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Introduction

In this section, we identify the significant issues facing our region, how we intend to address them over the next ten years and the financial implications. They provide the strategic focus for the Ten Year Plan.

These issues mainly come from the six strategic goals that Council prioritised in the Embracing Futures Thinking document. The strategic goals are:

Water Futures

Generate foresight and knowledge on water quality, availability and demand, improve management of community expectations around water and establish the value of water to the region's well-being.

Land Use Change

Inform and encourage optimal land use for economic benefit to maintain and enhance environmental sustainability.

Climate Change

Build community resilience to climate change, reduce greenhouse gas emissions as far as reasonably practicable and maximise climate change opportunities.

Future Regional Infrastructure

Facilitate the planning for, design and development of integrated regional infrastructure to meet present and identifiable future needs, in partnership with relevant organisations.

Leadership for the Region

Provide regional leadership through partnership, community engagement, advocacy and example.

Investment Strategy

Develop an optimal mix of investments that recognises the four well-beings of the Local Government Act while retaining and improving capital and income values, in real terms.

This Ten Year Plan contains all the major activities that were included in the 2006-2016 Long Term Council Community Plan and its Amendments, with the exception of the Sawfly project, which has been completed.

The twelve issues are presented within three strategic themes developed from Council's vision, as follows:

Supporting a Vibrant Community

- Regional Leadership
- Partnerships with Māori
- Other Strategic Partnerships
- Regional Infrastructure
- Public Transport

Investing for Economic Prosperity

- Venture Hawke's Bay – Regional Development Agency
- Investments
- Responding to Climate Change
- Water Harvesting
- Sustainable Land Management

Sustaining a Clean and Healthy Environment

- Strategic Water Programme
- Air Quality



The issues and our plans to address them require an integrated, inter-departmental and inter-agency approach. Work programmes will cut across a number of Council's operational activities and require fresh thinking by Council and its many partners to deliver win-win outcomes for the region.

Supporting a Vibrant Community

Six of the nine Community Outcomes (Part 1, pages 10 and 11) relate to communities and the desire for good health, feeling safe and a sense of belonging. In supporting Vibrant Communities, Council is taking a strategic approach, focusing on leadership, partnerships and infrastructure.

Regional Leadership/High Performing organisation

Our Proposal Within a dynamic environment, organisations must have foresight and strategy, and be attuned to the regional issues that may affect them and their stakeholders. The Embracing Futures Thinking process is part of that foresight process. At the same time the organisation must be focussed on the 'right' activities and be competent in their delivery.

The Regional Council would like to take an active role in facilitating dialogue and debate on the topic of local government efficiency. The range of options that could be considered includes amalgamation of services, joint ventures and project by project collaboration.

The collaboration table in Part 1, page 8 shows how the five Councils are currently working together.

The Cost \$50,000 estimated to fund the Local Government efficiency study

Funding General funding

For further information on the service to be provided go to Part 3, Social and Cultural Wellbeing, Activity 1 – Community Representation & Regional Leadership

Partnerships with Māori

Our Proposal Council recognises the kaitiakitanga or guardianship role that tangata whenua have under the Treaty of Waitangi. Council is committed to developing a stronger relationship with tangata whenua through a strategic and mutually beneficial partnership(s) arrangement to assist Māori in their role as kaitiaki.

In addition future Treaty of Waitangi settlements with Hawke's Bay claimant groups will have significant implications for Council where settlement agreements relate to natural resource management. Council wishes to be proactive in understanding key drivers for Māori redress under these settlements and work with Treaty claimant groups to integrate these into future natural resource management processes.

Although Council's Māori Standing Committee is an extremely important arrangement for joint debate from a regional view-point, Ngati Kahungunu and Māori entities within the region are developing to have an active role in Council's activities.

Council has identified a fund to help integrate the broader role that Māori will have in the future into regional strategic and resource management policy and implementation. This may include help to develop appropriate capacity for Māori entities as well as developing specific programmes for them to undertake on a service agreement basis, for mutual benefit.



