

Facing **OUR** future

2018-28
CONSULTATION
DOCUMENT

A TEN YEAR PLAN TO
FIX OUR ENVIRONMENT



HAVE YOUR SAY ON THE FUTURE OF OUR REGION

Let's fix this now

Many of our rivers, streams, lakes and estuaries are a mess. It's clear to us that fixing the issues in our environment needs a step-change approach. Our community is impatient for change. And so are we.

Our legacy can't be unsustainable practices on land, silt from forest harvesting, inefficient water use, underperforming storm and wastewater systems, polluted streams, rivers and estuaries, and problems amplified by climate change. To be successful, our whole community has to pull together.

In 200 years we have transformed our landscape faster than any other country. We have cleared our land of trees from the water's edge to nearly the top of every mountain.

We need to restore our wetlands, plant trees on the most erosion-prone hill country and the banks of our rivers and streams – the arteries that feed our lakes and estuaries.

To make our land and water better for future generations, we need to invest in our environment.

We need to ask you to dig further into your pockets to support this work. Our efforts will cost the average householder a little more per week. But the cost of not doing this work is even more. Protecting and enhancing our natural resources - our land, water, air, coast and biodiversity is in everyone's interest.

Last year we asked you to support our "hotspot" programme, starting with a targeted rate rise and this has been put to work with some very encouraging early results.

Together we can make Hawke's Bay the best place in the world to live and work, and we are asking for your help to make this a reality.

Have your say

Facing Our Future 2018-28 is here to inform you on the key issues and related proposals that seek your support and funding over the next ten years.

See the back page for a full list of community meeting dates, where to access Supporting Information and how to Have Your Say.



Rex Graham
CHAIR



James Palmer
CHIEF EXECUTIVE



A step change in activity

Facing Our Future asks you to support the key steps to restore our rivers, streams, lakes, estuaries and the coastal marine environment.

We cannot accept modest, incremental change. We must accelerate our efforts to see major changes across our region in the next ten years. Millions more trees planted. Less soil lost. Cleaner water. A healthier marine environment. Better biodiversity.

To do more to fix our environment, we particularly need to scale up our work in the areas of land and water management and biodiversity. This plan also proposes to do more in the areas of Sustainable Homes, Civil Defence and our work with the community including Tāngata Whenua. We also propose to make changes to the funding of the Economic Development rate which includes Hawke's Bay Tourism and how we fund our borrowing.

Our plan is to increase the average rate by around \$1 a week more per property in year 1. This is a 13.8% rate increase to focus on our environmental priorities, plus 5.2% for the proposed regional Civil Defence rate, previously paid to your city/ district council. We plan to limit rate increases for the remaining nine years of this plan to an average increase of 3.76%, recognising that we are increasing from a low rating base.

This plan proposes a step-change in activity. We require more staff and the tools they need to do their jobs. In this plan we forecast up to a 15% increase in staff in year 1 to deliver on the activities described here.

The Council funds around 23% of its operating costs from Napier Port's yearly dividend. A complete review of our capital structure highlights the challenges to grow Napier Port while reducing our risk – a matter for future consultation with the community. But for now, we are relying on this dividend and your financial support to make a regional step-change.

To make this happen, in the budgets for this plan, the Regional Council has identified and accounted for:

- \$500,000 cost savings from Council operations
- \$400,000 increased funding from consents and compliance recovery
- Moving the \$50 million we had allocated to the now-shelved Ruataniwha Water Storage Scheme from short-term deposits to long-term, higher returning investments
- Third-party funding to make the Regional Council's funds go a lot further
- Increased borrowing where appropriate to spread the costs of Council projects

Did you know?



Hawke's Bay has over **350 kilometres of open coast** and estuary shoreline



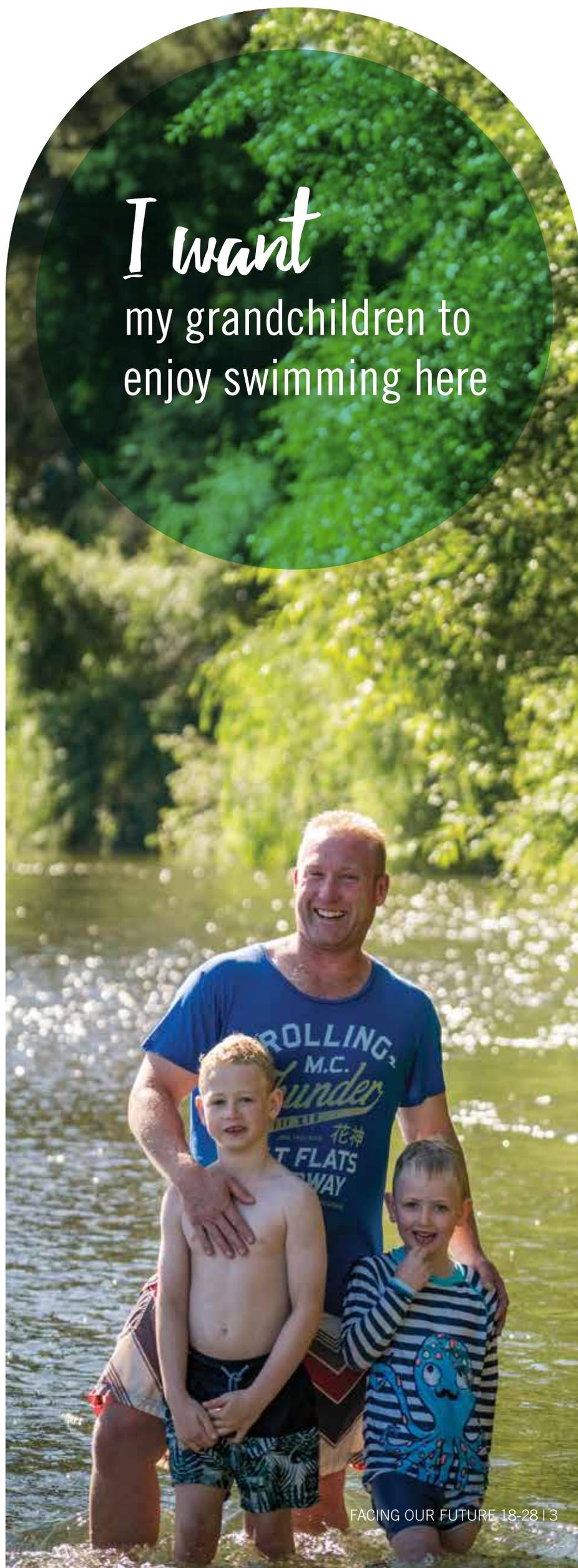
Over **22,000 kilometres of rivers and streams**, made up of **33 river ecosystem types**



We monitor data from **74 remote rain gauges** and **27 volunteer rain gauge readers**



