

HELP US SHAPE OUR ANNUAL PLAN 2016-17

A message from the Chair and Interim Chief Executive.

Over the last twelve months we have been working hard to progress the priorities and resourcing outlined in the Long Term Plan 2015-25.

We continue to have a strong focus on collaboration and an ongoing desire to push Hawke's Bay ahead of other regions. Hawke's Bay Regional Council is this region's environmental management and economic development authority.

The Regional Council is all about the wise use of Hawke's Bay's natural resources, now and for generations to come. HBRC is also all about the people of this region, employing a passionate team of around 170 staff who live all over Hawke's Bay and take pride in the work undertaken on behalf of the region.

HBRC takes a leadership role in the areas of:

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

Please read the following information on HBRC's proposed amendment to the Long Term Plan 2015-25. Also take a moment to be updated on HBRC's proposed variations relating to this year's Annual Plan 2016-17.

Fenton Wilson
Chairman



Liz Lambert
Interim Chief Executive



We want to ensure that residents and ratepayers are well informed and get to have their say. Have a look at what we are proposing and please feel free to contact us if you have any questions.



We all know Hawke's Bay is a great place to live.
Help Us Make It Even Better.


HAWKE'S BAY
REGIONAL COUNCIL

AMENDMENT TO THE LONG TERM PLAN 2015-25

Last year HBRC consulted on its Long Term Plan 2015-25 and then - after consultation - adopted it. The detailed document is online at hbrc.govt.nz. HBRC must also consult on any amendments to its Long Term Plan.

Environmental Flows Proposal

In relation to HBRC's Long Term Plan 2015-25, this proposal identifies a significant change to the intended level of service previously identified under 'Water Management'. This proposal is not contained in the 2015-25 Long Term Plan, so requires an amendment to the Long Term Plan and special consultation. It also relies on other conditions to be met before HBRC can proceed further. HBRC believes there are three options for public consideration:

Option A - Gives HBRC 34 million m³ water free for seven years and then the requirement to purchase 4 million m³ per year for environmental flows at a preset price, with a total cost of \$36.9 million over 35 years (see below).

Option B - HBRC purchases additional water in future at market rates, to satisfy environmental flows, at an unknown cost (see below).

Option C - No provision is made for environmental flows, with no cost to HBRC (see below).

The purchase of these flows is in addition to the 4 million m³ of water required to be provided by the Ruataniwha scheme for flushing flows as part of its resource consent conditions.

This proposal assumes that the Ruataniwha scheme will proceed. Acceptance is conditional on confirmation from Deloitte that cashflows to council from the scheme will cover the costs of water purchase.

The biggest issue for HBRC this year is whether to amend the Long Term Plan 2015-25 to take advantage of the opportunity to purchase water from the Ruataniwha Water Storage Scheme, for use to improve the Tukituki catchment.



OPTION A

Current Situation Analysis

After considering your comments, and if agreed to by council, this amendment to HBRC's Long Term Plan would commit HBRC to a Foundation Water User Agreement. It would also commit HBRC to a higher level of service - to deliver a programme that identifies and quantifies the benefits of various projects that could use increased environmental freshwater flows for habitat and ecosystem enhancement.

It is assumed that the agreement would start in 2016-17 and that environmental flows would begin in year four, i.e. 2019-20, when the dam is completed.

This option advocates that HBRC signs a tailored 35 year Foundation Water User Agreement to:

- For the first ten years, get up to 34 million m³ free in total - to provide for a variety of environmental enhancements. That is 8 million m³ in year four, 6 million m³ in year five and 4 million m³ in the years that follow.
- From year eleven (2026-27), get 4 million m³ per year, and pay at a price agreed now
- Get the agreed starting price at contractual close of 23.5 cents per m³, increasing at a Consumer Price Index (CPI) adjusted rate assumed to be 2% per year.

The signing of a Foundation Water User Agreement would create a commitment to take and pay for water at a preset price. Funding for environmental flows will be sourced from HBRC's operating budget, which receives dividends from both Napier Port and the Ruataniwha scheme (should it proceed) to be re-applied to environmental projects, among other things. This option offers an inter-generational opportunity for HBRC to achieve one of the objectives in the Tukituki Catchment policy: to maintain or enhance the habitat and health of ecosystems, macroinvertebrates, native fish and trout.