The Cost \$150,000 per year

Funding General funding and Council reserves

Although there has been a small budget provision in the past to facilitate Māori involvement in Council activities, there is no current budget other than to support the Māori Committee.

The emerging issues of how to now manage natural resources embedded in the Treaty Claims and regional water issues, in particular, mean that a funding increase is necessary to set up and sustain effective working relationships.

For further information on the service to be provided go to Part 3, Strategic Direction, Activity 1 – Partnerships with Māori and Other Strategic Partnerships.

Other Strategic Partnerships

Our Proposal Council wishes to partner with specific organisations in order to progress community outcomes and its strategic goals, and is currently developing service agreements with a number of community-based organisations. These agreements will clearly state the performance targets that Council expects in return for the money provided.

Strategic partnerships currently include Sustaining Hawke's Bay Trust, EcoEd and Hawke's Bay Cultural Trust.

The Cost \$120,000 per year

Funding General funding and Council reserves

For further information on the service to be provided go to Part 3, Strategic Direction, Activity 1 – Partnerships with Māori & Other Strategic Partnerships

Regional Infrastructure

Our Proposal Significant regional public infrastructure such as sports parks and museums are important for a vibrant region. The region will not develop and prosper without strategic support for assets and activities that promote community wellbeing.

Council received requests of \$3 million for the Regional Sports Park, \$1.5 million for the Hawke's Bay Museum upgrade, \$500,000 for the Waipawa Town Hall project and \$200,000 funding for the Rugby World Cup 2011.

The Rugby World Cup is estimated to cost \$620,000 for hosting of cup matches and events in Hawke's Bay and will be part funded from 'in kind' contributions from Hastings District, Napier City, Venture Hawke's Bay and sector groups. Council has resolved to allocate \$200,000 to this project during 2010/11.

Further, Council has allocated \$2.5 million in the first three years of the plan and a further \$7.9 million, subject to rolling annual plan reviews, in the remaining seven years of the plan as a contestable fund for such projects.

The Cost The estimated cost of this programme to Council is \$10.4 million

Funding \$2.5 million Council reserves and \$7.9 million from general funding sources

For further information on the service to be provided go to Part 3, Strategic Direction, Activity 1 - Partnerships with Māori & Other Strategic Partnerships, Social & Cultural Wellbeing and Activity 2 – Open Space and Regional Infrastructure.



Public Transport

Our Proposal Improved linkages within and between urban areas will contribute to a number of the community outcomes as well as to regional transport objectives. However, affordability is also important. While half the cost of providing a public transport service is met by national funding, the rest is borne by rate payers who potentially benefit from the opportunity that the service provides.

Providing public transport between the two cities for workers and businesses, access to the regional hospital and to the general public contributes significantly to the community outcomes and wellbeing.

Council also recognises that the patronage of existing services is yet to be fully tested, so it is proposing a staged approach to the introduction of improvements that have been asked for by the public.

As a result, in Year 1 it is proposed to maintain existing services (including the Commuter Express service introduced in 2008/09) as well as a trial bus service to the growing commercial area of Ahuriri.

In Year 2, it is proposed to provide earlier start and later finish times on all routes, increase Saturday services and introduce Sunday services.

In Year 3, it is proposed to increase the frequency of some services.

Council recognises however, that service improvements should be aimed at and matched by increased patronage and accordingly increased fare revenues, in order to contain or reduce ratepayer costs. Council has or is developing appropriate business plans and strategies.

The Cost The cost of these services is estimated to be:

- 2009/10 \$2,656,000
- 2010/11 \$3,726,000
- 2011/12 \$4,329,000

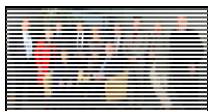
Funding 50% of costs are met by the New Zealand Transport Agency (NZTA). The remaining 50% is proposed to be met through increasing the existing targeted rates on properties within the catchment boundaries.