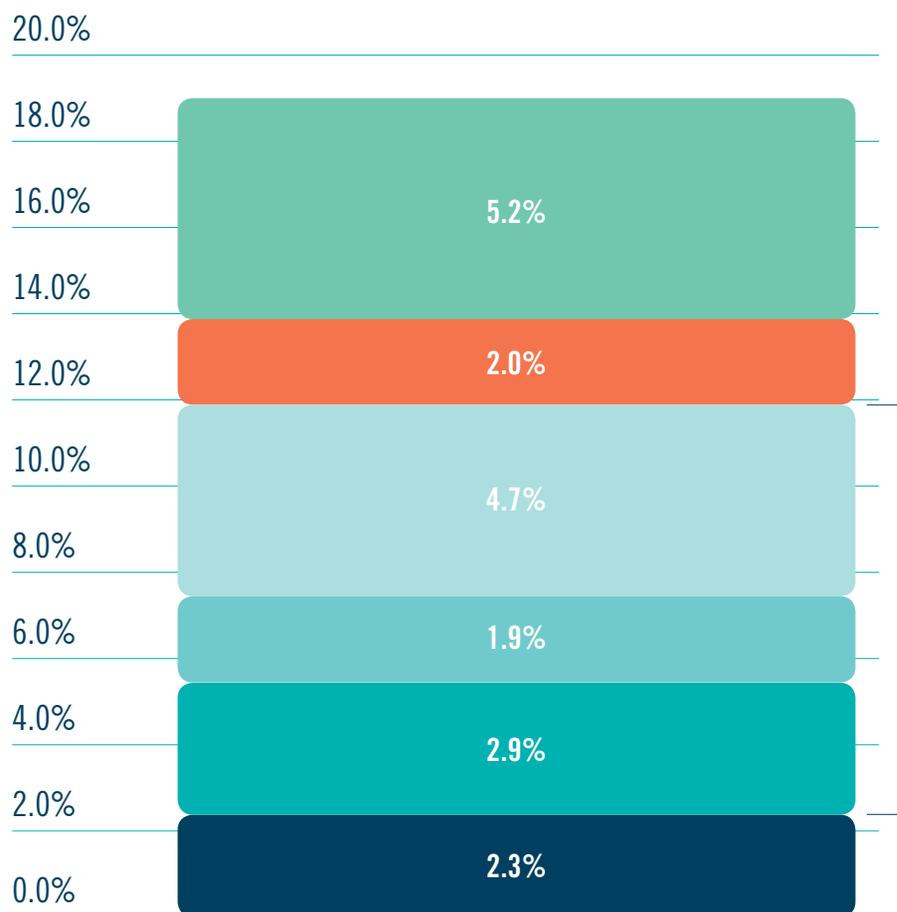
Heretaunga aquifer is New Zealand's **second largest groundwater resource**



I want
my grandchildren to
enjoy swimming here

Rates Breakdown

This is an overview of the total proposed rate increase for the 2018-19 year, the main areas where your rates will help us to achieve more.



- Civil Defence* (5.2%)
* This replaces what you have previously been charged in your city/ district council rates.
- Working with Tāngata Whenua (2.0%)
- Land, Water & Biodiversity:
 - Partnerships for Change (Future Farming, Biodiversity and Biosecurity) (4.7%)
 - Incentives to Change (Farm Plans, Riparian and Reforestation) (1.9%)
 - Regulation (Planning, Consents, Compliance and Science) (2.9%)
- Base level Service increase - includes coastal hazard rate for Napier/ Hastings and inflation, is partly offset by cost-savings and Hawke's Bay Tourism reduction (2.3%)

Rate Comparison

To see how our plan affects you, go to our online Rate Comparison tool at hbrc.govt.nz, search: #ratecomparison

You Said

In a ratepayer survey late last year more than 2,000 of you told us where to focus our efforts and how much you might pay for this. You sent a clear signal for us to put more focus on the environment. That gave us a clear direction to develop Facing Our Future 2018-28.

Top 3 Areas to focus more time and money

69%
'spend more' on waterways and aquifers

45%
'spend more' on protecting the marine environment

41%
'spend more' on native species and pests

Would you pay more for these improvements?

51%
prefer no increase to rates

25%
would pay \$10-\$25 more per year

11%
would pay \$25-\$50 more per year



Reforestation



We have even bigger plans, and the desire and ability to use our balance sheet to invest up to \$100 million in commercial reforestation over the next ten years.

Trees are an essential part of this plan, with more than \$30 million proposed to be invested in replanting, associated fencing and pest control over the next ten years.

We have even bigger plans, and the desire and ability to use our balance sheet to invest up to \$100 million in commercial reforestation over the next ten years.

This could be done using either our own investment company or a newly-created, special purpose council-controlled organisation. Early discussions with the Crown and potential investor partners are taking place and we will come back to you for consultation as this opportunity develops further. This \$100 million is not part of the financial package for this plan.

The Regional Council's 'Waihapua' plantation adjacent to Napier-Wairoa Road.

Consultation topics

In this plan, we're asking for your feedback on significant changes. Read each of our proposals and their options. Then have your say at hbrc.govt.nz, search #FOF1828, which has all the Supporting Information. Also see how to Have your Say by turning to the back page.

○ Land Water and Biodiversity

This is 9.5% of the total proposed rate increase, to help us act more urgently to fix issues in our environment.

○ Sustainable Homes

We plan to extend this fully cost-recoverable programme to make individual properties more sustainable and resilient, such as solar heating, PhotoVoltaic cells, domestic water storage and septic tank replacement.

○ Civil Defence

Our plan to take full responsibility for collecting a regional rate for Civil Defence amounts to 5.2% of the total proposed rate increase.

○ Local Government Funding Agency

Joining this scheme has no impact on rates or debt but gives the Regional Council access to lower interest rates for borrowing.

○ Working with Tāngata Whenua

Our plan to work more effectively with Tāngata Whenua accounts for 2% of the total proposed rate increase.

○ Hawke's Bay Tourism

Stepping back the funding of Hawke's Bay Tourism is a 1.6% rates reduction and enables us to focus on our environmental priorities.

As part of this plan, we are also consulting on our funding and financial policies. These are also online at hbrc.govt.nz, search #FOF1828

Land, Water & Biodiversity He whenua, he wai, he taiao

If our region continues with a business-as-usual approach, we can only expect further decline, and this is not acceptable.

Given the scale of the challenges, limited progress and the rate of global change, we need to face our future now. Some landowners are leading the way, but we need to act with more urgency and effort to help the region to be more sustainable and resilient. A clean, green region can take advantage of opportunities for current and future generations, and our actions now will have lasting benefits.

This plan proposes a range of land and water initiatives to make change at a scale and speed that meets all of our expectations. We aim to get things done. We will focus on behaviour change using a range of incentives and increasing our regulatory function. We want to give landowners the knowledge, tools and resources to make changes, ideally before nationally driven deadlines come into effect.

We know that regulation alone is frequently a slow and indirect way to change behaviour and get improved outcomes. For the Regional Council to accelerate progress and make more impact, we need to support and incentivise change.

Incentives to Change – the carrots

This plan proposes a practical toolbox of ‘carrots’ to support communities to solve their local challenges, with the benefit of Council’s science knowledge. Our staff will work, catchment by catchment, as a partner with communities to achieve practical change as required by the National Policy Statement for Freshwater Management.

Farm plans - Council proposes to speed up Farm Plan completion by removing the up-front cost to landowners – in the form of an interest free loan. Farm Plans are an effective tool to identify and prioritise on-farm actions that improve soil retention and water quality, with beyond-boundary benefits to the rest of the region, including the marine environment. External borrowing for funding will be matched to demand and borrowing will be repaid by the landowner via their rates.

Additional spend:	Year 1 \$102,000	Year 2 \$116,000	Year 3 \$139,000
Impact on debt:	Year 1 \$500,000		\$5M over ten years

Riparian & reforestation - Council also proposes to fund riparian fencing, planting and maintenance of planted areas, and plant trees on highly-erodible land unsuitable for commercial forestry. These tools support the implementation of Farm Plans. An incentive of up to 75% public funding is proposed with the remainder private-funded. The public benefit will be improved water quality and retention, soil conservation and retention, less soil-loss impact on the marine environment and improved habitat for birds, fish and plants. We propose to borrow \$30 million over ten years, recognising the inter-generational benefits of this work. Council will work to secure third party funding to get as many trees in the ground as possible to maximise this opportunity and align with central government objectives.

Additional spend:	Year 1 \$264,000	Year 2 \$462,000	Year 3 \$976,000
Impact on debt:	\$1.5M Year 1		\$30M over ten years

Options - Incentives to Change

	Additional Spend	Impact on Rates	Impact on Debt
1 Status quo. Rely on market forces and stronger regulation to drive action by landowners.	\$0	No impact on rates	No impact on debt
2 Fund these incentives to accelerate uptake and behaviour change, to make environmental improvements at pace and on a regionwide scale.	\$366,000 year 1 + \$578,000 year 2 + \$1,115,000 year 3 A total of \$2.1M cumulative over 3 years	1.9% rate increase in year 1 0.9% rate increase in year 2 2.2% rate increase in year 3	\$2.0M Increase in debt in year 1 Total borrowing of \$35M over 10 years

2 Our preferred option
We prefer Option 2. Our analysis shows that incentives to change support lasting behaviour change. Backed by regulation, this is the fastest and most effective way to achieve environmental outcomes for our region.