Advantages of this approach

As a foundation water user, HBRC would receive the best water price path certainty over the life of the agreement, including discounts. Benefits in the Tukituki catchment include increased flows in small streams for fish habitat refuges, flushing and flow gains in Lake Whatuma, increased frequency of flushing flows for the Makaroro, Waipawa and Tukituki rivers, and river mouth openings over and above those provided for in Ruataniwha scheme consents.

The earlier that water sales uptake is achieved, the

earlier HBRC's investment company will receive cash contributions. If the 4 million m³ is not required from 2026-27 then there would be an opportunity, depending on the market at the time, to sell this water to other water users.

Disadvantages of this approach

The public will be asked to make a commitment before the precise projects are fully identified and prioritised. The public will, however, have opportunity at a later date to submit on prioritising projects nearer to the time of implementation.

OPTION B

Current Situation Analysis

This option would result in HBRC competing with other water users, at market rates, for additional water to aid environmental flows in any given year.

Advantages of this approach

This option would not commit HBRC to a water user agreement.

Disadvantages of this approach

Future needs would be met by purchasing water at market rates from 2019-20 and in subsequent years. This option would not provide certainty that HBRC could improve freshwater flows outside of the main Tukituki River channel, beyond those already consented. This could be at a higher cost to HBRC than proposed in Option A. Securing additional water would be subject to the uncertainty of annual funding and consultation decisions being required.

OPTION C

Current Situation Analysis

This option would give no opportunity to access flows for additional environmental enhancement, via the Ruataniwha scheme.

Advantages of this approach

This option would have no cost implications to HBRC.

Disadvantages of this approach

This would be a lost opportunity to access flows for environmental enhancement.

Long Term Plan Alterations

The Long Term Plan 2015-25 must be altered in the following ways before this amendment could take effect:

- Changes to the 'level of service' for Water Management - the group of activities under Regional Resources
- Clarification in the Financial Strategy
- Changes in the financial accounts, in particular the balance sheet and operating statement from the year of water uptake (2019-20).

Supporting Documents

The Long Term Plan Amendment Proposal is online at hbrc.govt.nz, keyword: #consultations. A copy is available at HBRC's 159 Dalton Street, Napier office. It can also be requested from HBRC by calling 06 835 2632, leaving your name and postal address or email details.

Long Term Plan Amendment

Options:

A. Accept this amendment to the Long Term Plan 2015-25, committing HBRC to purchase 4 million m³ per year for environmental flows at a preset price from 2026-27, acknowledging that the first ten years are free. The annual estimated cost to HBRC would be \$940,000 in 2016 dollars, with a total cost over 35 years of \$36.9 million.

B. Decline this amendment to the Long Term Plan 2015-25, and in future purchase additional required water at market rates, from 2019-20 and the years that follow.

C. Decline this amendment to the Long Term Plan 2015-25, making no provision for environmental flows and at no cost to HBRC.

HBRC's preferred option is A. Council believes that the ability to lock a strong environmental flow component into the Ruataniwha scheme, up front, will deliver the best long-term benefits to the Tukituki catchment and downstream communities.

What do you think - what option do you prefer?

ANNUAL PLAN PROPOSALS 2016-17

The 2016-17 Annual Plan comes into play from 1 July, with four areas of variation to consult with you: managing and monitoring land, fit for purpose Regional Council, Wellington leasehold land, and timing of investment cashflows.

These contribute to a proposed rate increase of 4.95% - reduced from the 5.69% originally forecast for the 2016-17 year.