Year 1 - \$18.38 (plus GST) per \$100,000 land value

Year 2 - \$25.19 (plus GST) per \$100,000 land value

Year 3 - \$29.15 (plus GST) per \$100,000 land value

For further information on the service to be provided go to Part 3, Transport, Activity 3 – Passenger Transport



Investing for Economic Prosperity

Two of the nine Community Outcomes (Part 1, pages 10 and 11) relate to Economic Prosperity: one directly seeks a strong prosperous and thriving economy; the other seeks safe, effective and integrated infrastructure. In investing for economic prosperity, Council is focusing on aligning its investment portfolio and the use of Council funds to initiatives that will grow the regional economy.

Venture Hawke’s Bay¹ – the Regional Development Agency

Our Proposal Hawke’s Bay Regional Council, Hastings District Council and Napier City Council share responsibility for economic development and regional promotion across the region through Venture Hawke’s Bay.

Key strategies of Venture Hawke’s Bay are:

- regional planning and investment
- productivity, innovation and efficiency
- regional promotion and marketing.

Venture Hawke’s Bay operates as a business unit of the Regional Council on behalf of the other Councils. The three Councils previously funded Venture Hawke’s Bay \$400,000 each, however Hawke’s Bay Regional Council has agreed to collect the total \$1.2 million through regional rates.

The Regional Council will continue to collect its current contribution of \$400,000 across the whole region and will collect the remaining \$800,000 previously collected by Napier City and Hastings District Councils through a separate targeted rate per \$100,000 of land value for Napier and a targeted fixed amount rate for Hastings ratepayers.

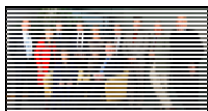
The impact of this will be neutral for the districts. Council will review the basis of the targeted rate via the 2010 – 2011 Annual Plan.

The Cost \$1.2 million per year, the same as in previous years.

| | | |
|------------------------|---|--|
| Funding 2009/10 | Region wide: | \$1.17 (plus GST) per \$100,000 land value (current) |
| | | \$2.97 (plus GST) Uniform Annual General Charge (current) |
| | Napier Ratepayers: | \$8.63 (plus GST) per \$100,000 of land value for Napier |
| | Hastings Ratepayers: | \$13.46 (plus GST) Targeted Fixed Rate for each separately used or inhabited part of a rating unit |
| Future Funding | Council proposes to carry out a review during 2009/10 to determine the best way to rate and target those ratepayers who benefit most from the work undertaken by Venture Hawke’s Bay. | |

For further information on the service Venture Hawke’s Bay provides go to Part 3, Strategic Direction, Activity 2 – Strategic Thinking

¹ Hawke’s Bay Incorporated was renamed Venture Hawke’s Bay with effect from 1 July 2009.



Investments

Our Proposal Council will more actively manage the investment portfolio to align investments with key, emerging and sustainable development opportunities for the region. Council may also explore opportunities to leverage capital funds (like a Regional Development Fund) to support important Hawke’s Bay businesses experiencing difficulties due to severe world recessionary conditions.

Evaluation of new investment opportunities will actively align social, cultural, economic and environmental benefits alongside capital and dividend growth. To enable active alignment of investment with strategic benefits, Council is considering a revised governance structure.

Subject to satisfactory negotiation with Horizons Regional Council, this Council proposes to purchase their 8% shareholding in Port of Napier Limited. On achieving 100% ownership of the Port, Council will have greater flexibility in achieving an optimum governance structure. If this proposed purchase does not eventuate then the dividends estimated to be received from the additional share holding will be offset by increased interest on funds invested.

In terms of a governance structure, expert advice via director’s appointments would be sought in any revised structure.

The Cost Year 1 - \$167,000 to establish the new investment structure subject to Council’s approval. Once the structure is established it is considered that additional investment revenues will accrue from a more active investment policy made possible through such a structure.

Funding Years 1 – 3 Regional income
Years 4 – 10 Costs estimated to be offset by additional revenue

For further information on Council’s investment policy, go to Part 5, Policies.

Responding to Climate Change

Our Proposal Greenhouse gas emissions are resulting in changes to the world climate. These changes have wide economic and social implications. They require Council to focus on new adaptive solutions while mitigating the effects of change on existing systems.