Have your say
Do you agree with our proposed incentives for land, water and biodiversity?



Across Lake Tūtira in Autumn



I want
to leave this place
better than when
we arrived

Partnerships for Change

We can only achieve change at scale and pace in partnership with others. Working with our community is at the heart of everything we do. These initiatives are either new or are a significant increase in our existing level of activity. They are designed to take full advantage of local and national knowledge and funding opportunities to make the Council's funds go substantially further.

Future farming - This plan supports the establishment and operation of an independent farmer and grower-led initiative to lead on-farm research and innovation. 'Future Farming' will focus on providing farmers with information, networks, evidence and tools to improve environmental outcomes on their farms. New general rate funding of \$650,000 over 3 years will get this new initiative up and running.

Additional spend:	Year 1 \$150,000	Year 2 \$250,000	Year 3 \$250,000	No impact on debt
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Biodiversity & biosecurity - The multi-stakeholder Biodiversity Action Plan 2017-2020 has been adopted to protect, maintain and restore threatened ecosystems. Council now proposes funding of \$427,000 per year plus \$100,000 capital expenditure in year 1 to implement the Action Plan. \$200,000 per year for four years will kick-start a HB Biodiversity Foundation endowment fund. \$227,000 from year 1 onwards will provide for project management and on-the-ground action on prioritised sites.

The Regional Pest Management Plan is under review. Council proposes to spend an additional \$117,000 from year 1 onwards to implement the new pest management plan. The Predator Free HB project is adding feral cats, stoats and ferrets to the Possum Control Area programme over 200,000 hectares of farmland. This assumes external funding to match our contribution of \$200,000 for each year of this plan. This will deliver biodiversity benefits to regional and national threatened species and ecosystems, and health benefits related to reduced risk from toxoplasmosis.

Additional spend:	Year 1 \$744,000	Year 2 \$744,000	Year 3 \$744,000
Impact on debt:	\$100,000 year 1		\$100,000 over ten years

Options - Partnerships for change

Additional Spend

Impact on Rates

Impact on Debt

1	Status quo in terms of cost to ratepayers, but a continual decline of the region's environment	\$0	No impact on rates	No impact on debt
2	Fund these initiatives to work together to improve the region's land, water and biodiversity.	\$894,000 year 1 + \$994,000 year 2 + \$994,000 year 3 A total of \$2.9M cumulative over 3 years	4.7% rate increase in year 1 0.4% rate increase in year 2 0.0% rate increase in year 3	\$100,000 Increase in debt in year 1 Total borrowing of \$100,000 over 10 years

2

Our preferred option

We prefer Option 2. Farmers and other landowners are the primary stewards of the region's natural resources, including our most threatened ecosystems so it makes sense to work closely together. These partnerships bring knowledge and resources to make the Council's funds go further.

Have your say

Do you agree with our proposed partnerships to improve land, water and biodiversity?

Regulation – the sticks

Nobody likes more rules, but cleaning up our environment will take stronger regulation. Central Government and the wider community are asking more of us. We must more actively regulate our environment, along with incentives to support and speed up change. Our regulatory 'sticks' include planning, consenting and compliance and science.

This work complements the non-regulatory activities mentioned above to bring about the wide-ranging behaviour change we need - effectively the 'stick' to support incentives to change and working together.

Across these three regulation functions, this plan proposes to increase funding by \$564,000 through the general rate to meet statutory requirements. This is a 2.9% rate increase in year 1 (3.3% in year 2; 1.1% in year 3). This is a \$500,000 increase in debt in year 1, with total borrowing of \$3M over ten years. This borrowing is to fund new equipment for our State of the Environment monitoring and reporting. However, much of the Council's current regulation activity is funded by user charges, i.e. consent holders.

Planning - This plan proposes to increase our planning capacity to meet national standards, including those for freshwater management, urban development and plantation forestry.

Consents & compliance - As catchment-based plan changes come into effect, new rules will be imposed on resource users, including many activities that have not previously been consented or monitored. This results in a greater number of more complex consents for staff to process. Council proposes greater levels of cost recovery from consent holders, increasing from 60% to 80%, due to the cost their activities impose on the wider community. In the area of compliance, unauthorised environmental activities including pollution need to be addressed. This team requires more funding to effectively monitor and respond, to resolve issues of non-compliance through mediation and enforcement measures. Cost recovery from consent holders will increase from 70% to 80%.

Science - As the Regional Council increases the focus on its regulatory function, we also rely more heavily on science to inform planning, consenting and compliance action.

No Option - Regulation

To meet legislative requirements, Council must step up our regulatory oversight. We are not consulting on these areas as the status quo is not an option.

Coast & Marine update

One third of our region is coastal marine environment.

The Regional Council has an extensive programme of coastal marine monitoring and research covering 65 regional sites across 8 programmes. This tells us about the state and health of our coastal waters, intertidal reef structures, our estuaries and beaches. Many of these areas are under stress from the impacts of land use and sediment loss. As we continue to work to satisfy the research needs identified by the HB Marine and Coastal Group, our plans for reforestation, freshwater and land management will help to improve our coastal marine environment.

We anticipate contributing up to one-third of the total \$5M estimated to complete research over the next five years, working with the Ministry for Primary Industries/ Fisheries NZ, commercial and recreational fishery interests and Tāngata Whenua.

No option – Coast & Marine

This important work complements our approach to Land, Water & Biodiversity. It is already under way, is not a new proposal and is not being consulted on.

Did you know?



We actively manage
37 plant and animal pests



We monitor **34 popular swimming spots** each summer

I want
clean water for
my grandkids...



Sustainable homes He Kāinga Toitū



HeatSmart started in 2009 and has delivered 12,771 financial assistance packages to date: 3,270 clean heat loans, 6,758 clean heat grants to assist funding the replacement of open fires or non-compliant wood burners, and 2,743 insulation grants for warmer, healthy homes.

The current HeatSmart programme will have met its air quality objectives and cease in 2023. We propose to extend the HeatSmart programme for clean heat and insulation (currently in the Napier and Hastings airsheds) to include measures that allow homes across the region to become more sustainable, such as solar heating, PhotoVoltaic cells, domestic water storage and septic tank replacement. Estimated uptake is up to 1300 homes over ten years. External borrowing of \$13 million over ten years will be matched to actual demand which could be more or less than the expected uptake. However, there is no impact on the ratepayer as the scheme is fully cost recovered. Borrowing will be repaid as a targeted rate on the property, adding to the overall capital value of the property.

Have your say
Do you agree with the proposed sustainable homes programme?

Options - Sustainable Homes

	Additional Spend	Impact on Rates	Impact on Debt
1 Maintain HeatSmart funding with no change to the current planned end-date of 2023.	\$0	No impact on rates	No additional impact on debt
2 Extend the HeatSmart programme to include Sustainable Homes.	\$13M over ten years	No impact - fully cost recoverable - borrowing stays with each property - loan settlement at point of sale	\$0.5M increase in debt in year 1 Total borrowing of \$13M over 10 years

2 Our preferred option
We prefer Option 2. This is a way to make individual properties more sustainable and resilient, i.e. solar heating, domestic water storage and septic tank replacement.



Ngaruroro River at Chesterhope Bridge, in flood but managed within the network of stopbanks.

Civil Defence Te Rākau Whakamarumarū ki Te Matau-a-Māui

Hawke's Bay is a seismically-active region at risk from earthquakes, tsunami and volcanos. We are sometimes in the path of adverse weather events.

The Regional Council proposes to take full responsibility for collecting a regional rate for Civil Defence. The Hawke's Bay Civil Defence Emergency Management Group is collectively accountable to our communities for natural disaster preparation, response and recovery, and consists of the five councils in Hawke's Bay.

As a result of a review of operations informed by the 2011 Canterbury earthquakes, the Civil Defence Group now operates as a shared service across councils. All Civil Defence staff now work in the same organisation, administered by Hawke's Bay Regional Council. This improves the capability in our region to respond to and recover from a disaster.

