier Harbour or the Regional Council's coastal marine area as defined in section 2 (1) of the Resource Management Act 1991. Unspent funds are held in the Coastal Marine Area Reserve Fund.

6 Forestry Crops

Forestry crops are measured at their fair value less estimated point-of-sale costs each balance sheet 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 income statement for the period in which it arises.

7 Financial Assets

Financial assets are designated at initial recognition into one of the four following categories set out below depending on the purpose for which the financial asset was acquired. At each balance sheet date, all financial asset designations are re-evaluated.

i. Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or are so designated by management. The category includes derivatives and has two sub-categories: financial assets held for trading, and those designated at fair value through the profit and loss at inception. Assets held in this category are classified as current assets if they are either held for trading, or are expected to be realised within 12 months of balance sheet date.

Financial assets in this category, including derivatives, are initially recognised at fair value and are measured at each balance sheet date at fair value. Realised and unrealised gains or losses in value are recorded in the income statement for the period in which they arise.

ii. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise, for example, when the Council makes community loans. They are included in non-current assets except when maturities are shorter than 12 months from balance sheet date.

Financial assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or use. At each balance sheet date these financial assets are measured at amortised cost using the effective interest method. Realised and unrealised gains or losses in value are recorded in the income statement for the period in which they arise.

iii. Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management have a positive intention and ability to hold to maturity.

Financial assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or use. At each balance sheet date these financial assets are measured at amortised cost using the effective interest method. Realised and unrealised gains or losses in value are recorded in the income statement for the period in which they arise.

iv. Available-For-Sale Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless there is an intention to dispose of the investment within 12 months of balance sheet date.

Available-for-sale financial assets are carried at fair value using a quoted price if an active market exists or using discounted valuation techniques if no active market exists. Any gain or loss in value is recognised directly in equity through the statement of changes in equity for the period in which it arises.

When an available-for-sale financial asset is sold, the accumulated fair value adjustments are included in the income statement.

At each balance sheet date, an assessment is made whether there is any objective evidence that a financial assets or group of financial assets is impaired. If objective evidence of impairment exists for available-for-sale financial assets, then any cumulative loss is transferred from equity to the income statement. Such a transfer is not reversible.

8 Intangible Assets

Intangible assets comprise acquired computer software licences. All intangible assets with finite lives are carried at the historical cost incurred to acquire and bring into use the specific software less accumulated depreciation.

9 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 sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

10 Depreciation

Land is 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 sheet date. Major depreciation periods are:

Asset Category	Years
Buildings	10 - 100
Site Improvements	10 - 40
Vehicles	3 - 10
Plant & Equipment	3 - 25
Computer Equipment	4 - 10
Computer Software & Licenses	3 - 5
Infrastructure Assets	25 - 70

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.

11 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 balance sheet.

12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings 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 sheet date.

13 Income Tax

The Council's income is exempt from tax except for amounts derived from any council-controlled organisation or port company or subsidiary port company.

14 Employee Benefits

Short-term employee benefits including salaries and wages, annual leave and contributions to superannuation schemes are recognised when they accrue to employees and are measured at undiscounted cost.

The liability for accumulating sick leave is stated as the cost of sick leave that is expected to be used.

Long-term employee benefits including long service leave and retirement gratuities are recognised at the present value of the Council's obligation at balance sheet date.

15 Provisions

Provisions are recognised when:

- Council has a present legal or constructive obligation as a result of past events, and
- It is more likely than not that an outflow of resources will be required to settle the obligation, and
- The amount has been reliably estimated.

Provisions are not recognised for future operating losses.

16 Revenue Recognition

Revenue comprises the fair value for the sale of goods and services, net of GST, rebates and discounts. Revenue is recognised as follows.

- Sales of goods are recognised when a product is sold to a customer. A sale occurs when the goods are delivered to the customer. The recorded revenue is the gross amount of the sales.
- 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.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is recognised when the right to receive payment is established.
- Government grants are recognised as income when eligibility has been established by the grantor agency.
- Rates are recognised as income in the accounting period in which they are set and assessed.

17 Leases

Leases in which a significant proportion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement net of any incentives received from the lessor on a straight-line basis over the period of the lease.

18 Financial Risk Management

The Council's activities expose it to a variety of financial risks including:

- Market risk, including currency risk, fair value interest rate risk and price risk
- Credit risk
- Liquidity risk
- Cash flow interest-rate risk.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance. The Council uses derivative financial instruments such as foreign exchange contracts to hedge certain exposures.

The Council enters into foreign currency forward exchange contracts to hedge foreign currency transactions, when purchasing major property, plant and equipment and when payment is denominated in foreign currency.

The Council has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

Collateral or other security is not required for financial instruments subject to credit risk.

19 Accounting for Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at the fair value at each balance sheet date.

Where the Council determines that it will hedge a transaction it documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions.

The Council also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

i. Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. The Council accounts for hedges of foreign currency risk of a firm commitment as cash flow hedges.

ii. Derivatives that Do Not Qualify for Hedge Accounting

Certain derivatives instruments do not qualify for hedge accounting and changes in the fair value of these instruments are recognised immediately in the income statement.

Any changes in the fair value of interest rate swaps due to changes in interest rates are recognised in the income statement in the period in which they occur.

20 Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance sheet date foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these are included in the income statement.

21 Basis of Allocation of the 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
- The number of full time equivalent employees
- Assessed use of various services provided.

These costs are then charged to projects on a labour standard costing basis. The allocation unit is each working hour charged by employees at a pre-determined rate. Variances arising from this method will be allocated on the same basis as for costs of a fixed nature referred to above. Project costs are then summarized for each activity and group of activities.

22 Cautionary Note

The forecast financial statements are prepared based on best estimates available at the time of preparing the accounts. Actual results are likely to vary from information presented and the variations may be material.

The purpose of this plan is to consult with the community on the spending priorities outlined within the plan, and may not be appropriate for any other purpose.

Significant Forecasting Assumptions

Introduction

In preparing the Long Term Plan for 2012/22 a number of assumptions and predictions about the future have been made. There are always inherent risks with such forecasting, therefore it is important that the main assumptions used in these forecasts are identified. This section has been designed to identify these assumptions, and explain the risks associated with such assumptions.

A number of additional assumptions are highlighted in the significant activity section of this plan.

Date of Assumptions

The assumptions underlying this prospective financial information are as at 26 March 2014 (the date of HBRC adoption of this Draft Annual Plan).

Note: Changes to these LTP assumptions are shown in Part 1 of this plan under the heading "Explanatory Notes of Changes between Year 3 of the LTP 2012-22 and Annual Plan 2014/15"

Council's Activities and Functions

Hawke's Bay Regional Council (HBRC) will continue to perform its existing functions in accordance with current legislation and current Council policies. These functions will be primarily carried out to meet its statutory role and responsibilities and to help meet the community outcomes as developed by the community. This plan links community outcomes to Council's activities within each group of activities.

General Assumption

HBRC has not taken into account forecast changes in population, economic activity or climate change. It is considered that the impact of any changes in these statistics will have a minimal or very low effect on the plan's projections.

A significant disaster event, particularly a flood, may have a major impact on the work programmes set out in this Annual Plan. Following such an event, Council will focus on response to community needs that arise as a result of the event and community recovery following the event.

Interest Rates

Information received from HBRC's bankers, the Bank of New Zealand, in January 2012 indicated that the interest rate assumptions below for borrowing would be appropriate for inclusion on the plan:

- The interest rate on future term borrowing between 2012 and 2022 is estimated to be between 6.50% and 7.50%. Accordingly, rates of 6.50% for 2012/13, 7.00% for 2013/14 and a rate of 7.50% for the remaining years have been assumed in this plan.

Information received from the Bank of New Zealand in January 2012 indicated that the official cash rate may gradually rise from its current low level of 2.5% to 4.5% by June 2014. HBRC cash investments and term deposits accomplish an average margin of 1.50% over the official cash rate. The following rates of interest on deposits have been used in this plan:

- For the 2012/13 financial year – 4.15%
- For the 2013/14 financial year – 5.20%
- For the remainder of the plan until 30 June 2022 – 5.75%.

Cost Adjusters

All expenditure projections in the Income Statements and assets in the Balance Sheet are stated in 2012/13 dollars; however, for the year 2013/14 and subsequent years of the plan, the following adjustments (Table 1) have been made to allow for the effect of inflationary pressures on Council's costs.

Year	Wages, Salaries & other Salary Related Costs		External Expenditure		Assets	
	Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)
2013/14	2.4	2.4	3.2	3.2	3.2	3.2
2014/15	2.4	4.9	3.2	6.5	3.1	6.4
2015/16	2.6	7.6	3.4	10.1	3.3	9.9
2016/17	2.6	10.4	3.5	14.0	3.4	13.6
2017/18	2.4	13.0	3.4	17.9	3.1	17.2
2018/19	2.3	15.6	3.3	21.7	3.1	20.8
2019/20	2.6	18.6	3.3	25.8	3.3	24.8
2020/21	2.7	21.8	3.6	30.3	3.6	29.3
2021/22	2.7	25.1	3.5	34.8	3.6	33.9

*These assets include infrastructure, land, buildings, hydrological assets and Hawke's Bay Regional Investment Company Limited equity and are derived using an average price change from each of the asset categories.

The above rates have been taken from the BERL forecasts of price level adjusters, dated September 2011.

It is not anticipated that there will be any significant variations over the inflation provisions when Council re-tenders for maintenance and other contracts during the term of the plan.

Investments

Establish the Investment Company

The investment company, Hawke's Bay Regional Investment Company Limited (HBRIC) has been established and activities commenced on 1 February 2012. Initially governance of the HBRIC will be by a Transition Board of Directors who will complete its establishment and move the company through early evaluations of potential investment projects in water storage and harvesting. This board will be replaced by a full board from 1 January 2014 which will direct the company's affairs thereafter.

HBRIC will initially own the Council's shareholding in Port of Napier Limited and be funded by equity wholly owned by HBRC and advances provided by it from time to time. Future investments will be funded from a mixture of equity and advances (provided to HBRIC at no less than the Council's cost of borrowing).

Investment Activities

During the course of the Long Term Plan, investment of around \$186M (constant 2012 dollars) is proposed to be made in new and existing investments in water storage and harvesting (Ruataniwha Plains and Ngaruroro), commercial property and logistics services (Rail: Port Hub) through advances to HBRIC, with further investment in hill country forestry as a wholly owned activity of HBRC being accounted for on HBRC's Balance Sheet.

Indicative timeframes for the major proposed investments are shown in Table 2.

Proposed Investment	Construction Start	Begin Operations	Expected Rate of Return
Ruataniwha Plains	July 2014	January 2018	6%
Ngaruroro River	January 2015	January 2018	6%
Rail - Port Hub	July 2014	July 2016	7.5%
Forestry	N/A	July 2013	7%

Site Name	Area (ha)	Significant Assumptions
Wastewater Investments: CHB	180	<ul style="list-style-type: none"> - Carbon Price of \$20/tonne - Return on use of funds based on Council's borrowing rates as set out in this policy - Farmers will uptake Hill Country planting at a rate that allows the annual planting targets to be made - Hill Country: A planting rate of 1,600ha per annum will be sustained for years 8-10 of the LTP
Waste Water Investments: Mahia	35	
Waihapua	250	
Hill Country	Year 1: 500 Year 2: 1,000	

(Note: as a result of low carbon prices, the Hill Country programme has been put on hold.)

While these projects are expected to yield cash income once they start operations, they will be accruing holding costs on funds advanced by HBRC at the interest rate it paid for its borrowings until they are operational.

Funding Investments

These investments will be funded by:

- Drawing down existing cash reserves.
- Selling interests in existing leasehold properties.
- Additional borrowings.
- Securing Central Government contributions to specific investment projects.

Funds are proposed to be realised from leasehold properties in Napier by:

- Selling freeholds to existing lessees at discounts ranging from 10%-17% from lessors interest up until 30 June 2012; and then,
- Selling the residual cash flows from rents paid by the remaining leaseholders to an investor by 31 December 2012.

Funds are also expected to be generated from the sale of the Council's existing portfolio of Wellington leasehold properties during the 2012-2013 financial year.

Where HBRC borrows to fund the proposed investment, it is assumed that these borrowings will be on an interest only basis. When these investments yield a commercial return on funds invested, loans will be renegotiated to reflect some capital payments.

Forestry

During the course of the LTP, HBRC will manage the following forestry assets.

Site Name	Area (ha)	Significant Assumptions
Tangoio	320	– 20ha will be harvested in the next two years with a further 20-30ha harvested in 2019-20 (Note 20 ha harvested in early 2014)
Tutira	140	– 140ha will be progressively harvested starting in 2018-19
Tutira: Manuka Honey Plantings	150	– That the actual investment returns from UMF honey will be not reduce significantly over the life of the investment and will be similar to those projected by Council.

These forestry investments are restated to fair value each year; however, for the purposes of this plan the 'property' price adjusters as set out by BERL have not been used because it is not possible to predict the future movements and the prices over the period of the plan. This plan therefore assumes that the increase in the value of the forestry asset is limited to the silvicultural or roading work carried out on the forestry assets during each year of the plan.

Assets

Infrastructure Assets

All infrastructure assets (river, flood control and drainage schemes) will be operated, maintained and improved as set out in the asset management plans that have been prepared for each of the river, flood control and drainage schemes.

Schemes are funded to a level that ensures levels of service set for each scheme in the relevant asset management plan are achieved and maintained over the life of the assets.

For the purposes of projecting annual movement in the values of this asset category to fair value, the property price adjusters covering projected movement in asset construction as set out by BERL have been used.

Plant, Property and Equipment including Intangible Assets

It is assumed that HBRC's other fixed assets continue to be provided at the level required to carry out its activities. Depreciation on operating assets will continue to be fully funded. Combined with the proceeds of asset sales and loan funding, where appropriate, that will be sufficient to fund the ongoing programme of capital expenditure on operating assets.

The useful lives of each category of asset are 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 property price adjusters as set out by BERL have been used.