Example Properties	Capital Value	Land Value	2016/17 Proposed Rates	Increase from 2015/16
Residential				
Taradale	\$430,000	\$230,000	\$306.15	\$ 8.29
Napier Hill	\$520,000	\$340,000	\$237.70	\$ 4.97
Napier South	\$245,000	\$155,000	\$223.49	\$8.01
Flaxmere	\$170,000	\$64,000	\$154.99	\$9.00
Havelock North	\$660,000	\$255,000	\$233.93	\$7.90
Hastings	\$390,000	\$160,000	\$271.03	\$11.33
Central HB	\$293,000	\$113,000	\$93.49	\$3.91
Wairoa	\$230,000	\$54,000	\$98.66	\$5.85
Commercial				
Napier	\$3,100,000	\$860,000	\$1,719.39	\$64.11
Napier	\$1,710,000	\$530,000	\$701.45	\$35.77
Hastings	\$910,000	\$670,000	\$931.51	\$39.79
Hastings	\$970,000	\$385,000	\$712.17	\$37.67
Central HB	\$195,000	\$40,000	\$ 91.63	\$2.56
Wairoa	\$235,000	\$45,000	\$141.39	\$9.17
Rural (> 4 ha)				
Hastings (346 ha)	\$2,080,000	\$1,580,000	\$1,283.32	\$50.62
Central HB (282 ha)	\$2,020,000	\$1,150,000	\$1,214.43	\$63.47
Wairoa (1043 ha)	\$2,802,000	\$2,682,000	\$3,571.61	\$131.63

Table 1 Rates Comparison for Specific Properties

1. Managing and Monitoring Land

HBRC's land management team help the region's rural land users. They are also under pressure to help land users adapt. Nationally and locally there is much more emphasis on the health of our rivers and other freshwater bodies, like aquifers and lakes. For this reason, HBRC proposes to add another person to the team to meet growing service demands.

2. Fit for Purpose Regional Council

Hawke's Bay Regional Council is a best-practice regional authority. HBRC wants to continue to maximise investments in technology to keep in step with industry and community expectations.

To help technology staff to focus on high-value activities, HBRC is moving to an all-of-government-based 'hosted infrastructure' approach. This shifts the focus to refining business processes and automation, and improves online services to deliver long-term cost savings and efficiencies. It means the community can reach out online where and when they want, from any device, more quickly and easily. For HBRC it also means better speed, quality, data-accuracy and processing.

3. Wellington Leasehold Property

It was planned to sell HBRC's Wellington leasehold properties in 2016-17, but the financial return on this investment is performing well.

HBRC wants to defer the sale of these properties for 2-3 years, and instead raise any funding needed for proposed investments by borrowing.

4. Timing of Investment Cashflows

The Ruataniwha water storage scheme has been in development for longer than expected. HBRC has already consulted with the community and agreed to invest up to \$80 million as part of the Long Term Plan process. There is no change to this.

However there have been time delays towards reaching 'financial close' for the Ruataniwha scheme, for a number of reasons beyond the control of HBRC's investment company. The rate of drawdown of funds varies from that originally forecast. For example, for 2016-17 the Long Term Plan included \$22 million cashflow, where this Annual Plan now proposes that \$38 million will be drawn down in 2016-17. This is a consequence of project timing. It does not affect HBRC's overall level of investment in the scheme, which remains at up to \$80 million.

1

Managing & Monitoring Land

Options:

A. Keep the team at the same size - manage demand by priority, dealing with the most pressing problems

B. Add one extra person to the land management team in response to growing demand from land users
HBRC's preferred option is B. The cost of an extra person for 2016-17 can be funded from the existing Regional Landcare Scheme budget, at no extra cost to ratepayers. Budget provision has already been made for the 2017-18 year and beyond.

What do you think - what option do you prefer?

2

Fit for Purpose Regional Council

Options:

A. Council maintains current investment levels, with minimal customer service improvements

B. HBRC invests to modernise regulatory systems (\$75k), automate business processes and transactional services (\$40k), move to hosted infrastructure (\$100k) and maintain continuous improvement programme (\$25k)

HBRC's preferred option is B.

What do you think - what option do you prefer?