We currently rate for around 50% of regional Civil Defence work; the other councils rate for the other 50%. We plan to present these charges as one regional rate. Under this proposal you will pay no more for Civil Defence overall, which is itemised as a Targeted Uniform Annual Charge. City and district councils will either pass their saving onto ratepayers or reallocate this fund to other activities – each council will specify this in their own Long Term Plans.

With savings from shared service consolidation, we propose to strengthen our Civil Defence capability with more focus on public education before and public information during an event.

hbemergency.govt.nz

Options - Civil Defence

Additional Spend

Impact on Rates

<p>1 Retain civil defence rating with each respective city/ district council</p>	<p>\$0</p>	<p>No additional impact on rates. No change to \$15.03 Targeted Uniform Annual Charge charged by HBRC Balance of Civil Defence rate stays with each city/ district council</p>
<p>2 Transfer existing civil defence rating to the Regional Council</p>	<p>\$1M per year by the Regional Council -no change to HB region</p>	<p>5.2% increase in year 1 0% increase in year 2 0% increase in year 3 \$28.75 Targeted Uniform Annual Charge</p>

2 Our preferred option

Option 2 is our preferred approach. It is a sensible way to collect rates for what is now a regionally delivered activity, to help deliver a better service. This has no impact on debt.

Have your say

Do you agree with the proposed single regional civil defence rate?

Local Government Funding Agency - LGFA

This plan proposes joining the New Zealand Local Government Funding Agency Limited (LGFA) scheme in order to access potential favourable interest rates on borrowing.

The LGFA is a Council Controlled Organisation (CCO) and we are therefore required to consult on joining this scheme. The Regional Council intends to join as an Unrated Guaranteeing Borrower but is not bound to use the LGFA for its borrowing. However joining gives the option to do so. This plan assumes conservative commercial borrowing rates which could provide savings on interest expenses if favourable rates are secured through rate negotiations with either commercial institutions or the LGFA.

All participating local authorities are able to borrow from LGFA, but different benefits apply depending on the level of participation. As at 31 December 2017, the level of Council's borrowing was \$25 million. There is expected new borrowing of approximately \$71 million during this plan. Consequently, the benefits of lower interest margins could be significant. There are possible interest savings of up to \$10,000 or 1% for every \$1 million of debt, depending on the market rates available.

There are one-off up-front costs associated with joining LGFA of around \$10,000. An Information Memorandum is available with our Supporting Information online, or by request.

Joining the LGFA Scheme as an unrated guaranteeing Local Authority enables borrowing above \$20 million and access to lower borrowing interest rates. There is a low risk to Council by joining LGFA as a guarantor.

Options - LGFA

	Additional Spend	Impact on Rates	Impact on Debt
<p>1 Status quo. Not join the LGFA scheme and continue to borrow from other approved lending institutions.</p>	\$0	No impact on rates	No additional impact on debt
<p>2 Join the LGFA scheme, but as a non-guaranteeing local authority, with a maximum borrowing limit of \$20M. This gives the option to use LGFA if it proves beneficial.</p>	\$10,000 one off setup cost and no ongoing fees	Potential reduced rates due to savings on interest costs over the costs of setup.	No additional impact on debt
<p>3 Join the LGFA scheme as an unrated guaranteeing local authority with unlimited borrowing but higher risk. This gives the option to use LGFA if it proves beneficial.</p>	\$10,000 one off setup cost and no ongoing fees for the unrated guarantor	Potential further reduced rates due to increased savings on interest costs	No additional impact on debt

3

Our preferred option

We prefer Option 3, to give Council the flexibility to use LGFA.

Have your say

Do you agree with the Regional Council joining the LGFA scheme as an unrated guaranteeing borrower?

Mahia Bay, north of Wairoa

Working with Tāngata Whenua



There are 23 iwi authorities, around 88 hapū and 68 marae within the Hawke's Bay region. Māori represent 23% of the region's total population.

The responsibility to live respectfully with the environment is observed as kaitiakitanga (guardianship), a value promoted by Tāngata Whenua to maintain the delicate balance between people and the natural environment.

Protecting and enhancing our environment is a high priority for the region and working with Tāngata Whenua is critical to our success. Greater capability, influence and economic strength are emerging for Māori in the region as Treaty settlement processes conclude. This accompanies increasing expectations and legal requirements on the Regional Council to co-govern and co-manage the region's natural resources through its Regional Planning and Māori Committees and under the Resource Management Act.

We propose to increase our capability to partner with Tāngata Whenua to do more to protect and enhance our environment, including internal appointments and strengthening the cultural competency of staff.

Did you know?



The total regional population is **158,900**, of which **39,500** are Māori



Māori population is **5.7%** of New Zealand's total Māori population

Statistics NZ (2013-14)

Options – Tāngata Whenua	Additional Spend	Impact on Rates
1 Status quo	\$0	No impact on rates
2 Increase capacity to engage with Tāngata Whenua	\$384,000 year 1 additional	2% general rate increase in year 1 0% increase in year 2 0% increase in year 3

2 Our preferred option
We prefer Option 2, to grow capacity and partnerships for co-governance and co-management with Tāngata Whenua to better meet our obligations. This has no impact on debt.

Have your say
Do you agree with our proposed increased funding for Tāngata Whenua engagement?

Hawke's Bay Tourism Ahumahi Tāpoi o Te Matau-a-Māui

Visitor nights have grown 7.7% over the last three years. Tourism contributes \$627 million annually to the local economy.

In the last planning cycle, the Regional Council committed to increased funding of \$1.8M over 3 years to Hawke's Bay Tourism. We believe this has paid off. The sector now has the momentum to sustain strong visitor numbers. Therefore, this plan proposes to step back the funding of Hawke's Bay Tourism to an annual spend of \$900,000 by year 4 as we return our focus to environmental priorities.

We will continue to fund tourism at that level through the Economic Development targeted rate, while advocating for the sector to contribute more directly.

Residents are rated a standard Uniform Annual Charge, and the commercial/ industrial sector by capital value. The current split is 70:30 residential : commercial. This plan proposes to adjust the rating basis from 70:30 residential : commercial to 50:50 in year 1 and 30:70 in year 2 onwards to better reflect the ratepayers who benefit most from economic development.

Options - Hawke's Bay Tourism

Additional Spend

Impact on Rates

<p>1 Hold Tourism funding at the current level to collectively fund tourism promotion for operators of all sizes, with associated economic benefits to everyone</p>	<p>\$0</p>	<p>No impact – funded through existing Economic Development rate Residential, eg. Napier \$29.06 Commercial, eg. Hastings \$18.68</p>
<p>2 Reduce annual funding and adjust the rating basis to reflect the benefits to businesses</p>	<p>- \$300,000 year 1 - \$600,000 year 2 - \$900,000 year 3 \$1.8M cumulative savings over 3 years</p>	<p>1.6% rate reduction in year 1 Change to rating split in years 1 and 2 1.3% rate reduction in year 2 - 1.2% rate reduction in year 3 Residential, eg. \$15.86; Commercial, eg. Hastings \$25.64 Year 1 - per 100k of CV</p>

Our preferred option

2

We prefer Option 2. The \$1.8M saving over 3 years enables us to refocus on the environment, since we kick-started tourism growth over the last 3 years. We also believe the rating split should become more weighted to the commercial sector, who receive the most benefits from tourism promotion. This has no impact on debt.

Have your say

Do you agree with our proposed changes to the economic development rate?

We want
to see Hawke's Bay grow



Coastal Hazards Strategy 2120 Update

Sea levels are expected to rise up to 1.5 metres over the next 100 years, which will force major changes.

Because of the significant risks associated with climate change and sea level rise, three Partner Councils (NCC, HDC & HBRC) have been working on the Clifton to Tangoio Coastal Hazards Strategy 2120 to find solutions to our coastal erosion and inundation threats.

The work so far has identified preferred protection options, along with high-level cost estimates for short, medium and long term horizons, up to 100 years. The next phase considers design and budget refinements, cost sharing and funding options, and preparing for implementation.