Insurance of Infrastructure Assets

Council currently provides cover for its infrastructure assets through a hierarchy of insurance and other available funding as follows.

1. Commercial insurance covering 60% of infrastructure value excluding live tree edge protection up to a maximum estimated loss of \$19M. (This insurance was discontinued as at 30 June 2013.)
2. Local Authority Protection Programme (LAPP) which covers 40% of infrastructure value above an excess of \$1,259,000 which will apply for the 2013-14 year and may change in subsequent years.
3. 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.
4. 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.
5. A Regional Disaster Reserve which is intended to cover 60% of the unfunded portion (namely that which is not met from all other funding sources) of asset reinstatement cost following a disaster event. It is a discretionary funding pool of last resort and is designed as a contribution toward the cost of reinstatement of infrastructure assets to an equivalent standard to that in place before the damage was incurred.

A number of major natural disasters, including the Christchurch Earthquake, have put significant financial pressure on the insurance market, which has driven increased insurance premiums. As a result of insurance cost increases and stronger government commitment to meet a share of the disaster cost as set out in the National Civil Defence Emergency Management Plan, Council, in February 2013, decided not to renew its commercial insurance cover for infrastructure assets.

The Regional Disaster Reserve is required to be maintained with between \$2.75M and \$3.75M of investments. The Reserve as at 31 March 2013 holds \$3.6M. Council

has committed to utilise approximately \$720,000 as a contribution toward the rebuilding of the Makara No 1 dam.

The budgets established for the 2012-22 LTP were prepared on the basis that this reserve would not be drawn on within the 10 Year Plan period.

Dividend Equalisation Reserve

HBRC has established a Dividend Equalisation Reserve with the intention of having funds available to provide additional dividend income in years where the payment of a dividend from the Port of Napier Limited (PONL) is substantially less than the levels forecast. This reserve has in the past been used to insulate Council from needing to increase general rates to make up any shortfall in dividend income.

The current policy as set out in the Statement of Intent between PONL and the Council (and soon to be changed to HBRIC) calculates the dividend payout based on a return of 8% on shareholder funds, with the Council being paid 70% of that return.

The remaining 30% is retained by PONL for expansion programmes, etc.

When HBRC established the Dividend Equalisation Reserve, the dividends paid by PONL were calculated as a percentage of net profit after tax, which exposed it to the risk of fluctuations in dividend payout from year to year. The current basis using a return on equity to calculate dividends has resulted in limited variability in the dividend payouts from year to year.

The Dividend Equalisation Reserve is estimated to be \$2.7M at the beginning of the Long Term Plan (1 July 2012). This is forecasted to be utilised during the next 10 years for operating purposes and is estimated to have a remaining balance of \$1.5M at the end of this Long Term Plan.

Funding of Open Space Initiatives and Community Facility Assistance

HBRC has adopted a policy to approve expenditure on capital related open space items and a further policy to provide assistance to community facilities within the region. This plan assumes that the majority of the initiatives as approved by these two policies will be funded by the loan facility of \$7.5M. This loan facility is repayable over a 10 year period and is funded by the transfer of about \$1M per annum from Council's Sale of Land Investment account.

Subsidy Rates

Funding assistance will be provided by Crown agencies, primarily the New Zealand Transport Agency and Animal Health Board at the following levels:

NZTA - Operations funding assistance rates

- Bus Services 50%
- Total Mobility Scheme 60%
- Infrastructure Maintenance and Operations 59% (reducing by 1% a year for each year of the LTP).

Animal Health Board

- HBRC will continue to undertake work for the Animal Health Board on the basis that they cover all relevant costs.

Risks to Assumptions

The following tables (4-7) outline the risks to significant forecasting assumptions. If these assumptions prove to be incorrect, there could be significant effect on the level of rates that HBRC plans to collect from the community. In this situation, it will re-examine its work programmes and determine if it’s appropriate to rate the community or change the scope of those programmes.

Table 4: Council Investment Risks

Assumptions	Risk to Assumption	Level of Uncertainty	Reasons and Financial Effects of Uncertainty
Forestry: Carbon Investments	Price falls below assumed \$20/tonne	High	This is a complex issue linked to global politics and economic performance. Financial modelling shows that the long term carbon price could reduce to \$15/tonne and the afforestation project would still make a 6% return on investment. In addition Council can hold carbon accumulated from forestry for long periods (i.e. 5-10 years) so has some flexibility to pick the time to sell.
	Project Cost	Medium	Investment would only proceed on a strong business case including a trading strategy for carbon.
Forestry: Manuka Honey Plantings	Honey yield per hectare is lower than forecast	Medium	The projected investment returns are based on MAF apiary data and based on these the project will deliver returns well above Council’s 7% Internal Rate of Return hurdle rate. Even with a reduction in honey yield of 30% the project would still deliver an investment return of about 7%.
Forestry: Harvesting	Price for logs is less than forecast	Low	Commodity markets such as timber are cyclical; however, there is the option to defer harvest. Because Council’s total harvestable forest asset is a small proportion of its overall investments, the impact of lower harvest prices (to the extent they cannot be managed by deferred harvest) is not believed to be significant.

Investment Company Risks

Table 5 summarises the principal investment risks in respect of the proposed projects of the investment company.

Table 5: Investment Company Risks				
Investment	Assumptions	Risk to Assumption	Level of Uncertainty	Reasons and Financial Effects of Uncertainty
Water Storage and Harvesting (Ruataniwha Plains and Ngaruroro)	Farmer take up	Lower than planned	Medium	This Long Term Plan provides for funding of operating losses equating to a 51% share for any shortfall in HBRIC'S ability to service interest on the debt raised to fund these investments. This Plan provides for an "investment risk reserve" which equates to a reduction of 1.50% from the interest charged in the investment model on holding costs to be paid by HBRIC to Council for its borrowings. This reserve will continue until the projects become operational. The provision of this reserve is considered to be prudent given the significant risks on farmer uptake and the effect this could have on HBRIC's ability to provide a commercial return on funds invested by Council. This reserve will also provide funding if the interest rates used to calculate holding costs paid by HBRC are below those levels budgeted.
	Investment by co-shareholders	Low investment interest	Low	Significant risk however will be managed through the years of the LTP by a proactive approach to relationship building with prospective investors in the project.
	Project cost	Project cost rises	Medium	Significant effect, however this will be mitigated against by strong project management by the Board of HBRIC. The estimate of the potential effects of the uncertainty is best illustrated by stating that for every \$10M increase in project costs, HBRC will need to invest a further \$5M if they are to retain their 51% investment. A commercial return would need to be achieved on any increase in project costs within a reasonable time period.
	Project does not proceed	Not commercially viable	Medium	The 'investment risk reserve' covers the interest differential between interest charged on project advances and interest estimated to be earned from bank deposits.
Rail - Port Hub	Demand from PONL and its clients	Demand falls	Low	
	Project cost	Project cost rises	Medium	Commercial return would need to be achievable on any increased project cost.
	Market conditions steady	Rental yields fall	Medium	Would only proceed with a sound commercial proposal which would include a long term lease commitment from PONL.
Port of Napier	Dividend	Port of Napier Dividends are higher or lower than forecast	Low	The level of uncertainty relating to the Port of Napier Dividend has been substantially reduced as a result of the change in calculation method. The new method of calculation of the dividend by way of a return of 8% on shareholder's funds, with the Council being paid 70% of that return, is deemed to be more certain than the previous calculation method of 75% of Net Profit After Tax.

Funding Risks

Table 6: Funding Risks

Funding Type	Assumption	Risk to Assumption	Level of Uncertainty	Reasons and Financial Effects of Uncertainty
Sale of residual cash flows for Napier leasehold	The maximum value will be received on the sale	Demand for this product from the market at a value acceptable to HBRC.	Low to Medium	There would be a loss of interest of between \$42,000 and \$75,000 for each \$1M of reduced sale realisation value.

Other Risks

Table 7: Other Risks

Assumption	Risk to Assumption	Level of Uncertainty	Reasons and Financial Effects of Uncertainty
Inflation	Inflation is higher or lower than forecast	Medium	Inflation is affected by external economic factors, most of which are outside of HBRC's control and influence. The estimate of the potential effects of the uncertainty is best illustrated by stating that for 2013/14 a move in these projections by plus or minus 0.5% would result in either an under or over provision for external expenditure of \$102,000 and for employment costs of \$59,000.
Interest Rates on Borrowings	Interest rates are higher or lower than forecast	High – especially in later years of the plan	The majority of the borrowing programme proposed in this plan is to provide funding to the Investment Company. As the borrowing programme for HBRC is expected to grow substantially in the later years of the plan, any movement in interest rates are expected to have a major effect on HBRC's interest expense. This plan assumes that the Investment Company will pay for advances at Council's borrowing rate. The effect of any interest rate movements on the borrowing programme can best be illustrated by stating that a 0.5% movement either up or down from the assumed levels of interest rates in this plan would result in an annual exposure of plus or minus \$81,000 for 2012/13 and \$305,000 in 2021/22.
Interest Rates on Deposits	Interest rates are higher or lower than forecast	Medium	Short and long term Council cash investments are estimated to be in the order of \$40M at the start of this plan, therefore a 0.5% movement either up or down from the assumed levels of interest rates in this plan would result in an annual exposure of plus or minus \$225,000 in 2012/13 and \$161,000 in 2021/22.
Occurrence of Natural Disaster	A natural disaster/flood event occurs which damages Council's property, plant and equipment	Medium	Call on commercial insurance, Local Authority Protection Programme and Government funding through the National Civil Defence Recovery Plan. The use of reserves are also available to Council as required.

Reporting on Significant Changes

The Local Government Act 2002, Section 95 (5)(b) requires that subsequent Annual Plans identify any variation from the financial statements and funding impact statement which are included in the Council's Long Term Plan for the year of that plan. For the purposes of this reporting, the following material and significance levels will apply:

- Where the financial impact of any change exceeds 1.5% of total budgeted expenditure in that year
- Other items of change where it is considered to be of interest to the public as the principal users of the plan. These items would include establishing new land drainage and flood control schemes, new projects, changes in future direction etc.

Forecast Financial Statements

Introduction

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

These financial statements, notes and other financial information comply with Financial Reporting Standard No. 42, "Prospective Financial Statements".

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

The Nature of Prospective Information Presented

The prospective financial information has been presented to comply with the requirements of sections 95 of the LGA in relation to the Annual Plan for the financial year ending on 30 June 2015. 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 26 March 2014.

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 Annual Plan on 25 June 2013.

Comparative Information Linkages

The Prospective Statement of Changes in Equity and Prospective Cash Flow Statement closing positions for 2012/13 do not link to opening positions for 2013/14. This is because the 2013/14 Annual Plan prospective financial statements were finalised before the 2012/13 Annual Report.

The 2014/15 forecast opening positions are based on the 2012/13 Annual Report closing positions after adjusting for the 2013/14 Annual Plan forecast results and cash flows.

PROSPECTIVE COMPREHENSIVE INCOME STATEMENT					
	Note	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
REVENUE					
Revenue from activities	1	4,706	5,899	6,973	5,931
Revenue from rates	2	14,547	14,800	15,563	15,665
Revenue from grants		5,273	3,263	3,316	3,210
Other revenue	3	6,605	13,418	16,929	15,132
Fair value gains on investments	7	7,159	1,659	2,494	1,779
Total Operating Revenue		38,290	39,039	45,275	41,717
EXPENDITURE					
Expenditure on activities	1	34,270	36,937	35,921	34,366
Finance costs	1	931	2,377	3,604	2,933
Depreciation & amortisation expense	5	2,134	2,199	2,218	2,364
Fair value losses		0	0	0	0
Other expenditure		105	0	0	0
Total Operating Expenditure		37,440	41,513	41,743	39,663
OPERATING SURPLUS					
Operating Surplus Before Income Tax		850	(2,474)	3,532	2,054
Income tax expense		0	0	0	0
Operating Surplus After Income Tax		850	(2,474)	3,532	2,054
OTHER COMPREHENSIVE INCOME					
Gain / (loss) in revalued assets		63	18,736	0	0
Gain / (loss) in available-for-sale financial assets		(3,490)	(2,059)	10,438	10,438
Total Other Comprehensive Income		(3,427)	16,677	10,438	10,438
TOTAL COMPREHENSIVE INCOME		(2,577)	14,203	13,970	12,492
STATEMENT FOR GENERAL FUNDING POSITION					
CAPITAL EXPENDITURE					
Property, plant, equipment & intangible assets	5	3,391	3,342	1,840	3,918
Infrastructure assets - flood & drainage		1,082	2,165	936	908
Infrastructure assets - open spaces & regional assets		1,369	1,400	0	0
Forestry assets		414	(52)	3,552	320
Investments		0	0	0	0
Community net lending from reserves		0	120	162	120
Clean & solar heat net lending from reserves		2,624	4,069	3,543	2,510
Advances to regional investment company		1,820	16,000	33,152	22,202
Advances to Napier / Gisborne Rail		0	0	0	3,900
Public debt repayments	4(a)	1,967	2,156	2,998	2,956
Total Capital Expenditure		12,667	29,200	46,183	36,834
RESERVE AND PUBLIC DEBT FUNDING					
Reserves funding	6	18,703	23,418	40,006	29,592
Public debt funding	4(a)	0	9,069	5,266	6,960
Leasehold annuity funding		0	0	0	0
Fair value gains on investments	7	(7,159)	(1,659)	(2,494)	(1,779)
Fair value gains on other comprehensive income		3,427	(16,677)	(10,438)	(10,438)
Total Reserve & Loan Funding		14,971	14,151	32,340	24,335
UNDERLYING SURPLUS / (DEFICIT)		(273)	(846)	127	(7)

Prospective Statement of Changes In Equity				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Equity at the Start of the Year	457,689	462,613	488,147	469,315
Comprehensive income surplus / (deficit)	(2,577)	14,203	13,970	12,492
	(2,577)	14,203	13,970	12,492
Equity at the End of the Year	455,112	476,816	502,117	481,807