3

Wellington Leasehold Property

Options:

A. Council retains ownership of its Wellington leasehold properties

B. HBRC sells off Wellington leasehold properties to invest the funds in other initiatives

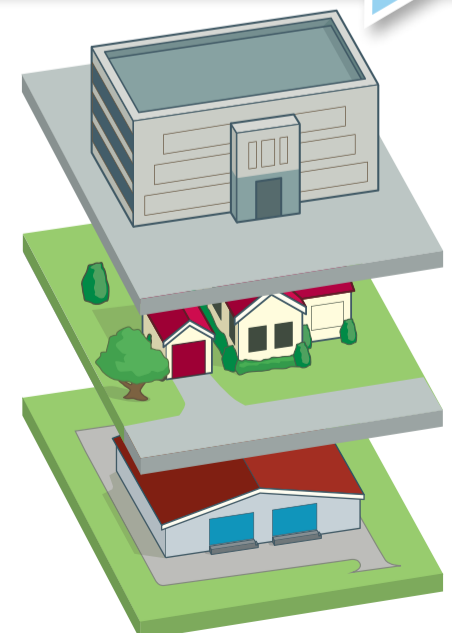
HBRC's preferred option is A.

What do you think - what option do you prefer?

4

Return on Investment

HBRC wants the community to be aware of this matter, since it differs to the Long Term Plan.



MAKE A SUBMISSION

These proposals are open for public consultation from Monday 11 April until 4pm on Friday 13 May 2016. Aside from these matters, you can use this opportunity to comment on any area of HBRC's work. Here is how to give feedback:

Online:

Give written feedback online at hbrc.govt.nz.

In person:

Come along to a 'Have Your Say' event. Give feedback in person, be heard by council's decision-makers and find out how to submit. There are four events in early May.

Go to hbrc.govt.nz or call **0800 108 838** and ask to speak to **Drew Broadley**, if you have any questions.

See also 'Once Submissions Close'.

Social media:

Your comments on social media will be considered as written feedback:

tweet @hawkesbayrc

post to Facebook: hbregionalcouncil

text 027 445 8290, start your text with "OurPlan"

In writing:

Send written submissions to:

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



Supporting documents:

Go to hbrc.govt.nz for everything you need including this version of Our Plan 2016-17, supporting information, and how to give your feedback online. If you have any questions, drop an email to ourplan@hbrc.govt.nz.

Once submissions close:

Submitters who wish to speak to their submission will have the opportunity to be heard on Wednesday 8 June 2016.

Deliberation on all submissions will then take place during June. The Annual Plan 2016-17 will be adopted by Council on 29 June 2016.

'Have Your Say' events

NAPIER

2 MAY

Napier HB Regional Council
159 Dalton Street
Monday, 5-7pm

HAVELOCK NORTH

2 MAY

Havelock North Community Centre
30 Te Mata Road
Monday, 2-4pm

WAIPUKURAU

4 MAY

Central HB College
Tavistock Road, Waipukurau
Wednesday, 4-6pm

WAIROA

5 MAY

Wairoa War Memorial Hall
97-103 Queen Street
Thursday, 3-5pm

AUDIT OPINION

To readers of Hawke's Bay Regional Council's consultation document Independent auditor's report on the proposed amendment of the 2015-25 Long Term Plan

I am the Auditor-General's appointed auditor for the Hawke's Bay Regional Council (the Council). I have audited the information in the consultation document about the proposed amendment of the 2015-25 Long Term Plan, using the staff and resources of Audit New Zealand.

We have audited the proposed amendment as described on page 2 of the consultation document.

We completed our audit on 30 March 2016.

Opinion

In our opinion:

- the information in the consultation document about the proposed amendment of the long-term plan provides an effective basis for public participation in the Council's decisions about the proposed amendment, because it:
- fairly represents the reasons for and implications of the proposed amendment; and
- identifies and explains the main issues and choices facing the Council and the Hawke's Bay region, related to the proposed amendment; and
- the information and assumptions underlying the information in the consultation document related to the proposed amendment are reasonable.

Basis of Opinion

Our audit work was carried out in accordance with the Auditor-General's Auditing Standards and:

- International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other*

Than Audits or Reviews of Historical Financial Information; and

- International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information.*

Our audit work involved assessing the evidence the Council has to support the information and disclosures.

To select appropriate audit procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the proposed amendment.

We did not, as part of our audit work, 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 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 that meet the purposes set out in the Local Government Act 2002 (the Act); and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

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

Independence and quality control

In carrying out our audit, 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).

Other than our work in carrying out all legally required external audits and assurance engagements, we have no relationship with or interests in the Council or any of its subsidiaries.

Stephen Lucy, Auditor General

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

AUDIT NEW ZEALAND

Mana Arotake Aotearoa