We have not yet agreed to fund short-term capital construction work, but the necessary planning and preparation for these projects can proceed. The three Councils anticipate completing this work in the early years of this plan. Once final details of the capital projects are complete, public consultation will identify whether the community supports implementation.

hbcoast.co.nz

No Option

Council is establishing a new targeted rate to align the cost of this activity to those who benefit the most. This is a new rate to fund Council's ongoing involvement in the Coastal Hazards Joint Committee. This rate is targeted to Napier and Hastings residents.

Did you know?



We monitor 70 river sites in the region – **99% of sites meet national standards for *E.coli***



There was just 1 air quality exceedance in 2017

Have your say

There are a number of ways to give feedback...

- Online
- Social media
- In person
- In writing

See the back page for a full list of community meeting dates, where to access Supporting Information and how to Have Your Say.

Haumoana coastline during winter swell.
Photo: Tim Whittaker.





Have your say

We welcome your views on the best approach to manage this regional asset for growth. More information is available at hbrc.govt.nz, keyword search #csr.

Regional updates



Napier – Wairoa Rail Update

This plan provides for a commitment of \$1.5M in year 1 to support Central Government's policy - and their \$5M in funding - to reinstate the Napier-Wairoa rail line, with no financial returns assumed over the next ten years.



Napier Port Growth

Council owns Napier Port through the Hawke's Bay Regional Investment Company Ltd. The Port is facing significant growth in cargo volumes and needs to develop its facilities to handle that growth on behalf of the region. Those developments, including a new container wharf and the replacement of the existing container wharf and supporting infrastructure, will likely cost around \$250 million over the next 15 years.

Even with forecast growth, Napier Port cannot fund future development on its own without capital investment or dividend relief from Council.

A Capital Structure Review Panel formed by Council is looking at ways to raise the capital needed by Napier Port, and de-risk and diversify Council's investment portfolio, while retaining a controlling interest.

Napier Port, through HBRIC Ltd, returns Council an annual dividend of around \$10 million, which significantly subsidises rates for the region. This plan assumes this dividend will continue over the next ten years. We have assumed this because the options being considered by the Capital Structure Review panel, which meet all of Council's objectives, do not have a negative impact on the forecast dividend.

We're not consulting specifically on the future capital structure of Napier Port now, but we anticipate doing so in year 1 of this plan.



Water Storage Update

The Ruataniwha Water Storage Scheme was central to the last Long Term Plan. In August 2017, the new Council agreed to end this Council's investment in the project, no longer ring-fencing the remaining \$65 million allocated to the scheme - \$50 million in cash and \$15 million in property investments. Since this decision, the cash funds have been on short-term deposit.

This plan invests \$50 million cash funds longer term for a higher rate of return than current short-term investments, and retains the property investments.

Council is also keeping a \$5M provision for water augmentation, not fixed to any particular scheme but available as a grant fund for technical investigation and feasibility.

30 Year Infrastructure Strategy

We recently reviewed our 30 year Infrastructure Strategy for the key assets we manage. These are essential to our Hawke's Bay lifestyle.

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

The Regional Council looks after 25 flood control and drainage schemes in the region, typically created when landowners have been willing to meet a major portion of both the capital and ongoing maintenance and operating costs.

The most significant scheme services the Heretaunga Plains, with major stopbanks and river control works on the Tutaekuri, Ngaruroro and Tukituki Rivers. This scheme crosses the plains and includes a network of small streams, drains and pumping stations. It is divided into 10 funding and management areas – 1 covers the rivers; the other 9 are separate drainage catchment areas.

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

The latest audit of flood control works related to the major river schemes determined that the assets are in good shape and Levels of Service described in the current Asset Management Plans have by and large been achieved (source: 2016/7 River Maintenance Audit). The scope of the audit includes observation of the condition of the scheme stopbanks and structures affecting the integrity of the stopbanks, berm and buffer zones, and the active channel.

Other Assets

The Regional Council manages 105 kilometres of off-road pathways, constructed on land we either own or administer. Some of these form part of Hawke's Bay Trails – a Great Ride in the New Zealand Cycle Trail. We also manage and administer a Regional Parks Network with popular sites at Tūtira, Pekapeka, Pākōwhai and Waitangi.

Over the next 30 years

We expect to adapt this Strategy to respond to the influence of climate change, for example, by increasing the flood protection standard in response to more extreme weather events.

Assets

Heretaunga Plains Flood Control & Drainage Scheme \$139 Million

Stopbanks	157km
River channels and edge protection....	129km
Drainage channels	447km
Pumping stations.....	18
Structures and culverts.....	217

Upper Tukituki Scheme \$32 Million

Stopbanks	76km
River channels and edge protection....	205km
Drainage channels	12km
Structures and culverts.....	44

Small Schemes \$14 Million

Stopbanks	15km
River channels and edge protection	31km
Drainage channels	85km
Pumping stations.....	4
Structures and culverts.....	37

Total Replacement Value **\$185 Million**



The Heretaunga Plains is at the heart of Hawke's Bay's productive sector activities.

Photo: Peter Scott Above Hawke's Bay

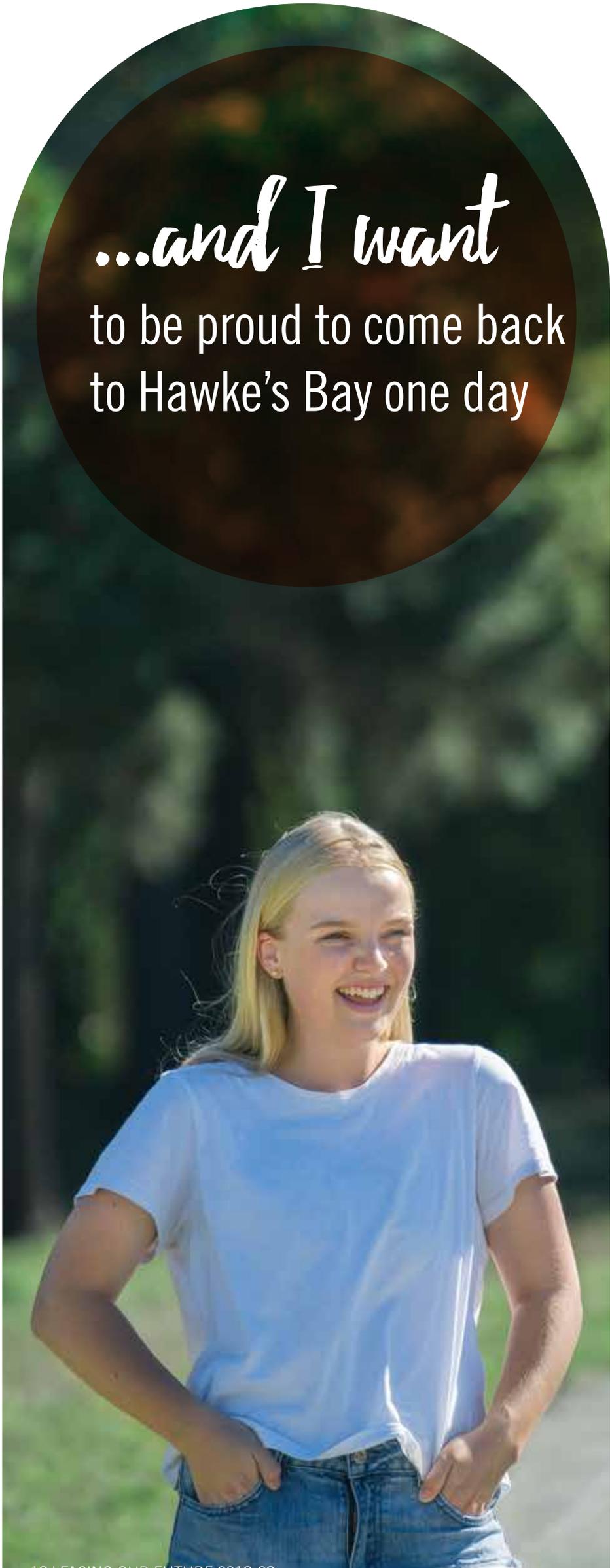


Tukituki rivermouth
Photo: Peter Scott Above Hawke's Bay

Major Works in the Pipeline

A number of potential major projects in the 30 year life of this Strategy either are, or will be, the subject of ongoing consultation processes about how they will proceed. The financial impact of these may change as result of consultation. These are the significant projects that begin in the early stages of our strategy.