Prospective Balance Sheet				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
ASSETS				
Non Current Assets				
Property, plant & equipment	16,724	23,674	21,467	18,381
Intangible assets	2,432	2,975	7,142	4,312
Infrastructure assets	137,060	161,766	160,939	159,174
Investment property	59,695	58,883	67,285	63,133
Forestry assets	4,152	4,561	10,394	4,900
Finance assets	17,441	7,131	14,494	15,290
Investment in council-controlled organisations	177,500	177,500	187,839	187,938
Advances to council-controlled organisations	5,857	22,004	58,565	31,559
Advances to Napier / Gisborne Rail	0	0	0	3,900
Total Non Current Assets	420,861	458,494	528,125	488,587
Current Assets				
Inventories	15	14	17	15
Trade & other receivables	6,550	5,612	6,083	6,550
Finance assets	43,625	40,165	34,283	43,625
Cash & cash equivalents	4,268	52,950	16,191	10,143
Total Current Assets	54,458	98,741	56,574	60,333
TOTAL ASSETS	475,319	557,235	584,699	548,919
EQUITY				
Retained earnings	327,706	331,006	178,906	327,706
Fair value reserves	9	66,365	87,597	93,480
Other reserves	9	61,041	58,213	60,621
Total Equity	455,112	476,816	502,117	481,807
LIABILITIES				
Non Current Liabilities				
Borrowings	10,938	21,554	19,726	20,774
Provisions for other liabilities & charges	941	51,401	51,446	37,021
Total Non Current Liabilities	11,879	72,955	71,172	57,795
Current Liabilities				
Trade & other payables	5,460	4,297	6,921	5,460
Borrowings	1,967	2,156	3,571	2,956
Provisions for other liabilities & charges	901	1,011	918	901
Total Current Liabilities	8,328	7,464	11,410	9,317
Total Liabilities	20,207	80,419	82,582	67,112
TOTAL EQUITY AND LIABILITIES	475,319	557,235	584,699	548,919

Prospective Cash Flow Statement				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
CASH FLOW FROM OPERATING ACTIVITIES				
<i>Cash to be provided from:</i>				
Receipts from customers	7,406	7,634	9,295	8,519
Rates	14,547	14,800	15,563	15,665
Dividends received	5,720	6,550	6,600	7,563
Interest received	2,250	5,102	7,436	4,280
Grants	5,089	3,263	3,316	3,210
Other income	490	31	571	701
	35,502	37,380	42,781	39,938
<i>Cash to be applied to:</i>				
Payments to suppliers	22,040	22,928	21,186	19,757
Payments to and behalf of employees	12,543	14,009	14,735	14,609
Finance expense	931	2,377	3,604	2,933
	35,514	39,314	39,525	37,299
Net Cash Flows from Operating Activities	(12)	(1,934)	3,256	2,639
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash to be provided from:</i>				
Disposal of property, plant & equipment	744	66	85	190
Disposal of investment properties	12,661	0	0	0
Disposal of financial assets	0	0	0	0
	13,405	66	85	190
<i>Cash to be applied to:</i>				
Purchase of property, plant & equipment	2,397	3,163	1,283	1,517
Purchase of intangible assets	1,404	179	557	2,401
Construction of infrastructure assets	2,330	3,565	936	908
Purchase of financial assets	13,706	0	0	0
Forestry asset development	413	428	3,552	320
Purchase of investments	0	0	0	0
Advances to Investment Company	1,820	16,000	33,152	22,202
Advances to Napier / Gisborne Rail	0	0	0	3,900
	22,070	23,335	39,480	31,248
Net Cash Flows from Investing Activities	(8,665)	(23,269)	(39,395)	(31,059)
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash to be provided from:</i>				
Loans drawn	0	9,069	5,266	6,960
Leasehold annuity		0	0	0
	0	9,069	5,266	6,960
<i>Cash to be applied to:</i>				
Loans repaid	1,966	2,156	2,998	2,956
	1,966	2,156	2,998	2,956
Net Cash Flows from Financing Activities	(1,966)	6,913	2,268	4,004
Net Increase / (Decrease) in Cash & cash equivalents	(10,643)	(18,290)	(33,871)	(24,416)
Opening cash & cash equivalents	14,911	71,240	50,062	78,838
Closing Cash & cash equivalents	4,268	52,950	16,191	54,423 *

* The 2014/15 closing cash & cash equivalents balance is a combination of the financial assets and cash & cash equivalents from the balance sheet. This is adjusted for reserve balances where movements in these reserves are not represented in the cash flow statement.

Therefore the closing balance represents the cash on hand for operating and investment activities.

Note 1 Activity Revenue & Expenditure				
	Annual Report 2012/13 Note (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
REVENUE				
Groups of Activities				
Strategic Planning	228	0	1	25
Land Drainage and River Control	1,104	667	653	668
Regional Resources	1,320	3,249	3,600	3,264
Regulation	1,106	1,690	1,659	1,714
Biosecurity	575	0	604	0
Emergency Management	191	96	127	106
Transport	80	92	92	40
Governance & Community Engagement	102	105	237	114
	4,706	5,899	6,973	5,931
Less Internal Revenue	0	0	0	0
TOTAL REVENUE FROM ACTIVITIES	4,706	5,899	6,973	5,931
EXPENDITURE				
Groups of Activities				
Strategic Planning	4,533	4,117	4,255	3,952
Land Drainage and River Control	6,951	6,797	7,066	7,028
Regional Resources	10,078	10,216	10,263	10,792
Regulation	2,927	3,544	3,469	3,645
Biosecurity	3,797	3,356	4,024	3,403
Emergency Management	1,416	1,885	1,864	1,878
Transport	4,668	4,442	4,716	4,601
Governance & Community Engagement	2,413	5,451	2,813	2,495
	36,783	39,808	38,470	37,794
Less Internal Expenditure	(140)	(146)	(156)	(156)
Total Group Activities	36,643	39,662	38,314	37,638
Other Activities				
Regional Income Collection Expenditure	692	1,851	3,429	2,025
Total Other Activities	692	1,851	3,429	2,025
Less finance costs*	(931)	(2,377)	(3,604)	(2,933)
Less depreciation and amortisation expense	(2,134)	(2,199)	(2,218)	(2,364)
TOTAL EXPENDITURE ON ACTIVITIES	34,270	36,937	35,921	34,366

* The finance costs from 2012/13 included in the main financial statements include interest on borrowings and payments/fees associated with the transfer of Napier leasehold cashflows to ACC.

Notes 2 & 3 Rates & Other Revenue				
	Annual Report 2012/13 Note (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Note 2: Rates				
General Funding Rates				
Uniform Annual General Charge (UAGC)	1,511	1,520	1,712	1,706
General Rate on Land Value	1,106	979	1,060	1,133
Total General Funding Rates	2,617	2,499	2,772	2,839
Targeted Rates				
Upper Tukituki Catchment Control Scheme	608	633	664	665
Separate Flood Control & Drainage Schemes	217	266	224	297
Wairoa Rivers & Streams Scheme	127	138	165	151
Central & Southern Areas Rivers & Streams Scheme	208	213	219	219
Heretaunga Plains Flood Control & Drainage Schemes	4,575	4,763	5,002	4,984
Biosecurity Schemes	1,939	2,000	2,089	2,072
Subsidised Public Transport	1,476	1,550	1,604	1,604
Clean Heat Administration Rate	601	583	583	583
Economic Development Rate	1,395	1,284	1,406	1,360
Emergency Management Uniform Annual Charge	784	871	835	891
Total Targeted Rates	11,930	12,301	12,791	12,826
Total Rates	14,547	14,800	15,563	15,665
Note 3: Other Revenue				
Dividends	5,720	6,550	6,600	7,563
Interest	2,520	5,102	7,436	4,280
Leasehold rents	2,516	1,735	2,322	2,588
Forestry income	0	3	221	10
Subvention payments	368	28	350	574
Napier - Gisborne Rail Returns	0	0	0	117
Other income	122	0	0	0
Net gain / (loss) on disposal of assets	(4,641)	0	0	0
Total Other Income	6,605	13,418	16,929	15,132

Note 4(a) External Debt & Interest Expense				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
LOAN REQUIREMENTS				
New Borrowings				
Heat Smart Advances to Householders	0	3,329	2,826	4,500
Solar Water Advances to Householders	0	1,260	1,890	630
Computer Systems Integration Loans	0	160	550	730
Operations Group Office Extensions	0	600	0	600 *
Public Good Capital Assets Loans	0	3,500	0	500 *
Makara Scheme Loan	0	220	0	0
Total New Borrowings	0	9,069	5,266	6,960
Principal Repayments				
Heat Smart Advances to Householders	522	520	998	1,098
Solar Water Advances to Householders	0	0	189	0
Computer Systems Integration Loans	203	219	187	255
Operations Group Office Extensions	0	0	60	30
Technical Equipment Loan (Monitoring Bores)	10	10	10	10
GIS Purchase Loan	19	19	19	19
Digital Terrain Monitoring Loan	28	28	0	0
HPFCS Flood & River Scheme Loan	45	45	45	45
Karamu & Tributaries Scheme Loan	40	40	40	40
Public Good Capital Assets Purchases	400	575	750	641
Sawfly Remediation Loans	670	670	670	670
Upper Tukituki Scheme Loans	30	30	30	30
Makara Scheme Loan	0	0	0	22
Building Remediation Loan	0	0	0	61
Hydrology Equipment Loan	0	0	0	35
Total Principal Repayments	1,967	2,156	2,998	2,956
TOTAL LOAN MOVEMENT	(1,967)	6,913	2,268	4,004
Loan Balances				
Heat Smart Advances to Householders	4,427	8,835	10,009	12,768
Solar Water Advances to Householders	0	1,890	3,528	630
Computer Systems Integration Loans	1,658	2,315	1,686	2,082
Operations Group Office Extensions	0	600	480	570
Technical Equipment Loan (Monitoring Bores)	80	70	60	60
GIS Purchase Loan	57	38	19	19
Digital Terrain Monitoring Loan	28	(1)	0	0
HPFCS Flood & River Scheme Loan	385	340	295	295
Karamu & Tributaries Scheme Loan	280	240	200	200
Public Good Capital Assets Purchases	3,200	7,073	5,630	4,712
Sawfly Remediation Loans	2,570	1,900	1,230	1,230
Upper Tukituki Scheme Loans	220	190	160	160
Makara Scheme Loan	0	220	0	187
Building Remediation Loan	0	0	0	519
Hydrology Equipment Loan	0	0	0	298
Total Outstanding Loan Balances	12,905	23,710	23,297	23,730
LOAN INTEREST EXPENSE				
Heat Smart Advances to Householders	293	289	595	721
Solar Water Advances to Householders	0	0	123	0
Computer Systems Integration Loans	112	116	95	119
Operations Group Office Extensions	0	0	33	22
Technical Equipment Loan (Monitoring Bores)	6	5	4	4
GIS Purchase Loan	5	3	2	2
Digital Terrain Monitoring Loan	3	1	0	0
HPFCS Flood & River Scheme Loan	25	23	20	19
Karamu & Tributaries Scheme Loan	22	18	15	15
Public Good Capital Assets Purchases	221	370	399	312
Sawfly Remediation Loans	228	172	121	121
Upper Tukituki Scheme Loans	16	14	12	12
Makara Scheme Loan	0	0	0	13
Building Remediation Loan	0	0	0	35
Hydrology Equipment Loan	0	0	0	20
TOTAL INTEREST EXPENSE	931	1,011	1,419	1,415
The loan balances for the end of the 2013/14 year reflect revised 2012/13 LTP figures and therefore can not be reconciled on the above schedule by taking the opening balance and LTP movements.				
* These loans were not drawn down in the 2013/14 year and are proposed to be drawn down in the 2014/15 year.				

Note 4(b) Internal Debt & Interest Expense					
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)	
LOAN REQUIREMENTS					
New Borrowings					
Venture Hawke's Bay / RWC	0	0	0	0	
Building Weather Tightness	855	0	0	0	
Computer Equipment	600	200	0	0	
Hydrology Equipment	600	500	300	300	
Total New Borrowings	2,055	700	300	300	
Principal Repayments					
Venture Hawke's Bay / RWC	56	0	82	0	
Building Weather Tightness	0	261	700	86	
Computer Equipment	0	60	80	80	
Hydrology Equipment	0	60	110	75	
Total Principal Repayments	56	381	972	241	
TOTAL LOAN MOVEMENT	1,999	319	(672)	59	
Loan Balances					
Venture Hawke's Bay / RWC	233	0	60	0	
Building Weather Tightness	855	715	235	684	
Computer Equipment	600	740	660	660	
Hydrology Equipment	600	1,040	1,230	915	
Total Outstanding Loan Balances	2,288	2,495	2,185	2,259	
LOAN INTEREST EXPENSE					
Venture Hawke's Bay / RWC	0	0	0	0	
Building Weather Tightness	0	43	39	30	
Computer Equipment	0	26	31	30	
Hydrology Equipment	0	26	43	27	
TOTAL INTEREST EXPENSE	0	95	113	87	

Note 5 Depreciation and Amortisation				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Capital Expenditure on Property, Plant & Equipment				
Land and Buildings	57	1,992	0	0
Motor Vehicles and Plant	871	487	634	853
Hydrological Equipment	641	450	412	372
Technical Equipment	57	26	21	23
Computer Equipment	287	175	190	243
Office Furniture and Equipment	74	33	26	26
Intangible Assets - Other	1,404	179	557	738
Intangible Assets - NWS Feasibility	0	0	0	1,663
Total Capital Expenditure on Property, Plant & Equipment	3,391	3,342	1,840	3,918
Proceeds of Property, Plant & Equipment Disposals				
Land and Buildings	417	0	0	0
Motor Vehicles and Plant	252	66	85	190
Hydrological Equipment	0	0	0	0
Technical Equipment	0	0	0	0
Computer Equipment	2	0	0	0
Office Furniture and Equipment	0	0	0	0
Intangible Assets	5,579	0	0	0
Total Proceeds from Disposal of Property, Plant & Equipment	6,250	66	85	190
Depreciation on Property, Plant & Equipment				
Buildings	346	336	330	312
Motor Vehicles and Plant	456	442	429	437
Hydrological Equipment	162	168	151	249
Technical Equipment	71	79	87	72
Computer Equipment	198	252	265	245
Office Furniture and Equipment	65	77	105	99
Intangible Assets (Amortisation)	299	297	303	403
Property, Plant & Equipment Asset Depreciation	1,597	1,651	1,670	1,817
Depreciation on Infrastructure Assets				
Infrastructure Assets	537	548	548	547
Infrastructure Asset Depreciation	537	548	548	547
Total Depreciation & Amortisation	2,134	2,199	2,218	2,364