Council is responding to climate change in a number of ways including:

- investigating water harvesting opportunities
- monitoring developments of the Emission Trading Scheme and the impacts and opportunities it presents for the region
- focussing on sustainable land management activities to integrate the impacts of climate change across social, economic and environmental elements of the farming business
- leveraging climate change related government funding for regional research and investigations
- continuing monitoring of coastal processes
- considering the use of investment funds for encouraging alternative fuels
- proposing increased public transport services to reduce the use of private vehicles and therefore emissions
- setting its own internal greenhouse gas emission reduction targets
- monitoring regional emissions and trends
- collaborating with other agencies to achieve energy efficiencies around the healthy homes/clean heat initiative
- promoting individual and community led adaptation to climate change.

The Cost \$50,000 per year for various initiatives

Funding General funding

For further information on the service to be provided go to Part 3, Environmental Management, Activity 5 – Sustainable Land Management & Biodiversity, Activity 7 – Water Management, Strategic Direction, Activity 4 – Response to Climate Change



Water Harvesting

Our Proposal Water is critical to the region’s economy and prosperity. Ensuring the region’s water resources are sustainably managed and developed is a key Council role (also refer to the Strategic Water Programme in this section). The predicted impact of climate change for this region is for higher temperatures and more extreme events of drought and intense storms. This means we need to look at alternative strategies in addition to managing the water already in rivers and underground in aquifers.

Council believes it has a role in facilitating the investigation of water harvesting/ storage opportunities in collaboration with local communities and using central government grants available such as the Sustainable Farming Fund. A prefeasibility study is already underway for community storage in the Ruataniwha Plains area in Central Hawke’s Bay. Other fully allocated catchments such as Ngaruroro River and Karamu River are future possibilities.

The Cost Year 1 – 3 \$50,000 per year from general rates as seed funding for prefeasibility studies and business model assessments.

Funding If a feasibility study is justified, it is proposed that it is part funded from Council’s investments according to the investment portfolio criteria in partnership with other investors.

For further information on Council’s response to climate change go to Part 2, and Part 3, Strategic Direction, Activity 4, Response to Climate Change

Sustainable Land Management

Our Proposal Of some 900,000 hectares of erodible land in Hawke’s Bay, up to 300,000 hectares may be in land use that currently exceeds the sustainable capacity of the land. This can lead to the degradation of soil quality, loss of productivity and also off-site effects on water quality. The impacts of climate change will exacerbate these effects.

While continuing its existing activities with individual landowners, Council believes that focusing at a catchment level and engaging landowners across environmental, economic and social aspects of their business will create momentum for changing land use to match sustainable capacity. The Council also recognises the significant contribution that forestry can make towards increasing sustainable land use in the region. Council will seek partnerships with appropriate organisations in that sector to strengthen relationships.

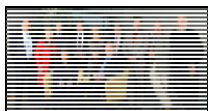
Council wants to use existing Regional Landcare Scheme budgets and income for research and implementation programmes to support catchment based initiatives.

Ministry of Agriculture and Forestry funding will also continue to be accessed to complement Council funding. This includes the Sustainable Farming Fund, the Hill Country Erosion Fund, the Afforestation Grants Scheme and the Permanent Forest Sink Fund.

The Cost No additional budget is sought.

Funding From existing regional income as in previous years.

For further information on the service to be provided go to Part 3, Environmental Management, Activity 5 – Sustainable Land Management & Biodiversity.



Sustaining a Clean & Healthy Environment

This Community Outcome seeks a natural environment that is appreciated, protected and sustained for future generations. The majority of Council's activities contribute to this community outcome; however there are two key areas of environmental management addressed in this plan with financial implications to certain sectors of the community.

Strategic Water Programme

Our Proposal Council will implement a Strategic Water Programme involving scientific investigations, policy development, strategic water studies and demand management initiatives.

The programme and associated costs are in direct response to increasing pressure on the water resources of the Hawke's Bay region. This increasing demand is accompanied by heightened community concern for sustainable management of in-stream values. In addition, cultural concerns surrounding freshwater have also increased.