When	Project	\$
2018 to 2028	<p>Heretaunga Plains Scheme</p> <p>Improve flood carrying capacity from a '1 in 100 year' event level (1% AEP) to a '1 in 500 year' level (0.2% AEP), in response to climate change.</p> <p>Upgrade Ngaruroro River stopbank from Chesterhope to Fernhill (4 km/year, on the right bank) plus continue the upgrade past 2021 in other parts of Tukituki and Tutaekuri rivers.</p> <p>Hard edge protection using concrete blocks (Akmons) in high stress locations.</p>	<p>\$1.3M per year construction</p> <p>\$0.1M per year environmental enhancement</p>
2018 to 2028	<p>Upper Tukituki Scheme</p> <p>This includes river berm enhancement, habitat protection and improvement, and maintaining braided channels. This also includes consultation on reviewing the stopbank height.</p>	<p>\$1.3M over next 10 years</p>
2018 to 2022	<p>Upgrade the Napier open waterway network</p> <p>Perform ecological, cultural and recreational enhancement to the larger open waterways.</p>	<p>\$0.1M per year enhancement works and \$0.3M per year maintenance</p>
2019 to 2020	<p>Dredge Clive River</p> <p>Dispose of silt from the lower Clive riverbed to land or out to sea</p>	<p>\$0.9M</p>
2018 to 2028	<p>Open Spaces</p> <p>Further Regional Park development</p> <p>River berm management alternatives - stock removal, recreational opportunities</p>	<p>\$1.6M over next 10 years</p>



...and I want
to be proud to come back
to Hawke's Bay one day

Funding our future

This plan signals a step-change in Regional Council activity, particularly in the areas of land, water and biodiversity to achieve major results on-the-ground at pace and at scale.

There is increasing pressure on government (local and central) to deliver better environmental outcomes, and faster. The challenge for Council is to provide funding for its new strategic agenda, maintain a balanced operating budget and take into account the community's ability to pay.

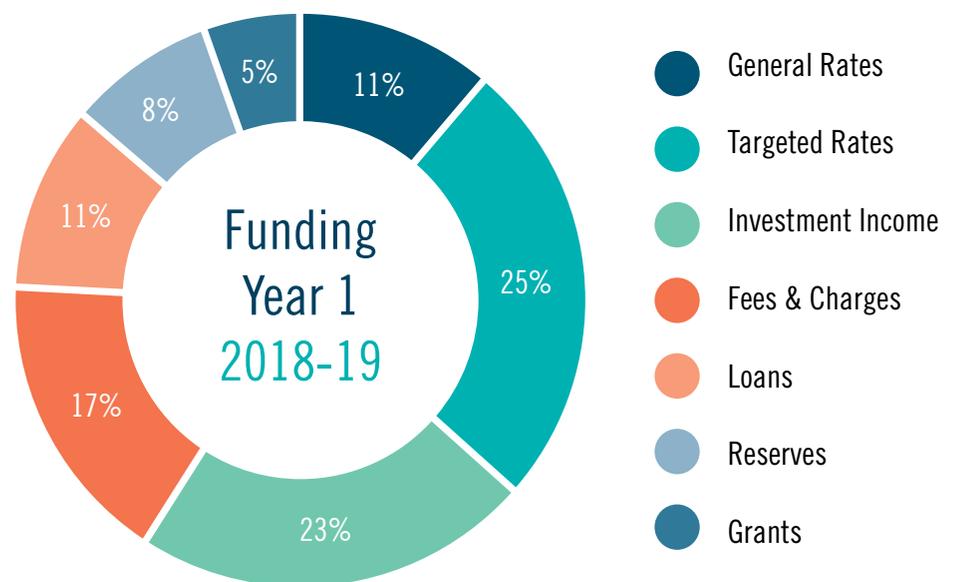
The financial strategy sets out the levers available to Council to accelerate and scale-up activity, and influence behaviour change to achieve its goals. This relies on shifting gear from the current incremental activity to deliver greater impact, sooner. Key financial levers include Council's funding mix (i.e. fees and charges, investment income, debt, external grant funding and rates), adjusting the balance of incentives and regulation, increasing internal capacity, and adjusting operating and capital expenditure.

Funding

Fees and charges provide around 20% of Council's annual funding requirement. This Plan includes a move to more directly charge the users of our services. We propose making changes to how we recover our science charges in favour of a more equitable split, to reduce higher charges in areas with a low number of consent holders.

Council has historically been able to keep General Rates at a minimum, as they are subsidised by investment income, effectively giving these returns back to the regional community. This investment income is derived from leasehold income, forestry returns and cash on term deposits as well as Council's ownership of Hawke's Bay Regional Investment Company Limited (HBRIC Ltd), which owns Napier Port.

Our investment strategy signals a change in direction. Council resolved in September 2017 not to invest any further capital into the Ruataniwha Water Storage project. \$50 million of the remaining cash funds - which had been set aside for the project - are now to be invested to be preserved and to provide investment income to help fund the increase to Council's operating activities.



We have analysed our existing operating expenditure and achieved cost savings where possible. Our finances, strategies, policies and other supporting information are online, at hbrc.govt.nz, search: #FOF1828

Your Rates

36% of our total funding comes from Targeted, General and UAGC (Uniform Annual General Charge) rates.

Given the scale of our proposals to increase activity and the ambition of this plan we are asking the whole community to help fund this step-change through an increase in the General Rate.

We propose a significant change to the way we allocate and collect our Economic Development rate, shifting a larger percentage of the cost to commercial ratepayers. This is intended to align the cost of the activity to those who benefit the most.

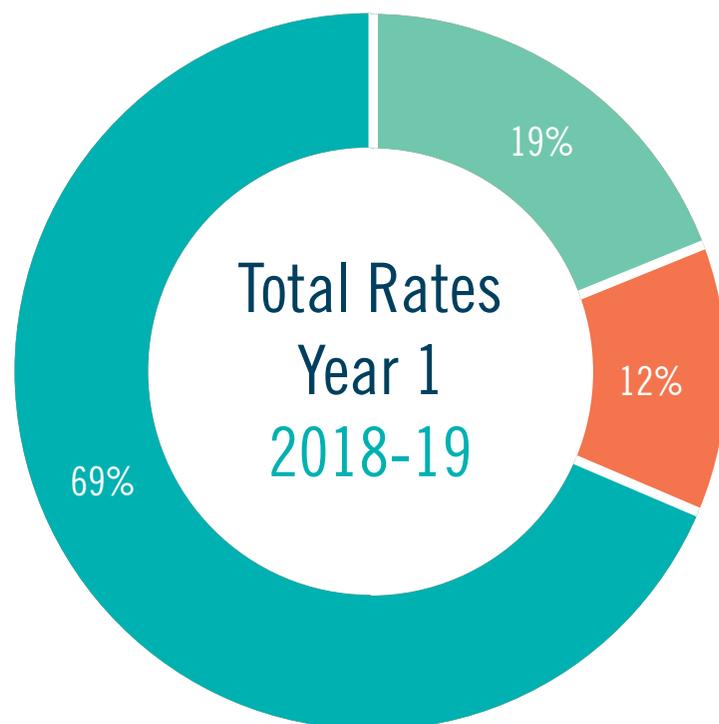
We are establishing a new rate targeted to Napier and Hastings residents to directly fund ongoing actions on the Coastal Hazards Strategy 2120.

We also propose to take full responsibility to collect the Civil Defence rate on behalf of the city and district councils in our region, which in itself represents a 5.2% rate increase.

Limits on Rates and Rate Increases

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

- Total rates revenue will not exceed 50% of the Councils annual revenue requirements
- Increases in the annual rate revenue requirement will not exceed 8% of the Regional Council's annual operating expenditure requirements.