Note 6 Reserve Movements				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Note 6: Funding from Reserves				
Project Scheme Reserves	875	560	137	(770)
Dividend Equalisation Reserve	1,818	697	178	0
Coastal Marine Area Reserve	0	0	0	0
Specific Regional Projects Reserve	0	45	0	0
Tangoio Soil Conservation Forestry Reserve	308	(226)	89	188
Asset Replacement Reserve	3,651	2,731	1,378	1,204
Infrastructure Asset Depreciation Reserve - Other Movement	656	322	89	134
Infrastructure Asset Depreciation Reserve - Internal Borrowings	2,055	0	0	0
Sale of Land Investment Reserve	4,320	16,797	37,861	28,493
Sale of Land Non-Investment Reserve	1,064	2,009	1,331	614
Disaster Damage Reserves	41	589	(133)	(153)
Investment Risk Reserves	0	0	(755)	0
Operating Reserve (Loss on Sale - Leasehold)	3,865			
Other Reserves	50	(106)	(169)	(118)
Total Net Funding from Reserves	18,703	23,418	40,006	29,592
Note 7: Fair Value Gains from Investments				
Investment Property at beginning of year	67,890	57,224	64,791	61,354
Additions	0	0	0	0
Disposals	(14,904)	0	0	0
Movement during the year	(14,904)	0	0	0
Fair value gains (included in income statement)	6,709	1,659	2,494	1,779
Investment Property at end of year	59,695	58,883	67,285	63,133

Notes 8 Reconciliation to Underlying Surplus / (Deficit)					
	Note	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Note 8: Underlying Surplus / (Deficit) Reconciliation					
Groups of Activities Underlying Surplus / (Deficits) <i>[From Cost of Service Statements]</i>					
Strategic Planning		(2,355)	(2,624)	(2,756)	(2,422)
Land Drainage and River Control		(1,145)	(1,283)	(1,311)	(1,279)
Regional Resources		(5,605)	(5,734)	(5,657)	(6,049)
Regulation		(1,821)	(1,854)	(1,810)	(1,931)
Biosecurity		(1,102)	(1,141)	(1,343)	(1,160)
Emergency Management		(323)	(718)	(740)	(706)
Transport		(64)	(61)	(31)	(75)
Governance & Community Engagement		(2,023)	(2,073)	(2,329)	(2,183)
Less Internal Expenditure & Income	1	140	146	156	156
Regional Income Collection	1	(692)	(1,851)	(3,429)	(2,025)
Fair Value Losses		0	0	0	0
Total Groups of Activities Surplus / (Deficit)		(14,990)	(17,193)	(19,250)	(17,674)
Less Capital Expenditure <i>[From Income Statement]</i>					
Capital Expenditure		(12,667)	(29,200)	(46,183)	(36,834)
<i>Add Back:</i>					
Capital Expenditure in Groups of Activities		7,024	10,433	8,694	7,154
Total Non-Groups of Activities Capital Expenditure		(5,643)	(18,767)	(37,489)	(29,680)
Plus General Funding					
Revenue from Rates	2	14,547	14,800	15,563	15,665
Other Revenue	3	6,605	13,418	16,929	15,132
Grants <i>[From Income Statement]</i>		5,273	3,263	3,316	3,210
Loan Funding	4	0	9,069	5,266	6,960
Leasehold Annuity Funding		0	0	0	0
<i>Less:</i>					
Other Revenue in Groups of Activities		(21,165)	(25,282)	(22,489)	(22,938)
Other expenditure		(105)	0	0	0
Total Non-Groups of Activities General Funding		5,155	15,268	18,585	18,029
Plus / (Less) Reserves Funding <i>[From Income Statement]</i>					
Reserves Funding	6	18,703	23,418	40,006	29,592
<i>Less:</i>					
Reserves Funding in Groups of Activities		(3,498)	(3,572)	(1,725)	(274)
Total Non-Groups of Activities Reserves & Loan Funding		15,205	19,846	38,281	29,318
Underlying Surplus / (Deficit)		(273)	(846)	127	(7)

Note 9 Council Reserve Funds																
	Operat- ing Balance	Infra- structure Asset Renewal	Wairoa Rivers & Streams	Special Scheme	Port Dividend Equal- isation	Coastal Marine Area	Asset Replace- ment	Regional Disaster Damage	Scheme Disaster Damage	Clive River Dredging	Tangoio Soil Conser- vation	Sale of Land Invmt	Sale of Land Non- Invmt	Rabbit	Total Operat- ing Reserve	Fair Value Reserves
	(1)	(2)	(3)	(4)	(5)	(6)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(16)
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
ANNUAL PLAN 2014/15																
At 1 July 2014	4,435	50	724	172	1,266	0	1,306	2,744	2,625	255	3,242	70,881	1,170	39	88,909	83,042
Deposits in year	2,054	777	21	22,358	0	2,977	3,222	153	207	54	157	0	1,080	2	33,062	10,438
Withdrawals in year	0	(703)		(21,355)	0	(2,977)	(3,546)		0	0	(345)	(31,384)	(1,040)	0	(61,350)	0
At 30 June 2015	6,489	124	745	1,175	1,266	0	982	2,897	2,832	309	3,054	39,497	1,210	41	60,621	93,480

Related Activities to Reserve Funds																
Activities "v" denotes related activity	Operat- ing Balance	Infra- structure Asset Renewal	Wairoa Rivers & Streams	Special Scheme	Port Dividend Equal- isation	Coastal Marine Area	Asset Replace- ment	Regional Disaster Damage	Scheme Disaster Damage	Clive River Dredging	Tangoio Soil Conser- vation	Sale of Land Invmt	Sale of Land Non- Invmt	Rabbit	Total Operat- ing Reserve	Fair Value Reserves
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(16)	(16)
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Strategic Planning	v															
Land Drainage and River Control	v	v	v	v			v	v	v	v						v
Regional Resources	v										v	v	v			v
Regulation	v															
Biosecurity	v													v		
Emergency Management	v															v
Transport	v			v												
Governance & Community Engagement	v											v	v			
Regional Income Collection	v					v	v					v				v

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

Financial Metrics

The LTP set out a number of financial metrics to be monitored. The 2014/15 LTP metrics have been compared to the 2014/15 Annual Plan metrics in the table below along with an explanation of any major difference. Comparison between the 2013/14 LTP metrics and actual 2013/14 metrics will be completed in the 2013/14 Annual Report.

Trends of Other Financial Metrics	LTP	Ann Pln	Variance	Explanation
Metric	2014/15	2014/15		
Operating Surplus Margin: (This shows the annual surplus generated from business as usual activities being available to fund capital expenditure, to meet interest and principal repayments on debt and/or set aside to meet future contingencies. The metric for HBRC is negative because a third of HBRC's revenue is generated from investment income which is not included in this calculation. This metric therefore shows HBRC's exposure to the assumption that investment incomes will continue into the future.)	(37.1%)	(34.8%)	(2.3%)	The operating surplus margin has improved due to reduced operating expenses
Net Surplus Margin: (This metric shows the percentage of income retained by HBRC after meeting all operating costs for the year).	8.3%	5.1%	(3.2%)	The net surplus margin has decreased due lower than expected interest revenue
Return on Investment Assets: (This metric shows the amount of interest and dividend income generated each year by HBRC's total investment asset base).	4.5%	4.2%	(0.3%)	The return on investment assets has decreased due to lower than expected interest rates offset by larger dividends from HBRIC Ltd
Rates to Total Revenue: (This metric shows the percentage of HBRC's total revenue that is collected through rates).	36.4%	39.2%	2.8%	Rates to total revenue have increased due to a slightly higher rate take combined with a substantial reduction in overall income
General Rates to Total Rates: (This metric shows the percentage of HBRC's total rates revenue that is collected through general rates).	17.8%	18.1%	0.3%	General rates to total rates have increased due to a natural increase in ratepayers due to subdivisions etc.
Capex to Depreciation: (This metric indicates the rate at which HBRC is renewing/replacing its existing fixed assets. For HBRC this rate is high as significant expenditure is proposed in the LTP 2012-22 to be spent on flood and drainage schemes, the majority of these assets not being depreciable). Further, in 2012/13 it is proposed to spend \$1.3m on HBRC's Dalton Street Office and Operations Group accommodation.	125%	134%	9%	Capex to Depreciation has increased due to additional capital spending on systems integration projects for regulatory software, an increase in motor vehicles and plant due to timing on fleet replacements.

Trends of Other Financial Metrics	LTP	Ann Pln	Variance	Explanation
Metric	2014/15	2014/15		
Capex to Total Cash Payments: (This metric shows the proportion of total cash payments that has been spent on fixed assets).	3.4%	4.4%	1.0%	Capex to total cash payments has significantly increased due to additional capital spending on Systems integration projects for regulatory software, an increase in motor vehicles and plant due to timing on fleet replacements.
Finance Expense (including lease annuity) to Total Operating Expenditure	8.6%	7.4%	1.2%	Finance expenses to total operating expenditure has reduced due to the reduction in annuity expenses on the leasehold cash flows. The value of cash flows to be sold to an investor have reduced as a result of greater than expected freeholding and therefore less payment/fees will be paid to the investor
Finance Expense (excluding lease annuity) to Total Operating Expenditure	3.4%	3.6%	0.2%	Finance Expense (excluding lease annuity) of external public debt to operating expenditure has remained consistent with the LTP
Debt to Debt Plus Equity	14.7%	11.4%	(3.3%)	Debt to debt plus equity has decreased as the LTP included the ACC annuity of \$61 million in the debt figure which has now been reduced to \$37 million as a result of increased sell downs before the ACC deal took place.

Rate Movements

The 2012-22 Long Term Plan (LTP) committed to hold rates increases to 4% in each of its first two years and at rate levels below 4% for the remaining years. The 2014/15 Annual Plan proposes to increase the rates by 5.86% from the 2013/14 actual rate figures due to the fact that the 2013/14 Annual Plan reduced the rates increase to 2.8%. Refer to “Explanatory Notes of Changes between Year 3 of the LTP 2012-22 and Annual Plan 2014/15” section for further explanation for the change

ANNUAL PLAN

2014/15			
Rate Increases/(Decreases)	LTP		Ann Pln
Rates (\$000’s)	2014/15		2014/15
General Rates	↑ 3.2%	↑	13.7%
Total Targeted Rates	↑ 4.1%	↑	4.3%
Total Rates	↑ 3.9%	↑	5.9%

THREE YEAR PROFILE

3 years to 2014/15 (LTP proposed)			
Rate Increases/(Decreases)	LTP		Ann Pln
Rates (\$000’s)	2012-2015		2012-2015
General Rates	↓ 15.0%	↓	13.0%
Total Targeted Rates	↑ 21.0%	↑	21.3%
Total Rates	↑ 12.5%	↑	13.2%

Financial Measures: Rate Forecasts	LTP	Ann Pln	Variance
Rates (\$000’s)	2014/15	2014/15	
General Rates	2,772	2,839	67
Total Targeted Rates	12,791	12,826	35
Total Rates	15,562	15,665	104 (0.7%)

The majority of the \$104,000 increase relates to a small number of ratepayers in the following flood and drainage schemes:

- Makara \$56,000 (75 ratepayers)
- Opoho \$18,000 (3 ratepayers)

Local Government (Financial Reporting) Regulations 2011

Introduction

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

Council Funding Impact Statement				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	2,617	2,499	2,772	2,839
Targeted rates	11,930	12,301	12,791	12,826
Subsidies & grants for operating purposes	4,246	3,263	3,316	3,210
Fees & charges	4,706	5,899	6,973	5,931
Interest & dividends from investments	8,240	11,652	14,036	11,843
Fines, infringement fees & other receipts	3,006	1,766	2,893	3,288
Total operating funding	34,745	37,380	42,781	39,937
Applications of operating funding				
Payments to staff & suppliers	34,270	36,937	35,921	34,366
Finance costs	931	2,377	3,604	2,933
Other operating funding applications	0	0	0	0
Total applications of operating funding	35,201	39,314	39,525	37,299
Surplus / (deficit) of operating funding	(456)	(1,934)	3,256	2,638
Sources of capital funding				
Subsidies & grants for capital purposes	1,027	1,620	1,554	914
Development & financial contributions	0	0	0	0
Increase / (decrease) in debt	(1,966)	6,913	2,186	4,004
Gross proceeds from sale of assets	13,405	66	85	190
Lump sum contributions	0	0	0	0
Total sources of capital funding	12,466	8,599	3,825	5,108
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	4,073	8,179	4,754	3,500
- to improve the level of service	1,126	1,785	745	728
- to replace existing assets	61	1,730	2,031	2,435
	5,260	11,694	7,530	6,663
Increase / (decrease) in reserves	(3,843)	(21,999)	(37,577)	(27,046)
Increase / (decrease) of investments	10,593	16,970	37,128	28,128
Total application of capital funding	12,010	6,665	7,081	7,746
Surplus / (deficit) of capital funding	456	1,934	(3,256)	(2,638)
Funding balance	0	0	0	0