These concerns are evident in stakeholder support for a strategic water review that will result in greater understanding of the water resource, and help improve management and the optimal use of available water.

The programme spans a number of existing projects within the Water Management activity sub-group. It represents an increase of approximately 30% over the 2008/09 (last) year in the Water Management area.

The Cost Year 1 –\$846,000 additional over 2008/09
Year 2 – \$878,000 additional over 2008/09
Year 3 - \$900,000 additional over 2008/09

Funding Water Management activities are currently funded via general funding. As part of Council's approach to identify the value of the work we do, Council is to recover part of its State of the Environment Research and Investigation expenditure, either directly from consent holders (under Section 36 of the Resource Management Act) or from landowners (as a targeted rate).

It is anticipated that these funding mechanisms will be sufficient to fully fund the equivalent of the additional costs of the proposed Strategic Water Programme.

However, Council proposes a phased introduction of these charges during the first three years of the Ten Year Plan. In Year 1, Strategic Water Programme costs will be fully funded from Reserves (2009/10) and then partially funded (50%) from Reserves in 2010/11.

The balance of the funding required for the programme in 2010/11 and the full funding requirement thereafter will be sourced from the funds recovered under the charging mechanisms referred to above.

For further information on the service to be provided go to Part 3, Environmental Management, Activity 7 – Water Management



Healthy Homes (Air Quality)

Our Proposal Air quality in the Napier and Hastings areas does not currently meet the standard required by the Government.

If air quality does not improve by 2013, the Government has determined that industries requiring consents to discharge even minor amounts of contaminants into the air will not be able to do so. This would severely impact the Hawke’s Bay economy in the medium term as existing consents expire and would not be renewed.

Smoke emitted by domestic fires during winter is the main reason for not meeting the air quality standard. Rules have been proposed to phase out the worst smoky fires in the Napier and Hastings airsheds by replacing inefficient burners with ‘clean heat’ options.

Council supports an integrated outcome for Hawke’s Bay people working with the Government and other appropriate agencies to achieve fully insulated homes that have efficient heating sources.

As of June 2009, Government has signalled a review of the air quality standards including a revision of the implementation date from 2013 to 2020.

Together with subsidies from the Energy Efficiency and Conservation Authority (EECA), Council proposes to establish a financial assistance programme to assist ratepayers in both Napier and Hastings to meet the standard based on the 2020 deadline. It will comprise non-repayable grants of up to \$1000 and a subsidy of 50% of interest on loans up to \$4,000 (subject to eligibility). Council will borrow \$38 Million over the ten years of the Plan in order to fund loans to ratepayers.

The 50% subsidy of interest on the loan and the grants will be funded through a targeted rate across the ratepayers in the Napier and Hastings airsheds. The benefit to all ratepayers within the airshed will be the improved health that comes through clean air.

The Cost The estimated cost of this programme to Council is \$11.5 Million over twenty-one years.

Funding Under the 2020 timeline, a targeted rate of \$7.62 + GST on \$100,000 of equalised land value for rating units included in the Napier and Hastings airsheds.

Comparisons with Draft 10 Year Plan For the details of the changes in the Energy Efficiency and Conservation Authority (EECA) assistance and Council's revised financial assistance programme, refer to Part 3, Environment Management, Activity 6 – Air Management.

Also covered in that section is the financial assistance that Council may consider providing to homeowners for insulation upgrades.



Significant Financial Implications

Movement in General Funding Rates

Our Proposal The Ten Year Plan is based on the following projected general rates movements:

| Year | General Funding Rates \$000 (Excl GST) | Proposed Adjustment | |
|--------------------------------|--|---------------------|------------------|
| | | % | \$000 (Excl GST) |
| 2008/09 (Actual) | 3,676 | - | - |
| 2009/10 | 3,676 | Nil | Nil |
| 2010/11 | 3,786 | 3% | 110 |
| 2011/12 | 3,938 | 4% | 152 |
| 2012/13 (and subsequent years) | 3,938 | - | - |

Reasons for adjustments The nil movement in 2009/10 has been achieved by reducing spending in some discretionary areas. The increases in 2010/11 and 2011/12 are required to ensure that Council can fund predicted increases in costs. No increases in this rate are proposed for subsequent years as other regional income flows are estimated to strengthen.