10 Year rates overview

Year	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Rate increase (excluding CDEM regional rate)	13.80%	6.4%	6.1%	3.2%	3.4%	1.5%	2.8%	3.0%	4.5%	2.7%
CDEM regional rate	5.2%	-	-	-	-	-	-	-	-	-
Total rates increase from previous year	↑ 19.0%	↑ 6.4%	↑ 6.1%	↑ 3.2%	↑ 3.4%	↑ 1.5%	↑ 2.8%	↑ 3.0%	↑ 4.5%	↑ 2.7%

Homes on Napier hill.



Rates for Different Properties

Specific Proposed Rate Increases

To check the proposed table of rates for your individual property, go to hbrc.govt.nz, search: **#ratecomparison**

The overall proposed rate increase is 13.8% for our focus on environmental priorities and 5.2% for the regional Civil Defence rate.

Take a look at the average rate for the three main types of properties. A number of factors influence these rate levels, including the impact of valuations and the Council's policy on how the rates are shared across different types of properties. Individual rating policies are available in Council's Revenue and Financing Policy and the Funding Impact Statement.



Sample Properties	Capital Value	Land Value	Proposed Rates 2018-19	% Increase	Increase from 2017-18
<i>Taradale</i>	\$ 580,000	\$ 330,000	\$ 395.04	19.22%	\$ 63.70
<i>Napier Hill</i>	\$ 1,010,000	\$ 375,000	\$ 306.97	13.37%	\$ 36.19
<i>Napier South</i>	\$ 375,000	\$ 225,000	\$ 297.53	21.58%	\$ 52.81
<i>Flaxmere</i>	\$ 190,000	\$ 58,000	\$ 174.03	9.95 %	\$ 15.75
<i>Havelock North</i>	\$ 750,000	\$ 320,000	\$ 316.25	18.40 %	\$ 49.14
<i>Hastings</i>	\$ 430,000	\$ 200,000	\$ 334.50	11.49 %	\$ 34.47
<i>Central HB</i>	\$ 293,000	\$ 113,000	\$ 134.90	22.31 %	\$ 24.61
<i>Wairoa</i>	\$ 230,000	\$ 54,000	\$ 133.90	17.15 %	\$ 19.60



<i>Napier</i>	\$ 3,300,000	\$ 1,200,000	\$ 2,034.71	6.23 %	\$ 119.38
<i>Napier</i>	\$ 2,060,000	\$ 530,000	\$ 930.13	14.57 %	\$ 118.29
<i>Hastings</i>	\$ 5,650,000	\$ 1,390,000	\$ 3,529.71	19.90 %	\$ 585.92
<i>Hastings</i>	\$ 1,000,000	\$ 850,000	\$ 1,235.41	19.27 %	\$ 199.64
<i>Central HB</i>	\$ 195,000	\$ 40,000	\$ 147.24	38.66 %	\$ 41.05
<i>Wairoa</i>	\$ 235,000	\$ 45,000	\$ 231.64	40.00 %	\$ 66.18



<i>Hastings (346 ha)</i>	\$ 2,970,000	\$ 2,310,000	\$ 1,243.83	26.88 %	\$ 396.27
<i>Central HB (282 ha)</i>	\$ 2,020,000	\$ 1,150,000	\$ 1,631.27	24.23 %	\$ 318.12
<i>Wairoa (1,293 ha)</i>	\$ 4,170,000	\$ 3,650,000	\$ 5,694.95	17.25 %	\$ 837.70

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

Borrowing

The Regional Council has historically had very low external debt. In this plan we have focused on leveraging the balance sheet by borrowing more for larger, long-term projects that provide intergenerational benefits.

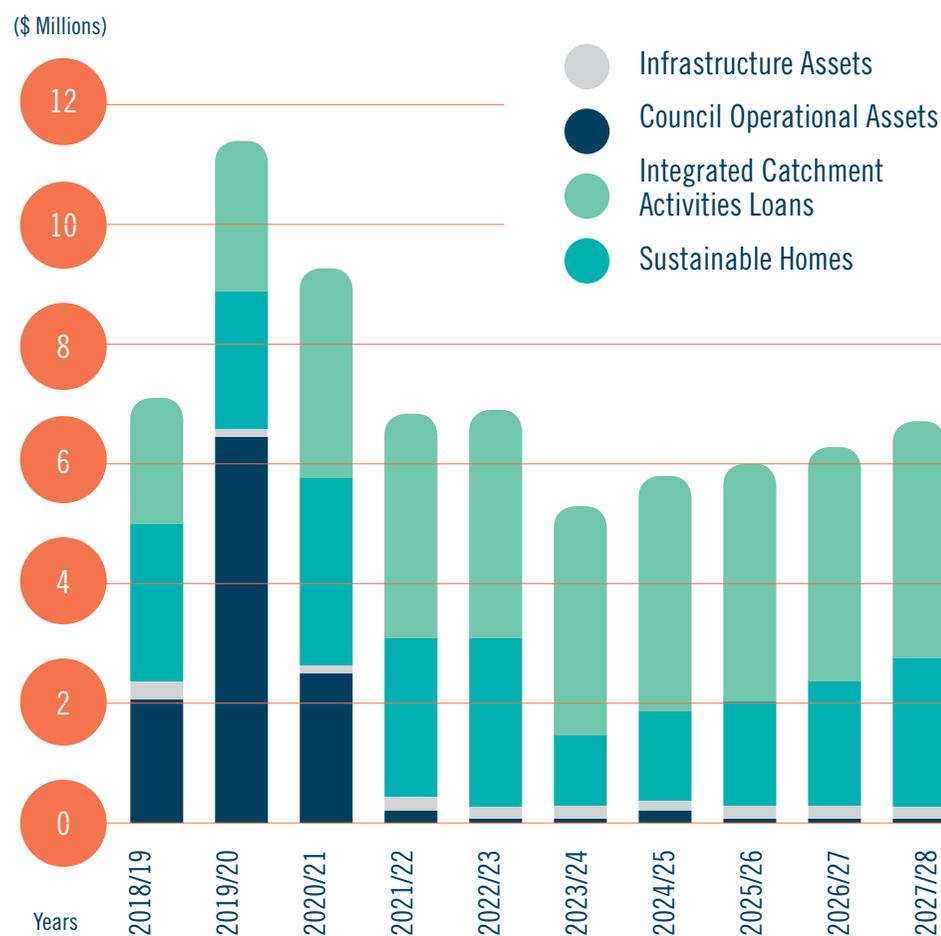
These include new borrowing of \$71M over ten years. Council is considering joining the Local Government Funding Agency (LGFA) scheme to access lower interest rates and more favourable terms and conditions.

After repayments, debt will increase to \$38M by year ten of the plan. This equates to 6.8% of equity which is still relatively conservative and well below our debt limit of 28%.