Funding Impact Statement: Strategic Planning				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	435	0	0	0
Targeted rates	1,395	1,284	1,406	1,360
Subsidies & grants for operating purposes	611	207	173	133
Fees & charges	228	0	1	25
Internal charges & overheads recovered	1,910	2,626	2,756	2,433
Fines, infringement fees & other receipts	0	0	0	0
Total operating funding	4,579	4,117	4,336	3,951
Applications of operating funding				
Payments to staff & suppliers	3,937	3,558	3,627	3,346
Finance costs	0	0	0	0
Internal charges & overheads applied	596	559	627	605
Other operating funding applications	0	0	0	0
Total applications of operating funding	4,533	4,117	4,254	3,951
Surplus / (deficit) of operating funding	46	0	82	0
Sources of capital funding				
Subsidies & grants for capital purposes	0	0	0	0
Development & financial contributions	0	0	0	0
Increase / (decrease) in debt	(56)	0	(82)	0
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	(56)	0	(82)	0
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	0	0	0	0
- to improve the level of service	0	0	0	0
- to replace existing assets	0	0	0	0
	0	0	0	0
Increase / (decrease) in reserves	(10)	(120)	(80)	(120)
Increase / (decrease) of investments	0	120	80	120
Total application of capital funding	(10)	0	0	0
Surplus / (deficit) of capital funding	(46)	0	(82)	0
Funding balance	0	0	0	0

Funding Impact Statement: Land Drainage & River Control				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	176	0	0	0
Targeted rates	5,736	6,013	6,274	6,315
Subsidies & grants for operating purposes	0	0	0	0
Fees & charges	1,104	151	137	152
Internal charges & overheads recovered	213	1,085	1,348	116
Fines, infringement fees & other receipts	150	148	150	203
Total operating funding	7,379	7,397	7,909	6,786
Applications of operating funding				
Payments to staff & suppliers	5,811	5,069	5,394	5,351
Finance costs	293	228	169	180
Internal charges & overheads applied	291	503	513	518
Other operating funding applications	0	0	0	0
Total applications of operating funding	6,395	5,800	6,076	6,049
Surplus / (deficit) of operating funding	984	1,597	1,833	737
Sources of capital funding				
Subsidies & grants for capital purposes	0	0	0	0
Development & financial contributions	15	0	0	0
Increase / (decrease) in debt	(785)	(565)	(785)	(807)
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	(770)	(565)	(785)	(807)
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	0	0	0	0
- to improve the level of service	1,126	1,785	745	728
- to replace existing assets	61	380	191	180
	1,187	2,165	936	908
Increase / (decrease) in reserves	(973)	(1,133)	112	(978)
Increase / (decrease) of investments	0	0	0	0
Total application of capital funding	214	1,032	1,048	(70)
Surplus / (deficit) of capital funding	(984)	(1,597)	(1,833)	(737)
Funding balance	0	0	0	0

Funding Impact Statement: Regional Resources				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	1,028	0	0	0
Targeted rates (Operating)		583	583	583
Targeted rates (Capital)		0	0	0
Targeted rates	601	583	583	583
Subsidies & grants for operating purposes	316	80	0	0
Fees & charges	1,319	3,249	3,599	3,264
Internal charges & overheads recovered	4,319	5,962	5,784	6,532
Fines, infringement fees & other receipts	228	149	184	143
Total operating funding	7,811	10,023	10,150	10,522
Applications of operating funding				
Payments to staff & suppliers	7,965	8,334	8,060	8,276
Finance costs	423	490	793	884
Internal charges & overheads applied	1,501	1,199	1,296	1,363
Other operating funding applications	0	0	0	0
Total applications of operating funding	9,889	10,023	10,149	10,523
Surplus / (deficit) of operating funding	(2,078)	0	1	(1)
Sources of capital funding				
Subsidies & grants for capital purposes	1,027	1,000	984	834
Development & financial contributions	1,408	0	0	0
Increase / (decrease) in debt	1,722	3,909	1,459	3,117
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	4,157	4,909	2,443	3,951
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	4,073	4,927	2,864	2,870
- to improve the level of service	0	0	0	0
- to replace existing assets	0	0	0	0
	4,073	4,927	2,864	2,870
Increase / (decrease) in reserves	(1,994)	(18)	(420)	1,080
Increase / (decrease) of investments	0	0	0	0
Total application of capital funding	2,079	4,909	2,444	3,950
Surplus / (deficit) of capital funding	2,078	0	(1)	1
Funding balance	0	0	0	0

Funding Impact Statement: Regulation				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	334	1,850	1,802	1,927
Targeted rates	0	0	0	0
Subsidies & grants for operating purposes	0	0	0	0
Fees & charges	1,106	1,635	1,604	1,704
Internal charges & overheads recovered	1,461	0	0	0
Fines, infringement fees & other receipts	0	55	55	10
Total operating funding	2,901	3,540	3,461	3,641
Applications of operating funding				
Payments to staff & suppliers	2,191	2,853	2,773	2,910
Finance costs	0	0	0	0
Internal charges & overheads applied	732	687	688	731
Other operating funding applications	0	0	0	0
Total applications of operating funding	2,923	3,540	3,461	3,641
Surplus / (deficit) of operating funding	(22)	0	0	0
Sources of capital funding				
Targeted rates	0	0	0	0
Subsidies & grants for capital purposes	0	0	0	0
Development & financial contributions	0	0	0	0
Increase / (decrease) in debt	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	0	0	0	0
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	0	0	0	0
- to improve the level of service	0	0	0	0
- to replace existing assets	0	0	0	0
	0	0	0	0
Increase / (decrease) in reserves	(22)	0	0	0
Increase / (decrease) of investments	0	0	0	0
Total application of capital funding	(22)	0	0	0
Surplus / (deficit) of capital funding	22	0	0	0
Funding balance	0	0	0	0

Funding Impact Statement: Biosecurity				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	202	0	0	0
Targeted rates	1,939	2,000	2,089	2,072
Subsidies & grants for operating purposes	67	25	25	25
Fees & charges	575	0	604	0
Internal charges & overheads recovered	886	1,310	1,276	1,293
Fines, infringement fees & other receipts	0	22	31	13
Total operating funding	3,669	3,357	4,025	3,403
Applications of operating funding				
Payments to staff & suppliers	3,325	2,955	3,540	2,981
Finance costs	0	0	0	0
Internal charges & overheads applied	472	402	485	422
Other operating funding applications	0	0	0	0
Total applications of operating funding	3,797	3,357	4,025	3,403
Surplus / (deficit) of operating funding	(128)	0	0	0
Sources of capital funding				
Targeted rates	0	0	0	0
Subsidies & grants for capital purposes	0	0	0	0
Development & financial contributions	0	0	0	0
Increase / (decrease) in debt	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	0	0	0	0
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	0	0	0	0
- to improve the level of service	0	0	0	0
- to replace existing assets	0	0	0	0
	0	0	0	0
Increase / (decrease) in reserves	(128)	0	0	0
Increase / (decrease) of investments	0	0	0	0
Total application of capital funding	(128)	0	0	0
Surplus / (deficit) of capital funding	128	0	0	0
Funding balance	0	0	0	0

Funding Impact Statement: Emergency Management				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	59	0	0	0
Targeted rates	784	871	835	891
Subsidies & grants for operating purposes	118	200	162	174
Fees & charges	191	96	127	106
Internal charges & overheads recovered	197	683	634	647
Fines, infringement fees & other receipts	0	0	0	0
Total operating funding	1,349	1,850	1,758	1,818
Applications of operating funding				
Payments to staff & suppliers	1,063	1,490	1,411	1,421
Finance costs	2	11	17	19
Internal charges & overheads applied	289	349	330	378
Other operating funding applications	0	0	0	0
Total applications of operating funding	1,354	1,850	1,758	1,818
Surplus / (deficit) of operating funding	(5)	0	0	0
Sources of capital funding				
Targeted rates	0	0	0	0
Subsidies & grants for capital purposes	0	0	0	0
Development & financial contributions	0	0	0	0
Increase / (decrease) in debt	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	0	0	0	0
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	0	0	0	0
- to improve the level of service	0	0	0	0
- to replace existing assets	0	0	0	0
	0	0	0	0
Increase / (decrease) in reserves	(5)	0	0	0
Increase / (decrease) of investments	0	0	0	0
Total application of capital funding	(5)	0	0	0
Surplus / (deficit) of capital funding	5	0	0	0
Funding balance	0	0	0	0

Funding Impact Statement: Transport				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	12	0	0	0
Targeted rates	1,476	1,550	1,604	1,604
Subsidies & grants for operating purposes	2,748	2,712	2,941	2,863
Fees & charges	80	92	92	40
Internal charges & overheads recovered	34	59	49	77
Fines, infringement fees & other receipts	0	9	10	(2)
Total operating funding	4,350	4,422	4,696	4,582
Applications of operating funding				
Payments to staff & suppliers	4,497	4,258	4,507	4,405
Finance costs	0	0	0	0
Internal charges & overheads applied	153	164	189	177
Other operating funding applications	0	0	0	0
Total applications of operating funding	4,650	4,422	4,696	4,582
Surplus / (deficit) of operating funding	(300)	0	0	0
Sources of capital funding				
Targeted rates	0	0	0	0
Subsidies & grants for capital purposes	0	0	0	0
Development & financial contributions	0	0	0	0
Increase / (decrease) in debt	0	0	0	0
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	0	0	0	0
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	0	0	0	0
- to improve the level of service	0	0	0	0
- to replace existing assets	0	0	0	0
	0	0	0	0
Increase / (decrease) in reserves	(300)	0	0	0
Increase / (decrease) of investments	0	0	0	0
Total application of capital funding	(300)	0	0	0
Surplus / (deficit) of capital funding	300	0	0	0
Funding balance	0	0	0	0

Funding Impact Statement: Governance & Community Engagement				
	Annual Report 2012/13 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)	Year 3 LTP 2014/15 (\$'000)	Ann Plan 3a Ann Pln 2014/15 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	371	1,207	1,283	1,298
Targeted rates	0	0	0	0
Subsidies & grants for operating purposes	72	40	15	15
Fees & charges	102	105	237	114
Internal charges & overheads recovered	1,622	4,090	1,269	1,059
Fines, infringement fees & other receipts	0	0	0	0
Total operating funding	2,167	5,442	2,804	2,486
Applications of operating funding				
Payments to staff & suppliers	2,071	4,958	2,134	1,994
Finance costs	97	188	354	182
Internal charges & overheads applied	240	296	316	310
Other operating funding applications	0	0	0	0
Total applications of operating funding	2,408	5,442	2,804	2,486
Surplus / (deficit) of operating funding	(241)	0	0	0
Sources of capital funding				
Subsidies & grants for capital purposes	0	0	189	0
Development & financial contributions	0	0	0	0
Increase / (decrease) in debt	(170)	3,085	1,321	775
Gross proceeds from sale of assets	0	0	0	0
Lump sum contributions	0	0	0	0
Total sources of capital funding	(170)	3,085	1,510	775
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	0	1,260	1,890	630
- to improve the level of service	0	0	0	0
- to replace existing assets	0	0	0	0
	0	1,260	1,890	630
Increase / (decrease) in reserves	(411)	1,825	(380)	145
Increase / (decrease) of investments	0	0	0	0
Total application of capital funding	(411)	3,085	1,510	775
Surplus / (deficit) of capital funding	241	0	0	0
Funding balance	0	0	0	0

Introduction

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

The Revenue and Financing Policy clearly identifies beneficiaries of Council activities paying for the cost of those activities by target 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. These indicative figures are included to give ratepayers an estimate of what their level of rates is likely to be in the current year. These figures may not be the actual level of rates that will be assessed in the coming year because the actual figure will not be known until the Council's rating information database is finalised.

All the estimated rates and levels of rates included in this statement are GST inclusive.

There is no provision for the payment of rates from lump sum contributions, except for the early repayment of Clean Heat loans.

Due dates for payment of rates

The rates are due and payable on or after 1 October 2014. Pursuant to Section 57 of the Local Government (Rating) Act 2002, a penalty charge of 10% will be imposed on the current rates remaining unpaid as at 1 February 2015.

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 Annual Charge (UAC) for Targeted Rates, then a fixed amount is charged for each separately used or inhabited part of a rating unit. Therefore, units in a rest home, retail shops in a shopping complex, and additional farm houses are charged with separate UAGCs or UACs.

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 UAC will be payable.

This Council's contention 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.

Council 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.