General Rate as a percentage of Total Operating Budget The general rate funds 11.7% of expenditure on Council's operating activities (2009/10). This reflects Council policy to directly charge, where possible, through fees and targeted rates, those members of the community who directly benefit from Council services; also to use dividends and interest from Council investments to fund activities.

Targeted Rates Movement

Our Proposal The objective of these rates is to target those members of the regional community that benefit directly or indirectly from a service provided by Council.

The targeted rates proposed for public transport and the improvement of air quality have been covered earlier in this section. Also covered in previous pages is Council's proposal to collect contributions for Venture Hawke's Bay that were previously collected by Napier City (\$400,000) and Hastings District Council (\$400,000).

The remaining targeted rates collected by this Council are proposed to increase as below:

- Animal pest, Bovine TB and plant pest rates are proposed to increase on average 3.5% during 2009/10.
- Flood protection and drainage schemes are proposed to increase on average 4.95% for 2009/10.

Targeted Rate as a percentage of Total Operating Budget The targeted rate funds 30.3% of expenditure on Council's operating activities (2009/10). In this Ten Year Plan, Council has more accurately defined the value of the service provided to those who benefit. In many cases this has reduced the requirement for a general rate. However, for those landowners considered to benefit more from a particular service, the targeted rate will increase.



Financial Strategies

Decrease investment income

The Council is forecasting a reduction in the interest payments on cash investments and Port of Napier dividends due to the deteriorating international and the national economic climate. The effect of this forecast decrease in revenue has been projected to affect the first two years of the 10 Year Plan and Council is proposing to fund this reduction in investment returns by the use of the Dividend Equalisation Reserve and cash operating balances which have been built up over a number of years by Council. From year 3 of the plan, investment revenues are projected to strengthen and continue to increase steadily throughout the remaining years of the Plan.

Funding of new strategies

The Council has also introduced new strategies in water, estimated to cost \$850,000 per annum. These strategies for 2009/10 are proposed to be funded from Sale of Land (Non-Investment) reserve. For 2010/11 Council is proposing that 50% of this strategy will be funded from the reserve funding and 50% from either section 36 charges through the Resource Management Act and/or targeted rates on those in the community who benefit from this additional service by Council. From 2011/12 and subsequent years the strategies will be fully funded from direct charges/targeted rates on those in the community who benefit from the service.

Increase in financial assets (including cash)

Over the ten years of the Plan Council's balance sheet shows that the financial assets including cash have increased from \$156 million to \$212 million – an increase of \$56 million. This increase is due to the following:

- Additional value of shares in the Port of Napier Limited (\$18 million).
- Napier leasehold land rentals held in the Coastal Marine Area Reserve awaiting clarification of how Council will access these funds for assisting with the funding of Council operations (\$11.2 million).
- Loans made to households within Napier and Hastings

airshed areas for clean heat initiatives (\$17.4 million).

- Increase in cash operating balances to reflect the assumed strengthening financial position of Council from year 4 of the 10 Year Plan (\$4.9 million).
- Increase in other Council reserves including Sale of Land and Depreciation reserves (\$4.5 million).

Loans owed by Council

Over the 10 years of the Plan, loans owed by Council have increased from \$11.9 million to \$30.6 million, an increase of \$18.7 million. This increase is due to the following:

- Increase of loans raised for the purchase of public good capital assets, specifically open spaces/regional parks (\$2.5 million).
- Increase in borrowings for flood and drainage schemes (\$4.6 million).
- Increase in loans raised to fund 50% interest subsidised loans to householders for clean heat initiatives (\$17.5 million).
- Offset by loans repaid over the 10 year period, the major ones being in the Sawfly Remediation programme and Council office building development (\$5.8 million).

For further details of Council's financial strategies, refer to Part 4, Financial Information – Ten Years in Ten Minutes.