Limits on Debt

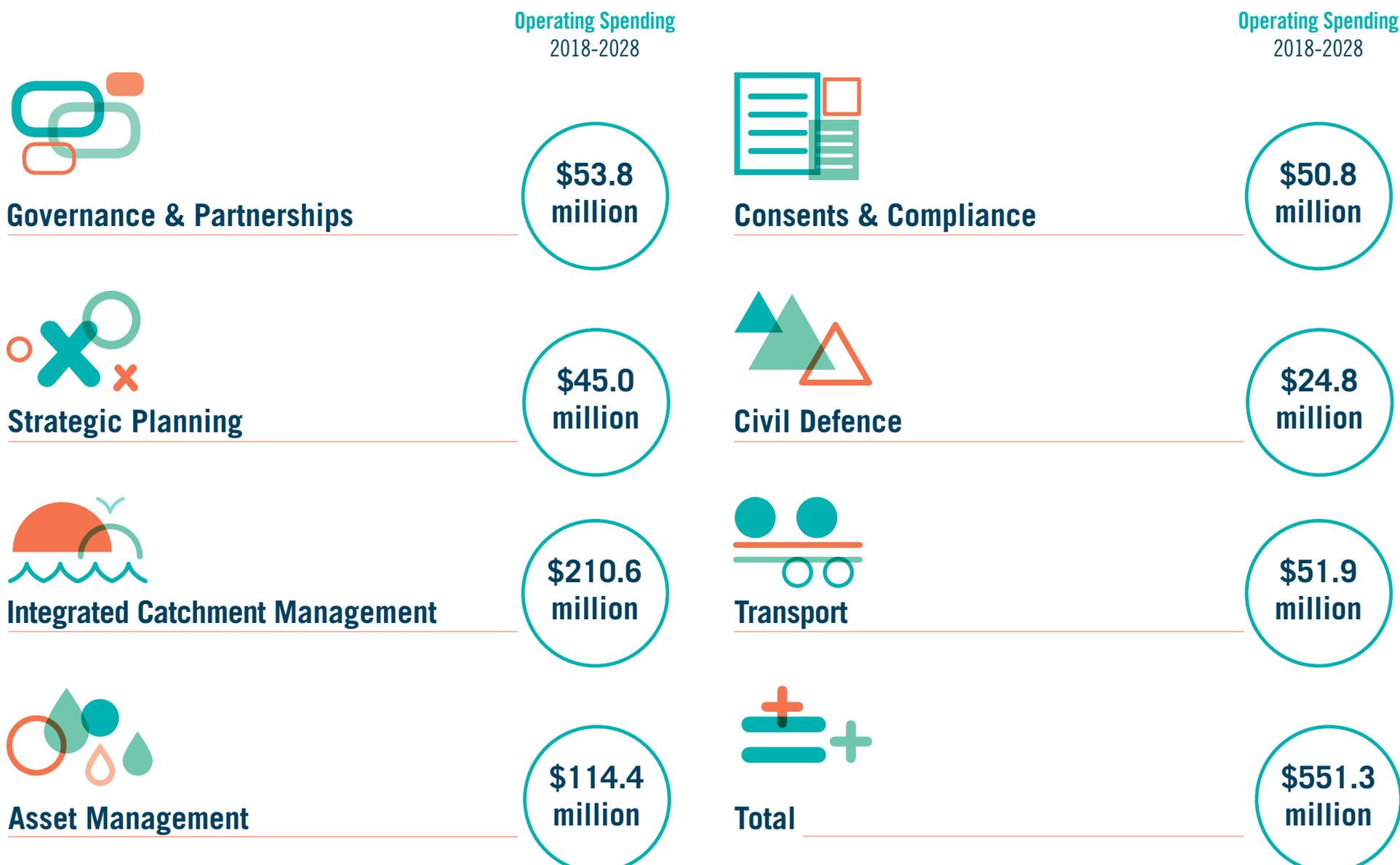
Council has two debt affordability limits which must be complied with:

- Debt to Equity ratio must not exceed 28%
- Interest to Total Operating Expenditure must not exceed 25%.



10 year budget at a glance

We have budgeted for a capital spend of \$67.9 million on Integrated Catchment Management and Asset Management over the next ten years.



Independent auditor's report on Hawke's Bay Regional Council's Consultation Document for its proposed 2018-28 Long-Term Plan

I am the Auditor-General's appointed auditor for the Hawke's Bay Regional Council (the Council). Section 93C of the Local Government Act 2002 (the Act) requires an audit report on the Council's consultation document. We have done the work for this report using the staff and resources of Audit New Zealand. We completed our report on 14 March 2018.

Opinion

In my opinion:

- the consultation document provides an effective basis for public participation in the Council's decisions about the proposed content of its 2018-28 long-term plan, because it:
 - fairly represents the matters proposed for inclusion in the long-term plan; and
 - identifies and explains the main issues and choices facing the Council and region, and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

Basis of Opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

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

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

Responsibilities of the Council and auditor

The Council is responsible for:

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

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

Independence

In carrying out our work, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised); and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended).

In addition to this report on the Council's consultation document and all legally required external audits, we have provided an assurance report on certain matters in respect of the Council's Debenture Trust Deed, and an agreed upon procedures assignment relating to a contract with the Accident Compensation Corporation. These assignments are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Council or any of its subsidiaries.



Stephen Lucy

Audit New Zealand

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



Did you know?



90% of Hawke's Bay's 200 lakes are privately owned



22 of 58 remaining ecosystems are threatened (less than 30% of original area left)



Rex Graham
HASTINGS
Chair



Rick Barker
HASTINGS
Councillor



Paul Bailey
NAPIER
Councillor



Peter Beaven
NGARURORO
Councillor



Tom Belford
HASTINGS
Councillor



Alan Dick
NAPIER
Councillor



Debbie Hewitt
CENTRAL HAWKE'S BAY
Councillor



Neil Kirton
NAPIER
Councillor



Fenton Wilson
WAIROA
Councillor

Our vision *We want*



HEALTHY
ENVIRONMENT



VIBRANT
COMMUNITY



PROSPEROUS
ECONOMY

Our purpose *We work*

with our community to protect and manage the region's precious **taonga of rivers, lakes, soils, air, coast** and **biodiversity for health, wellbeing** and **connectivity**.

Our Focus *We prioritise*

Water quality, safety and certainty

Kia kounga, kia haumaru, kia pūmau te pai o te wai

Smart, sustainable land use

Kia koi, kia ukauka te whakamahinga o te whenua

Healthy and functioning biodiversity

Kia ora, kia mahi tika te kanorau koiora

Sustainable services and infrastructure

Kia ukauka ngā ratonga me ngā hanganga ā-rohe

Our values *We believe in*

○ Partnership and Collaboration

we work with our community in everything we do

○ Accountability

we hold ourselves to account to deliver results, be responsive to community expectations, and the best use of ratepayers' funds and assets

○ Transparency

we report on what we do and the value this delivers for our community

○ Excellence

we set our sights and expectations high, and never stop striving to do better

Have your say

ON THE FUTURE OF OUR REGION

Share your views. Tell us about the kind of future you want to see and what you value most from our proposals. Turn up at one of our community meetings between 19 March and 23 April.

There are a number of ways to give feedback:

Online

Give us written feedback online at hbrc.govt.nz, search: #FOF1828

In person

Come and talk to us at one of our community events. This is an opportunity for you to give feedback in person and be heard by our Councillors.

There are SEVEN meetings across the region – details to the right.

Social media

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

- our Facebook page: [hbregionalcouncil](https://www.facebook.com/hbregionalcouncil)
- send a text to 027 445 8290, start your text with “FOF1828”

In writing

Written submissions can be emailed to ourplan@hbrc.govt.nz or posted to:

Facing our Future 2018-28
c/- Hawke's Bay Regional Council
Private Bag 6006, Napier 4142.

Look for our displays at local libraries and Regional Council offices in Napier and Wairoa.

Meeting Dates

Havelock North

4 APRIL
Wednesday | 6-8pm

Porters Hotel,
Triple Peaks Room,
Te Aute Road

Te Taiwhenua o Heretaunga

5 APRIL
Thursday | 6-8pm

821 Orchard Road,
Hastings

Napier Conference Centre

9 APRIL
Monday | 6-8pm

Marine Parade,
Napier

Taradale Town Hall

10 APRIL
Tuesday | 6-8pm

Cnr Lee & Meeanee Roads,
Taradale

Waipawa Town Hall

11 APRIL
Wednesday | 6-8pm

18 Kenilworth Street,
Waipawa

Karamu High School

12 APRIL
Thursday | 6-8pm

Windsor Avenue,
Hastings

Wairoa War Memorial Hall

19 APRIL
Thursday | 6-8pm

97-103 Queen Street,
Wairoa

Have we focused our efforts in the right areas? Tell us what you think and if we've missed anything important.

Go to hbrc.govt.nz for everything you need, including this version of Facing our Future 18-28, the Supporting Information and how to give us your feedback online.

If you have any questions, drop an email to ourplan@hbrc.govt.nz

How long have I got?

We need all your feedback by 4pm on Monday 23 April 2018. This includes online, email, hand-delivered and posted submissions.