Inspection and objection to Council's Rating Information Database

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

Explanation of Rating Method			
Types of Rates	Groups of Activities Funded	Types of land to be Rated (Schedule 2)	Basis of Rating (Schedule 3)
General Funding Rates			
General Rates Uniform Annual General Charges	<ul style="list-style-type: none"> - Strategic Planning - Land Drainage & River Control - Regional Resources - Regulation - Biosecurity - Emergency Management - Transport - Governance & Community Engagement. 	All Rateable Rating Units within the region.	Land Value Fixed Amount
Targeted Rates			
Subsidised Public Transport	Public Transport System and Total Mobility programme for disabled persons.	Those Rating Units within the urban areas of Napier, Hastings & Havelock North including Clive Township but excluding Bay View.	Land Value
Heretaunga Plains Control Scheme	Catchment Works <ul style="list-style-type: none"> - Direct Benefit F1 - Indirect Benefit F2 	<ul style="list-style-type: none"> - Rating Units receiving direct benefit within Napier City and Hastings District from flood control measures. - All Rating Units within Napier City and Hastings District. 	Capital Value
Upper Tukituki Catchment Control	Catchment Works	All Ratings Units in Central Hawke's Bay District on a graduated basis. Also, Rating Units on the southern boundary of Hastings District Council.	Land Value
Central & Southern Rivers & Streams	Catchment Works	All Ratings Units in the region excluding Wairoa District.	Capital Value
Wairoa River & Stream	Catchment Works	All Rating Units in the Wairoa District.	Capital Value
Various Stream & Drainage Schemes	Catchment Works	Rating Units identified receiving benefit from specific stream and drainage works. Some on graduated basis.	Land Value and Area

Continued: Explanation of Rating Method			
Types of Rates	Groups of Activities Funded	Types of land to be Rated (Schedule 2)	Basis of Rating (Schedule 3)
Targeted Rates			
Animal and Plant Pest Control	Biosecurity Regional Animal Pest Management Strategy	All rateable rural land containing 4.0469 hectares in the region excluding Rating Units greater than 200 hectares where more than 90% of the land is covered in indigenous vegetation which will be zero rated. A differential rate will be applied to those Rating Units that have between 40 and 400 hectares where more than 75% of the land is covered in production forestry, also any production forestry Rating Units over 400 hectares.	Area
Bovine TB Vector Control	Bovine TB Vector Control	All rateable rural land containing 4.0469 hectares in the region.	Area
Plant Pest Strategy	Regional Plant Pest Management Strategy	All rateable rural land containing 4.0469 hectares in the region excluding Rating Units greater than 200 hectares where more than 90% of the land is covered in indigenous vegetation which will be zero rated.	Area
Healthy Homes - Clean Heat Financial Assistance	Management of the scheme to encourage the replacement of open fire or wood burners with more efficient form of heating and where necessary the installation of insulation.	All Rating Units in Napier and Hastings within the affected airshed.	Land Value
Clean Heat & Insulation Loans	Repayment of loans to ratepayers to insulate homes and replace open fires or non-compliant woodburners.	Those ratepayers who have opted for a loan to be repaid over 10 years with interest as a fixed amount through a Targeted Differential rate.	Dollar Amount

Continued: Explanation of Rating Method			
Types of Rates	Groups of Activities Funded	Types of land to be Rated	Basis of Rating
Economic Development Rate	To fund economic and tourism development in the region.	30% of the total rates are funded by the Commercial/Industrial Rating Units based on the Capital Value. The remaining 70% is collected from residential and rural Rating Units as an Uniform Annual Charge. The Wairoa District ratepayers' contribution is limited to 5% of the total rate.	Capital Value Fixed Amount
Emergency Management	Funding of the Hawke's Bay Civil Defence Emergency Management (CDEM) Group Office to manage the provision of effective CDEM consistent with the CDEM Act 2002.	All Rating Units in the region with the exception of Rangitikei and Taupo districts.	Fixed Amount

Details of Rates Calculated within each District and City General and Uniform Annual General Rates							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount of \$100,000 value per property	2013/14 Rate
General Rate							
	Napier City	Land Value		0.00825	\$368,659	\$8.25	\$318,424
	Hastings District	Land Value		0.00839	\$638,648	\$8.39	\$546,530
	Wairoa District	Land Value		0.00848	\$84,173	\$8.48	\$75,904
	Central H B District	Land Value		0.00877	\$203,153	\$8.77	\$176,847
	Taupo District	Land Value		0.00978	\$5,788	\$9.78	\$4,976
	Rangitikei District	Land Value		0.01682	\$2,823	\$16.82	\$2,681
	Estimate of Projected Valuation			0.00838	\$1,303,244		\$1,125,362
Uniform Annual General Rate							
	Napier City	Fixed Amount	26,370	28.41	\$749,159	28.41	\$669,659
	Hastings District	Fixed Amount	31,116	28.41	\$884,005	28.41	\$783,457
	Wairoa District	Fixed Amount	5,182	28.41	\$147,220	28.41	\$136,894
	Central H B District	Fixed Amount	6,352	28.41	\$180,460	28.41	\$157,735
	Taupo District	Fixed Amount	18	28.41	\$511	28.41	\$613
	Rangitikei District	Fixed Amount	4	28.41	\$113	28.41	\$153
	TOTAL		69,042		\$1,961,468		\$1,748,511

Item 10

Attachment 4

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount of \$100,000 land value per property	2013/14 Rate
SUBSIDISED PUBLIC TRANSPORT							
	Napier City	Land Value		0.02632	\$1,028,162	\$26.32	\$1,014,485
	Hastings District	Land Value		0.02678	\$816,726	\$26.78	\$768,015
	Estimate of Projected Valuation			0.02675	\$1,844,888		\$1,782,500
RIVER CONTROL							
				Benefit			
Heretaunga Plains Flood Control Scheme							
	Napier City	Capital Value	Direct	0.01163	\$752,708	\$11.63	\$725,077
	Napier City	Capital Value	Indirect	0.00284	\$275,931	\$2.84	\$266,961
	Hastings District	Capital Value	Direct	0.01169	\$887,518	\$11.69	\$843,023
	Hastings District	Capital Value	Indirect	0.00285	\$427,023	\$2.85	\$405,082
	Estimate of Project Valuation		Direct	0.01166			
	Estimate of Project Valuation		Indirect	0.00284			
	TOTAL				\$2,343,180		\$2,240,143
	Central H B District	Land Value	F1 100	0.65302	\$131,061	\$653.02	\$124,362
	Central H B District	Land Value	F2 75	0.48976	\$194,224	\$489.76	\$186,928
	Central H B District	Land Value	F3 50	0.32651	\$92,141	\$326.51	\$87,908
	Central H B District	Land Value	F4 25	0.16325	\$121,845	\$163.25	\$115,142
	Central H B District	Land Value	F5 10	0.06530	\$72,101	\$65.30	\$68,482
	Central H B District	Land Value	F6 1	0.00653	\$85,087	\$6.53	\$80,656
	Central H B District	Land Value	U1 25	0.16325	\$36,802	\$163.25	\$35,308
	Central H B District	Land Value	U2 15	0.09795	\$5,451	\$97.95	\$5,172
	Central H B District	Land Value	U3 10	0.06530	\$13,767	\$65.30	\$13,105
	Central H B District	Land Value	U4 1	0.00653	\$7,619	\$6.53	\$7,258
	Hastings District	Land Value	F5 10	0.06530	\$1,388	\$65.30	\$1,183
	Hastings District	Land Value	F6 1	0.00653	\$2,799	\$6.53	\$2,387

TOTAL					\$764,285		\$727,891
Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount of \$100,000 capital value per property	2013/14 Rate
RIVER CONTROL		Benefit					
Wairoa River & Streams Scheme							
	Wairoa District	Capital Value		0.01041	\$174,116	\$10.41	\$165,482
Central & Southern Area Rivers & Streams							
	Napier City	Capital Value		0.000875	\$85,293	\$0.87	\$83,778
	Hastings District	Capital Value		0.000879	\$131,873	\$0.87	\$127,065
	Central HB District	Capital Value		0.000905	\$33,758	\$0.90	\$32,753
	Taupo District	Capital Value		0.000980	\$767	\$0.98	\$741
	Rangitikei District	Capital Value		0.001463	\$345	\$1.46	\$359
	Estimate of Projected Valuation			0.000877	\$252,036		\$244,696
STREAMS AND DRAINS							
- Napier, Meeanee & Puketapu	Napier City	Land Value	Urban	0.02847	\$726,488	\$28.01	\$688,048
	Napier City	Land Value	Industrial	0.11387	\$182,112	\$112.05	\$172,762
	Hastings District	Land Value	Rural	0.02847	\$13,925	\$28.50	\$13,678
	TOTAL				\$922,525		\$874,488
- Karamu & Tributaries	Hastings District	Land Value	Urban	0.03661	\$846,989	\$36.65	\$809,442
	Hastings District	Land Value	Industrial	0.14645	\$310,377	\$146.61	\$292,811
	TOTAL				\$1,157,366		\$1,102,253

Item 10

Attachment 4

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount of \$100,000 capital value per property	2013/14 Rate
STREAMS AND DRAINS							
– Raupare Enhancement	Hastings District	Area	1097 hectares	12.65	\$13,877	\$12.65/hectare	\$13,877
– Raupare Twyford	Hastings District	Land Value	Rural	0.0848	\$199,589	\$84.89	\$192,371
– Haumoana	Hastings District	Land Value	Rural	0.1051	\$141,774	\$105.22	\$136,980
– Tutaekuri, Waimate & Moteo	Hastings District	Land Value	Rural	0.1585	\$212,165	\$158.69	\$202,062
– Pakowhai Brookfields	Hastings District	Land Value	Rural	0.1980	\$144,656	\$198.21	\$139,093
– Punga	Hastings District	Land Value	Rural	0.2282	\$79,336	\$237.81	\$76,653
– Brookfields Awatoto	Napier City	Land Value	Urban	0.2042	\$101,945	\$200.93	\$98,251
	Napier City	Land Value	Industrial	0.8168	\$56,100	\$803.73	\$54,449
	TOTAL				\$949,442		\$913,736
– Muddy Creek	Hastings District	Land Value	Urban	0.10469	\$206,570	\$104.81	\$203,619
	Hastings District	Land Value	Industrial	0.41876	\$37,899	\$419.23	\$34,888
	TOTAL				\$244,469		\$238,507
– Karamu Drainage Maintenance	Hastings District	Fixed Amount	5,569	10.55	\$58,764	10.55	\$55,966
– Karamu Enhancement	Hastings District	Fixed Amount	5,569	9.86	\$54,935	9.86	\$52,319
– Poukawa Drainage Special Rating Scheme	Hastings District	Land Value	PO1	0.66022	\$31,877	\$660.22	\$26,564
	Hastings District	Land Value	PO2	0.11003	\$1,664	\$100.03	\$1,393
	Hastings District	Land Value	PO3	0.02200	\$659	\$22.01	\$542
	TOTAL				\$34,200		\$28,499
– Porangahau Flood Control	Central HB District	Land Value		0.0144	\$41,602	\$14.40	\$39,621
– Maraetotara Flood Maintenance	Hastings District	Capital Value		0.0975	\$11,744	\$9.75	\$11,402
– Kairakau Community Scheme	Central HB District	Uniform Charge	80 Rating Units	1,205.90	\$9,647	\$120.59	\$9,421

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount of \$100,000 capital value per property	2013/14 Rate
DRAINAGE SCHEMES							
Paeroa Drainage Scheme Special Rating Area							
	Wairoa District	Area Basis	P1	6734.97	\$13,349	\$67.35	\$13,349
	Wairoa District	Area Basis	P2	4377.73	\$5,865	\$43.78	\$5,864
	Wairoa District	Area Basis	P3	3030.74	\$1,681	\$30.31	\$1,681
	Wairoa District	Area Basis	P4	2357.24	\$1,442	\$23.57	\$1,442
	Wairoa District	Area Basis	P5	336.75	\$746	\$3.37	\$746
	TOTAL				\$23,082		\$23,082
Ohuia Whakaki Drainage Rating Scheme							
	Wairoa District	Area Basis	A	12373.45	\$36,656	\$123.73	\$35,078
	Wairoa District	Area Basis	B	9898.76	\$8,553	\$98.98	\$8,185
	Wairoa District	Area Basis	C	7424.07	\$5,223	\$74.24	\$4,998
	Wairoa District	Area Basis	D	3712.04	\$13,122	\$37.12	\$12,557
	Wairoa District	Area Basis	E	1237.35	\$2,869	\$12.37	\$2,746
	TOTAL				\$66,424		\$63,564
Upper Makara Stream Catchment Special Rating Scheme							
	Central HB District	Area Basis	A	14394.9	\$7,803	\$143.94	\$7,539
	Central HB District	Area Basis	B	11515.92	\$21,861	\$115.16	\$21,122
	Central HB District	Area Basis	C	9356.69	\$33,140	\$93.56	\$32,019
	Central HB District	Area Basis	D	5038.22	\$6,645	\$50.38	\$6,421
	Central HB District	Area Basis	E	719.75	\$16,609	\$7.19	\$16,047
	Central HB District	Area Basis	F	287.90	\$13,115	\$2.88	\$12,671
					\$99,173		\$95,819

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount per Hectare	2013/14 Rate
DRAINAGE SCHEMES							
Esk River & Whirinaki Stream Maintenance Scheme							
	Hastings District	Area Basis	E1	3922.4893	\$8,808	\$39.22	\$9,040
	Hastings District	Area Basis	E2	1623.0499	\$2,396	\$16.23	\$2,510
	Hastings District	Area Basis	R11	3932.8367	\$1,214	\$39.32	\$1,291
	Hastings District	Area Basis	R12	13371.3512	\$623	\$133.71	\$623
	Hastings District	Area Basis	R13	43231.250	\$623	\$432.31	\$622
	TOTAL				\$13,665		\$14,087
	Hastings District	Area Basis	W1	17257.124	\$5,330	\$172.57	\$5,099
	Hastings District	Area Basis	W2	11066.00	\$515	\$110.66	\$515
	Hastings District	Area Basis	W3	3577.70	\$515	\$35.77	\$515
	Hastings District	Area Basis	W4	19025.50	\$2,888	\$190.02	\$2,700
	Hastings District	Area Basis	W5	369.2240	\$147	\$3.69	\$147
	Hastings District	Area Basis	W6	4460.606	\$147	\$44.60	\$147
	Hastings District	Area Basis	W7	1582.792	\$147	\$15.83	\$147
	TOTAL				\$9,689		\$9,270
Opoho Drainage/Stream							
	Wairoa District	Fixed Amount	A	55.2	\$11,635	\$11,635	\$0
	Wairoa District	Fixed Amount	B	34	\$7,166	\$7,166	\$0
	Wairoa District	Fixed Amount	C	108	\$2,276	\$2,276	\$0
	TOTAL				\$21,077		\$0

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount per Hectare	2013/14 Rate
DRAINAGE SCHEMES							
Te Ngarue Stream Flood Protection Scheme							
	Hastings District	Area Basis	TN	2916.28	\$2,773	\$29.16	\$2,773
	Hastings District	Area Basis	TN1	18431.79	\$155	\$184.31	\$155
	TOTAL				\$2,928		\$2,928
Kopuawhara Stream Flood Control Maintenance Scheme							
	Wairoa District	Area Basis	A	15351.4	\$1,875	\$153.51	\$1,821
	Wairoa District	Area Basis	B	6140.5	\$3,804	\$61.41	\$3,693
	Wairoa District	Area Basis	C	3070.2	\$2,225	\$30.70	\$2,160
	Wairoa District	Area Basis	D	767.57	\$772	\$7.67	\$749
	TOTAL				\$8,676		\$8,423

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount 4.047 hectare (10acre) property	2013/14 Rate
BIOSECURITY							
Plant Pest Strategy							
	Napier City	Area Basis	4,474	45.62	\$2,041	\$1.85	\$1,963
	Hastings District	Area Basis	365,883	45.62	\$166,916	\$1.85	\$160,467
	Wairoa District	Area Basis	270,247	45.62	\$123,287	\$1.85	\$118,557
	Central HB District	Area Basis	302,866	45.62	\$138,167	\$1.85	\$132,867
	Taupo District	Area Basis	21,900	45.62	\$9,991	\$1.85	\$9,608
	Rangitikei District	Area Basis	17,912	45.62	\$8,171	\$1.85	\$7,858
	TOTAL		983,282		\$448,573		\$431,320
Regional Animal Pest Management Strategy							
	Napier City	Area Basis	4,475	149.77	\$6,702	\$6.06	\$6,464
	Hastings District	Area Basis	300,027	149.77	\$449,350	\$6.06	\$431,961
	Wairoa District	Area Basis	207,503	149.77	\$310,777	\$6.06	\$299,759
	Central HB District	Area Basis	295,417	149.77	\$442,446	\$6.06	\$426,759
	Taupo District	Area Basis	7,996	149.77	\$11,976	\$6.06	\$11,551
	Rangitikei District	Area Basis	17,912	149.77	\$26,827	\$6.06	\$25,875
	TOTAL		833,330		\$1,248,078		\$1,202,369
Bovine TB Vector Control							
	Napier City	Area Basis	4,426	59.33	\$2,626	\$2.40	\$2,537
	Hastings District	Area Basis	392,528	59.33	\$232,887	\$2.40	\$224,996
	Wairoa District	Area Basis	275,758	59.33	\$163,607	\$2.40	\$158,063
	Central HB District	Area Basis	302,978	59.33	\$179,757	\$2.40	\$173,666
	Taupo District	Area Basis	34,922	59.33	\$20,719	\$2.40	\$20,017
	Rangitikei District	Area Basis	17,912	59.33	\$10,627	\$2.40	\$10,266
	TOTAL		1,028,524		\$610,223		\$589,545

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount 4.047 hectare (10acre) property	2013/14 Rate
BIOSECURITY							
Pest Control - Forestry							
	Napier City	Area Basis	0				
	Hastings District	Area Basis	65,998	50.6	\$33,395	\$2.05	\$34,322
	Wairoa District	Area Basis	62,744	50.6	\$31,748	\$2.05	\$31,748
	Central HB District	Area Basis	7,307	50.6	\$3,697	\$2.05	\$3,678
	Taupo District	Area Basis	13,903	50.6	\$7,035	\$2.05	\$7,035
	Rangitikei District	Area Basis					
	TOTAL		<u>149,952</u>		<u>\$75,876</u>		<u>\$76,783</u>

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount of \$100,000 land value per property	2013/14 Rate
CLEAN HEAT & SOLAR HOT WATER SCHEME							
- Healthy Homes (Clean Heat Financial Assistance)	Napier City	Land Value		0.00859	\$352,895	\$8.59	\$355,913
	Hastings District	Land Value		0.00874	\$317,744	\$8.74	\$314,726
	Estimate of Projected Valuations			0.00873	\$670,639		\$670,639
- Rates to repay loans to homeowners for clean heat, insulation and Solar Hot Water Scheme		\$10 per \$100 loan		\$10		\$10.00 per \$100 loan	

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2014-15	Estimated Amount of \$100,000 land value per property	2013/14 Rate
ECONOMIC DEVELOPMENT							
	Napier City	Fixed Amount	23728	17.53	\$415,952	\$17.53	\$393,170
	Hastings District	Fixed Amount	28757	17.53	\$503,877	\$17.53	\$475,804
	Wairoa District	Fixed Amount	4930	14.00	\$69,020	\$14.00	\$64,467
	Central HB District	Fixed Amount	6023	17.53	\$105,583	\$17.53	\$99,723
	Taupo District	Fixed Amount	17	17.53	\$298	\$17.53	\$300
	Rangitikei District	Fixed Amount	4	17.53	\$70	\$17.53	\$66
	TOTAL		63459		\$1,094,800		\$1,033,530
	Napier City	Capital Value	Commercial/	0.01308	\$212,509	\$13.08	\$201,607
	Hastings District	Capital Value	Industrial	0.01315	\$230,867	\$13.15	\$215,855
	Wairoa District	Capital Value		0.01592	\$9,180	\$15.92	\$9,357
	Central HB District	Capital Value		0.1353	\$16,644	\$13.53	\$16,123
	TOTAL				\$469,200		\$442,942
EMERGENCY MANAGEMENT							
	Napier City	Fixed Amount	26370	14.84	\$391,413	\$14.84	\$383,598
	Hastings District	Fixed Amount	31116	14.84	\$461,885	\$14.84	\$448,849
	Wairoa District	Fixed Amount	5182	14.84	\$94,287	\$14.84	\$90,355
	Central HB District	Fixed Amount	6352	14.84	\$76,924	\$14.84	\$78,417
	TOTAL		69020		\$1,024,509		\$1,001,219

Introduction

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

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

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

1. Charges Relating to Resource Consent Applications

(other than non-notified gravel extraction applications)

Charges for receiving, processing and deciding on applications for:

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

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

Fixed Charges for Processing Resource Consent Applications

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

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

Table 1: Fixed charges payable for processing resource consent applications
(other than Non-notified Gravel Extraction Applications - see Table 3)

Item	Initial Fixed Fee - Payable upon Lodgment (excl GST)	Additional Charge - Payable subsequent to processing
- Land use application for a bore permit where the application is made by a HBRC accredited driller.	- \$156	- N/A
- Land use application for bore permit where the application is not made by a HBRC accredited driller	- \$350	- N/A
Changes or cancellations of consent conditions	\$500	Based on actual and reasonable costs ¹
Review of conditions as specified in resource consents	\$320	Based on actual and reasonable costs ¹
Transfer a consent to another site	\$400	Based on actual and reasonable costs ¹
Extensions to lapsed dates for land use consents and onsite domestic waste water, less than 2m ³ a day	\$150	N/A
Extensions to lapsed dates	\$200	Based on actual and reasonable costs ¹
Transfer of resource consent (1 only, with transfer form completed and signed) to a new owner/occupier or change of name	\$85	Based on actual and reasonable costs for non-standard process ¹
Transfer of resource consent (2 or more, with transfer form completed and signed) relating to the same property to a new owner/occupier or change of name	\$110	Based on actual and reasonable costs for non-standard process ¹

Table 1 continued:
Fixed charges payable for processing resource consent Applications
 (other than Non-notified Gravel Extraction Applications - see Table 3 page 57)

Item	Initial Fixed Fee - Payable upon Lodgment (excl GST)	Additional Charge - Payable subsequent to processing
Certificate of compliance: - Bore sealing - Other	- no charge - \$300	- N/A - Based on actual & reasonable costs ¹
On-site wastewater system where the application is made in conjunction with an accredited designer on a low risk site	\$350	N/A
Renewal of Category 1 domestic on-site wastewater consents (with a good compliance history, and a verified history of complete wastewater system maintenance servicing by an accredited installer/service agent).	\$350	Based on actual and reasonable costs ¹
Renewal of all other (Category 2) domestic on-site wastewater consents.	\$350	Based on actual and reasonable costs ¹
Confirmation of domestic on-site wastewater Permitted Activity status	\$150	N/A
Other Individual resource consent application (including applications for ancillary activities)	\$1000	Based on actual and reasonable costs ¹

Table 1a: Fixed Charges for Resource Consent Applications Requiring Notification or a Hearing

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

Note 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 6); and adding any hearing costs and any costs of consultants and commissioned reports; and then subtracting the fixed charge that was paid in advance and any renewal fees that have been paid in advance. The total calculated amount shall then, if necessary, be adjusted to reflect HBRC’s actual and reasonable costs having regard to the factors referred to in section 36(4) of the RMA and any relevant discounts. (This does not apply to applications which are not subject to additional charges or refunds).

Note 2: Where a bore field consent is issued for 3 or more bores, bore inspection and compliance administration shall be carried out at an hourly rate of \$107 per hour.

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

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, wastewater lapse date extensions and waste water consents made in conjunction with an accredited designer on a low risk site, a portion of the charge as set out in Tables 1 and 1a will be remitted if the actual cost of receiving, processing and deciding on the application is less than that already paid.

Hearings

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

- actual meeting fee allowances at the rate approved by the Remuneration Authority, which is currently \$80.00 an hour for each committee member other than the chairman who is paid \$100.00 an hour, for each of the elected and tangata whenua appointed Committee members participating in the hearing (a six hour hearing with a hearing panel of three members would, therefore, incur meeting fee allowances for the hearing of \$1,560);
- actual mileage for committee members travelling to and from the hearing at the rate approved by the Remuneration Authority which is currently 77¢ a kilometre;
- actual accommodation costs where it is cheaper for a committee member to stay overnight rather than return home;
- actual meeting fee allowances for each of the committee members attending and participating in a formal site inspection, or any meeting subsequent to the hearing for formal deliberations;

- mileage and accommodation costs associated with any formal site inspection or deliberation meetings;
- actual costs (including disbursements) of any commissioner appointed by the Minister of Conservation's representative;
- the actual cost of staff attendance at a hearing (typically the Reporting Officer, hearings administrator, decision writer, relevant technical officers, and the Manager Consents or the Group Manager Resource Management);
- the costs associated with the use of an independent hearing commissioner where the use of a commissioner has been 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 (s100A)

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

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

Hearing Decision Writers

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

- The cost of the decision writer to attend the hearing and deliberations, and the decision writing time. Where the decision writer is an independent commissioner sitting as a panel member, the commissioner’s time to attend the hearing and deliberations will be charged at actual cost. However, the additional cost of using an independent consultant to write the decision will not be charged to the applicant. That is, the cost of the decision writing time will be charged to the applicant at the same rate as if a HBRC senior consent officer were undertaking the work.
- Where the decision writer is an external consultant not sitting as a panel member any additional cost of the consultant’s time to attend the hearing and deliberations, and to write the decision will not be charged to the applicant. That is, the consultant’s time will be charged to the applicant at the same rate as if a HBRC senior consent officer were undertaking the work.

Charging for Consultants

- Where the use of consultants is required to provide particular technical input to the consent process, and the use is occasioned by the application, the applicant will be responsible for the actual costs charged by the consultant.
- Where the use of consultants has not been occasioned by an application, for example, where workloads are such that in-house expertise exists but is unavailable, the applicant will be charged for the use of the consultant at a rate capped at what would have been charged by HBRC’s in-house staff, as in Table 6.

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

HBRC may, from time to time, commission reports in accordance with Section 92(2) of the RMA, to determine the cumulative effects of an activity according to resource consent applications. Where the activity meets the following criteria, the HBRC may contribute to the costs of preparing the report to a maximum of 25%, up to a maximum of \$5000. The HBRC’s contribution is at the discretion of the Group Manager, Resource Management, and the following criteria must be met for a discount to be considered:

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

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

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

Basic Charge

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

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

Table 2: Monitoring Task (excluding water takes with water measuring device)	Fixed Basic Annual Charge (Excl GST)
Inspection and associated reporting and administration	\$374
Inspection and associated reporting and administration of unmetered water takes	\$290
Additional inspection, reporting and administration charges where a resource consent authorises groundwater takes from more than two wells	\$68.40 - each additional well over 2.
Additional inspection, reporting and administration charges where additional consents under the same ownership and invoiced collectively, within 5km of each other, and able to be inspected on the same day	\$227 - each additional consent.
Sampling time (sampling analysis will be at cost – see Table 4)	\$107
Other information returns	\$107

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

Water Measuring Device Charges

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

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

Table 2a: Monitoring Water Takes with Water Measuring Devices	Annual Charge (Excl GST)
Sampling time (sampling analysis will be at cost – see Table 4)	\$107
– Water use returns & Audits – Telemetered, Web/Text entry – Each additional water measuring device	– \$188 – \$30
– Water use returns & Audits – Fax/Email/Standard Mail – Each additional water measuring device	– \$230 – \$63
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.	\$374
Non exercised consent	\$80

Monitoring of RMA Regulations

Where Council is required to monitor regulations under the Resource Management Act, a fixed charge of \$107 for the first hour and then additional charge based on actual and reasonable charges in Table 6.

Actual and Reasonable Charge

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

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

Additional Charges for Compliance Monitoring

Where an additional charge is to be made, this shall be calculated by multiplying the actual hours involved in undertaking monitoring of the consent by the hourly rate for

the staff involved and adding any actual disbursements (as in Table 6). 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.

Incentives for Full Compliance

When a consent holder consistently achieves full compliance (a Grade 1 in two consecutive years) the frequency of on-site monitoring may be reduced. An annual inspection may reduce to once every two years or more if the scale of the activity and continued compliance warrants it. Quarterly inspections may reduce to six monthly inspections. The reduction in frequency will be at the discretion of the Manager of Compliance and Pollution Response. Random inspections may be undertaken at no cost to the consent holder to ensure continued compliance during the intervening period.

Monitoring of Domestic On-site Wastewater Treatment Systems Charges

Consent holders with an on-site wastewater treatment system type that is not on the HBRC's Accredited Manufacturer list, and who do not have that system installed and serviced by a person or company on the Accredited Installer and Service Agent list will be subject to an annual monitoring cost of \$374.

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

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 any frost consents that are from the same take point as a irrigation consent, held in the same consent holders name):

- A charge of \$100 each primary consent (excl GST)

- Should all of the fixed charge not be adequate to recover the actual and reasonable costs associated with the entire low flow monitoring program, an additional charge shall be added to all consents that are subject to the above low flow fixed charge, to recover the actual and reasonable costs incurred.

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

HBRC policy is to recover 35% of the total costs of investigation and monitoring of freshwater resources from holders of resource consents to take or dam water, or to discharge into water or onto land that may enter water. This recognises that while all residents of the region receive benefits from the sustainable management of our freshwater resources, resource users receive greater benefits than other land owners.

As part of the 2010/11 Annual Plan development the HBRC consulted on the proposed charging with all current consent holders.

Allocation of Charges

The costs attributed under this charge are derived from the water investigation and monitoring projects with a proposed total cost to be recovered from consent holders of \$1,180,000 excl GST in 2012/13. HBRC has agreed to directly subsidise \$87,000 from the HBRC's Sale of Land (non investment account). This subsidy (\$87,000) will be available for years 2012/13 to 2014/15.

Costs are recovered from consent holders using a hybrid zone and regional based approach. Twenty per cent of the costs will be charged as a fixed portion (regional) and distributed uniformly among all current consent holders. This is estimated to be \$83 excl GST per consent for 2012/13. The remaining 80% of the costs (zone based) are separately attributed to the five major categories of consent holders (surface water takes, groundwater takes (stream depleting – hybrid SW/GW), hydro water takes, discharges to water and discharges to land consents). Charges are weighted

against individual allocated volume m₃ for water takes, and a pollution index score for discharge consents.

Charges are weighted against consented volumes not actual use, non-exercised/partially exercised consents do not receive dispensation. HBRC consents will be excluded from these charges.

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

Charges are struck against the current consent holder at the time of invoicing, no yearly apportioning will apply other than a 1 month discount for consents expiring 31 May. Charges lie where they fall. Charges are payable by the date specified on the invoice, the 2 to 5 year payment plan trialled in 2011/12 is not to be offered due to the low take up rate.

Domestic on site wastewater consents from a single domestic dwelling are excluded from the charging. A 25% discount is struck against the irrigation component of dam fill consents, short term takes and discharges associated with a land use consent are excluded.

Compliance Monitoring, Administration Charges and Financial Contributions

Compliance monitoring, administration charges and financial contributions are based on the volume of gravel extracted; the source of the gravel; and its quality. The categories include:

- inferior grade material (as determined by HBRC staff);
- material extracted from above the confluence of the Tukipo and Mangaonuku River tributaries of the Tukituki and Waipawa rivers (Upper Tukituki catchment);
- all other material.

The financial contribution is established in the Regional Resource Management Plan under Section 108 of the Resource Management Act 1991.

Resource consent charges for gravel extraction are due and payable monthly on the same day as extraction declarations.

4. Charges for Gravel Extraction Land Use Consents

Charges for Non-notified Applications

A charge payable in advance for receiving, processing and deciding on non-notified land use consent applications to extract gravel:

- 0-50 cubic metres \$20
- 50 cubic metres and over \$80

(For charges for notified gravel extraction land use consents, see Table 1 and associated text.)

Table 3: Gravel Extraction Charges based on \$ per Cubic Metre Extracted per annum (Excluding GST)				
	State of Environment Monitoring Charge (\$35 of RMA)	Compliance / Allocation Charge (\$36 of RMA)	Financial Contribution (\$108 of RMA)	Total
Upper Tukituki catchment	No charge	\$0.20	No charge	\$0.20
Inferior grade	\$0.12	No charge	\$0.08	\$0.20
All Other	\$0.12	\$0.60	\$0.08	\$0.80

5. Charges for the Preparation of, or Change to the Regional Policy Statement or a Regional Plan

Applicants for the preparation of or change to the Regional Policy Statement or any regional plan will be subject to the following fixed charge payable in advance: \$1000 (excl GST).

If the actual costs incurred by HBRC in preparing, varying or changing the Regional Policy Statement or any 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 Policy Statement or any regional plan by the hourly rates for staff involved (see Table 6), adding any actual disbursements (see Table 6) and subtracting the charge referred to above. 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 Resource Management Act (RMA). An additional charge is levied under subsection 36(3) of the RMA and such charges are subject to objection and appeal under section 36(6) of the RMA.

Building Act Charges

Introduction

The processing of building consents for dams and issuing of project information memoranda (PIMs) for dams and administering dam safety regulations are new statutory functions for the HBRC under the Building Act (2004) and its amendments. Dam safety regulations become operative on 1 July 2010. Amounts stated for Building Act charges below are exclusive of GST.

PIM costs

A fixed charge (deposit) 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 4.

Building Consent Costs

This function has been transferred to Waikato Regional Council. The transfer agreement specifies that Building Consent costs will be recovered on an actual and reasonable basis, with hourly rates and fixed charges from Waikato Regional Council. These charges are set and recovered directly by Waikato Regional Council. Any HBRC processing costs will be as specified in Table 4 under Resource Management Charges.

Certificate of Acceptance Costs

This function is retained by HBRC, but Waikato Regional Council will provide technical advice into the process. A fixed charge (deposit) is payable in advance, and an additional charge may be payable once the application has been decided. The fixed charge for this is listed in Table 4.

Department of Building and Housing and Building Research Authority of New Zealand Levies

Department of Building and Housing (DBH) and Building Research Authority of New Zealand (BRANZ) levies were required by regulation on 1 March 2008. These levies may change in accordance with amendments made to regulations. The Hawke's Bay

Regional Council (HBRC) is required to collect and pay DBH and BRANZ levies as regulated for all Building Consent Applications and Certificate of Acceptance Applications.

The following fees apply to all building work with an estimated value greater than \$20,000 - DBH levy – \$2.01 for every \$1000 (or part of \$1000) of the estimated value of the building work. BRANZ levy – \$1.00 for every \$1000 (or part of \$1000) of the estimated value of the building work.

Item	PIM	Certificate of Acceptance	Amendment to Compliance Schedule
Large Dam (above \$100,000 value)	\$1000	\$4000	\$1000
Medium Dam (\$20,000 to <\$100,000 value)	\$750	\$2000	\$1000
Small Dam (\$0 to <\$20,000 value)	\$500	\$500	\$1000

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 4).

An additional charge will apply to:

- all PIMs, Certificate of Acceptance Applications, and Amendment to a Compliance Schedule applications when the fixed charge does not cover the costs of processing.
- all other unspecified Building Act duties that deal with its application, processing or compliance, and are attributable directly to a dam. These charges are payable by the owner of a dam.

Standard Charges under the Maritime Transport Act 1994 - Marine Tier 1 Oil Transfer Sites

Maritime Rule Part 130B requires that the operator of an oil transfer site obtain the approval for a site marine oil spill contingency plan from the Director of Maritime New Zealand. The power to approve these plans has been delegated by the Director to the Chief Executive (sub-delegated to HBRC regional On Scene Commanders) of HBRC in an Instrument of Delegation pursuant to Section 444(2) of the Maritime Transport Act 1994. Section 444(12) of the Maritime Transport Act 1994 allows HBRC to charge a person a reasonable fee for:

- Approving Tier 1 site marine oil spill contingency plans and any subsequent amendments
- Inspecting Tier 1 sites and any subsequent action taken thereafter in respect of preparation of inspection reports or reporting on non-conformance issues.

Tier 1 Site operators shall be charged a basic charge of \$312 per Tier 1 Marine Oil Spill Contingency Plan approval. Where the cost incurred by HBRC when approving a contingency plan is greater than \$350, the Tier 1 Site operator will be charged the actual and reasonable cost.

Inspecting Tier 1 sites, auditing response exercises and subsequent follow up reports and corrective actions shall be charged the actual and reasonable cost of the required work.

Actual and reasonable charges shall be calculated using the hourly rates listed in Charge Rates section, Table 6.

Navigation and Safety By-laws Charges

The Local Government Act enables HBRC to charge for various functions it undertakes in accordance with the Navigation and Safety By-laws.

A fixed charge of \$183 will be charged to all vessels requiring a permit to be issued outside the hours of 8am – 4pm on a normal working day.

Internal and external costs incurred responding to breaches of Navigation and Safety By-laws, securing of vessels, responding to unseaworthy vessels or sinking vessels, and other tasks required to be undertaken to ensure safe navigation can be maintained, shall be charged actual and reasonable costs (Table 5) to the master, owner or person who caused the cost to be incurred.

Table 5: Navigation and Safety Charges	
Licence Type Vessels not Under Safe Ship Management	Annual Charge Payable in Advance (Excluding GST)
Passenger Vessel Licence	
– Passenger Vessel Owner’s Licence	\$100.00
– Passenger Vessel Licence (per vessel)	\$40.00
Hireboat Licence	
– Hireboat Owner’s licence	\$100
Pilot-exemption Recommendations/Revalidation	\$300
Applications for Suspension or Exemptions under Bylaw 5.1	
– Public Notification	Actual Advertising Costs

Charges Relating to Contaminated Site Management

These charges are set in accordance with section 150 of the Local Government Act 2002.

Where a party requests information about the 'contaminated site' status of a property	A charge of \$200 An additional charge based on actual and reasonable costs may apply if a site inspection is required
Where a party requests HBRC review and comment on contaminated site investigation and remediation reports	Actual and reasonable charges will apply
Where a party requests more extensive involvement of HBRC staff	A charge based on the actual and reasonable costs of staff time incurred

Charges for the Provision of Information

The Regional Council (HBRC) shall charge for the provision of any information including the Regional Policy Statement, regional plans and resource consents as follows.

- The first hour of time spent actioning a request for information on each or any occasion relating to the same general matter 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.
- 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 6. HBRC may also choose to require payment in advance.

- The first 20 pages of black and white photocopying on standard A4 or A3 paper shall be provided free of charge.
- Where the total number of pages of photocopying is in excess of 20 then the rates set out in Table 6 will apply.
- In alignment with the LGOIMA, HBRC does not consider requests for explanations in its definition of information requests.

Item	Per Hour
Executive	\$125
Asset Management	\$98
Environmental Science	\$95
Strategic Direction	\$98
Environmental Regulation	
– Resource consent processing	– \$123
– Resource consent administration	– \$82
– Management input into resource consent processing including attendance at hearings and during deliberations	– \$126
– Compliance/impact monitoring of consents and Approving, monitoring & auditing of Tier 1 Marine Oil Spill Contingency Plans, and monitoring of Resource Management Act regulations	– \$107
– All other tasks, consent processing	– \$82
– All other tasks, compliance monitoring	– \$84
Environmental Information	\$75
Land Management	\$85
Disbursement costs shall be charged at the rates of:	
– Accommodation	– \$150 a night per person
– 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

For Information Only

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:

- 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 part shall be borne as a debt by the party whose actions caused the initial charge.

NZTA FUNDING ASSISTANCE RATE (FAR) REVIEW

Submission on NZTA Funding Assistance Rate (FAR) Review: Options Discussion Document

From: Hawke's Bay Regional Council

Hawke's Bay Regional Council (HBRC) thanks NZTA for the opportunity to comment on the Funding Assistance Rates Review "Options Discussion Document" as released by NZTA. We note that the Hawke's Bay Regional Transport Committee has made a submission on our behalf from an overall regional context. Some of the content is similar.

Introduction

The Hawke's Bay Regional Council provides key transport outcomes including regional transport planning, road safety, public transport and total mobility. We note that public transport is one of the five core services that local authorities are required to have particular regard to under the Local Government Act 2002 (s11A).

It is therefore important that funding for these services are not reduced to the extent that councils cannot meet community outcomes and the government is unable to deliver on its national land transport outcomes.

HBRC recognises that there are a number of documents that set the strategic direction for land transport outcomes and while this review focuses on how the costs of local transport programmes should be shared between central government and local government, we are not sure that it can or should be done in isolation of the other factors that would contribute to a more integrated consideration of both sustainable transport and sustainable funding outcomes for New Zealand as a whole.

The Ministry of Transport for example is a key party as it develops the Government Policy Statement on Land Transport setting the transport priorities and the funding allocation for each land transport activity class. The provisional framework is to have a flat rate across all activity classes and it is unclear how a flat rate will assist the delivery of the government's priorities.

General Comments

We support the seven principles proposed in the provisional framework in a FAR system, specifically:

- a) Support optimal national land transport outcomes being achieved at the right time, in the right way and at the right place
- b) Facilitate transport users experiencing and integrated and appropriately consistent network throughout the country
- c) Appropriately split the costs between users and local communities
- d) Provide as much investment certainty as possible
- e) Be efficient to apply
- f) Be based on evidence and data that is readily accessible and reliable
- g) Ensure transparency in how different FARs are set and applied.

Recognising Councils' ability to pay

We agree that the Provisional Framework should recognise and provide flexibility for increasing the FAR for Councils that will find it difficult to fund their share due to the ability of their ratepayers to pay more rates. We also agree that provision should be made for targeted enhanced rates for those short term one-off situations where Councils made need additional funding for exceptional circumstances.

Road Safety

Road Safety education and awareness programmes are undertaken by the regional council with contributions from each of the district and city councils, with considerable funding from the NLTF. These programmes cover both local and state highway networks.

NZTA is taking an "all of system" and 'joined-up' approach with its transport industry partners to reducing New Zealand's accident statistics.

We believe that Road Safety should at least maintain its current higher FAR, if not be 100% funded, given that it covers state highways.

Public Transport Services

Hawke's Bay public transport services continue to buck the national trend with increasing patronage. The provision of effective services within current budgets sets the public expectations and any reduction of those services to stay within budget would be contrary to both land transport outcomes and Local Government Act.

The metric used to determine regional council FARs should take into account that the bulk of regional councils transport budget is in the public transport activity class and that lane kilometres and other network based metrics are not appropriate.

Total Mobility

Similarly, increases to funding over recent years, and the provision of services has set expectations for the members of the public who used these services. These services should continue to receive the higher FAR rates.

In particular, wheel chair hoist contributions should continue to be 100% NZTA funded, given the commitment NZTA made to fund this activity with regional councils administering it on its behalf.

Implementation of Changes

NZTA are currently proposing that the changes to the FAR are implemented and come into effect for the 2015 – 2018 National Land Transport Programme. If material changes are finally decided on, it is requested that the timing of the implementation be staggered over 10 years to reflect councils long term planning requirements and any decreases phased in at between 1 or 2 percent per year

Thank you for the opportunity to make this submission.

Fenton Wilson
Chairman
Hawke's Bay Regional Council